EXHIBIT "J"

This is Exhibit "J"
to the affidavit of Peter A.M. Kalins,
sworn before me on the 2nd day
of January, 2012

Yannick Katirai

Commissioner for Taking Affidavits

Yusuf Yannick Katirai, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires April 12, 2013.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Timminco Limited

We have audited the accompanying consolidated financial statements of Timminco Limited, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation 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 Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Timminco Limited as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $74.8 million and $134.2 million during the years ended December 31, 2010 and 2009. The Company has also been named as a defendant in a class action lawsuit, the outcome and timing of which is uncertain as indicated in Note 18. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Ernst + Young LLP

Toronto, Canada
March 25, 2011

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

See Note 1 regarding Going Concern

As at December 31	2010	2009
(in thousands of Canadian dollars)		
ASSETS		
Current Assets		
Cash and cash equivalent	$ 8,076	$ 1,170
Restricted cash (Note 16)	105	–
Accounts receivable (Note 16)	13,984	11,007
Due from related companies (Note 12)	967	209
Inventories (Note 4)	29,368	39,797
Finished goods consigned to related company (Note 12)	4,358	8,090
Prepaid expenses and deposits	1,531	1,494
	58,389	61,767
Long term receivables	1,275	1,282
Long term inventories (Note 4)	3,046	26,769
Property, plant and equipment (Notes 5 and 7)	83,608	91,396
Investment in Applied Magnesium	222	222
Employee future benefits	3,140	939
Future income taxes (Note 15)	2,283	2,831
Intangible assets (Notes 6 and 7)	4,919	7,875
Goodwill (Note 7)	12,352	16,827
	$ 169,234	209,908
LIABILITIES		
Current Liabilities		
Bank indebtedness (Note 8)	$ –	$ 40,315
Accounts payable and accrued liabilities (Note 16)	20,426	19,627
Deferred revenue	5,854	9,605
Due to related companies (Note 12)	2,328	5,991
Future income taxes (Note 15)	335	455
Current portion of long term liabilities (Note 9)	2,604	39,158
Current portion of long term provisions (Note 10)	3,679	5,132
	35,226	120,283
Due to related companies (Note 12)	16,199	–
Long term liabilities (Note 9)	25,028	128
Employee future benefits (Note 11)	20,360	20,118
Future income taxes (Note 15)	1,948	2,376
Long term provisions (Note 10)	9,015	6,266
	107,776	149,171
Non-controlling interest (Note 14)	41,574	–
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	311,523	285,951
Equity component of convertible notes (Note 12)	217	217
Contributed surplus (Note 13(c))	21,323	12,996
Deficit	(313,179)	(238,427)
	19,884	60,737
	$ 169,234	$ 209,908

The accompanying notes are an integral part of these consolidated financial statements.
See Note 18 regarding Commitments, Contingencies and Guarantees

On behalf of the Board:

(signed) Dr. Heinz C. Schimmelbusch
Director

(signed) Mickey M. Yaksich
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Years ended December 31	2010	2009
(in thousands of Canadian dollars, except for loss per share information)		
Sales	$ 132,997	$ 104,568
Expenses		
Cost of goods sold (Note 4)	155,807	141,708
Selling and administrative	25,218	29,038
Amortization of property, plant and equipment	8,319	13,212
Amortization of intangible assets	2,827	2,085
Interest (Notes 8, 9 and 12)	7,210	7,434
Foreign exchange gain	(1,421)	(7,310)
Loss before the undernoted	(64,963)	(81,599)
Impairment of long lived assets (Note 7)	(7,567)	(39,039)
Reorganization costs (Note 10)	(506)	(4,293)
Environmental remediation costs (Note 10)	(1,091)	(1,627)
Loss on disposal of Magnesium Division	–	(1,109)
Realized foreign exchange loss on Fundo investment bankruptcy	–	(698)
Impairment of investment in Applied Magnesium	–	(4,077)
Loss before income taxes	(74,127)	(132,442)
Income tax expense (Note 15)		
Current	27	56
Future	–	1,724
	27	1,780
Net loss before non-controlling interest	$ (74,154)	$ (134,222)
Non-controlling interest	598	–
Net loss	(74,752)	(134,222)
Other comprehensive loss, net of income taxes		
Realized foreign exchange loss on Fundo bankruptcy	–	698
Realized foreign exchange loss on the disposal of the Magnesium Group	–	170
Comprehensive loss	$ (74,752)	$ (133,354)
Loss per common share—basic and diluted	$ (0.40)	$ (1.09)
Weighted average number of common shares outstanding—basic and diluted (Note 13(b))	184,167,420	123,447,806

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

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31	2010	2009
(in thousands of Canadian dollars)		
Deficit, beginning of year	$ (238,427)	$ (104,205)
Net loss	(74,752)	(134,222)
Deficit, end of year	$ (313,179)	$ (238,427)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31	2010	2009
(in thousands of Canadian dollars)		
Cash flows from (used in) operating activities		
Net loss	$ (74,752)	$ (134,222)
Adjustments for items not requiring cash		
Amortization of property, plant and equipment	8,319	13,212
Amortization of intangible assets	2,827	2,085
Non-controlling interest	598	–
Net realizable value provision for inventories (Note 4)	27,218	9,377
Interest expense	1,773	–
Accretion of convertible debt	199	759
Stock-based compensation (Note 13(c))	8,327	7,927
Financing costs expensed	466	425
Reorganization costs (Note 10)	506	4,293
Provision for contract termination claims (Note 10)	2,206	–
Provision for environmental remediation (Note 10)	490	1,098
Accretion of environmental remediation costs (Note 10)	600	529
Benefits plan expense	3,878	4,908
Unrealized foreign exchange gain	(1,200)	(51)
Impairment of long lived assets	7,567	39,039
Future income taxes	–	1,724
Loss on disposal of Magnesium Division	–	1,109
Impairment of investment in Fundo	–	698
Impairment of investment in Applied Magnesium	–	4,077
Accrued employee future benefits paid	(6,343)	(4,299)
Expenditures charged against long term provisions (Note 10)	(2,000)	(4,413)
Change in non-cash working capital items		
Increase in restricted cash	(105)	–
Decrease (increase) in accounts receivable	(2,977)	23,596
Decrease in inventories	10,666	8,198
Increase in prepaid expenses and deposits	(37)	(68)
Increase (decrease) in accounts payable and accrued liabilities	95	(15,810)
Decrease in deposits	–	(206)
Increase (decrease) in deferred revenue	(3,751)	9,605
	(15,430)	(26,410)
Cash flows from (used in) investing activities		
Capital expenditures (Note 5)	(2,797)	(39,752)
Development costs capitalized (Note 6)	–	(5,656)
Decrease in short term investments	–	116
Investment in Applied Magnesium	–	100
Decrease in long term receivable	–	47
Proceeds on disposal of property, plant and equipment (Note 12)	–	4,821
Other	–	170
	(2,797)	(40,154)
Cash flows from (used in) financing activities		
Issuance of common shares (Note 13)	12,434	44,151
Issuance of convertible bond (Note 9)	1,043	–
Decrease in bank indebtedness (Note 8)	(40,315)	(11,124)
Term loan, net	–	24,575
Decrease in long term liabilities	(793)	(54)
Increase in loans from related companies (Note 12)	11,788	6,041
Funding from non-controlling interest	40,976	–
	25,133	63,589
Increase (decrease) in cash during the year	6,906	(2,975)
Cash and cash equivalents assumed by Applied Magnesium	–	(367)
Cash and cash equivalents, beginning of year	1,170	4,512
Cash and cash equivalents, end of year	$ 8,076	$ 1,170
Supplemental cash flow information		
Cash paid during the year:		
Interest	$ 3,853	$ 3,691
Income taxes	$ 9	$ 63

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(in thousands of Canadian dollars, except per share amounts)
Years ended December 31, 2010 and 2009

1. Going Concern

The consolidated financial statements of Timminco Limited ("Timminco" and, collectively with its consolidated subsidiaries, the "Company") have been prepared on a going concern basis, which contemplates the Company having sufficient liquidity to realize its assets and to discharge its liabilities in the normal course of business for the foreseeable future. However, the Company incurred net losses of $74.8 million and $134.2 million for the years ended December 31, 2010 and 2009, respectively. In addition, Timminco has been named as a defendant in a proposed class action lawsuit and, while the timing and outcome of such lawsuit are uncertain, the amount of any damages awarded could be substantial (see Note 18).

In the fourth quarter 2010, the Company fully repaid borrowings under its credit agreement with Bank of America and established a new senior revolving credit facility with Bank of America for a further three years, and extended the term of both its term debt due to Investissement Québec and its convertible loan from AMG Advanced Metallurgical Group. However, the Company has not achieved a level of sustained profitability and positive cash generation to operate without a revolving credit facility, which the Company requires in order to finance working capital requirements, to fund long-term obligations relating to reorganization costs, retirement benefits, contract termination settlements and environmental remediation and to provide a liquidity buffer (see Notes 16,17 and 18).

Accordingly, the Company's ability to continue as a going concern is subject to achieving a level of sustained profitability and positive cash generation which is subject to significant uncertainty and without which the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements (see also Notes 16 and 17).

2. Nature of Operations

The Company is a global supplier of silicon metal for the electronics, chemical and aluminum industries and solar grade silicon for the solar industry. Up to September 30, 2010, these operations were conducted through the Company's wholly-owned subsidiary Bécancour Silicon Inc. ("Bécancour Silicon") and effective October 1, 2010, through Bécancour Silicon and its majority-owned subsidiary Québec Silicon Limited Partnership ("Québec Silicon"). These operations constitute the Company's principal business segment known as the "Silicon Group".

Prior to July 22, 2009, the Company had another principal business segment, known as the "Magnesium Group", which involved the production and the sale of magnesium extruded and fabricated products and specialty non-ferrous metals. Effective July 22, 2009, the Company no longer directly controlled and operated the Magnesium Group as a segment.

AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder of the Company (see Note 12).

See Note 17 for a discussion of the Company's liquidity and capital management strategy.

3. Summary of Significant Accounting Policies and Change In Accounting Policy

Basis of consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of Timminco and all of its subsidiaries. The Company consolidates subsidiaries that it controls through voting interests and also consolidates Variable Interest Entities ("VIEs") that are subject to control on a basis other than through ownership of a majority of voting interests. Intercompany transactions are eliminated on consolidation.

Investments in companies which the Company is able to significantly influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses less dividends.

The Company uses the cost method to account for equity investments where the Company does not have significant influence.

Use of estimates

The preparation of the Company's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses for the reporting period. Due to the inherent uncertainty involved with making such estimates, actual results reported in future periods could differ from those estimates. Significant estimates include provisions for environmental remediation, goodwill impairment, long lived asset impairment, economic lives of mining assets and mine closure and site remediation costs, valuation allowance of future income tax assets, valuation of inventories, pension asset returns and employee future benefit discount rates. In arriving at these estimates, management consults with outside experts as it deems necessary.

Foreign currency translation

The Company's functional currency is the Canadian dollar. Foreign currency transactions are translated into Canadian dollars at rates in effect at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at each year end. Exchange gains or losses are included in net loss (for the year ended December 31, 2010—$1,322 gain; 2009—$4,756 gain).

The assets and liabilities of the Company's integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year end rates of exchange, non-monetary assets and liabilities are translated at historic rates of exchange and income statement items are translated at average rates prevailing during the year. Exchange gains and losses are of a current nature and are included in income (for the year ended December 31, 2010—$nil; 2009—$948 gain).

The assets and liabilities of the Company's self-sustaining foreign operations are translated using the exchange rate in effect at the year end and revenues and expenses are translated at the average rate during the year. Exchange gains and losses on translation of the Company's net equity investment in these operations are deferred as a separate component of comprehensive income.

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included in the consolidated balance sheets and are measured at fair value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is derecognized or impaired. The Company has classified its cash and cash equivalents, which includes highly liquid marketable securities with less than 90 days to maturity at the time of purchase, as held-for-trading. Short term investments, which include marketable securities with maturities of three months or more at the time of purchase, are classified as held-for-trading. Receivables are classified as loans and receivables. Forward foreign exchange contracts, included in prepaid expenses and deposits are classified as held-for-trading. Unrealized gains and losses from the translation into Canadian dollars of a foreign equity accounted investment are presented as a separate component of other comprehensive income (loss). Accumulated other comprehensive income (loss) is presented as a separate component of shareholders' equity in the consolidated balance sheets. Accounts payable and accrued liabilities, short-term debt and long term debt, including interest payable, are classified as other financial liabilities.

Financial instruments such as bonds and debentures convertible at the holder's option into common shares of the Company take the form of a debt security but include both liability and equity components. On initial recognition of this type of financial instrument, the carrying amount ascribed to the holder's right of conversion is presented as a separate component of shareholders' equity on the consolidated balance sheet. The fair value of the liability component is determined based on discounted cash flows. The equity component is the residual difference between the proceeds and the fair value of the liability component. Interest expense on the liability component is determined using the effective interest rate method.

Derivatives

Derivative financial instruments are mainly used to manage the Company's exposure to foreign exchange market risks. They consist of forward foreign exchange contracts. Derivative financial instruments are measured at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to host contracts.

Derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. Non-financial derivatives are carried at fair value unless exempted from derivative treatment as a normal purchase and sale. The Company has reviewed all significant contractual arrangements and determined there are no material non-financial derivatives that need to be carried at fair value.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative; and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in interest and other expenses, net. These embedded derivatives are measured at fair value. The Company does not account for embedded foreign currency derivatives in host contracts that are not financial instruments separately from the host contracts when the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment is that currency in which the transaction takes place. As at December 31, 2010 and 2009, the Company does not have any outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

Transaction Costs

Transaction costs directly attributable to the issuance or renegotiation of long-term debt are expensed. Transaction costs of $466 are included in selling and administrative expense for the year ended December 31, 2010 (2009—$425)

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Hedges

Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value of the derivative financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

The Company formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted foreign currency cash flows or to a specific asset or liability. The Company also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting the changes in the fair value or cash flows of the hedged items. There are three permitted hedging strategies:

- Fair value hedges—In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net income, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net income. The Company has not designated any fair value hedges.
- Cash flow hedges—In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income, while the ineffective portion is recorded in net income. The amounts recognized in other comprehensive income are reclassified in net income when the hedged item affects net income. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income are reclassified in the initial carrying amount of the related asset. The Company has not designated any cash flow hedges.
- Hedge of net investments in self-sustaining foreign operations—The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income, while the ineffective portion is recorded in net income. The amounts recognized in other comprehensive income are reclassified to net income when corresponding exchange gains or losses arising from the translation of the self-sustaining foreign operations are recorded in net income. The Company has not designated any hedges of its net investments in self-sustaining foreign operations.

The portion of gains or losses on the hedging item that is determined to be an effective hedge is recorded as an adjustment of the cost or revenue of the related hedged item. Other gains and losses on derivative financial instruments are recorded in other expense (income), or in financing income or financing expense for the interest component of the derivatives or when the derivatives were entered into for interest rate management purposes. Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

As at December 31, 2010 and 2009, the Company has not designated any hedge transactions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short term deposits with maturities at the date of acquisition of less than 90 days.

Inventories

Raw materials, work in process, finished goods and stores inventories are valued at the lower of cost and net realizable value, using a weighted average cost. For work in process and finished goods, costs include all direct costs incurred in production including direct labour and materials, freight, directly attributable manufacturing overhead costs and property, plant and equipment amortization.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the writedown previously recorded is reversed.

Property, plant and equipment

Property, plant and equipment ("PP&E") is stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 to 25 years
Roads and sidings	33 years
Plant equipment	2 to 10 years
Office equipment	3 to 7 years
Computer software	5 years
Mobile equipment	3 years
Leasehold improvements	Over the lease period
Machinery and equipment under capital leases	10 years

No amortization is taken on construction in progress until placed into service.

Amounts representing direct costs incurred for major overhauls of furnaces are capitalized and amortized over periods from 24 to 60 months, depending on the estimated useful life of the overhaul.

Intangible assets

Purchased intangible assets, which consist of technology and customer relationships, are recorded at cost less accumulated amortization. Expenditures incurred to develop a new raw material feedstock for solar grade silicon production and related to the crystallization and ingoting of solar grade silicon that meet the criteria for deferral are recorded at cost as deferred development costs.

Intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Technology	10 years
Deferred development costs	3 years
Customer relationships	10 years

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Impairment of long lived assets

Long lived assets, including PP&E subject to amortization and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

Research and development expenditures

Research costs, other than capital expenditures, are expensed as incurred. Development costs are expensed as incurred unless they meet the criteria to be recognized as an intangible asset. During 2010, the Company recorded a net research and development expense of $2,653 (2009—$3,343), reflecting research and development expenses incurred less amounts accrued as recovery of these expenses through the Governments of Canada and Quebec research and development credit programs. The net amount has been recorded in cost of goods sold.

Employee future benefits

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets, as services are rendered. The costs of the Company's defined benefit plans are determined periodically by independent actuaries. The benefit plan costs charged to earnings for the year include the cost of benefits provided for services rendered during the year, using actuarial cost methods as permitted by regulatory bodies and management's best estimates of expected plan investment performance, salary escalation and retirement ages of employees. For the purpose of calculating the actual return on plan assets, those assets are valued at fair value. For the purpose of calculating the expected return on plan assets, a market-related value of assets is used. The Company's policy is to amortize past service costs and the net actuarial gain or loss in excess of 10% of the greater of the accrued benefit obligations and the market-related value of assets over the expected average remaining service life of the employees.

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences of temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and are measured using the currently enacted, or substantively enacted, tax rates expected to apply when the differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

Asset retirement obligations

The Company records the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long lived asset that is depreciated over the remaining life of the asset.

Revenue recognition

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

The terms of the Company's solar silicon contracts provide certain customers with specified rights of return. Revenue from such contracts is recorded net of an adjustment for estimated returns of scrap material. The Company's estimate of returns requires assumptions to be made regarding the market price for solar silicon scrap in concert with actual experience of returns received. Should this estimate and these experiences change, the return provision will be adjusted in the period.

Stock-based compensation and other stock-based payments

Share option plans—Timminco has share option plans for key employees of the Company. All awards are accounted for under the fair value method. Under the fair value method, compensation cost is measured at fair value at the grant date using a Black-Scholes option pricing model. Compensation cost is recognized as selling and administrative expense on a straight-line basis over the vesting period with a corresponding increase to contributed surplus. Consideration paid on the exercise of stock options is recorded as share capital.

Deferred share unit plan—Timminco has a deferred share unit plan ("DSU Plan") for members of its Board of Directors. Under the DSU Plan, each director is required to receive a minimum of 40% of his or her annual compensation in the form of notional common shares of Timminco called deferred share units ("DSUs"). The issue price of each DSU is equal to the market value of a common share which, for the purposes of the DSU Plan, is based on the weighted average share price at which Timminco common shares trade on the Toronto Stock Exchange ("TSX") during the five trading days prior to the last day of the quarter in which the DSUs are issued. A Director may elect to have up to 100% of his or her compensation in the form of DSUs.

DSUs are only redeemable in cash, upon each director's retirement or resignation from the Board of Directors of Timminco. The value of the DSUs, when redeemed in cash, will be equivalent to the market value of the common shares at the time of redemption. The value of the outstanding DSUs as at December 31, 2010, was $594 representing the equivalent of 1,801,033 common shares of Timminco (2009—$808 equivalent to 621,705 common shares). Compensation cost and changes in the value of earned DSUs are recognized as selling and administrative expense as the DSUs are earned (for the year ended December 31, 2010—$214 net recovery; 2009—$537 expense).

Performance share unit plan—Timminco has a performance share unit plan ("PSU Plan") for key employees of the Company. Under the PSU Plan, each employee who is awarded performance share units ("PSUs") may be entitled to receive a cash payment if certain minimum performance conditions are achieved at the conclusion of a three year performance period. The value of the PSUs will be based on the market value of Timminco common shares at the time of redemption, multiplied by a performance factor that is determined by the relative performance of Timminco's total shareholder return versus the return of a composite benchmark index, established at the time of the award of the PSUs. PSUs are only redeemable in cash, are subject to three year vesting, and may be paid before the end of the performance period and without regard to the performance conditions or the performance factor in certain extraordinary circumstances. During 2010, approximately 2.3 million PSUs were awarded for the three year performance period ending 2012 (2009—0.8 million PSUs for the performance period ending 2011). Compensation cost and changes in the value of PSUs are recognized as selling and administrative expense if management estimates that, as at the financial statement date, the future minimum performance conditions will be satisfied at the end of the three year performance period (for the years ended December 31, 2010 and 2009—$nil). The accrual for the outstanding PSUs as at December 31, 2010 and 2009 was $nil.

Loss per common share

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the year. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and convertible notes, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year. The dilutive impact of the convertible notes is assessed using the as-if-converted method.

The conversion of outstanding stock options and convertible notes has not been included in the determination of loss per share as to do so would have been anti-dilutive.

Recent Accounting Pronouncements

Recent accounting pronouncements issued and not yet effective:

International Financial Reporting Standards (IFRS)

Canadian publicly accountable profit-oriented enterprises will adopt IFRS effective for the interim and annual periods beginning on or after January 1, 2011. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the Company in the first quarter of 2011.

The Company is in the process of finalizing the potential impact of IFRS on its consolidated financial statements and will disclose the current GAAP to IFRS reconciliation in its first interim financial statement for the period ended March 31, 2011. The Company's consolidated financial performance and financial position as disclosed in the Company's current

GAAP financial statements will be significantly different when presented in accordance with IFRS.

There were no other Canadian GAAP accounting pronouncements effective on or before January 1, 2011 that are expected to have a significant impact on the Company.

4. Inventories

Inventory—current

	2010	2009
Raw materials	$ 10,529	$ 10,432
Finished goods	14,246	25,134
Stores inventory	4,593	4,231
	$ 29,368	$ 39,797

Stores inventory includes minor spare parts and consumables for plant and equipment.

Inventory is carried at the lower of cost and net realizable value. Net realizable value of work in progress and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Net realizable value of raw materials is the lower of purchased cost and the proportionate value of the net realizable value of the corresponding finished goods.

Cost of raw materials includes costs in bringing each product to its present location and condition. Cost of finished goods and work in progress includes cost of direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

During the year ended December 31, 2010, provisions of $1,241 (2009—$1,298) were recorded with regards to silicon metal finished goods inventories.

The components of cost of goods sold are as follows:

Year ended December 31	2010	2009
Inventory and overhead not capitalized to inventories	$ 126,206	$ 129,971
Distribution costs	4,425	2,401
Drawdown of net realizable value provision for inventory sold	(2,042)	(41)
Adjustment to net realizable value provision	27,218	9,377
	$ 155,807	$ 141,708

Given low sales volume of the Company's solar grade silicon products, the need to meet prospective new customers' specifications and the uncertainty around the timing of future demand for the finished products, management is not able to predict the volumes of the solar grade silicon inventory that may be sold in the near term. Management believes that the timing of future sales of the Company's solar grade silicon product, including from existing inventories, is principally dependent upon successful completion of the Company's continued product and market development activities. As a result, the Company's existing inventory of solar grade silicon has been classified as a long-term asset. Future sales of this inventory will be recognized as revenue and inventory will be expensed at its net carrying cost.

Based upon solar grade silicon market conditions and the low level of sales of its solar grade silicon products during 2010, the Company evaluated the carrying value of these inventories during the year ended December 31, 2010 relative to their estimated net realizable value and recorded a provision of $13,570 (2009—$5,237). The charge has been recorded to cost of goods sold. Notwithstanding such provision, the Company continued to pursue market and product development activities in respect of its solar grade silicon product line during 2010 and it intends to further process its solar grade silicon inventories in future periods as demand warrants to meet the enhanced specifications of its prospective new customers.

Additionally, the Company had accumulated a significant volume of by-product generated from the production of solar grade silicon that was in the past utilized in the production of silicon metal. Following completion of the transaction with Dow Corning Corporation ("Dow Corning"), there was uncertainty regarding the use of this by-product in silicon metal production by Québec Silicon. As a result, the Silicon Group recorded a provision of $12,407 during the year ended December 31, 2010 (2009—$2,842) related to the net realizable value of the by-product inventory which is classified as raw materials. The charge has been recorded to cost of goods sold. The Company intends to sell this by-product in 2011 and has classified its net carrying value as current inventory effective December 31, 2010.

Inventories—long term

	2010	2009
Raw materials	$ 120	$ 10,959
Work in progress	1,214	5,187
Finished goods	1,712	10,623
	$ 3,046	$ 26,769

5. Property, Plant and Equipment

	2010			2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	$ 3,077	$ –	$ 3,077	$ 3,077	$ –	$ 3,077
Buildings	60,969	23,852	37,117	58,120	20,967	37,153
Equipment	126,105	82,987	43,118	134,721	84,012	50,709
Leased equipment	571	395	176	571	359	212
Construction in progress	120	–	120	245	–	245
	$ 190,842	$ 107,236	$ 83,608	$ 196,734	$ 105,338	$ 91,396

The Company regularly assesses its long lived assets for impairment. As at December 31, 2010, the Company impaired the carrying value of solar grade silicon property, plant and equipment in the Silicon Group related to the HP1 asset group in the amount of $2,893 (2009—$nil) and in 2009 $39,039 related to the HP2 asset group (See Note 7). Also, the carrying value of buildings at the Haley, Ontario, site was reduced $69 in 2010.

6. Intangible Assets

	2010			2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer relationships	$ 1,500	$ 937	$ 563	$ 1,500	$ 788	$ 712
Deferred development costs	6,534	3,678	2,856	6,831	1,568	5,263
Technology	4,000	2,500	1,500	4,000	2,100	1,900
	$ 12,034	$ 7,115	$ 4,919	$ 12,331	$ 4,456	$ 7,875

During the year ended December 31, 2009, deferred development costs of $5,656 were capitalized by the Silicon Group ($nil for the year ended December 31, 2010). These costs relate to the development of raw materials for the Company's self-produced silicon metal feedstock for the solar grade silicon manufacturing process and activities related to the crystallization and ingoting of solar grade silicon. Amortization of the deferred development costs related to raw materials for the self-produced silicon metal feedstock was commenced in the second quarter of 2009 and amortization of the crystallization and ingoting costs commenced in the third quarter of 2009. As at December 31, 2010, the Company impaired the carrying value of solar grade silicon intangible assets in the Silicon Group related to the HP1 asset group in the amount of $130 (2009—$nil) (See Note 7).

7. Long Lived Asset Impairment

The Company assesses its long lived assets for impairment in accordance with its accounting policies. For purposes of impairment testing the Company determined that it has three asset groups, namely silicon metal assets and each of its two physically separate, stand alone solar grade purification facilities, known as "HP1" and "HP2". Management compares the carrying value of long term assets with undiscounted cash flows for each of the three asset groups to determine whether an impairment indicator exists. The fair value of the long lived assets is compared to its corresponding carrying value and any difference is recognized as an impairment of the asset group.

As at December 31, 2010, management determined through an undiscounted cash flow analysis that the long lived assets in the HP1 and HP2 facilities were impaired. The Company impaired the net carrying value of the production equipment and intangible assets related to its HP1 and HP2 facilities in the amount of $3,023 and goodwill related to its solar grade reporting unit in the amount of $4,475. As at December 31, 2009, management determined through an undiscounted cash flow analysis that the long lived assets in the HP2 facility were impaired. The Company impaired the net carrying value of the production equipment related to its HP2 facility in the amount of $39,039.

Recovery of the remaining carrying value of long lived assets and the portion of the Company's intangible assets and goodwill related to solar silicon production are dependent upon successful completion of the Company's continued product and market development activities, a restart of solar grade production and sufficient profitable future production volumes. Should this not materialize as planned, additional material long lived asset impairments and adjustments to intangible assets and goodwill are likely to occur.

8. Bank Indebtedness

	2010	2009
Revolving line of credit	$ –	$ 40,315
Bank indebtedness	$ –	$ 40,315

On October 4, 2010, the Company used the net cash proceeds from the Québec Silicon production partnership transaction with Dow Corning to repay fully all outstanding amounts due under the Company's term loan facility and the revolving credit facility, which were US$5,153 and US$22,528, respectively. On December 15, 2010, Bécancour Silicon executed a Loan and Security Agreement (the "Senior Credit Agreement") with Bank of America, N.A., Canada branch (the "Bank") which replaced the Company's revolving credit facility that expired on the same day.

The Senior Credit Agreement, which terminates on December 15, 2013, consists of a revolving credit facility (the "Senior Credit Facility") of up to $20,000, subject to a borrowing base. Bécancour Silicon may borrow under the Senior Credit Facility in US dollars or Canadian dollars, as prime rate loans, base rate loans, LIBOR loans or BA equivalent loans, and may use the Senior Credit Facility to refinance existing indebtedness, issue standby or commercial letters of credit, and finance ongoing working capital needs. Amounts borrowed as prime rate loans under the Senior Credit Facility will bear interest at the Canadian prime rate plus an applicable margin of 2.75%, subject to adjustment. Such interest rate totalled 5.75% as at December 31, 2010.

Availability under the Senior Credit Facility is equal to the borrowing base minus the sum of (i) the aggregate outstanding amounts borrowed under such facility, which was nil as at December 31, 2010, (ii) any borrowing base reserve applied by the Bank from time to time, and (iii) the amount of the availability block, which is currently $5,000. The borrowing base continues to be based on the value of the Bécancour Silicon's inventories and receivables, subject to caps on the advance rates and eligibility criteria. In determining the borrowing base, the Bank may rely on reports or analyses provided by the Company (including a borrowing base certificate), or by third parties on behalf of the Bank, regarding such inventories or receivables. The Company files borrowing base certificates with the Bank currently on a monthly basis.

The Company is required to maintain certain minimum EBITDA levels, on a cumulative year-to-date basis as at each month end, and to restrict capital expenditures to certain maximum levels, also on a cumulative year-to-date basis as at each month end, throughout the term. The Company is also subject to restrictions on distributions and dividends, acquisitions and investments, asset dispositions, indebtedness, liens and affiliate transactions.

The Senior Credit Facility does not have a minimum fixed charge coverage ratio covenant. However, in the event that the Company achieves a certain minimum fixed charge coverage ratio, the availability block will be reduced to $2,000 and, depending on the extent and timing of any improvements in such ratio, the applicable margin on the interest rate, as well as the unused line fees payable under the Senior Credit Facility, will also be reduced.

Timminco's and Bécancour Silicon's assets, including Bécancour Silicon's equity interests in Québec Silicon, continue to be pledged as security for the Company's obligations under the Senior Credit Facility. Accounts receivable are required to be forwarded to a lockbox or deposited in a blocked account, and Bank of America will have the ability to exercise cash dominion if excess availability is less than $5,000 or upon the occurrence of a default. Timminco has also guaranteed all obligations of Bécancour Silicon under the Senior Credit Facility.

A default under the Senior Credit Facility Agreement could trigger an event of default under the cross-default provisions of the Term Loan Agreement and the AMG Convertible Note, subject to the provisions of the postponement agreements executed by the Bank with each of Investissement Québec ("IQ") and AMG, and Bécancour Silicon, in respect thereof. Also, a default under either the Term Loan Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement.

Going forward, the borrowing base and availability under the Senior Credit Facility, and the Company's ability to comply with its financial covenants under the Senior Credit Agreement, are subject to material uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could enable the Bank to declare an event of default under the Senior Credit Agreement and demand repayment of all outstanding indebtedness (See Note 1).

9. Long Term Liabilities

Long term liabilities are comprised as follows:

	2010	2009
IQ Term Loan	$ 26,437	$ 25,000
Repayment Liability—(December 31, 2009 — €9,397)	–	14,096
Capital lease and other	81	190
Thorsil Bond	1,114	–
	27,632	39,286
Less current portion	2,604	39,158
	$ 25,028	$ 128

Interest expense for the year ended December 31, 2010 includes interest on long term liabilities of $3,379 (2009—$2,366).

IQ Term Loan

In July 2009, Bécancour Silicon received a loan from IQ in the principal amount of $25,000 (the "Term Loan"). The proceeds of the Term Loan were used for general working capital purposes, including repayment of amounts borrowed under the Company's revolving credit facility. The Term Loan is also secured by a guarantee from Timminco and a charge upon Bécancour Silicon's assets, and is subordinated to the obligations of the Company to the Bank under the Senior Credit Agreement.

The Term Loan is interest-bearing at a variable rate of Bank of Canada prime plus 9%, which is currently 12% per annum, with interest payable monthly until maturity. In March 2010, IQ agreed to defer interest payments for the six month period from February 1, 2010 to July 31, 2010. Deferred interest of approximately $1,437 is payable August 31, 2011.

The loan agreement with IQ in respect of the Term Loan (the "Term Loan Agreement") includes certain annual financial and other covenants in respect of Bécancour Silicon, including a minimum working capital ratio and a maximum long-term debt to net equity ratio. All intercompany indebtedness due from Bécancour Silicon to Timminco is treated as equity, for the purposes of the long-term debt to net equity covenant. In addition, all such intercompany indebtedness has been extended, and payment thereon has been postponed pending payment in full of all amounts due and owing under the Term Loan.

On September 30, 2010, IQ conditionally agreed to an eight-year extension of the maturity date of the Term Loan from August 31, 2011 to July 16, 2019, and certain other amendments, subject to the execution of an acceptable new revolving credit facility for the Company. IQ has accepted the amount and other terms of the Senior Credit Facility and, accordingly, such condition has been satisfied.

The Term Loan is repayable in fixed, consecutive monthly installments of $175, starting on August 31, 2012, and additional annual installments, due on June 30 of each year, in amounts based on a percentage of Bécancour Silicon's defined adjusted cash flow for the preceding fiscal year, starting on June 30, 2013. The first annual installment will be 12.5% of such adjusted cash flow for fiscal year ended December 31, 2012, and each annual installment thereafter will be 30% of such adjusted cash flow. As well, Bécancour Silicon is obligated to remit half of any future earn-out payments received from Dow Corning as repayment under the Term Loan.

A default under the Term Loan Agreement or the guarantee from Timminco could trigger an event of default under the cross-default provisions of the Senior Credit Agreement and under the cross-default provisions of the AMG Convertible Note. Also, a default under the Senior Credit Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Term Loan Agreement, subject to the provisions of the postponement agreements executed by the Bank with each of IQ, AMG and Bécancour Silicon, in respect thereof.

Going forward, Bécancour Silicon's ability to comply with its financial covenants under the Term Loan Agreement is subject to uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could cause a circumstance that may enable IQ to declare an event of default under the Term Loan Agreement and demand repayment of all outstanding indebtedness (See Note 1).

Repayment Liability

During 2009, in connection with the settlement of a solar grade silicon customer contract termination claim, Bécancour Silicon agreed to a repayment schedule and terms for an outstanding deposit received in 2008, which amounted to $13,862 (€8,808) (the "Repayment Liability") at that time. As at December 31, 2009, the Repayment Liability was $14,096 (€9,397), including accrued interest of $1,023 (€682). No cash payments were made in respect of the Repayment Liability during 2009.

On March 26, 2010, Timminco issued approximately 15.9 million common shares, representing just under 10% of its total issued and outstanding common shares to the customer, in settlement of substantially all of the Repayment Liability, which was $13,372 (€9,665) at that time. In settlement of the balance of the Repayment Liability, the customer also received a promissory note of €525, which was a direct, unsecured obligation of Timminco, payable in nine equal monthly installments of €58 starting April 30, 2010. The promissory note was paid in full as of December 31, 2010.

Thorsil Bond

In February 2010, Thorsil ehf. ("Thorsil"), a majority-controlled Icelandic subsidiary of Timminco, issued a US$1,000 convertible bond (the "Thorsil Bond") to Strokkur Energy ehf. ("Strokkur") to fund preliminary expenses for a potential silicon metal capacity expansion project in Iceland. The maturity date of the Thorsil Bond, which is tied to the deadline date for signing a long-term power contract with Orkuveita Reykjavikur, an Icelandic power company, for the project, has been extended several times in 2010 and subsequent to year-end, as a result of ongoing negotiations regarding such power contract. The Thorsil Bond currently has a maturity date of June 30, 2011. However, if by May 31, 2011, Thorsil and Orkuveita Reykjavikur agree to a deadline date for signing a power contract that is later than June 30, 2011, then the maturity date of the Thorsil Bond will automatically extend to a date that is 30 days after such power contract deadline date. The Thorsil Bond bears interest at 12% per annum, payable on maturity and is a direct obligation of Thorsil. The outstanding principal and interest will be reduced by 10% if the power contract is not signed by the agreed deadline (or any extended deadlines). Timminco does not have any cash repayment liabilities under the Thorsil Bond. However, the Thorsil Bond is convertible, at Strokkur's option, into Thorsil common shares at a nominal value, or into common shares of Timminco at a conversion price that is the lesser of $1.09 per share and the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the date of notice of conversion, with the US dollar amount converted into Canadian dollars at a fixed exchange rate of US$0.95. Any notice of conversion shall be given within 5 days after the power contract has been signed or the agreed deadline (or any extended deadlines) has passed. The net proceeds of the Thorsil Bond financing have been used exclusively for agreed project expenses.

10. Long Term Provisions

Long term provisions are comprised as follows:

	2010	2009
Provision for reorganization	$ 1,804	$ 2,650
Provision for environmental remediation	6,430	6,297
Provision for contract termination claims	4,460	2,451
	12,694	11,398
Less current portion	3,679	5,132
	$ 9,015	$ 6,266

Provision for reorganization

Year ended December 31	2010	2009
Balance, beginning of the year	$ 2,650	$ 2,047
Costs recognized	-	3,095
Amounts charged against provision	(846)	(2,492)
Balance, end of the year	$ 1,804	$ 2,650

The provision for reorganization relates to the closures of the Company's former magnesium manufacturing facilities in Aurora, Colorado, in 2009, the prior closure of operations at the Haley, Ontario facility, certain accrued retirement obligations for former employees of the Haley facility and a retention agreement with a former president and chief operating officer of the Company. The future period costs of these obligations have been discounted at 9% and will continue until 2021.

In February 2009, the Company closed its Aurora, Colorado facility which manufactured magnesium anodes and extruded products. During the year ended December 31, 2009, reorganization costs of $3,095 for severance and site remediation and an inventory net realizable value provision of $487 were recognized.

In June 2008, the Company closed its Haley, Ontario magnesium manufacturing facility. A pension settlement charge relating to unamortized investment losses estimated at $5,737 as at December 31, 2010 (December 31, 2009—$6,717) will be expensed in the future when the pension obligation is actually settled in accordance with CICA Section 3461, "Employee Future Benefits". Pension charges related to the unamortized investment losses are expensed to reorganization costs on the basis of the beneficiaries' average remaining life expectancy (for the year ended December 31, 2010—$506; 2009—$711).

Reorganization costs, including accretion, are disclosed separately in the consolidated statement of operations.

Provision for environmental remediation

Year ended December 31	2010	2009
Balance, beginning of the year	$ 6,297	$ 5,880
Costs recognized	490	1,098
Accretion	600	529
Amounts charged against provision	(957)	(1,210)
Balance, end of the year	$ 6,430	$ 6,297

The provision for environmental remediation relates to remediation of a silica fume disposal site associated with the Bécancour facility, the closure of the Haley facility and the environmental certificate of authorization (the "Certificate of Authorization") which was granted to Québec Silicon by the Québec Minister of Sustainable Development, Environment and Parks (the "Ministry") on September 30, 2010, in connection with the production partnership transaction with Dow Corning (see Note 18).

During 2010, the Company accrued its estimate of operating expenditures to be incurred to ensure compliance with the undertakings given to the Ministry in connection with the Certificate of Authorization. Until December 2011, the Company will also incur and recognize capital expenditures required to complete such undertakings amounting to approximately $780.

During 2009, the Company accrued $1,098 related to the remediation of a silica fume disposal site.

Environmental remediation costs, including accretion, are disclosed separately in the consolidated statement of operations. The Company's environmental liabilities are discounted using rates of 9% and 16%.

Provision for contract termination claims

Year ended December 31	2010	2009
Balance, beginning of the year	$ 2,451	$ –
Costs recognized	2,206	2,451
Amounts charged against provision	(197)	–
Balance, end of the year	$ 4,460	$ 2,451

The Company has negotiated settlement agreements with certain suppliers to resolve claims arising from the termination of contracts relating to Bécancour Silicon's commitments to purchase certain equipment, supplies and services relating to its solar grade silicon purification facility. The Company has recorded a liability related to these matters.

11. Employee Benefits

The Company provides pension or retirement benefits to substantially all of its employees in Canada and the United States through Group RRSPs, 401(K), a defined contribution plan and defined benefit plans, based on length of service and remuneration. Contributions to the defined contribution plan for the year end December 31, 2010 were $77 (2009—$112).

The Company sponsors a contributory defined benefit pension plan and other retirement benefits for certain of its eligible employees. Pension benefits vest immediately and are based on years of service and average final earnings. Other retirement benefits consist of a group insurance plan covering plan members for life insurance, disability, hospital, medical and dental benefits. At retirement, employees maintain a reduced life insurance coverage and certain hospital and medical benefits. The other retirement coverage provided by the plan is not funded. The net cost of other retirement benefits includes the current service cost, the interest cost and the amortization of experience losses.

The most recent Report on the Actuarial Valuation for Funding Purposes for the Silicon Group Plan is dated as of September 30, 2010. The Company is scheduled to have the next detailed actuarial valuation as at December 31, 2010, for the Silicon Group which will be performed during 2011. During 2010, a Report on the Actuarial Valuation for Wind-up Purposes for the Magnesium Group Plan was prepared as of August 1, 2009.

Information about the Company's defined benefit plans, in aggregate, is as follows:

	2010		2009	
	Pension Plans	Other Post-Retirement Plan	Pension Plans	Other Post-Retirement Plan
Accrued benefit obligation:				
Balance, beginning of year	$ 60,184	$ 20,364	$ 55,822	$ 16,893
Current service cost, net of plan expenses	832	721	690	794
Employee contribution	280	–	318	–
Interest cost	3,580	1,401	3,595	1,306
Net actuarial (gain) loss	6,636	(288)	3,384	1,846
Benefits paid	(3,899)	(545)	(3,625)	(475)
Balance, end of year	$ 67,613	$ 21,653	$ 60,184	$ 20,364
Plan assets:				
Fair value, beginning of year	$ 45,445	$ –	$ 39,480	$ –
Actual contributions by the Company	5,798	545	3,824	475
Actual contributions by employees	280	–	318	–
Actual return (loss) on plan assets	3,788	–	5,583	–
Expected plan expenses	(135)	–	(135)	–
Benefits paid	(3,899)	(545)	(3,625)	(475)
Fair value, end of year	$ 51,277	$ –	$ 45,445	$ –
Funded status—deficit	$ (16,336)	$ (21,653)	$ (14,739)	$ (20,364)
Unamortized transitional asset	(180)	–	(216)	–
Unamortized past service cost	(672)	(19)	(576)	3
Unamortized net actuarial loss	17,450	4,190	12,095	4,618
Employee future benefits	$ 262	$ (17,482)	$ (3,436)	$ (15,743)

The significant actuarial assumptions adopted in measuring the Company's accrued obligations and benefit costs are as follows (weighted-average assumptions as of December 31, 2010 and December 31, 2009):

	2010		2009	
	Pension Plans	Other Post-Retirement Plan	Pension Plans	Other Post-Retirement Plan
Accrued benefit obligation as of December 31:				
Discount rate	4.38-5.9%	5.4-5.9%	4.19-6.75%	7.5%
Rate of compensation increase	2.8%	n/a	2.8%	n/a
Benefit costs for years ended December 31:				
Discount rate	4.19-6.75%	5.4-5.9%	4.31-7.5%	6.75%
Expected long-term rate of return on plan assets	6.25%	n/a	6.5-7.0%	n/a
Rate of compensation increase	2.8%	n/a	2.8%	n/a

For the curtailed pension plan, rate of compensation increases are not applicable.

	2010	2009
Assumed other post-retirement benefit obligation trend rates as of December 31:		
Initial weighted average health care trend rate	7.10%	7.90%
Ultimate weighted average health care trend rate	4.30%	4.30%
Year ultimate rate reached	2026-27	2024-25
Assumed other post-retirement benefit costs trend rates for the years ended December 31:		
Initial weighted average health care trend rate	7.9%	8.30%
Ultimate weighted average health care trend rate	4.3%	4.70%
Year ultimate rate reached	2024-25	2014-15

The following table reflects the effect of a change in the assumed health care cost trend rates on the aggregate of the service and interest cost components of the benefit cost for the period, and on the accrued benefit obligation at the end of the period:

	Accrued Benefit Obligation as at December 31, 2010	Aggregate of service cost and interest cost for the period ending December 31, 2010
Valuation trend +1%	$ 1,428	$ 381
Valuation trend -1%	$ (1,199)	$ (291)

The Company's net benefit plan expense is as follows:

	2010		2009	
	Pension Plans	Other Post Retirement Plan	Pension Plans	Other Post Retirement Plan
Current service cost	$ 967	$ 721	$ 824	$ 794
Past service cost arising from current period plan initiation/amendment	–	–	–	–
Interest cost on accrued benefit obligation	3,580	1,401	3,595	1,306
Actual return on plan assets	(3,788)	–	(5,583)	–
Curtailment loss	–	–	–	–
Actuarial (gain) loss during current period on accrued benefit obligation	6,637	(288)	3,384	1,846
	7,396	1,834	2,220	3,946
Adjustments to recognize long-term nature of future employee benefit costs:				
Difference between actual and expected return on plan assets	891	–	2,848	–
Difference between recognized and actual actuarial loss	(5,792)	533	(2,430)	(1,668)
Difference between amortization of past service costs and actual plan amendments	339	34	431	37
Amortization of transitional asset	(36)	–	(36)	–
Net benefits plan expense	$ 2,798	$ 2,401	$ 3,033	$ 2,315

Plan assets by asset category

	2010	2009
Pension plan		
Equity	28%	43%
Debt	38%	57%
Others (Fixed Income)	34%	–
	100%	100%

With respect to other retirement benefits, there is no requirement to fund the deficit. As such, cash disbursements in a given year are limited to benefits paid to retirees in the year.

12. Related Party Transactions

Due from related companies

	2010	2009
Due from AMG Conversion	$ 1	$ 64
Due from Sudamin	–	145
Trade receivable from Dow Corning	966	–
	$ 967	$ 209

Due to related companies—current

	2010	2009
Convertible loan payable to AMG	$ –	$ 5,066
Promissory note payable to Dow Corning	1,229	–
Due to Dow Corning	260	–
Due to AMG Conversion	346	449
Due to AMG	8	8
Due to GfE Fremat	465	465
Due to ALD	20	3
	$ 2,328	$ 5,991

Due to related companies—long term

	2010	2009
Convertible loan payable to AMG	$ 4,971	$ –
Revolving line of credit—Dow Corning	10,000	–
Promissory note payable to Dow Corning	1,228	–
	$ 16,199	$ –

AMG Advanced Metallurgical Group

AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder in the Company. As at December 31, 2010, AMG directly held 83,146,007 common shares of the Company, representing 42.5% of the total issued and outstanding shares at that time. During the year ended December 31, 2010, AMG acquired common shares in a private placement (see Note 13(b)).

In December 2009, Bécancour Silicon issued a convertible promissory note to AMG in exchange for a loan of US$5,000 (the "AMG Convertible Note"). On December 15, 2010, Bécancour Silicon and AMG executed an amended and restated AMG Convertible Note, whereby AMG agreed to extend the maturity date of the AMG Convertible Note by three years, from January 3, 2011 to January 3, 2014, the conversion rate was adjusted and interest was set at 14%, payable monthly in arrears, starting on January 1, 2011.

The AMG Convertible Note is repayable, in whole or in part and without penalty, at Bécancour Silicon's option, to the extent that the availability under the Senior Credit Facility exceeds $5,000, both during the 90 days before and immediately after such repayment, provided that the Company has also satisfied a minimum fixed charge coverage ratio, over the previous 12 months and on a pro forma basis after giving effect to such repayment, and is also not in default under the Senior Credit Facility. Bécancour Silicon is also required to pay AMG, as a partial or whole prepayment of the principal amount due under the AMG Convertible Note and on a quarterly basis, an amount equal to either: (i) one half of the availability under the Senior Credit Facility in excess of $5,000, where the principal amount then outstanding is greater than such excess availability amount; or (ii) all of the principal amount then outstanding, where such principal amount is less than the amount of availability under the Senior Credit Facility in excess of $5,000. In each case, such prepayment is subject to any prior exercise of AMG's conversion right, as well as satisfaction of the other conditions in respect of optional prepayments.

Up to the full principal amount of the AMG Convertible Note is convertible into common shares of Timminco, at AMG's option at any time during the extended term at a conversion price of $0.26 per share, subject to customary anti-dilution adjustments, with the US dollar principal amount converted into Canadian dollars at the Bank of Canada's noon exchange rate on the date of notice of conversion. This new conversion price represents a discount of approximately 21% from the market value of a common share, as determined pursuant to the TSX definitions, namely, the volume weighted average trading price of such shares on the TSX on the last five trading days up to and including December 14, 2010.

The AMG Convertible Note continues to have financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements. A default under the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement and the Term Loan Agreement. Also, a default under either the Senior Credit Agreement or the Term Loan Agreement could trigger an event of default under the cross-default provisions of the AMG Convertible Note subject to the provisions of the postponement agreement executed by the Bank, AMG and Bécancour Silicon. Timminco also continues to guarantee all obligations of Bécancour Silicon under the AMG Convertible Note.

Dow Corning

On October 1, 2010, Dow Corning acquired a 49% equity interest in Québec Silicon, the production partnership entity that owns the silicon metal operations in Bécancour, Québec, in consideration for net cash proceeds of approximately US$40.1 million. Bécancour Silicon retained a 51% equity interest in Québec Silicon, as well as all of the solar grade silicon purification operations and facilities at the Bécancour site.

Québec Silicon's production output is subject to a supply agreement among Québec Silicon, Bécancour Silicon and Dow Corning (the "Supply Agreement"). The Supply Agreement splits all of the production output of Québec Silicon, which will be based on an initial annual production capacity of 47,000 metric tons of silicon metal, between Bécancour Silicon and Dow Corning, proportional to their equity interests in Québec Silicon. All production output will be sold by Québec Silicon to each of Bécancour Silicon and Dow Corning at a price equal to the actual full production cost per metric ton for the quarter plus a fixed mark-up (for the three months ended December 31, 2010—$966 was invoiced to Dow Corning).

The Supply Agreement further provides that if either Bécancour Silicon or Dow Corning elects not to purchase any portion of its output allocation, then the other party will have the option, at its discretion, to purchase any or all of such allocation. If the other party does not purchase all of such product, then the party that failed to take its allocated output must reimburse Québec Silicon for certain costs.

To fulfil Bécancour Silicon's supply commitments to its third party end customers during the fourth quarter 2010, less than 49% of Québec Silicon's production was allocated to Dow Corning in such quarter. Québec Silicon will allocate more than 49% of its output to Dow Corning starting in the second quarter of 2011 to replace such shortfall in accordance with an agreed formula. If by the end of the fourth quarter of 2012 such shortfall remains, Bécancour Silicon must pay Dow Corning for such remaining shortfall at prevailing market prices.

Bécancour Silicon's and Dow Corning's equity interests in Québec Silicon are subject to governance agreements that provide for certain "put" and "call" rights for the equity holders. Should Timminco or Bécancour Silicon undergo a "change of control", Dow Corning will have the right, but not the obligation, to sell its 49% interest in Québec Silicon to the Company at a price equal to the fair market value of such interest. In conjunction with any exercise of such put right, Dow Corning has the right to retain all or any portion of its rights under the Supply Agreement for up to two years. Failure by the Company to fulfil its obligation in respect of such put right within the specified period of time will entitle Dow Corning to assume operating control and purchase all of Bécancour Silicon's interest in Québec Silicon at the fair market value of such interest. Bécancour Silicon will have the right to retain all or any portion of its rights under the Supply Agreement for up to two years.

Upon the occurrence of certain insolvency-related default events affecting either party, the non-defaulting party has the right to purchase the defaulting party's equity interests in Québec Silicon.

Québec Silicon has a Loan Agreement with Dow Corning dated October 1, 2010 (the "Loan Agreement") that provides for a revolving credit facility of up to $10,000 to fund Québec Silicon's working capital requirements. Funding under the Loan Agreement is available to Québec Silicon upon request at any time, up to the full amount of the unused credit commitment and subject to continued compliance. Outstanding amounts bear interest at a variable rate of Canadian prime plus 2% (December 31, 2010—5%), which is payable quarterly. The Loan Agreement expires on October 1, 2013, and may be terminated earlier, at Dow Corning's discretion, if it ceases to own any interest in Québec Silicon or upon the occurrence of certain change of control events in respect of the Company. This facility includes customary negative covenants in respect of indebtedness and pledges. All of Québec Silicon's assets, properties and revenues have been pledged to Dow Corning as security for Québec Silicon's obligations under the revolving credit facility. As of December 31, 2010, $10,000 has been drawn on the facility.

Québec Silicon has two discounted notes payable to Dow Corning dated December 10, 2010. The first note of $1,225 without interest has been accrued at a rate of 5% and the maturity date is April 1, 2011. The second note of $1,225 without interest has been accrued at a rate of 5% and the maturity date is March 30, 2012.

AMG Conversion

Bécancour Silicon and AMG Conversion Ltd. ("AMG Conversion"), a wholly-owned subsidiary of AMG, executed a Memorandum of Understanding dated March 31, 2009 (as amended, the "Memorandum of Understanding") whereby the parties agreed to jointly develop the ingot production process to optimize the quality of the ingots and bricks produced with Bécancour Silicon's solar grade silicon, and to jointly explore the feasibility of AMG Conversion producing ingots and bricks at the Bécancour Silicon ingoting facility on an exclusive long-term tolling basis for and on behalf of Bécancour Silicon. These activities continued during an interim period, which expired on December 31, 2010. Bécancour Silicon and AMG Conversion are in negotiations to extend the interim period into 2011. In the event that definitive agreements in respect of long term tolling arrangements between Bécancour Silicon and AMG Conversion are not concluded by March 31, 2011, unless the parties agree otherwise, AMG Conversion will have the right to remove all of its ingot and brick making assets from the Bécancour ingoting facility.

During the year ended December 31, 2010, AMG Conversion produced ingots and bricks at the Bécancour crystallization facility on behalf of Bécancour Silicon, using its equipment and Bécancour Silicon's employees and solar grade silicon, and invoiced a tolling fee of approximately $1,025 (2009—$1,064), which was based on the actual, fully-loaded cost to produce ingots and bricks for Bécancour Silicon, plus an agreed fixed margin. Effective August 31, 2010, the parties agreed to amend such interim tolling arrangements to provide for a fixed fee payment by AMG Conversion for each ingot produced for AMG Conversion at the Bécancour ingoting facility for the remainder of the interim period. AMG Conversion also produced ingots and bricks at the Bécancour crystallization facility for its own account, using its equipment and solar grade silicon and Bécancour Silicon's employees. Bécancour Silicon invoiced AMG Conversion a tolling fee of approximately $604 (2009—$62). Effective August 31, 2010, the parties agreed to amend such interim tolling arrangements to provide for a fixed fee payment by AMG Conversion for each ingot produced for AMG Conversion at the Bécancour Silicon ingoting facility for the remainder of the interim period. Although the interim period under the Memorandum of Understanding has expired as of December 31, 2010, Bécancour Silicon and AMG Conversion continue to cooperate with respect to their use of and access to the equipment at the Bécancour crystallization facility.

Bécancour Silicon and AMG Conversion are also considering the feasibility of a long-term relationship on the basis that Bécancour Silicon would focus on the production and sale of solar grade silicon, in chunk form, while AMG Conversion would use solar grade silicon purchased from Bécancour Silicon to produce and sell ingots and bricks and focus on the solar wafer market. In this connection, certain sales have occurred in pursuit of a new sales channel for Bécancour Silicon's solar grade silicon. During 2009, Bécancour Silicon sold approximately 153 metric tons of solar grade silicon to AMG Conversion and received cash proceeds of approximately $5,928 from such sale which amount has been recorded as deferred revenue. During 2010, approximately 2 metric tons were shipped and Bécancour Silicon recognized $73 as revenue. The remaining $5,854 will be recognized as revenue when the inventory is shipped to third party customers. The inventory associated with this transaction has been recorded as finished goods consigned to related party. The price of the solar grade silicon sold to AMG Conversion was consistent with the pricing negotiated for similar material sold to third parties.

Sudamin

During 2010, Bécancour Silicon agreed to supply and deliver a certain volume of silicon metal in 2010 on behalf of Sudamin S.A. ("Sudamin"), a wholly-owned subsidiary of AMG, to one of Bécancour Silicon's traditional long-term silicon metal customers, and received a pre-payment of $4,668 (€3,259) from Sudamin towards such deliveries. The Company, in turn, agreed to pay Sudamin a transaction fee of $377 (€265). By December 31, 2010, the Company had fulfilled all shipment obligations and has recognized all revenues and costs associated with this transaction.

During 2009, the Company also agreed to supply and deliver a certain volume of silicon metal in the fourth quarter 2009 on behalf of Sudamin to one of Bécancour Silicon's traditional long-term silicon metal customers, and received a pre-payment of $6,787 from Sudamin towards such deliveries. The Company, in turn, agreed to pay Sudamin a transaction fee of $635. By December 31, 2009, the Company had fulfilled all shipment obligations and has recognized all revenues and costs associated with this transaction.

During the second quarter of 2009, Bécancour Silicon sold 5,000 metric tons of silicon metal finished goods inventory to Sudamin for a cash purchase price of $10,430. A portion of such silicon inventory was to be sold by Bécancour Silicon to a European silicon metal customer over the balance of 2009 and Sudamin assumed a portion of the volume commitments under the silicon metal supply contract with such customer for 2009.

Inventory under the control of Sudamin was classified as finished goods consigned to a related company with a corresponding deferred revenue amount. Revenue was recognized as the finished product was shipped to the end customer. During the year ended December 31, 2010, Bécancour Silicon recognized revenue of $8,345 (2009—$13,540) representing the value of finished goods shipped to the silicon metal customer. As at December 31, 2010, all product had been shipped to the customer and deferred revenue was $nil (2009—$3,677).

Bécancour Silicon has also engaged Sudamin to perform certain consulting services relating to the solar photovoltaic industry in China. During 2010, Bécancour Silicon paid $9 in fees for such services.

ALD Vacuum Technologies

Bécancour Silicon purchased equipment spare parts from ALD Vacuum Technologies ("ALD"), a wholly-owned subsidiary of AMG, during the year ended December 31, 2010 for $20 (2009—$709). Shipments of solar grade silicon by Bécancour Silicon to ALD were $15 in the year ended December 31, 2010 (2009—$261). The shipments were not recognized as revenue as the finished goods inventory has been or will be shipped back at the original invoiced cost. These transactions were recorded at the exchange amount.

GfE Fremat

Bécancour Silicon purchased from GfE Fremat GmbH ("GfE Fremat"), a wholly-owned subsidiary of AMG, ingots during the year ended December 31, 2009 for $591. Bécancour Silicon shipped solar grade silicon to GfE Fremat during the year ended December 31, 2009 for $465. The shipments were not recognized as revenue as the finished goods inventory has been or will be shipped back at the original invoiced cost. These transactions were recorded at the exchange amount. There were no transactions during 2010.

RW Silicium

RW Silicium GmbH ("RW Silicium") is a controlled subsidiary of AMG which produces and sells silicon metal in Germany. RW Silicium has been appointed as Bécancour Silicon's representative for the purposes of REACH regulations applicable to Bécancour Silicon's sales of silicon metal and related products into the European Union. For the year ended December 31, 2010, RW Silicium invoiced the Company, at cost, for government regulatory fees in the amount of $68 (2009—$116).

Executive Management

Dr. Heinz C. Schimmelbusch is Chairman of the Board and Chief Executive Officer of Timminco, as well as Chairman of the Management Board of AMG. Dr. Schimmelbusch is also a member of the executive committee of the general partner of Safeguard International Fund, L.P. ("Safeguard"), which is a shareholder of AMG. Mr. Arthur R. Spector is a member of the Board of Directors of Timminco and is also a member of the executive committee of the general partner of Safeguard. Until the end of the third quarter 2009, Mr. Spector was also Vice Chairman of the Management Board of AMG.

Mr. John Fenger was appointed President and Chief Operating Officer of the Company on April 20, 2009. Prior to that date in 2009, the Company shared the remuneration cost of Mr. Fenger with AMG based on the relative amount of time spent by Mr. Fenger acting on behalf of these companies. Effective from April 20, 2009, the Company is paying the full cost of remuneration of Mr. Fenger, which is paid through a subsidiary of Allied Resource Corporation, of which Dr. Schimmelbusch is Chairman. For the year ended December 31, 2010, the Company contributed $755 (2009—$657) to the cost of Mr. Fenger's remuneration.

13. Capital Stock

(a) Authorized: unlimited number of Class A and Class B preference shares, issuable in series and having such rights, privileges, restrictions and conditions as may be approved by the Board of Directors of Timminco. The Class A and Class B preference shares rank in priority to the common shares with respect to the payment of dividends and the return of capital.

Issued: none

(b) Authorized: unlimited number of common shares. Holders of common shares are entitled to one vote for each share.

Issued capital is:

Year ended December 31	2010		2009	
	Shares (000's)	Amount	Shares (000's)	Amount
Balance, beginning of the year	159,334	$ 285,951	104,414	$ 199,688
Common shares issued for cash	20,155	12,434	18,305	44,151
Common shares issued in settlement of deposits	–	–	17,039	30,319
Common shares issued in settlement of convertible notes	–	–	18,668	10,559
Common shares issued in settlement of Repayment Liability (Note 9)	15,908	12,726	–	–
Common shares issued in settlement of trade payable	338	412	908	1,234
Balance, end of the year	195,735	$ 311,523	159,334	$ 285,951

On February 24, 2010, Timminco issued 337,701 common shares as full and final settlement of a trade payable owing to a vendor of $412.

On March 26, 2010, Timminco issued 15,908,000 common shares in payment of $12,726 (€9,198) of the Repayment Liability (see Note 9).

On May 13, 2010, Timminco issued 7,105,928 common shares in the first tranche of an equity financing by way of a private placement at $0.65 per share for gross proceeds of $4,619 to AMG.

On May 21, 2010, Timminco issued 8,991,488 common shares in the second tranche of an equity financing by way of a private placement at $0.65 per share for gross proceeds of $5,844, of which AMG subscribed for 4,221,488 of the common shares.

On June 14, 2010, Timminco issued 4,057,199 common shares in the third and final tranche of an equity financing by way of a private placement at $0.65 per share for gross proceeds of $2,637 to AMG.

(c) Options have been granted to certain key employees and directors to purchase common shares of the Company subject to various vesting requirements. During 2004, the Company established a Share Option Plan (the "2004 Plan") which supersedes the prior share option plan for directors and key employees. The 2004 Plan was last amended and restated as of April 28, 2008. Under the 2004 Plan, options are granted at the discretion of the Board of Directors or its compensation committee, at an exercise price no less than the closing price of the common shares on the Toronto Stock Exchange on the last trading day preceding the day of grant. The options vest equally over a four year period, with the initial 25% vesting after the first anniversary of the grant date, and expire seven years after the grant date.

On November 11, 2008, the Company established a new share option plan (the "2008 Plan") as part of certain long-term incentive compensation arrangements for key employees in the Silicon Group. The options are granted with an exercise price at the fair market value of the Company's common shares, have a nine-year vesting schedule with 50% becoming exercisable after the fifth anniversary of the grant date, and the remaining 50% vest equally on the sixth through ninth anniversary dates. The options expire ten years after the grant date.

During the year ended December 31, 2010, options to purchase 1,736,600 common shares were granted under the 2004 Plan. The fair values of the grants, determined using the Black-Scholes option-pricing model at the time of the grants, were $0.31 to $1.09 per common share subject to option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 118.4% to 119.8%, risk-free interest rate of 2.91% to 3.0% and expected option lives of seven years. The share option expense is being amortized, according to the vesting schedule, over a four year period from the date of the grants.

During the year ended December 31, 2009, options to purchase 895,900 common shares of the Company were granted under the 2004 Plan. The fair value of the grants, determined using the Black-Scholes option-pricing model at the time of the grants, were $1.44 to $2.28 per option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 116.9% to 122.9%, risk-free interest rate of 2.1% to 2.7% and expected option lives of seven years. The share option expense is being amortized, according to the vesting schedule, over a four year period from the date of the grant.

Subsequent to December 31, 2010, options to purchase 320,000 common shares of the Company were granted under the 2004 Plan.

During the year ended December 31, 2010, the Company recorded stock-based compensation expense of $8,327 (2009—$7,927) which is included in selling and administrative expenses in the statement of operations.

A summary of the status of the options under both the 2004 Option Plan and the 2008 Option Plan is presented below:

Year ended December 31	2010		2009	
	Shares (000's)	Weighted Average Exercise Price	Shares (000's)	Weighted Average Exercise Price
Outstanding, beginning of year	12,235	$ 5.45	11,349	$ 5.74
Granted	1,737	$ 0.90	896	$ 1.87
Forfeited	(64)	$ 1.26	(10)	$ 7.64
Outstanding, end of year	13,908	$ 4.90	12,235	$ 5.45

At December 31, 2010, the number of common shares subject to options outstanding and exercisable under both share option plans was as follows:

Price Range	Outstanding Options (000's)	Weighted Average Exercise Price	Weighted Average Remaining Life	Exercisable Options (000's)	Weighted Average Exercisable Price
$0.29 to $0.40	2,150	$ 0.37	4.17	1,225	$ 0.38
$0.59 to $2.57	3,828	$ 1.16	3.53	2,091	$ 0.90
$7.64 to $15.27	7,930	$ 7.94	7.48	478	$ 10.20
	13,908	$ 4.90	5.88	3,794	$ 1.90

As of December 31, 2010, the maximum number of Timminco common shares that may be reserved for options granted under the 2004 Option Plan is 7,332,175 and under the 2008 Option Plan is 10,000,000, representing 8.9% of the issued and outstanding common shares.

Contributed Surplus

Year ended December 31	2010	2009
Balance, beginning of year	$ 12,996	$ 5,069
Stock-based compensation	8,327	7,927
Balance, end of year	$ 21,323	$ 12,996

14. Non-controlling Interest

The Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"), requires the consolidation of variable interest entities ("VIEs") by the primary beneficiary of the expected residual losses or returns, or both, of the VIE. A VIE is any type of legal structure in which consolidation is required due to contractual or other financial arrangements, as opposed to traditional voting rights, if certain conditions exist. The company is the primary beneficiary of two VIEs as defined under AcG-15.

On February 4, 2010, Timminco and Strokkur Energy ehf. ("Strokkur"), an Icelandic private equity firm, formed Thorsil ehf. ("Thorsil"), an Icelandic company, with Timminco having subscribed for 51% of its share capital and Strokkur having subscribed for 49% of its share capital. The Company's investment in Thorsil is considered to be a VIE and the Company is considered the primary beneficiary; accordingly, the Company consolidates Thorsil (See Note 9).

On September 30, 2010, Bécancour Silicon transferred most of its silicon metal assets and liabilities to Québec Silicon, including property, plant, equipment and certain net working capital items, in anticipation of a production partnership transaction with Dow Corning Corporation ("Dow Corning"), which was completed on October 1, 2010. Dow Corning acquired a 49% equity interest in Québec Silicon in consideration for net cash proceeds of $40,976 (US$40,105).

The Company's 51% investment in Québec Silicon is considered to be a VIE and the Company is considered the primary beneficiary; accordingly, the Company consolidates Québec Silicon (See Note 12).

If the rolling average cost of production (per metric ton) for any 12-month period in the three year period after September 30, 2010 (the "Post-Closing Period") is less than specified thresholds, then Dow Corning will contribute to Québec Silicon, for distribution to Bécancour Silicon, a one-time payment of additional consideration in accordance with an agreed formula. In addition, if during any consecutive six-month period in the Post-Closing Period, the average annual production capacity of Québec Silicon exceeds 47,000 metric tons of silicon metal, for any reason, then Dow Corning will contribute to Québec Silicon for distribution to Bécancour Silicon a further one-time payment of additional consideration calculated in accordance with an agreed formula. The maximum amount that Bécancour Silicon may receive upon achieving these performance objectives is US$10.0 million.

Year ended December 31	2010	2009
Balance, beginning of the year	$ –	$ –
Proceeds from Dow Corning	40,976	–
Share of net earnings—Québec Silicon Limited Partnership	598	–
Balance, end of the year	$ 41,574	$ –

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15. Income Taxes

(a) Income taxes (recovery) attributable to loss before tax differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates of 31% (33% in 2009) to the pre-tax loss as a result of the following:

Year ended December 31	2010	2009
Loss before income taxes	$ (74,127)	$ (132,442)
Computed 'expected' tax recovery	(22,979)	(43,705)
Increase (reduction) in income taxes resulting from:		
Income taxed at different rates in other jurisdictions	996	2,053
Adjustment to future tax assets and liabilities for changes in tax rates	1,450	8,590
Exchange rate effects	496	952
Change in valuation allowance	18,513	32,603
Expired investment tax credits and loss carry forwards	459	478
Québec Silicon's minority interest's taxable income and net future tax assets (Note 15(d))	1,941	–
Permanent and other differences	(849)	809
Income taxes	$ 27	$ 1,780

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2010	2009
Future tax assets:		
Inventories	$ 111	$ –
Property, plant and equipment	16,589	13,643
Eligible capital expenditures	1,041	–
Deferred financing costs	166	191
Share issue costs	585	748
Accruals and long term provisions	4,244	6,554
Employee future benefits	4,240	5,480
Tax loss carry forwards (Note 15(c))	52,487	43,118
Investment tax credit carry forwards expiring between 2011 and 2018	5,742	2,775
Research and development expenditures	7,291	1,819
Impaired investments	2,608	2,795
Impaired land	53	63
Provincial/Federal sales tax harmonization credit	270	270
Alternative and corporate minimum tax carry forwards	113	119
	95,540	77,575
Less valuation allowance	93,257	74,744
	2,283	2,831
Future income tax liabilities:		
Employee future benefits	785	234
Intangible assets	1,163	2,142
Foreign exchange gains	335	455
	2,283	2,831
Net future income tax asset (liability)	$ –	$ –

The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carry forwards become deductible. During 2010, the future income tax asset was increased by operating and non-operating losses generated in entities not generating taxable income. Accordingly, the valuation allowance was increased by a corresponding amount as there is currently no expectation of generating sufficient taxable income in these legal entities.

(c) At December 31, 2010, the Company has the following gross tax loss carry forwards available to reduce future years' income in:

Canada expiring between 2013 and 2030	$	159,353
United States (Federal) expiring between 2011 and 2028	$	22,534
Iceland expiring in 2020	$	1,243

Approximately $1,331 of the United States tax loss carry forwards above are subject to restrictions that limit the amount that can be utilized in any one taxation year.

At December 31, 2010, the Company has allowable capital loss carry forwards of $11,553 available to reduce future years' taxable capital gains. These loss carry forwards have no expiry date.

(d) Québec Silicon is not taxable on a legal entity basis. Its taxable income is attributed directly to its partners on a percentage of ownership basis. Since income tax expense (if any) and related future income tax assets and liabilities attributed to the minority interest are not assets available to or liabilities of the Company, they have been excluded from these consolidated financial statements.

16. Financial Instruments

Categories of financial assets and liabilities

Under CICA Handbook Section 3862, "Financial Instruments – Disclosures", the Company is required to provide disclosures regarding its financial instruments. Financial instruments are either measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held-for-trading financial assets and liabilities and available-for-sale financial assets are measured on the balance sheet at fair value. Derivative non-financial instruments are classified as held-for-trading and are recorded on the balance sheet at fair value unless exempted as a non-financial derivative representing a normal purchase and sale arrangement. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges. The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Held-for-trading				
Cash	$ 8,076	$ 8,076	$ 1,170	$ 1,170
Restricted cash	105	105	–	–
Foreign exchange contracts	–	69	–	–
Available for sale				
Investment in Applied Magnesium	222	222	222	222
Loans and receivables				
Accounts receivable	13,984	13,984	11,007	11,007
Due from related companies	967	967	209	209
Long term receivables	1,275	1,275	1,282	1,282
	$ 24,629	$ 24,698	$ 13,890	$ 13,890
Financial Liabilities				
Other financial liabilities				
Bank indebtedness	$ –	$ –	$ 40,315	$ 39,147
Accounts payable and accrued liabilities	20,426	20,426	19,627	19,627
Due to related companies	2,328	2,318	5,991	5,991
Current portion of long term debt	2,604	2,604	39,158	39,158
Current portion of long term provisions	3,679	3,679	5,132	5,132
Long term debt	25,028	25,028	128	128
Due to related companies	16,199	16,122		
Long term provisions	9,015	9,015	6,266	6,266
	$ 79,279	$ 79,192	$ 116,617	$ 115,449

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The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

	2010			2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets						
Cash and cash equivalents	$ 8,181	$ –	$ –	$ 1,170	$ –	$ –
Foreign exchange contracts	$ –	$ 69	$ –	$ –	$ –	$ –

At December 31, 2010, the Company has $105 of restricted cash which is classified as a current asset. The restricted cash represents funds available for funding preliminary expenses for a potential silicon metal capacity expansion project in Iceland (Thorsil).

Investment in the common shares of Applied Magnesium is classified as available for sale financial asset and is measured at cost since there is not an active market to determine a fair value.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The carrying value of current monetary assets and liabilities approximates their fair value due to their relatively short periods to maturity. The fair values of long term receivables, other long term liabilities and the debt component of the amounts due to an affiliated company approximate their carrying values as the terms and conditions are similar to current market conditions. Foreign exchange contracts are marked to market using quoted market prices.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to mitigate certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes. Risk management is the responsibility of the corporate finance function. The Company's domestic and foreign operations along with the corporate finance function, identify, evaluate and, where appropriate, mitigate financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors.

Foreign exchange risk

The Company reports its results in Canadian dollars, and a substantial portion of the operating costs of the silicon business is in Canadian dollars, as the Company purchases silicon metal from Québec Silicon in Canadian dollars, whereas the majority of the Company's products are priced and sold in Euros and U.S. dollars. In particular, Bécancour Silicon has signed a contract to supply a significant portion of its allocation of Québec Silicon's production of silicon metal over the next five years at prices denominated in Euros. Such pricing is fixed in Euros for deliveries in 2011, and subject to negotiation within a defined price range in Euros, for each of the remaining four years. Subsequent to the year end the Company and the customer amended the supply agreement to provide for an adjustment with respect to movement in the Euro/USD exchange rate relative to the exchange rate in effect at the date the companies agreed upon the pricing in 2009, thereby reducing the exposure of the Company to fluctuations in the Euro/USD exchange rate. Volatility in the Canadian dollar—Euro exchange and Canadian dollar—USD exchange rate could have a material impact on the gross margins of the Company.

Since the majority of the Company's sales are transacted in U.S. dollars or Euros and the Company has interest bearing debt denominated in foreign currency, the Company may experience transaction exposures because of volatility in the exchange rate between the Canadian and U.S. dollar and the Canadian dollar and the Euro. Based on the Company's U.S. dollar denominated net inflows and outflows for the year ended December 31, 2010, a weakening (strengthening) of the U.S. dollar of 1% would, everything else being equal, have a positive (negative) effect on net income before taxes of $275 (2009—$167). Based on the Company's Euro denominated net inflows and outflows for the year ended December 31, 2010, a weakening (strengthening) of the Euro of 1% would, everything else being equal, have a positive (negative) effect on net income before taxes of $365 (2009—$222), prior to hedging activities.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts.

Foreign exchange forward contracts

The Company enters into foreign exchange forward contracts to mitigate foreign currency risk relating to certain cash flow exposures. The Company's foreign exchange forward contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset losses and gains on transactions being hedged. The counterparty to the contracts is a multinational commercial bank and therefore credit risk of counterparty non-performance is remote. Realized and unrealized gains or losses are included in net earnings (for the year ended December 31, 2010—$99 gain; 2009—$1,606 gain).

The open foreign exchange forward contracts as at December 31, 2010 are as follows:

		Notional Canadian dollars equivalent		
(000's)	Notional amount of currency sold	Contract amount $	Fair value $	Unrealized loss $
Euro	4,500	5,936	5,867	69

These foreign exchange forward contracts mature over the period January to March 2011. Subsequent to December 31, 2010, the Company entered into foreign exchange forward contracts to sell €1,000 for Canadian dollars in the period January to March 2011 at rates of 1.3598 to 1.3600 (see Note 21).

Interest rate risk

The Company is exposed to interest rate risk to the extent that cash and short term investments, bank indebtedness, the Term Loan and amounts due to an affiliated company are at floating rates of interest. The Company's maximum exposure to interest rate risk is based on the effective interest rate and the current carrying value of these assets and liabilities. The Company monitors the interest rate markets to ensure that appropriate steps can be taken if interest rate volatility compromises the Company's cash flows. A 1% change in interest rates would, everything else being equal, change annualized net income before taxes for the year ended December 31, 2010 by $364 (2009—$653).

Credit risk

Accounts receivable and long term receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. Substantially all of the Company's accounts receivable are due from customers in a variety of different industries and as such, are subject to normal credit risks in their respective industries. The Company regularly monitors customers for changes in credit risk. As a requirement of the Company's Credit Agreement, trade receivables from customers in Europe, Australia, Mexico and Japan are insured for events of non-payment through third party export insurance.

The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with only stable, creditworthy parties and through frequent reviews of exposures to individual entities. In addition, the Company enters into foreign exchange forward contracts with a large multinational bank to mitigate associated credit risk. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit is received before any goods are shipped. The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of operations within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of operations. The following table sets forth details of the age of receivables that are not overdue as well as an analysis of overdue amounts and related allowance for the doubtful accounts:

	2010	2009
Total accounts receivable	$ 14,260	$ 12,249
Less: Allowance for doubtful accounts	(276)	(1,242)
Total accounts receivable, net	$ 13,984	$ 11,007
Of which:		
Not overdue	$ 13,984	$ 10,961
Past due for more than three months but not for more than six months	–	–
Past due for more than six months but not for more than one year	–	–
Past due for more than one year	276	1,288
Less: Allowance for doubtful accounts	(276)	(1,242)
Total accounts receivable, net	$ 13,984	$ 11,007

Contractual obligations

The contractual obligations of the Company as at December 31, 2010 are as follows:

	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	Thereafter
Bank debt	$ –	$ –	$ –	$ –	$ –
Term debt	47,527	3,172	13,889	4,547	25,919
Operating leases	1,879	286	706	197	690
Due to related parties	19,722	12,052	7,670	–	–
Thorsil Bond	1,114	1,114	–	–	–
Defined benefit pension funding obligations	24,463	5,224	12,900	6,339	–
Capital asset purchase commitments	1,312	1,312	–	–	–
Reorganization obligations	2,050	874	392	123	661
Environmental obligations	7,410	1,958	2,536	188	2,728
Contract termination claims	5,081	1,041	4,040	–	–
Other long term obligations	81	53	21	7	–
Total contractual obligations	$ 110,639	$ 27,086	$ 42,154	$ 11,401	$ 29,998

Liquidity risk

The Company is currently subject to liquidity risk. Liquidity risk arises through excess financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available sources of funding in order to meet its liquidity requirements at any point in time. The Company attempts to achieve this through managing cash from operations and through the availability of funding from committed credit facilities.

The Company incurred net losses of $74,752, $134,222 and $22,609 for the years ended December 31, 2010, 2009 and 2008, respectively. There is also material uncertainty with respect to the level of liquidity that will be generated by operations in the next twelve months.

At December 31, 2010, the Company had positive working capital of $23,163, was holding cash of $8,076 and had undrawn available lines of credit under the Credit Agreement of approximately $7,900.

Both the Senior Credit Agreement and the Term Loan Agreement contain financial covenants. The minimum EBITDA levels for the purpose of the financial covenants in the Senior Credit Agreement have been set at amounts based on the Company's projected financial results. In the event that the Company is unable to achieve such financial results, it may become non-compliant under the Senior Credit Agreement. Non-compliance with any of the financial covenants under the Senior Credit Agreement or the Term Loan Agreement may cause the Bank or IQ, respectively, to declare an event of default and demand repayment of the entire outstanding indebtedness under such facilities.

Both the Senior Credit Agreement and the Term Loan Agreement also contain cross-default provisions, and restrict the Company's ability to incur additional indebtedness, sell assets, create liens or other encumbrances, incur guarantee obligations, make certain payments, make investments, loans or advances and make acquisitions beyond certain levels. Substantially all of the Company's assets have been pledged as collateral to its lenders under the Senior Credit Agreement and the Term Loan Agreement. The AMG Convertible Note also contains a cross-default provision, financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements.

Québec Silicon's Governance Agreements provide that Québec Silicon can require additional capital contributions from its partners in certain circumstances relating to capital and maintenance requirements for the Bécancour facility. In the event that Québec Silicon's aggregate funding requirements for working capital and capital projects exceed the funding available under the Term Loan Agreement and from cash flow from operations, Québec Silicon may have a working capital deficiency, and/or may be required to request additional capital contributions from its partners. The Company may be required, contractually or otherwise, to provide additional funding to Québec Silicon in these circumstances, which could have a material adverse effect on the Company's liquidity.

Timminco has also been named as a defendant in a proposed class action lawsuit, claiming damages in excess of $540,000. While Timminco intends to vigorously defend the allegations in such lawsuit and the plaintiff's attempt to get court approval to proceed, the timing and outcome of such proceedings are uncertain and the amount of any damages awarded could be substantial.

As a result of the Company's liquidity risk, the Company's ability to continue as a going concern is subject to the continued support of its lenders and is uncertain, therefore the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

17. Capital Management

The Company defines capital that it manages as the aggregate of its shareholders' equity and interest bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders. The Company includes its fully consolidated VIEs in managing its capital consideration.

As at December 31, 2010, the Company's managed capital was $52,487 (December 31, 2009—$145,404) which was comprised of shareholders' equity of $19,884 (December 31, 2009—$60,737) and interest-bearing debt of $32,603 (December 31, 2009—$84,667). Included in interest bearing debt is the debt component of the convertible notes of $4,971 (December 31, 2009—$5,066), where the associated accreted interest expense is a non-cash charge.

The Company manages its capital structure with the objective of matching short and long-term financing with the respective assets. The Company targets having sufficient revolving credit facilities to fund working capital requirements and principal and interest payments of its debts, and adequate long-term debt and equity to finance long-term assets.

During 2010, the Company took additional measures towards the eventual return of its operations to a cash generating position through a temporary suspension of production of its solar grade silicon operations, sale of silicon metal inventories and reduction of accounts receivable to generate cash from working capital and commitment of substantially all of its production capacity for 2011 at fixed prices. The Company believes that these actions should support liquidity to operate its business, subject to operating risks and fluctuations in foreign exchange markets. The Company completed a transaction on October 1, 2010 involving an acquisition by Dow Corning of a 49% equity interest in Québec Silicon and utilized a portion of the net proceeds to fully repay the revolving and term loans outstanding with Bank of America (see Note 8). However, the Company's ability to raise capital in the debt or equity markets could be limited until the Company returns to a cash generating status for a number of fiscal quarters (see Note 1).

18. Commitments, Contingencies and Guarantees

Commitments

Property, plant and equipment

As at December 31, 2010, the Company had capital commitments of $1,312 related to its silicon metal production facilities in Bécancour.

Operating leases

The Company leases equipment and office, manufacturing and warehouse space under operating leases with minimum aggregate rent payable in the future as follows:

2011	$	195
2012		187
2013		179
2014		188
2015 and thereafter		887
	$	1,636

Environmental matters

In 2009, the Québec Ministry of the Environment issued a Certificate of Authorization with respect to the Bécancour facility to remediate a silica fume disposal site. The planned work is scheduled to be completed in 2014.

In 2006, the Company filed a Mine Closure Plan with the Ontario Ministry of Northern Development, Mines and Forestry with respect to the Haley, Ontario facility together with appropriate financial assurance covering its obligations pursuant to the plan. The Company is required to provide financial assurance of $1,683 by way of an initial deposit of $337 and annual payments of $269 over a period of five years. The Company has paid the initial payment and four annual installments ($1,413). The Company has been remediating the property in accordance with the agreed terms of the Mine Disclosure Plan.

The environmental certificate of authorization (the "Certificate of Authorization") granted to Québec Silicon by the Québec Minister of Sustainable Development, Environment and Parks (the "Ministry") on September 30, 2010 incorporated a number of environmental undertakings of Québec Silicon which are to be completed within the timelines set out in the Certificate of Authorization. The environmental undertakings include the (i) proper storage of certain materials; (ii) the proper disposal of certain pollutants and residual material that are currently on the premises of the facility; and (iii) the execution of corrective plans set out in the Certificate of Authorization relating to the identification and reduction of air emission particulate matter. Bécancour Silicon has agreed to indemnify Québec Silicon for all expenditures relating to the environmental undertakings set out in the Certificate of Authorization including future estimated capital-related expenditures of approximately $849 incremental to the Company's capital expenditures commitments of $439 as at December 31, 2010.

Contingent liabilities

Class action lawsuit

Timminco and certain of its directors and officers, as well as certain third parties, have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on May 14, 2009. This lawsuit was commenced by the plaintiff Ravinder Kumar Sharma on behalf of shareholders who acquired Timminco's common shares between March 17, 2008 and November 11, 2008 and claims damages exceeding $540,000. The plaintiff alleges that Timminco and others made certain misrepresentations about the Company's solar grade silicon production process. These are unproven allegations, and the plaintiff will need to seek leave, or permission, of the court to proceed under the secondary market disclosure provisions of the Ontario Securities Act.

The Company has not recorded any liability related to these matters. Timminco's directors and officers insurance policies provide for reimbursement of costs and expenses incurred in connection with this lawsuit, including legal and professional fees, as well as potential damages awarded, if any, subject to certain policy limits and deductibles. The Company intends to vigorously defend these allegations and the plaintiff's attempt to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded in such lawsuit could be substantial.

Other legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees

In the normal course of business, the Company has provided indemnifications in various commercial agreements which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law. The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote.

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties.

19. Segmented Information

To July 22, 2009, the Company managed its business along two principal business segments, the production and sale of silicon metal and solar grade silicon, the Silicon Group ("Silicon"), and of specialty non-ferrous metals, the Magnesium Group ("Magnesium"). After July 22, 2009, the Silicon Group is the only business segment. Amounts included under "Other" include corporate activities and amounts related to the Company's investment in Applied Magnesium.

Segmented information on sales and identifiable assets by geographic region is as follows:

(a) Sales (based on the country/region to which the goods were shipped):

	2010			2009
	Silicon	Silicon	Magnesium	Total
Canada	$ 17,183	$ 19,673	$ 3,029	$ 22,702
United States	53,484	14,014	21,014	35,028
Mexico	45	19	1,433	1,452
Europe	60,293	39,942	1,363	41,305
Australia	–	–	1,902	1,902
Pacific Rim	991	682	907	1,589
Other	1,001	91	499	590
	$ 132,997	$ 74,421	$ 30,147	$ 104,568

(b) Net income (loss):

			2010
	Silicon	Other	Total
Loss before the undernoted:	$ (27,478)	$ (19,727)	$ (47,205)
Amortization of PP&E and intangible assets	(11,124)	(22)	(11,146)
Interest	–	(7,011)	(7,011)
Environmental remediation costs	(603)	(488)	(1,091)
Accretion of convertible debt	–	(199)	(199)
Pension curtailment costs	–	(506)	(506)
Impairment of assets	(7,498)	(69)	(7,567)
Income tax expense	–	(27)	(27)
Net loss	$ (46,703)	$ (28,049)	$ (74,752)

				2009
	Silicon	Magnesium	Other	Total
Loss before the undernoted:	$ (47,411)	$ (3,766)	$ (7,694)	$ (58,871)
Amortization of PP&E and intangible assets	(15,141)	(156)	–	(15,297)
Interest	–	–	(6,675)	(6,675)
Environmental remediation costs	(1,098)	(529)	–	(1,627)
Reorganization costs	–	(4,293)	–	(4,293)
Loss on disposal of Magnesium Group	–	(1,109)	–	(1,109)
Pension curtailment costs	1	–	2	3
Accretion of convertible debt	–	–	(759)	(759)
Impairment of assets	(39,039)	–	(4,775)	(43,814)
Income tax expense	(1,724)	(56)	–	(1,780)
Net loss	$ (104,412)	$ (9,909)	$ (19,901)	$ (134,222)

(c) Identifiable assets:

			2010
	Silicon	Other	Total
Canada	$ 156,831	$ 11,034	$ 167,865
United States and Other	–	583	583
	$ 156,831	$ 11,617	$ 168,448

			2009
	Silicon	Other	Total
Canada	$ 205,723	$ 3,183	$ 208,906
United States and Other	–	1,002	1,002
	$ 205,723	$ 4,185	$ 209,908

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Included in the assets related to the Silicon Group is goodwill of $16,827 which arose from the acquisition of the Silicon Group by the Company. Effective with the disposition of the Magnesium Group in 2009, all residual assets are classified as "Other". As at December 31, 2010, the Company impaired the carrying value of solar grade silicon property, plant and equipment in the Silicon Group in the amount of $2,893 (2009—$39,039). Also, the carrying value of buildings at the Haley, Ontario site was reduced $69 in 2010.

(d) Property, Plant and Equipment:

	2010	2009
Silicon	$ 82,198	$ 90,797
Other	1,410	599
	$ 83,608	$ 91,396

(e) Additions to Property, Plant and Equipment:

	2010	2009
Silicon	$ 2,786	$ 20,066
Other	11	13
	$ 2,797	$ 20,079

Economic dependence

The Company has traditionally had several large customers, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Company. In 2010, the five largest customers accounted for 58% of total sales (2009—53%). Going forward, the Company expects the customer concentration risk to increase, mainly due to the reduced production output that is available to Bécancour Silicon as a result of the Supply Agreement with Dow Corning and Québec Silicon, and increased volume commitments that Bécancour Silicon has under long-term supply contracts and other delivery arrangements with certain silicon metal customers for 2011 and further years. The extent to which any of the Company's significant silicon metal customers may be unwilling or unable to satisfy all or a material portion of its purchase commitments with the Company could have a material adverse affect on the Company's results of operations and liquidity.

In 2010, the Company sold inventories to Sudamin for $4,668. In 2009, the Company sold inventories to Sudamin for $17,217 and to AMG Conversion for $5,975. These transactions were for cash (see Note 12).

20. Comparative Figures

Certain of the 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.

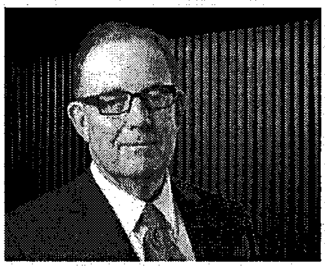
21. Subsequent Events

Subsequent to December 31, 2010, the Company entered into foreign exchange forward contracts to sell €1,000 for Canadian dollars in the period January to March 2011 at rates of 1.3598 to 1.3600 (see Note 16).

In February 2011, the Company and Strokkur contributed additional equity to Thorsil, in proportion to their respective ownership, for the purpose of completing feasibility studies and negotiation of a power contract. The Company's contribution was US$126.

Subsequent to December 31, 2010, the long-term contracts executed by the Company in the first quarter 2010 to supply approximately 90,000 metric tons of silicon metal over the next five years to one of its long-standing silicon metal customers were amended: to increase the volume commitments by a total of 4,500 metric tons, deliverable over the contract years 2011 through 2013; to add a currency adjustment provision, effective since the second quarter 2010, which over the remainder of the term effectively reduces by half the parties' exposures to fluctuations in the US dollar–Euro exchange rate relative to the rate in effect when the contract was originally negotiated in the fourth quarter 2009; and to defer, by up to three years, deliveries of approximately 3,500 metric tons from the original 2010 volume commitments of 15,500 metric tons. In addition, in the fourth quarter 2010, in accordance with the terms of the contract, the customer exercised its right to purchase the base quantity of 17,500 metric tons for 2011 deliveries at a fixed price at the upper end of the previously agreed price range.

MANAGEMENT'S DISCUSSION AND ANALYSIS



"Strengthening our financial position remained a top priority in 2010. As a result of efforts in this regard, we ended the year much stronger financially, and better positioned to capitalize on the strength of our silicon metal operations, as well as to pursue the significant opportunity in our proprietary solar grade silicon purification process."

Robert Dietrich, Executive Vice President — Finance and Chief Financial Officer

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements of Timminco Limited ("Timminco" and, collectively, with its consolidated subsidiaries, the "Company") and the notes thereto for the year ended December 31, 2010, which were prepared in accordance with Canadian generally accepted accounting principles. This MD&A covers the quarter ended December 31, 2010 ("Q4-10") and the year ended December 31, 2010 ("FY-10") with comparisons to the quarter ended December 31, 2009 ("Q4-09") and the year ended December 31, 2009 ("FY-09"). All amounts are in Canadian dollars unless otherwise noted. This MD&A is prepared as of March 25, 2011.

Overview

While the Company historically has reported on the basis of the Silicon Group segment and the Magnesium Group segment, the Silicon Group, which is operated through Timminco's subsidiaries, Bécancour Silicon Inc. ("Bécancour Silicon"), and Québec Silicon Limited Partnership ("Québec Silicon"), is the only reported segment since the disposition of the Magnesium Group in Q3-09. The Silicon Group segment consists of the production and sale of silicon metal and solar grade silicon products.

The following are the highlights of results for Q4-10 and FY-10, which are described in more detail elsewhere in this MD&A:

- Sales for Q4-10 increased to $31.0 million, from $25.5 million in Q4-09 reflecting improved silicon metal market conditions. Similarly, sales for FY-10 increased 27% to $133.0 million compared with $104.6 million in FY-09.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") for Q4-10 was negative $5.7 million, compared to negative EBITDA of $17.4 million in Q4-09 (negative EBITDA of $39.0 million in FY-10, compared to negative EBITDA of $50.9 million in FY-09).
- Net loss for Q4-10 was $19.9 million or $0.10 per share, compared to a loss of $69.4 million or $0.48 per share for Q4-09 (net loss of $74.8 million or $0.40 per share in FY-10, compared to a net loss of $134.2 million or $1.09 per share in FY-09).
- On December 15, 2010, Bécancour Silicon executed a Loan and Security Agreement (the "Senior Credit Agreement") with Bank of America, N.A., Canada branch (the "Bank") which replaced the Company's revolving credit facility that expired on the same day. The Senior Credit Agreement, which terminates on December 15, 2013, consists of a revolving credit facility (the "Senior Credit Facility") of up to $20.0 million.
- On December 15, 2010, Investissement Québec ("IQ") agreed to an eight-year extension of the maturity date of Bécancour Silicon's $25.0 million term loan from August 31, 2011 to July 16, 2019, and certain other amendments. As a result of such amendments, the term loan is repayable in fixed, consecutive monthly installments starting on August 31, 2012, and additional installments, due on June 30 of each year starting on June 30, 2013, in amounts based on a percentage of Bécancour Silicon's defined adjusted cash flow for the preceding fiscal year.
- On December 15, 2010, Bécancour Silicon and AMG Advanced Metallurgical Group N.V. ("AMG"), a significant shareholder in Timminco, executed an amended and restated US$5.0 million convertible promissory note (the

"AMG Convertible Note"), whereby the maturity date was extended by three years to January 3, 2014, the conversion rate was adjusted and interest was set at 14% starting on January 1, 2011.

- On October 1, 2010, the Company completed its production partnership transaction with Dow Corning Corporation ("Dow Corning") regarding the silicon metal production facilities of Bécancour Silicon. Dow Corning acquired a 49% equity interest in Québec Silicon, the new production partnership entity that owns the silicon metal operations in Bécancour, Québec, in consideration for net cash proceeds of approximately US$40.1 million. Bécancour Silicon retained a 51% equity interest in Québec Silicon, as well as all of the solar grade purification operations and facilities at the Bécancour site.
- During Q2-10, Timminco completed its private placement equity financing, in which an aggregate of approximately 20.2 million common shares were issued at a price of $0.65 per share, resulting in gross proceeds of approximately $13.1 million. AMG acquired approximately 15.4 million common shares in this offering, with the remaining common shares issued to other investors.
- During Q1-10, Timminco issued approximately 15.9 million common shares and a €0.5 million promissory note in settlement of a repayment liability for approximately $13.4 million due to a former customer.

Québec Silicon operated at full capacity during Q4-10, subject to scheduled maintenance activities. The Company shipped nominal quantities of solar grade silicon in Q4-10 in connection with its ongoing market development efforts. The Company generated positive EBITDA from its silicon metal product line for Q4-10 which was offset by fixed overhead costs, solar grade silicon fixed asset impairment charges, solar grade silicon development costs, interest charges and foreign exchange fluctuations resulting in a significant net loss for the quarter.

As a result of its losses and the uncertainty with respect to future solar grade revenues, the Company is subject to substantial liquidity risk and going concern risk (see notes 1 and 16 to the consolidated financial statements of the Company).

Strategy

The Company is pursuing a strategy responsive to changes in market conditions for its two Silicon Group product lines—silicon metal and solar grade silicon.

As of October 1, 2010, the Company is operating its silicon metal business in partnership with Dow Corning through Québec Silicon, the production partnership entity that owns the silicon metal operations in Bécancour, Québec. Pursuant to definitive agreements, Bécancour Silicon will purchase 51% of the output of Québec Silicon on a cost-plus basis for resale to Bécancour Silicon's traditional customer base in the chemical (silicones), aluminum and electronic/solar industries. The Company will continue to seek improved cost performance and production volume increases in Québec Silicon to further improve its operational performance over the longer term.

In addition, the Company is pursuing opportunities to expand its silicon metal production capacity through a potential new silicon metal production facility in Iceland that would operate using geothermal power. Timminco, through its Icelandic majority-owned subsidiary, is in discussions with an Icelandic power company regarding a long-term power contract to supply electricity to such a facility, has undertaken preliminary site selection studies and has completed initial engineering studies to determine the approximate capital cost of such a project. However, definitive commitments to proceed with this project have not yet materialized.

With respect to solar grade silicon, the Company's objective is to produce, through repeatable processes, solar grade silicon that is priced competitively with polysilicon and of such quality that solar cells manufactured using the Company's solar grade silicon will have characteristics that make them competitive with solar cells manufactured from polysilicon. To that end, the Company continues its efforts to develop market opportunities for its solar grade silicon product line, through improvements in its proprietary purification processes to meet the enhanced specifications of prospective new customers. During Q4-10, the Company delivered approximately 7 metric tons of solar grade silicon, in the form of chunks, bricks and wafers, to several potential customers in the photovoltaic industry, for product testing and development purposes. The Company intends to continue its efforts to develop the market for solar grade silicon with the objective of restarting production of solar grade silicon in response to market demand, subject to being able to achieve a sustainable positive cash operating margin from prospective orders.

Summary of Operations

($000's, except per share amounts)	Fourth Quarter 2010	Fourth Quarter 2009	Year 2010	Year 2009
Sales				
Silicon	30,975	25,447	132,997	74,421
Magnesium/Other[2]	–	21	–	30,147
Total	30,975	25,468	132,997	104,568
Gross Profit (Loss)[1]				
Silicon	(255)	(14,142)	(22,810)	(37,938)
Magnesium/Other	–	774	–	798
Total	(255)	(13,368)	(22,810)	(37,140)
Gross Profit (Loss) Percentage[1]				
Silicon	(0.8%)	(55.6%)	(17.2%)	(51.0%)
Magnesium/Other	–	n/m[3]	–	2.6%
Total	(0.8%)	(52.5%)	(17.2%)	(35.5%)
Net Loss				
Silicon	(11,780)	(62,439)	(46,703)	(104,412)
Magnesium	–	–	–	(9,909)
Corporate/Other	(8,130)	(6,964)	(28,049)	(19,901)
Total	(19,910)	(69,403)	(74,752)	(134,222)
EBITDA[1]				
Silicon	(1,460)	(18,301)	(27,491)	(47,791)
Magnesium	–	–	–	(3,354)
Corporate/Other	(3,688)	869	(11,451)	214
Total	(5,148)	(17,432)	(38,942)	(50,931)
Adjusted Loss[1]				
Silicon	(4,278)	(22,179)	(38,614)	(62,928)
Magnesium	–	–	–	(3,482)
Corporate/Other	(7,409)	(3,440)	(27,011)	(15,179)
Total	(11,687)	(25,619)	(65,625)	(81,589)
Loss per common share, basic and diluted	(0.10)	(0.48)	(0.40)	(1.09)
Weighted average number of common shares outstanding, basic and diluted (000's)	195,735	143,748	184,167	123,448

(1) See "Non-GAAP Accounting Definitions".

(2) The Company included the financial results of the Magnesium Group in its consolidated financial statements and MD&A for the period up to July 22, 2009, the effective disposition date of the Magnesium Group. Thereafter, no revenue and expense transactions were recorded by the Magnesium Group.

(3) Not meaningful.

Provisions

The results for both Q4-10 and FY-10 include provisions primarily related to the strategic positioning of the Silicon Group, as it focused its business on the production of silicon metal for the chemical and aluminum industries, and market development for solar grade silicon. These provisions, summarized in the table below, are in addition to the costs recognized in relation to the closure of the former Magnesium Group's Aurora, Colorado operations in 2009 and residual impairment losses related to the Company's former investment in Fundo Wheels AS. In total, the Company has written down approximately $101 million in assets and investments over the past two years as it has restructured the business.

($000's)	Fourth Quarter 2010	2009	Year 2010	2009
Net realizable value provision relating to inventories increasing cost of sales	232	7,119	27,218	9,377
Impairment of long lived assets related to purification of silicon metal	7,498	39,039	7,498	39,039
Provision for contract termination claims from suppliers included in SG&A expenses	80	3,101	2,206	3,101
Environmental remediation costs	23	1,230	490	1,627
Loss on disposal of the Magnesium Group and impairment of notes receivable from Applied Magnesium	–	3,006	–	5,186
Reorganization costs related to the closure of facilities and disposal of the Magnesium Group	506	542	506	4,293
Impairment of the investment in Fundo Wheels	–	–	–	698
Total impact on net income	8,339	54,037	37,918	63,321

Through 2009 and 2010, the Company has, on a quarterly basis, reviewed the carrying value of its inventories with respect to net realizable value and the carrying value of its solar grade silicon fixed assets, intangible assets and goodwill for impairment. These reviews resulted in provisions for the reduction in inventory carrying values to net realizable value of $27.2 million in FY-10 ($9.4 million in FY-09) and charges relating to the impairment of long lived assets of $7.5 million in FY-10 ($39.0 million in FY-09). The incremental long lived asset impairment charge in 2010 was taken in light of the absence of sales of solar grade silicon in 2010, the expectation that the Company would implement changes to its purification process and the likelihood and timing of restarting purification activities. The Company also provided for contract termination claims, relating to solar grade silicon operational commitments of $2.2 million in FY-10 ($3.1 million in FY-09). In total, charges against income of $36.9 million in FY-10 ($51.5 million in FY-09) were recorded in relation to the solar grade silicon product line. See below under "Liquidity and Capital Resources—Long Term Inventory" and "Critical Accounting Estimates—Long Lived Asset Impairment". Despite these charges, the Company has retained all of its manufacturing facilities that were constructed to produce solar grade silicon, including seven of twelve purification lines installed, and has sold or is holding for sale or reprocessing the inventories written down. See a discussion of the Company's efforts with respect to its solar grade silicon product line above under the heading "Strategy".

Silicon Group

Markets for silicon metal include the chemical (silicones), aluminum and electronic/solar industries. All of these market segments demonstrated a significant recovery in 2010 from the global recession of 2009. As a result, demand for silicon metal from these market segments returned to pre-recession levels, and the Bécancour silicon metal manufacturing facilities were operating at full capacity, subject to planned maintenance outages in FY-10.

During Q4-10, market conditions for silicon metal remained stable, with demand for chemical and regular grade silicon at traditional levels and spot market prices strengthening. Foreign currency exchange rates, particularly the Euro/Canadian dollar and the Canadian dollar/US dollar exchange rates were volatile, effectively lowering the revenues realized by the Silicon Group in Canadian dollars in Q4-10 and FY-10 (as compared with Q4-09 and FY-09) since the Company sells silicon metal externally predominantly in the Euro and US dollars. In addition to movement in exchange rates for these currencies, other significant factors impacting silicon metal results are furnace efficiency (i.e. output per unit of capacity) and spending. Efficiency is impacted by furnace utilization (uptime), process efficiency (production per unit of electricity consumed), and raw material consumption (output to input). Spending relates primarily to labour and overheads.

Solar grade silicon operations in FY-10 reflected the market development stage of this product line with minimal revenues. The pricing and availability of polysilicon for the solar industry resulted in the market requiring a higher quality of solar grade silicon. As a result, in Q1-10, Bécancour Silicon temporarily suspended purification operations and focused on qualifying product with potential customers through continued market development and R&D efforts related to solar grade silicon and its proprietary purification processes. Bécancour Silicon recorded FY-10 sales of $0.3 million in support of customer development. Subsequent to year end, Bécancour Silicon sold and shipped 25 metric tons of solar grade silicon in support of market development activities.

Silicon Metal Supply Commitments

In Q1-10, Bécancour Silicon executed long-term contracts to supply approximately 90,000 metric tons of silicon metal over the next five years to one of its long-standing silicon metal customers. The customer committed to buy base quantities of 15,500 metric tons in 2010 and 17,500 metric tons in each of 2011 through 2014, subject to adjustments at the customer's option. The pricing, in Euros, was fixed for all deliveries in 2010, and is subject to negotiation within a defined range for each of the remaining four years. The volume commitments may be suspended for any year after 2010 if the parties are unable to settle upon pricing within mutually agreed ranges.

Subsequent to Q4-10, these long-term contracts were amended: to increase the volume commitments by a total of 4,500 metric tons, deliverable over the contract years 2011 through 2013; to add a currency adjustment provision, effective since Q2-10, which over the remainder of the term effectively reduces by half the parties' exposures to fluctuations in the US dollar–Euro exchange rate relative to the rate in effect when the contract was originally negotiated in Q4-09; and to defer, by up to three years, deliveries of approximately 3,500 metric tons from the original 2010 volume commitments of 15,500 metric tons. In addition, in Q4-10, in accordance with the terms of the contract, the customer exercised its right to purchase the base quantity of 17,500 metric tons for 2011 deliveries at a fixed price at the upper end of the previously agreed price range.

In Q4-10 and subsequent to year-end, Bécancour Silicon entered into contractual arrangements to supply approximately 3,500 metric tons of silicon metal in 2011 to another long-standing silicon metal customer. Pricing for the majority of the volume is fixed in Canadian dollars, with the balance at a fixed price in Euros.

In Q3-10, all of the silicon metal operations of Bécancour Silicon were transferred to Québec Silicon in connection with the production partnership transaction with Dow Corning, which was completed on October 1, 2010. Under related supply commitments, Bécancour Silicon is entitled to 51% of the silicon metal output of the Bécancour silicon metal manufacturing facilities, and the parties have agreed to operate such facilities at its full production capacity, subject to planned maintenance outages for the foreseeable future. Pricing for Québec Silicon's supply of silicon metal to Bécancour Silicon and Dow Corning is on an actual full production cost basis, plus a fixed margin. See below under "Production Partnership with Dow Corning".

In light of Bécancour Silicon's supply commitments to customers as described above and the anticipated production volumes at Québec Silicon in 2011, Bécancour Silicon's allocation of silicon metal production from Québec Silicon may be less than such supply commitments. See "Risks and Uncertainties—Silicon Metal Supply Commitments."

Results of Operations

For Q4-10, Silicon Group sales were $31.0 million, compared to $25.4 million in Q4-09. For FY-10, Silicon Group sales were $133.0 million, compared to $74.4 million in FY-09, an increase of 79%

Analysis of Silicon Group Sales

	Fourth Quarter				Year			
	2010		2009		2010		2009	
	Metric tons	$000's	Metric tons	$000's	Metric tons	$000's	Metric tons	$000's
Silicon metal	10,269	26,568	11,307	27,495	47,277	118,547	24,010	59,976
By-products	15,461	4,349	4,446	1,843	54,539	14,106	36,256	9,378
Silicon metal product lines	25,730	30,917	15,753	29,338	101,816	132,653	60,266	69,354
Solar grade silicon (net of returns)	2	58	(70)	(3,891)	8	344	110	5,067
Total Silicon Group sales	**25,732**	**30,975**	**15,683**	**25,447**	**101,824**	**132,997**	**60,376**	**74,421**

The increase in sales in Q4-10 and FY-10 compared with Q4-09 and FY-09 was due to the recovery in demand for silicon metal from the Company's traditional silicon metal customers, as their end product markets recovered, and higher unit selling prices for silicon metal. The volume of silicon metal shipped in Q4-10 is representative of normal levels of production activity, taking into account the timing of shipments and revenue recognition. Volumes of by-products shipped during Q4-10, which are generally irregular and seasonal, included recovered silica fumes from Bécancour Silicon's silica fumes disposal site, which are mainly recovered during the summer months and a bulk sale of low grade silicon dross. Sales of silicon metal product lines were $132.7 million for FY-10 and $30.9 million in Q4-10, compared to $69.4 million and $29.3 million for the corresponding periods in 2009.

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Solar grade silicon net revenues in FY-10 were $0.3 million, compared to $5.1 million in FY-09, as the Company concentrated its efforts on further research and development to meet prospective customer specifications and market development. Approximately 13 metric tons were shipped to unrelated third parties in FY-10, for testing purposes, compared to 182 metric tons for FY-09 (excluding customer returns of 5 metric tons in FY-10 and 72 metric tons in FY-09).

For FY-10, the significant appreciation of the Canadian dollar against the Euro and the US dollar had an unfavourable impact on sales of $7.9 million and $4.6 million, respectively, compared to FY-09 ($1.6 million unfavourable and $0.4 million unfavourable, respectively, for Q4-10 compared to Q4-09), as the majority of the Silicon Group's sales are denominated in these currencies. Commencing October 2010, to mitigate the volatility of short term exchange rate movements, Bécancour Silicon entered into forward contracts to convert anticipated Euro inflows into Canadian dollars.

Normalized gross profit for silicon metal product lines

	Fourth Quarter		Year	
($000's)	2010	2009	2010	2009
Gross profit—Silicon Group	(255)	(14,142)	(22,810)	(37,938)
Net realizable value provision relating to solar grade silicon inventories increasing cost of sales	136	6,907	25,977	8,079
Stand-down and other operating costs related to solar grade silicon	1,057	2,381	4,231	36,530
Normalized gross profit (loss) for silicon metal product lines[1]	938	(4,854)	7,398	6,671

(1) See "Non-GAAP Accounting Definitions".

Gross profit for Q4-10 was negative $0.3 million (0.8% of sales) compared with negative $14.1 million in Q4-09. Gross profit for FY-10 was negative $22.8 million compared to negative gross profit of $37.9 million in FY-09. Although sales of solar grade silicon declined throughout 2009 and were nominal in 2010, the Company incurred costs of $4.2 million in FY-10 to improve the manufacturing processes related to this product in anticipation of increased sales in the future. Normalized gross profit for silicon metal product lines was $0.9 million for Q4-10, negative $4.9 million for Q4-09, $7.4 million for FY-10 and $6.7 million for FY-09. The primary contributor to the improvement in normalized gross profit in Q4-10 was reduced production costs per metric ton reflecting better furnace efficiency and lower labour costs compared with Q4-09 as well as higher selling prices. FY-10 Silicon Group gross margin was unfavourably impacted by $12.5 million, compared to FY-09, from lower realized Canadian dollar selling prices resulting from the depreciation of the Euro and US dollar relative to the Canadian dollar. An additional contributor to the negative margin was higher than expected costs of production for silicon metal attributable to the quality of coal used in production during Q1-10. Utilities and labour represent a majority of the production costs for metallurgical silicon. Spending in the quarter was below expectations, particularly labour costs due to reduced overtime. FY-09 production costs include the reprocessing of solar grade silicon production by-products into saleable material. Cost of sales of the solar grade silicon product line are comprised of raw materials, utilities, labour and an allocation of manufacturing overhead expenses.

Normalized EBITDA for silicon metal product lines

	Fourth Quarter		Year	
($000's)	2010	2009	2010	2009
EBITDA –Silicon Group	(1,460)	(18,301)	(27,491)	(47,791)
Net realizable value provision relating to solar grade silicon inventories increasing cost of sales	136	6,907	25,977	8,079
Stand-down and other operating costs related to solar grade silicon	1,057	2,381	4,231	36,530
Contract termination settlements	80	3,101	2,206	3,101
Normalized EBITDA for silicon metal product lines[1]	(187)	(5,912)	4,923	(81)

(1) See "Non-GAAP Accounting Definitions".

The Silicon Group generated negative EBITDA in Q4-10 of $1.5 million compared to negative EBITDA of $18.3 million in Q4-09. The Silicon Group had negative EBITDA of $27.5 million in FY-10 as compared to negative $47.8 million in FY-09 (largely attributable to the reprocessing of solar grade silicon production by-products and weakening demand for silicon metal). Normalized EBITDA for the silicon metal product lines was negative $0.2 million for Q4-10, negative $5.9 million for Q4-09, positive $4.9 million for FY-10 and negative $0.1 million for FY-09. The improvement in EBITDA reflects improved productivity resulting from operating the facility at historical production volumes compared to the temporary shut-down in 2009. Q4-10 and FY-10 were unfavourably impacted by the currency translation effect of the Canadian dollar against the Euro and the US dollar.

Net losses for Q4-10 and FY-10 were $11.8 million and $46.7 million, respectively, compared with the net losses for the corresponding periods of 2009 of $62.4 million and $104.4 million. The FY-10 loss reflects solar grade silicon inventory net realizable value provisions of $26.0 million, long lived asset impairment charges of $7.5 million, supplier contract termination costs of $2.2 million, the impact of the strengthening of the Canadian dollar relative to the Euro and the US dollar, lower silicon metal production yields and expenditures related to solar grade silicon process improvements. Commencing Q2-09, the Company could not forecast future profitability with reasonable certainty and, accordingly, ceased recording future income tax recoveries.

Corporate and Other

Corporate and Other expenses primarily represent selling and administration expenses. Q4-10 includes professional fees of $0.2 million related to the transaction with Dow Corning. FY-10 expenses also include production partnership transaction costs of $2.1 million, expenditures of $1.3 million for evaluating the feasibility of a silicon metal facility in Iceland and a favourable foreign exchange on the translation of foreign currency denominated debt to Canadian dollars of $0.5 million. Excluding the production partnership transaction, foreign exchange and Iceland expenditures, Corporate and Other expenses were $8.6 million in FY-10, $7.2 million in FY-09, $3.1 million in Q4-10, and $2.2 million in Q4-09.

Production Partnership with Dow Corning

On October 1, 2010, the Company completed its production partnership transaction with Dow Corning in respect of the silicon metal production facilities in Bécancour, Québec. As a result of the closing, Dow Corning acquired a 49% equity interest in Québec Silicon, the new production partnership entity that owns the silicon metal operations in Bécancour, Québec, in consideration for net cash proceeds of approximately US$40.1 million after closing adjustments. Bécancour Silicon retained a 51% equity interest in Québec Silicon, as well as all of the solar grade silicon purification operations and facilities at the Bécancour site.

Post-Closing Purchase Price Adjustment

Bécancour Silicon is entitled to receive an "earn-out" of up to US$10.0 million upon the achievement by Québec Silicon of certain performance objectives tied to cost reduction and capacity increases. Dow Corning will be obligated to pay an amount based on the extent to which, during the three year period ending September 30, 2013 (the "Post-Closing Period"), the average cost of production (per metric ton) during any consecutive 12-month period in the Post-Closing Period is less than specified thresholds, or, during any consecutive six-month period in the Post-Closing Period, the average annual production capacity of Québec Silicon exceeds 47,000 metric tons of silicon metal. The maximum amount that Bécancour Silicon may receive upon achieving these performance objectives is US$10.0 million. The Company does not expect to receive any earn-out amounts in 2011.

Employees and Pensions

The majority of Bécancour Silicon's senior management team was transferred to Québec Silicon and continues to manage the day-to-day silicon metal manufacturing operations of Québec Silicon.

All active union and non-union employees associated with the silicon metal operations (the "Transferred Employees") were transferred to Québec Silicon, which assumed certain liabilities associated with such employees, including in respect of defined benefits pension plans and post-retirement benefits plans as described below.

The pension obligations of the Transferred Employees were transferred to Québec Silicon, which established registered pension plans that contain contribution, pension benefits and ancillary benefits provisions that are substantially similar to those under corresponding Bécancour Silicon pension plans. Subject to approval from pension plan regulatory authorities which is expected in accordance with customary timeframes following completion of the closing, the pension plan assets and liabilities associated with the Transferred Employees who participated in the Bécancour Silicon defined benefit pension plans will be transferred to the new Québec Silicon defined benefit pension plans. There was a net deficit in respect of

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such assets, which was factored into the purchase price paid by Dow Corning for its 49% equity interest in Québec Silicon on closing. No further adjustments to the purchase price will be made on account of any resulting changes to the net deficit. In the event of a transfer of active employment of any Transferred Employee, who participated in a Québec Silicon defined benefit pension plan, to Bécancour Silicon after the closing, the pension plan assets and liabilities relating to such employee will be transferred back to Bécancour Silicon. The Company expects that some Transferred Employees will transfer back to Bécancour Silicon if there is a resumption in the silicon purification operations at Bécancour Silicon. See "Risks and Uncertainties—Pensions".

Québec Silicon also assumed obligations in respect of post-retirement benefits for the Transferred Employees, and the assumption of such liabilities was factored into the purchase price paid by Dow Corning for its 49% equity interest in Québec silicon. However, Bécancour Silicon has agreed to pay, up to a maximum of $5.0 million in claims paid, for post-retirement benefits of any Transferred Employee who retires on or before September 30, 2016, with age and service credits qualifying such employee for benefits under the Bécancour Silicon post-retirement benefit plan in accordance with the terms of such plan as in effect on the closing of the transaction. Payments in this regard will be made by Bécancour Silicon as they are incurred.

Supply Agreement

Québec Silicon's production output is subject to a supply agreement among Québec Silicon, Bécancour Silicon and Dow Corning (the "Supply Agreement"). The Supply Agreement splits all of the production output of Québec Silicon, which is based on an initial annual production capacity of 47,000 metric tons of silicon metal, between Bécancour Silicon and Dow Corning, proportional to their equity interests in Québec Silicon. All silicon metal production output is sold by Québec Silicon to each of Bécancour Silicon and Dow Corning at a price equal to the actual full production cost per metric ton for the quarter plus a fixed mark-up. Silicon metal by-products are sold on behalf of Québec Silicon to third parties, and revenues are credited against production costs.

To fulfil Bécancour Silicon's supply commitments to its third party end customers, substantially all of Québec Silicon's silicon metal production volume in Q4-10 was allocated to Bécancour Silicon, which created a shortfall of approximately 4,440 metric tons of silicon metal that Dow Corning was otherwise entitled to receive, and will eventually recover, from Québec Silicon in addition to its 49% allocation of the production volume. In addition, subsequent to Q4-10, less than 49% of Québec Silicon's production was allocated to Dow Corning. As a result, Québec Silicon will allocate more than 49% of its output to Dow Corning starting in Q2-11 to account for such shortfall in accordance with an agreed formula, and Bécancour Silicon will not be entitled to receive its full 51% allocation of Québec Silicon's production volume until such shortfall is fully accounted for. If by the end of Q4-12 any such shortfall remains, Bécancour Silicon must pay Dow Corning for such remaining shortfall at prevailing market prices.

Governance Agreements

Bécancour Silicon's and Dow Corning's equity interests in Québec Silicon are subject to governance agreements, which provide for majority board representation for Bécancour Silicon and special approval rights in favour of minority equity holders, as well as transfer restrictions.

The governance agreements also provide for certain "put" and "call" rights for the equity holders. Should Timminco or Bécancour Silicon undergo a "change of control", Dow Corning will have the right, but not the obligation, to sell its 49% interest in Québec Silicon to the Company at a price equal to the fair market value of such interest. In conjunction with any exercise of such put right, Dow Corning has the right to retain all or any portion of its rights under the Supply Agreement for up to two years. Failure by the Company to fulfil its obligation in respect of such put right within the specified period of time will entitle Dow Corning to assume operating control and purchase all of Bécancour Silicon's interest in Québec Silicon at the fair market value of such interest. Bécancour Silicon will have the right to retain all or any portion of its rights under the Supply Agreement for up to two years.

Upon the occurrence of certain insolvency-related default events affecting either party, the non-defaulting party has the right to purchase the defaulting party's equity interests in Québec Silicon.

The governance agreements also provide that Québec Silicon can make cash calls from time to time in order to ensure sufficient funds are available to, among other things, comply with laws, maintain the facility in sound condition so that it is capable of operating at current capacity and satisfy pension funding obligations. If either Bécancour Silicon or Dow Corning fail to contribute its pro rata share with respect to any cash call, the other party will have the right to loan Québec Silicon the amount of such cash call on an unsecured basis at an interest rate of LIBOR plus 10%.

Shared Services

Pursuant to agreements between Québec Silicon and Bécancour Silicon, certain designated non-union employees of Québec Silicon (the "Shared Employees") allocate a specified percentage of their time to perform specified services for Bécancour Silicon. In addition, Bécancour Silicon is entitled to certain use and access rights in respect of information technology and related systems and networks that were transferred or licensed to Québec Silicon. Québec Silicon also provides processing and handling services for Bécancour Silicon in respect of silicon metal that Bécancour Silicon may choose to buy from third parties from time to time, and resell to its end customers. Bécancour Silicon must reimburse Québec Silicon for the prorated portion of all salary and benefits paid to the Shared Employees and of all costs and expenses associated with such systems and services, which amounted to approximately $0.2 million for Q4-10.

Pursuant to an agency services agreement, Bécancour Silicon acts as Québec Silicon's agent with respect to the sale of silicon metal by-products produced by Québec Silicon for a commission to be paid quarterly, which was approximately $0.1 million in Q4-10.

Financing

Dow Corning is providing a $10.0 million revolving credit facility to Québec Silicon to fund its working capital requirements. All of the available credit commitment under such facility has been drawn to fund current working capital requirements of Québec Silicon. In addition, Dow Corning and Bécancour Silicon have extended additional debt financing of $5.0 million to Québec Silicon to support working capital requirements. See "Liquidity and Capital Resources—Québec Silicon Financing."

Environmental Compliance

The environmental certificate of authorization (the "Certificate of Authorization") granted to Québec Silicon by the Québec Minister of Sustainable Development, Environment and Parks (the "Ministry") on September 30, 2010 incorporated a number of environmental undertakings, which include storage of certain materials, proper disposal of certain pollutants and residual materials on the premises and execution of corrective plans relating to the identification and reduction of air emission particulate matter. Timminco and Bécancour Silicon have agreed to indemnify Québec Silicon for all expenditures to comply with such environmental undertakings, which are estimated to be $1.8 million and will be incurred from October 2010 to December 2011. During Q4-10, expenditures of approximately $0.6 million were incurred, most of which were related to capital assets. See "Liquidity and Capital Resources—Capital Expenditures" and "Contractual Obligations as at December 31, 2010".

Divestiture of Magnesium Business

In Q3-09, the Company divested its magnesium business with the closure of its former magnesium extrusion facility in Aurora, Colorado, and the merger of the Company's remaining magnesium business with the magnesium operations of Winca Tech Limited ("Winca") to form Applied Magnesium. The Company acquired a 19.5% equity interest in Applied Magnesium as well as promissory notes of Applied Magnesium and other receivables. During Q4-10 and subsequent to year end, Tianjin Dongyi, a Chinese-based magnesium producer, acquired a 70.5% interest in Applied Magnesium, subject to closing conditions, through two equity purchases from Winca. The Company's equity interest in Applied Magnesium remains unchanged at 19.5%.

Closure of Aurora Facility

In Q1-09, the Company accrued employment termination costs of $1.4 million that have been paid in full. An additional $2.2 million was accrued for building rectification and other costs expected to be incurred in the closing of the Aurora facility. The Company completed the wind-down of production operations and the closure of its magnesium facility in Aurora, Colorado, in Q3-09. As capital assets located at the Aurora facility were fully impaired at December 31, 2006, there was no write-down of long lived assets at this location. The following table summarizes the closure costs.

Cost element ($000's)	Reorganization charge (Fiscal 2009)	Cash expenditures during 2009	Cash expenditures during 2010
Employment termination costs	1,386	1,095	245
Site closure and remediation costs	1,709	929	257
Inventory writedowns	487	n/a	n/a
Total reorganization charge	**3,582**	**2,024**	502

Closure of Haley Facility

In 2008, the Company completed the closure of its cast magnesium billet and specialty magnesium granules and turnings manufacturing facility in Haley, Ontario. The closure resulted in a charge to before tax earnings of approximately $11.9 million. The total cost of the closure over time is expected to be in the range of $15 to $17 million as indicated in the table below.

Cost element ($000's)	Reorganization charge (Fiscal 2008)	Estimated expense to be recognized in future periods	Cash expenditures during 2008	Cash expenditures during 2009	Cash expenditures during 2010
Employment termination costs	2,629	n/a	1,333	462	139
Pension Expense	4,274	5,737	898	1,140	2,201
Site closure and remediation costs	3,908	n/a	312	1,168	926
Asset writedowns	1,128	n/a	n/a	n/a	52
Total reorganization charge	**11,939**	**5,737**	**2,543**	**2,770**	**3,318**

Employment termination costs will continue to be incurred to 2021 for accrued retirement obligations of certain former employees.

Of the anticipated pension expense of approximately $11.0 million related to the Haley facility, more than half relates to the settlement of the liability to the pensioners upon wind-up of the plan, when the pension obligation is actually settled, and, accordingly, is not recognized as an expense at the time of closure of the facility.

The balance of the reorganization charge amounting to $7.7 million comprises severance, site closure and remediation costs, asset relocation costs and asset writedowns to estimated fair market value.

Liquidity and Capital Resources

Summary of Cash Flows

	Fourth Quarter		Year	
($000's)	2010	2009	2010	2009
Net loss[4]	(19,910)	(69,403)	(74,752)	(134,222)
Non-cash adjustments[4]	15,158	53,875	63,774	81,842
Expenditures for benefit plans and various provisions	(4,678)	(3,544)	(8,343)	(8,712)
Cash used in operations before changes in non-cash working capital	(9,430)	(19,072)	(19,321)	(61,092)
Non-cash working capital changes	(9,571)	10,798	3,891	34,682
Cash generated in (used in) operating activities	(19,001)	(8,274)	(15,430)	(26,410)
Capital expenditures	(1,296)	(2,099)	(2,797)	(39,752)
Decrease in bank indebtedness	(28,506)	(3,106)	(40,315)	(11,124)
Term loan, net	–	(175)	–	24,575
Issuance of convertible bond	–	–	1,043	–
Issuance of common shares	–	5,295	12,434	44,151
Cash from (used in) financing activities[1]	(28,506)	2,014	(26,838)	57,602
Other investing and financing activities[2]	52,382	4,194	51,971	5,469
Net change in cash during the period	3,579	(4,165)	6,906	(3,091)
Cash assumed by Applied Magnesium	–	–	–	(367)
Cash—beginning of period[3]	4,497	5,335	1,170	4,628
Cash—end of period[3]	8,076	1,170	8,076	1,170

(1) "Cash from (used in) financing activities" consists of "Issuance of common shares", "Issuance of convertible bond" and "Decrease in bank indebtedness" and "Term Loan, Net".
(2) "Other investing and financing activities" consists of "Development costs capitalized", "Decrease in short term investments", "Investment in Applied Magnesium", "Decrease in long term receivable", "Proceeds on disposal of property, plant and equipment", "Other investing activities", "Decrease in long term liabilities", "Increase in loans from related companies" and "Funding from non-controlling interest".
(3) "Cash includes short term interest bearing deposits with maturities less than 90 days.
(4) Includes inventory net realizable value provision (Q4-10: $0.2 million; Q4-09: $7.1 million; FY-10: $27.2 million; FY-09: $9.4 million).

Cash Flows Before Financing Activities

During Q4-10 and Q4-09, the Company used cash of $9.4 million and $19.1 million, respectively, from operations before changes in non-cash working capital ($19.3 million and $61.1 million for FY-10 and FY-09, respectively). The use of cash in Q4-10 was largely attributable to cash expenditures for employee future benefits of approximately $4.0 million and long term provisions of $0.7 million, and R&D expenditures relating to solar grade silicon development of $0.8 million. Operation of solar grade silicon purification was temporarily suspended in January 2010. The use of cash during 2009 resulted from losses incurred from the solar grade silicon product line operations and the temporary shutdown of the silicon metal operations in May 2009.

During Q4-10 and FY-10, the Company's operations consumed cash of $19.0 million and $15.4 million and consumed cash of $8.3 million and $26.4 million in 2009, respectively. The timing of payments for trade payables in December 2010 resulted in an increase in non-cash working capital. Working capital initiatives to decrease inventories during FY-10 also contributed to positive cash flows in Q4-10 and FY-10.

Long Term Inventory

Given low sales volume of the Company's solar grade silicon products, the need to meet prospective new customers' specifications and the uncertainty around the timing of future demand for the finished products, management is not able to predict the volumes of the solar grade silicon inventory that may be sold in the near term. Management believes that the timing of future sales of the Company's solar grade silicon product, including from existing inventories, is principally dependent upon successful completion of the Company's continued product and market development activities. As a result, the Company's existing inventory of solar grade silicon has been classified as a long-term asset. Future sales of this inventory will be recognized as revenue and inventory will be expensed at its net carrying cost.

Based upon solar grade silicon market conditions and the low level of sales during FY-10 of its solar grade silicon products, the Company evaluated the carrying value of these inventories in Q3-10 relative to their estimated net realizable value and recorded a provision of $13.1 million. The charge has been recorded to cost of sales. Notwithstanding such provision, the Company continued to pursue market and product development activities in respect of its solar grade silicon product line during Q4-10 and it intends to further process its solar grade silicon inventories in future periods as demand warrants to meet the enhanced specifications of its prospective new customers. In Q4-10, the Company also reduced the carrying value of the long lived assets of its HP1 and HP2 solar grade silicon purification operations as described below under "Critical Accounting Estimates—Long Lived Asset Impairment."

Additionally, the Company had accumulated a significant volume of by-product generated from the production of solar grade silicon that the Company had in the past utilized in the production of silicon metal. Following completion of the transaction with Dow Corning, there was uncertainty regarding the use of this by-product in silicon metal production by Québec Silicon. As a result, the Silicon Group recorded a provision of $12.0 million in Q3-10 related to the net realizable value of the by-product inventory which is classified as raw materials. The charge has been recorded to cost of sales. The Company intends to sell this by-product in 2011 and has classified its net carrying value as current inventory effective December 31, 2010.

Credit Facilities

Summary of Credit Facilities

($ millions)	December 31, 2010	December 31, 2009
Total facility	C$20.0	US$50.0
		C$52.3
Borrowing base	C$13.0	US$40.6
		C$42.5
Facilities available	C$7.9	US$38.6
		C$40.4
Less: Facilities drawn	NIL	US$38.3
		C$40.1
Undrawn facilities	C$7.9	US$0.3
		C$0.3

The Company's Credit Agreement with Bank of America N.A., dated April 15, 2005 (as amended, the "Credit Agreement"), which provided for a revolving credit facility of up to US$20.0 million and a term loan facility, expired on December 15, 2010. The Company used the net cash proceeds from the Québec Silicon production partnership transaction with Dow Corning to repay fully all outstanding amounts due under the Company's term loan facility and the revolving credit facility, which were approximately US$5.1 million and US$22.5 million, respectively, under the Credit Agreement. On December 15, 2010, Bécancour Silicon executed a Loan and Security Agreement (the "Senior Credit Agreement") with Bank of America, N.A., Canada branch (the "Bank") which replaced the revolving credit facility under the Credit Agreement.

The Senior Credit Agreement, which terminates on December 15, 2013, consists of a revolving credit facility (the "Senior Credit Facility") of up to $20.0 million, subject to a borrowing base. Bécancour Silicon may borrow under the Senior Credit Facility in US dollars or Canadian dollars, as prime rate loans, base rate loans, LIBOR loans or BA equivalent loans, and may use the Senior Credit Facility to refinance existing indebtedness, issue standby or commercial letters of credit, and finance ongoing working capital needs. Amounts borrowed as prime rate loans under the Senior Credit Facility will bear interest at the Canadian prime rate plus an applicable margin of 2.75%, subject to adjustment. Such interest rate totalled 5.75% as at December 31, 2010.

Availability under the Senior Credit Facility is equal to the borrowing base minus the sum of (i) the aggregate outstanding amounts borrowed under such facility, which was nil as at December 31, 2010, (ii) any borrowing base reserve applied by the Bank from time to time, and (iii) the amount of the availability block, which is currently $5.0 million. The borrowing base continues to be based on the value of Bécancour Silicon's inventories and receivables, subject to caps on the advance rates and eligibility criteria. In determining the borrowing base, the Bank may rely on reports or analyses provided by the Company (including a borrowing base certificate), or by third parties on behalf of the Bank, regarding such inventories or receivables. Bécancour Silicon files borrowing base certificates with the Bank currently on a monthly basis.

Starting in Q1-11, the Company is required to maintain certain minimum EBITDA levels, on a cumulative year-to-date basis as at each month end, and to restrict capital expenditures to certain maximum levels, also on a cumulative year-to-date basis as at each month end, throughout the term. Timminco and Bécancour Silicon are also subject to restrictions on distributions and dividends, acquisitions and investments, asset dispositions, indebtedness, liens and affiliate transactions.

The Senior Credit Facility does not have a minimum fixed charge coverage ratio covenant. However, in the event that the Company achieves a certain minimum fixed charge coverage ratio, the availability block will be reduced to $2.0 million and, depending on the extent and timing of any improvements in such ratio, the applicable margin on the interest rate, as well as the unused line fees payable under the Senior Credit Facility, will also be reduced.

Timminco's and Bécancour Silicon's assets, including Bécancour Silicon's equity interests in Québec Silicon, continue to be pledged as security for Bécancour Silicon's obligations under the Senior Credit Facility. Accounts receivable are required to be forwarded to a lockbox or deposited in a blocked account, and the Bank will have the ability to exercise cash dominion if excess availability is less than $5.0 million or upon the occurrence of a default. Timminco has also guaranteed all obligations of Bécancour Silicon under the Senior Credit Facility.

A default under the Senior Credit Agreement could trigger an event of default under the cross-default provisions of the Term Loan Agreement and the AMG Convertible Note, subject to the provisions of the postponement agreements executed by the Bank with each of IQ, AMG, and Bécancour Silicon, in respect thereof (see below under the headings "Term Loan" and "Convertible Notes"). Also, a default under either the Term Loan Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement.

Going forward, the borrowing base and availability under the Senior Credit Facility, and the Company's ability to comply with its financial covenants under the Senior Credit Agreement, are subject to material uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could enable the Bank to declare an event of default under the Senior Credit Agreement and demand repayment of all outstanding indebtedness. See below under "Risks and Uncertainties—Liquidity Risk".

Term Loan

In July 2009, Bécancour Silicon received a loan from Investissement Québec ("IQ") in the principal amount of $25.0 million (the "Term Loan"). The Term Loan is secured by a guarantee from Timminco and a charge upon Bécancour Silicon's assets, was subordinated to the obligations of Timminco and Bécancour Silicon under the Credit Agreement, and is subordinated to the obligations of Timminco and Bécancour Silicon to the Bank under the Senior Credit Agreement.

The Term Loan is interest-bearing at a variable rate of Bank of Canada prime plus 9%, which is currently 12% per annum, with interest payable monthly until maturity. In March 2010, IQ agreed to defer interest payments for the six month period from February 1, 2010 to July 31, 2010. Deferred interest of approximately $1.4 million is payable August 31, 2011.

The loan agreement with IQ in respect of the Term Loan (the "Term Loan Agreement") includes certain annual financial and other covenants in respect of Bécancour Silicon, including a minimum working capital ratio and a maximum long-term debt to net equity ratio. All intercompany indebtedness due from Bécancour Silicon to Timminco is treated as equity, for the purposes of the long-term debt to net equity covenant. In addition, all such indebtedness has been extended, and payment thereof has been postponed pending payment in full of all amounts due and owing under the Term Loan.

In Q4-10, IQ agreed to an eight-year extension of the maturity date of the Term Loan from August 31, 2011 to July 16, 2019, and certain other amendments. As a result of such amendments, the Term Loan is repayable in fixed, consecutive monthly installments of $175,000, starting on August 31, 2012, and additional annual installments, due on June 30 of each year, starting at June 30, 2013, in amounts based on a percentage of Bécancour Silicon's defined adjusted cash flow for the preceding fiscal year. The first annual installment will be 12.5% of such adjusted cash flow for fiscal year ended December 31, 2012, and each annual installment thereafter will be 30% of such adjusted cash flow. As well, Bécancour Silicon is obligated to remit half of any future earn-out payments received from Dow Corning Corporation (See "Production Partnership with Dow Corning—Post-Closing Purchase Price Adjustments") as repayment under the Term Loan.

A default under the Term Loan Agreement or the guarantee from Timminco could trigger an event of default under the cross-default provisions of the Senior Credit Agreement and under the cross-default provisions of the AMG Convertible Note. Also, a default under the Senior Credit Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Term Loan Agreement, subject to the provisions of the postponement agreements executed by the Bank with each of IQ, AMG, and Bécancour Silicon, in respect thereof.

Going forward, Bécancour Silicon's ability to comply with its financial covenants under the Term Loan Agreement is subject to uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could cause a circumstance that may enable IQ to declare an event of default under the Term Loan Agreement and demand repayment of all outstanding indebtedness. See below under "Risks and Uncertainties—Liquidity Risk".

Québec Silicon Financing

Québec Silicon has a Loan Agreement with Dow Corning dated October 1, 2010 (the "Loan Agreement"). The Loan Agreement provides for a revolving credit facility of up to $10.0 million to fund Québec Silicon's working capital requirements. Funding under the Loan Agreement is available to Québec Silicon upon request at any time, up to the full amount of the unused credit commitment and subject to continued compliance. Outstanding amounts bear interest at a variable rate of Canadian prime plus 2%, which is payable quarterly. The Loan Agreement expires on October 1, 2013, and may be terminated earlier, at Dow Corning's discretion, if it ceases to own any interest in Québec Silicon or upon the occurrence of certain change of control events in respect of Timminco or Bécancour Silicon. This facility includes customary negative covenants in respect of indebtedness and pledges. All of Québec Silicon's assets, properties and revenues have been pledged to Dow Corning as security for Québec Silicon's obligations under the revolving credit facility.

Québec Silicon may make cash calls from time to time from its partners if it requires funding in addition to that provided by the revolving credit facility under the Loan Agreement. See "Production Partnership with Dow Corning—Governance Agreements." As of the date hereof, all of the revolving credit facility has been drawn.

On December 10, 2010, Bécancour Silicon and Dow Corning extended an additional $5.0 million in financing to Québec Silicon, in principal amounts that were proportional to their equity interests in Québec Silicon. In consideration, Québec Silicon issued to each of Bécancour Silicon and Dow Corning two promissory notes with maturity dates of April 1, 2011 and March 30, 2012. The notes bear interest at 5% per annum.

Equity Financings

During Q2-10, Timminco completed a three-tranche private placement equity financing, in which an aggregate of 20,154,615 common shares were issued at a price of $0.65 per share, resulting in gross proceeds of approximately $13.1 million. AMG acquired 15,384,615 common shares in this offering, with the remaining common shares issued to other investors. See "Related Party Transactions—AMG Advanced Metallurgical Group." The net proceeds of the offering, which were approximately $12.4 million, were paid to Timminco's and Bécancour Silicon's secured lender to reduce the outstanding balance, and thereby increase availability under their revolving facility. Such availability was used for general corporate purposes.

Convertible Notes

Lender	Amount borrowed	Current principal amount outstanding	Financial statement carrying amount, including accretion and accrued interest payable
AMG	US$5.0 million	US$5.0 million	CAD$5.0 million
Strokkur	US$1.0 million	US$1.0 million	CAD$1.1 million

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Bécancour Silicon owes the US$5.0 million to AMG as at December 31, 2010 pursuant to the AMG Convertible Note, as described below under "Related Party Transactions—AMG Advanced Metallurgical Group".

In February 2010, Thorsil ehf. ("Thorsil"), a majority-controlled Icelandic subsidiary of Timminco, issued a US$1.0 million convertible bond (the "Thorsil Bond") to Strokkur Energy ehf. ("Strokkur") to fund preliminary expenses for a potential silicon metal capacity expansion project in Iceland. The maturity date of the Thorsil Bond, which is tied to the deadline date for signing a long-term power contract with Orkuveita Reykjavikur, an Icelandic power company, for the project, has been extended several times in FY-10 and subsequent to year-end, as a result of ongoing negotiations regarding such power contract. The Thorsil Bond currently has a maturity date of June 30, 2011. However, if by May 31, 2011, Thorsil and Orkuveita Reykjavikur agree to a deadline date for signing a power contract that is later than June 30, 2011, then the maturity date of the Thorsil Bond will automatically extend to a date that is 30 days after such power contract deadline date. The Thorsil Bond bears interest at 12% per annum, payable on maturity and is a direct obligation of Thorsil. The outstanding principal and interest will be reduced by 10% if the power contract is not signed by the agreed deadline (or any extended deadlines). Timminco does not have any cash repayment liabilities under the Thorsil Bond. However, the Thorsil Bond is convertible, at Strokkur's option, into Thorsil common shares at a nominal value, or into common shares of Timminco at a conversion price that is the lesser of $1.09 per share and the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the date of notice of conversion, with the US dollar amount converted into Canadian dollars at a fixed exchange rate of US$0.95. Any notice of conversion shall be given within 5 days after the power contract has been signed or the agreed deadline (or any extended deadlines) has passed. The net proceeds of the Thorsil Bond financing have been used exclusively for agreed project expenses.

Settlement of Customer Deposits

In Q2-10, Timminco issued approximately 15.9 million common shares to Q-Cells SE ("Q-Cells") in settlement of a repayment schedule and terms regarding outstanding customer advances paid by Q-Cells in 2008, which was approximately €9.7 million at that time. Q-Cells also received a promissory note from Timminco in the amount of €525,000, which was repaid in full as at December 31, 2010.

Capitalization

Total Capitalization

($000's)	December 31, 2010	December 31, 2009
Convertible notes (AMG and Strokkur)	6,085	5,066
Bank indebtedness (Bank of America)	–	40,315
Term loan (Investissement Québec)	26,437	25,000
Shareholders equity	19,884	60,737
Total capitalization	**52,406**	**131,118**

Timminco and Bécancour Silicon use the Senior Credit Facility to finance the working capital requirements of Bécancour Silicon's silicon metal trading operations (primarily accounts receivable and silicon metal purchased from Québec Silicon), future solar grade silicon operations and for general corporate purposes. Bécancour Silicon has funded its investment in its solar grade silicon production facilities and recent losses from operations from the issuance of convertible debt and common share equity of Timminco.

As at the end of Q3-09, AMG ceased having a majority controlling position in Timminco. Although AMG has participated in past equity financings that have provided financial support to Timminco and Bécancour Silicon, there can be no assurance that AMG will participate in any future equity financings or provide any other form of financial support.

Capital Expenditures

The Company operates in a capital-intensive manufacturing industry. Capital expenditures are incurred to maintain capacity, comply with safety and environmental regulations, support cost reductions, and foster growth.

During FY-10, the Company invested $2.8 million in silicon metal capital assets ($39.8 million for FY-09 primarily relating to the expansion of the solar grade silicon production capacity).

As at December 31, 2010, the Company had outstanding commitments for capital expenditures of $1.3 million consisting of obligations of Québec Silicon related to the silicon metal capital assets.

Timminco and Bécancour Silicon have agreed to indemnify Québec Silicon for all expenditures relating to the environmental undertakings set out in the Certificate of Authorization (see "Production Partnership with Dow Corning—Environmental Compliance"), including estimated future capital-related expenditures of approximately $0.8 million incremental to the Company's capital expenditures commitments as at December 31, 2010.

While Québec Silicon plans to fund its capital expenditures from internally generated cash flows, it has the right to make a cash call on its partners if sufficient resources are not available for certain maintenance-related or other expenditures (See "Production Partnership with Dow Corning—Governance Agreements")

Contractual Obligations as at December 31, 2010

($000's)	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	Thereafter
Bank debt	–	–	–	–	–
Term debt	47,527	3,172	13,889	4,547	25,919
Operating leases	1,879	286	706	197	690
Due to related companies	19,722	12,052	7,670	–	–
Thorsil Bond	1,114	1,114	–	–	–
Employee future benefits funding obligations	24,463	5,224	12,900	6,339	–
Capital asset purchase commitments	1,312	1,312	–	–	–
Reorganization obligations	2,051	874	392	123	661
Environmental obligations	7,409	1,958	2,536	188	2,728
Contract termination claims	5,081	1,041	4,040	–	–
Other long-term obligations	81	52	21	7	–
Total contractual obligations	110,639	27,086	42,154	11,401	29,998

Bank debt

The "bank debt" obligation represents obligations of Bécancour Silicon under the Senior Credit Agreement. As at December 31, 2010, no amounts have been drawn on the Senior Credit Facility. See "Liquidity and Capital Resources—Credit Facilities".

Term debt

The "term debt" obligation represents obligations of Bécancour Silicon under the Term Loan, including principal and interest payable in future periods, as recorded in the balance sheet as at December 31, 2010. See "Liquidity and Capital Resources—Term Loan".

Operating leases

The "operating leases" obligation represents corporate office facility commitments as at December 31, 2010.

Due to related companies

The "due to related companies" represents obligations of Québec Silicon with respect to the Dow Corning revolver loan (see "Liquidity and Capital Resources—Québec Silicon Financing"), and the obligations of Bécancour Silicon with respect to the AMG Convertible Note (see "Liquidity and Capital Resources—Convertible Notes").

Thorsil Bond

The "Thorsil Bond" obligation represents liabilities of Thorsil ehf with respect to the Thorsil Bond (see "Liquidity and Capital Resources—Convertible Notes").

Employee future benefits funding obligations

"Employee future benefits funding obligations" reflect statutory funding requirements of the post-employment defined pension plan benefits of Québec Silicon, Bécancour Silicon and Timminco and the estimated future funding requirements for post-retirement benefits of Québec Silicon and Bécancour Silicon as at December 31, 2010. Effective October 1, 2010, Québec Silicon assumed funding obligations related to active employees of Québec Silicon (see "Production Partnership with Dow Corning—Employees and Pensions"). Funding obligations in future periods will be dependent on investment returns of the respective plans' assets and discount rates in conjunction with other assumptions at the time of valuation updates.

Capital asset purchase commitments

"Capital asset purchase commitments" are obligations of Québec Silicon for equipment and services to be paid or provided subsequent to December 31, 2010. These expenditures include estimated future capital expenditures of approximately $0.8 million related to the Québec Silicon environmental undertakings for which Timminco and Bécancour Silicon are contractually responsible (see "Production Partnership with Dow Corning—Environmental Compliance").

Reorganization and environmental obligations

The "reorganization" and "environmental obligations" are commitments of Québec Silicon, Bécancour Silicon and Timminco related to the closure of various legacy facilities and compliance matters for the continuing operation of the Silicon Group, including the Québec Silicon environmental undertakings of approximately $0.4 million for which Timminco and Bécancour Silicon are contractually responsible (see "Production Partnership with Dow Corning—Environmental Compliance").

Contract termination claims

"Contract termination claims" are obligations of Bécancour Silicon related to the termination of contracts to purchase certain equipment, supplies and services relating to its Bécancour solar grade silicon purification facilities.

Other long-term obligations

The "other long-term obligations" are capital lease obligations which have been assumed by Québec Silicon.

Class Action Lawsuit

Timminco and certain of its directors and officers, as well as certain third parties, have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on May 14, 2009. This lawsuit was commenced by the plaintiff Ravinder Kumar Sharma on behalf of shareholders who acquired Timminco's common shares between March 17, 2008 and November 11, 2008 and claims damages exceeding $540 million. The plaintiff alleges that Timminco and others made certain misrepresentations about Bécancour Silicon's solar grade silicon production process. These are unproven allegations, and the plaintiff will need to seek leave, or permission, of the court to proceed under the secondary market disclosure provisions of the Ontario Securities Act.

The Company has not recorded any liability related to these matters. Timminco's directors and officers insurance policies provide for reimbursement of costs and expenses incurred in connection with this lawsuit, including legal and professional fees, as well as potential damages awarded, if any, subject to certain policy limits and deductibles. Timminco intends to vigorously defend these allegations and the plaintiff's attempt to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded in such lawsuit could be substantial.

Related Party Transactions

AMG Advanced Metallurgical Group

AMG is a significant shareholder of Timminco. As at December 31, 2010, AMG held 83,146,007 common shares of Timminco, representing approximately 42.5% of the total issued and outstanding shares.

In December 2009, Bécancour Silicon issued a convertible promissory note to AMG in exchange for a loan of US$5.0 million (the "AMG Convertible Note"). On December 15, 2010, Bécancour Silicon and AMG executed an amended and restated AMG Convertible Note, whereby AMG agreed to extend the maturity date of the AMG Convertible Note by three years, from January 3, 2011 to January 3, 2014, the conversion rate was adjusted and interest was set at 14%, payable monthly in arrears, starting on January 1, 2011.

The AMG Convertible Note is currently repayable, in whole or in part and without penalty, at Bécancour Silicon's option, to the extent that the availability under the Senior Credit Facility exceeds $5.0 million, both during the 90 days before and immediately after such repayment, provided that the Company has also satisfied a minimum fixed charge coverage ratio, over the previous 12 months and on a pro forma basis after giving effect to such repayment, and is also not in default under the Senior Credit Facility. Bécancour Silicon is also required to pay AMG, as a partial or whole prepayment of the principal amount due under the AMG Convertible Note and on a quarterly basis, an amount equal to either: (i) one half of the availability under the Senior Credit Facility in excess of $5.0 million, where the principal amount then outstanding is greater than such excess availability amount; or (ii) all of the principal amount then outstanding, where such principal amount is less than the amount of availability under the Senior Credit Facility in excess of $5.0 million. In each case, such prepayment is subject to any prior exercise of AMG's conversion right, as well as satisfaction of the other conditions in respect of optional prepayments.

Up to the full principal amount of the AMG Convertible Note is convertible into common shares of Timminco, at AMG's option at any time. Prior to January 3, 2011, the conversion price was $1.58 per share and, currently, the conversion price is $0.26 per share, subject to customary anti-dilution adjustments, with the US dollar principal amount converted into Canadian dollars at the Bank of Canada's noon exchange rate on the date of notice of conversion. This new conversion price represented a discount of approximately 21% from the market value of a common share, as determined pursuant to the TSX definitions, namely, the volume weighted average trading price of such shares on the TSX on the last five trading days up to and including December 14, 2010. In addition, the AMG Convertible Note provides for a cap on the number of common shares that can be acquired, such that in no event shall AMG be entitled to receive an amount of common shares that gives it power over more than half of the voting rights of Timminco's outstanding shares.

The AMG Convertible Note continues to have financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements. A default under the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement and the Term Loan Agreement. Also, a default under either the Senior Credit Agreement or the Term Loan Agreement could trigger an event of default under the cross-default provisions of the AMG Convertible Note subject to the provisions of the postponement agreement executed by the Bank, AMG and Bécancour Silicon. Timminco also continues to guarantee all obligations of Bécancour Silicon under the AMG Convertible Note. See "Liquidity and Capital Resources—Convertible Notes" above for a summary of the outstanding amount under the AMG Convertible Note, and see "Capital Structure" below for a summary of the common shares issuable upon a conversion of the AMG Convertible Note.

In Q2-10, Timminco completed a three-tranche private placement equity financing, in which an aggregate of approximately 20.2 million common shares were issued at a price of $0.65 per share, resulting in gross proceeds of approximately $13.1 million. AMG acquired approximately 15.4 million common shares in this offering, with the remaining common shares issued to other investors, as described above under "Liquidity and Capital Resources—Equity Financings." AMG's holdings, which represented 38.6% of the total issued and outstanding share capital of Timminco before the completion of the first tranche of the equity financing, increased to 42.5% after completion of the third tranche.

AMG Conversion

Bécancour Silicon and AMG Conversion Ltd. ("AMG Conversion"), a wholly-owned subsidiary of AMG, executed a Memorandum of Understanding dated March 31, 2009 (as amended, the "Memorandum of Understanding") whereby the parties agreed to jointly develop the ingot production process to optimize the quality of the ingots and bricks produced with Bécancour Silicon's solar grade silicon, and to jointly explore the feasibility of AMG Conversion producing ingots and bricks at the Bécancour Silicon ingoting facility on an exclusive long-term tolling basis for and on behalf of Bécancour Silicon. These activities continued during an interim period, which expired on December 31, 2010. Bécancour Silicon and AMG Conversion are in negotiations to extend the interim period into 2011.

During FY-10, AMG Conversion produced ingots and bricks at the Bécancour crystallization facility on behalf of Bécancour Silicon, using its equipment and Bécancour Silicon's employees and solar grade silicon, and invoiced a tolling fee of approximately $1.0 million, which was based on the actual, fully-loaded cost to produce ingots and bricks for Bécancour Silicon, plus an agreed fixed margin. AMG Conversion also produced ingots and bricks at the Bécancour crystallization facility for its own account, using its equipment and solar grade silicon and Bécancour Silicon's employees. Bécancour Silicon invoiced AMG Conversion a tolling fee of approximately $0.6 million. Effective August 31, 2010, the parties agreed to amend such interim tolling arrangements to provide for a fixed fee payment by AMG Conversion for each ingot produced for AMG Conversion at the Bécancour Silicon ingoting facility for the remainder of the interim period. Although the interim period under the Memorandum of Understanding expired as of December 31, 2010, Bécancour Silicon and AMG Conversion continue to cooperate with respect to their use of and access to the equipment at the Bécancour crystallization facility.

Bécancour Silicon and AMG Conversion are also considering the feasibility of a long-term relationship on the basis that Bécancour Silicon would focus on the production and sale of solar grade silicon, in chunk form, while AMG Conversion would use solar grade silicon purchased from Bécancour Silicon to produce and sell ingots and bricks and focus on the solar wafer market. In this connection, certain sales have occurred in pursuit of a new sales channel for Bécancour Silicon's solar grade silicon. During FY-09, Bécancour Silicon sold approximately 153 metric tons of solar grade silicon to AMG Conversion and received cash proceeds of approximately $5.9 million from such sale which amount has been recorded as deferred revenue. During FY-10, approximately 2 metric tons were shipped and Bécancour Silicon recognized approximately $0.1 million as revenue. Approximately $5.8 million will be recognized as revenue when the inventory is shipped to third-party customers. The inventory associated with this transaction has been recorded as finished goods consigned to related party. The price of the solar grade silicon sold to AMG Conversion was consistent with the pricing negotiated for similar material sold to third parties.

Sudamin

During Q1-10, Bécancour Silicon agreed to supply and deliver a certain volume of silicon metal in Q4-10 on behalf of Sudamin S.A. ("Sudamin"), a wholly-owned subsidiary of AMG, to one of Bécancour Silicon's traditional long-term silicon metal customers. Bécancour Silicon received a pre-payment of approximately €3.3 million towards such deliveries net of a fee of approximately €0.3 million. The deliveries were completed in Q4-10 and the full amount recognized as revenue.

Bécancour Silicon has also engaged Sudamin to perform certain consulting services relating to the solar photovoltaic industry in China. In FY-10, Bécancour Silicon paid approximately $0.1 million in fees for such services.

Executive Management

Dr. Heinz C. Schimmelbusch is Chairman of the Board and Chief Executive Officer of Timminco, as well as Chairman of the Management Board of AMG. Dr. Schimmelbusch is also a member of the executive committee of the general partner of Safeguard International Fund, L.P. ("Safeguard"), which was a shareholder of Timminco until Q4-10 and is a shareholder of AMG. Mr. Arthur R. Spector is a member of the Board of Directors of Timminco and is also a member of the executive committee of the general partner of Safeguard. Until the end of Q3-09, Mr. Spector was also Vice Chairman of the Management Board of AMG.

Mr. John Fenger has been President and Chief Operating Officer of Timminco since April 20, 2009. Prior to that date in 2009, Timminco shared the remuneration cost of Mr. Fenger with AMG based on the relative amount of time spent by Mr. Fenger acting on behalf of these companies. Effective from April 20, 2009, Timminco is paying the full cost of remuneration of Mr. Fenger, which is paid through a subsidiary of Allied Resource Corporation, of which Dr. Schimmelbusch is Chairman. During FY-10, Timminco contributed $0.8 million to the cost of Mr. Fenger's remuneration (FY-09—$0.7 million).

Capital Structure

As at December 31, 2010, the common shares issued and reserved were as follows:

Description	Number of Shares
Common shares	195,734,769
Common shares issuable upon the exercise of options	13,917,500
Common shares issuable upon conversion of notes payable	6,321,544
Common shares on a fully diluted basis	215,973,813

As at December 31, 2010, approximately 6.9 million common shares were subject to outstanding options granted under Timminco's Share Option Plan established in 2004 (the "2004 Option Plan"), with exercise prices ranging from $0.29-$15.27 per share, and 7.0 million common shares were subject to outstanding options granted under Timminco's 2008 Share Option Plan (the "2008 Option Plan"), with exercise prices of $7.64 per share. As at December 31, 2010, approximately 3.8 million common shares subject to options under these plans had satisfied the vesting criteria, of which approximately 0.2 million were in-the-money, based on a closing price of $0.33 per share on that date. The maximum number of common shares reserved for issuance for options under the 2004 Option Plan is approximately 7.3 million, and under the 2008 Option Plan is 10.0 million, representing approximately 3.8% and 5.1%, respectively, of Timminco's issued and outstanding common shares as at December 31, 2010.

As at January 3, 2011, the maximum number of common shares of Timminco that may be acquired by AMG upon conversion of the AMG Convertible Note, as described above under the heading "Related Party Transactions—AMG Advanced Metallurgical Group", is approximately 19.1 million common shares (based on the December 31, 2010 noon exchange rate of US$1 = CAD$0.9946 as reported by the Bank of Canada), representing approximately 9.77% of the current total issued and outstanding common shares of Timminco (as at December 31, 2010, approximately 3.1 million common shares, representing 1.61% of the current issued and outstanding common shares of Timminco were issuable to AMG under the AMG Convertible Note, based on the same exchange rate). The AMG Convertible Note provides for a cap on the number of common shares that can be acquired, such that in no event shall AMG be entitled to receive an amount of common shares that gives it power over more than half of the voting rights of Timminco's outstanding shares. AMG currently owns approximately 83.1 million common shares of Timminco, representing approximately 42.5% of Timminco's current outstanding share capital. Assuming the full conversion of the AMG Convertible Note as at January 3, 2011, AMG would own approximately 102.3 million common shares, representing approximately 47.6% of Timminco's then outstanding share capital.

As at December 31, 2010, the maximum number of common shares of Timminco that were issuable upon conversion of the Thorsil Bond, as described above under "Liquidity and Capital Resources—Convertible Notes", was approximately 3.2 million common shares, based on a closing price of $0.33 per share on that date and assuming no reduction in the principal amount of the Thorsil Bond.

Risks and Uncertainties

The Company's businesses are subject to significant risks and uncertainties. These risks and uncertainties, together with certain assumptions, also underlie the forward-looking statements made in this MD&A and may cause the Company's actual results to differ materially from its expectations. Described below are some of the more significant risks that could affect the Company's results.

Liquidity Risk
The Company is currently subject to liquidity risk. Liquidity risk arises through excess financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available sources of funding in order to meet its liquidity requirements at any point in time. The Company attempts to achieve this through managing cash from operations and through the availability of funding from committed credit facilities.

The Company incurred a net loss of $74.8 million for the year ended December 31, 2010 and incurred net losses for the years ended December 31, 2009, 2008 and 2007 of $134.2 million, $22.6 million and $18.0 million, respectively. There is also material uncertainty with respect to the level of liquidity that will be generated by operations in the next twelve months.

At December 31, 2010, the Company had positive working capital of $23.2 million, was holding cash of approximately $8.1 million and had undrawn available lines of credit under the Senior Credit Agreement of approximately $7.9 million.

Both the Senior Credit Agreement and the Term Loan Agreement contain financial covenants, as described above under "Liquidity and Capital Resources—Credit Facilities" and "Liquidity and Capital Resources—Term Loan". The minimum EBITDA levels for the purpose of the financial covenants in the Senior Credit Agreement have been set at amounts based on Timminco's and Bécancour Silicon's projected financial results. In the event that Timminco and Bécancour Silicon are unable to achieve such financial results, they may become non-compliant under the Senior Credit Agreement. Non-compliance with any of the financial covenants under the Senior Credit Agreement or the Term Loan Agreement may cause the Bank or IQ, respectively, to declare an event of default and demand repayment of the entire outstanding indebtedness under such facilities.

Both the Credit Agreement and the Term Loan Agreement also contain cross-default provisions, and restrict Timminco's and Bécancour Silicon's ability to incur additional indebtedness, sell assets, create liens or other encumbrances, incur guarantee obligations, make certain payments, make investments, loans or advances and make acquisitions beyond certain levels. Substantially all of Timminco's and Bécancour Silicon's assets have been pledged as collateral to their lenders under the Senior Credit Agreement and the Term Loan Agreement. The AMG Convertible Note also contains a cross-default provision, financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements.

Québec Silicon's Governance Agreements provide that Québec Silicon can require additional capital contributions from its partners in certain circumstances relating to capital and maintenance requirements for the Bécancour facility. See "Production Partnership with Dow Corning—Governance Agreements". In the event that Québec Silicon's aggregate funding requirements for working capital and capital projects exceed the funding available under the $10.0 million Loan Agreement with Dow Corning and from cash flow from operations, Québec Silicon may have a working capital deficiency, and/or may be required to request additional capital contributions from its partners. Timminco and Bécancour Silicon may be required, contractually or otherwise, to provide additional funding to Québec Silicon in these circumstances, which could have a material adverse effect on the Company's liquidity.

Timminco has also been named as a defendant in a proposed class action lawsuit, claiming damages in excess of $540 million. While Timminco intends to vigorously defend the allegations in such lawsuit and the plaintiff's attempt to get court approval to proceed, the timing and outcome of such proceedings are uncertain and the amount of any damages awarded could be substantial.

As a result of the Company's liquidity risk, the Company's ability to continue as a going concern is subject to the continued support of its lenders and is uncertain. Therefore the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

Silicon Metal Supply Commitments
In Q1-10, Bécancour Silicon executed long-term contracts to supply 90,000 metric tons of silicon metal over the next five years to one of its long-standing silicon metal customers. Subsequent to year-end, these contracts were amended to, among other things, increase the volume commitments by a total of 4,500 metric tons, deliverable over the contract years

2011 through 2013. In addition, in Q4-10 and subsequent to year-end, Bécancour Silicon entered into contractual arrangements to supply approximately 3,500 metric tons of silicon metal in 2011 to another long-standing silicon metal customer (see "Summary of Operations—Silicon Metal Supply Commitments"). Under the Supply Agreement with Québec Silicon and Dow Corning, Bécancour Silicon is entitled to 51% of the silicon metal output of Québec Silicon, which as of October 2010 owns all of the silicon metal operations of Bécancour Silicon (see "Production Partnership with Dow Corning—Supply Agreement"). As a result of such existing supply commitments to customers and given the anticipated production volumes at Québec Silicon in 2011, Bécancour Silicon's allocation of silicon metal production from Québec Silicon may be less than such supply commitments. In such event, Bécancour Silicon may: (i) renegotiate the terms of the Supply Agreement with Québec Silicon and Dow Corning to allow for the deferral of delivery of some of Dow Corning's silicon metal volume allocation for 2011; (ii) renegotiate with Bécancour Silicon's silicon metal customers the delivery commitments for 2011; or (iii) purchase silicon metal from third parties at 2011 spot prices, for resale to its customers at the fixed contractual prices. However, there is no assurance that any such renegotiations will result in more favourable delivery commitments for Bécancour Silicon. Moreover, spot prices for silicon metal have been increasing and Bécancour Silicon may be in a position of having to purchase silicon metal on the spot market at a cost that is in excess of the selling price to its end customers. As a result, to the extent that Bécancour Silicon's delivery commitments to its end customers exceed Bécancour Silicon's supply allocation of silicon metal from Québec Silicon in 2011, any of these outcomes could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Production Partnership with Dow Corning

On October 1, 2010, Dow Corning acquired a 49% equity interest in Québec Silicon in consideration for the Company receiving net cash proceeds of approximately US$40.1 million as well as the right to earn-out payments of up to potentially an additional US$10.0 million, subject to Québec Silicon achieving certain performance objectives relating to production cost and capacity improvements within three years after the closing. See "Production Partnership with Dow Corning—Post-Closing Purchase Price Adjustment". There is no assurance that such performance objectives will be achieved and that the Company will receive the US$10.0 million earn-out payment. Any such development could have a material adverse effect on the Company's liquidity and results of operations.

Bécancour Silicon's and Dow Corning's equity interests in Québec Silicon are subject to governance agreements, which include certain "put" and "call" rights for equity holders. Should Bécancour Silicon or Timminco undergo a "change of control" during the existence of Québec Silicon, Dow Corning will have the right, but not the obligation, to sell its 49% interest in Québec Silicon to Bécancour Silicon at a price equal to the fair market value of such interest. Failure by Bécancour Silicon to fulfil its obligation in respect of such put right within the specified period of time will entitle Dow Corning to assume operating control and purchase all of Bécancour Silicon's interest in Québec Silicon at the fair market value of such interest. Dow Corning also has the right, but not the obligation, to purchase from Bécancour Silicon all of its 51% interest in Québec Silicon, at a price equal to the fair market value of such interest, in the event of any continuing and material failure by Bécancour Silicon to pay for output taken under the Supply Agreement or to make Québec Silicon whole for a failure to take output under the Supply Agreement. In addition, upon the occurrence of certain insolvency-related default events affecting either party, the non-defaulting party has the right to purchase the defaulting party's equity interests in Québec Silicon. See "Production Partnership with Dow Corning—Governance Agreements". Any exercise by Dow Corning of a right to purchase Bécancour Silicon's interest in Québec Silicon, under any of the foregoing circumstances, could have a material adverse effect on the Company's liquidity and results of operations.

Bécancour Silicon relies on certain designated non-union employees of Québec Silicon to perform specified services for Bécancour Silicon. See "Production Partnership—Shared Services". If any one or more of such Québec Silicon employees is unable or unwilling to continue providing such services, Bécancour Silicon may not be able to replace them readily. In such event, Bécancour Silicon's operations may be disrupted, and Bécancour Silicon may incur additional expenses to recruit and retain replacement employees or services, which could have an adverse affect on the Company's results of operations.

Foreign Exchange and Currency Fluctuation

While the Company reports its results in Canadian dollars and a substantial portion of the operating costs of the Silicon Group are in Canadian dollars (Bécancour Silicon purchases its allocation of silicon metal from Québec Silicon in Canadian dollars), the majority of the Company's products are priced and sold in U.S. dollars and Euros. In particular, Bécancour Silicon has executed contracts to supply a significant portion of its silicon metal allocation from Québec Silicon over a five year term at prices denominated in Euros. Such pricing is fixed in Euros for deliveries in 2011, and subject to negotiation within a defined price range, for each of the remaining four years. Subsequent to Q4-10, these long-term contracts were amended, among other things, to add a currency adjustment provision, which over the remainder of the term effectively reduces by half the parties' exposure to fluctuations in the USD-Euro exchange rate relative to the rate in effect when the contract was originally negotiated in Q4-09 (see "Summary of Operations—Silicon Metal Supply Commitments"). Notwithstanding such reduction in exposure to currency fluctuations, volatility in the Canadian dollar—Euro exchange and Canadian dollar—USD exchange rate could still have a material impact on the gross margins of the Company.

Bécancour Silicon also has interest-bearing debt denominated in foreign currencies which may generate significant realized or unrealized gains and losses. Consequently, the Company's earnings and cash flows are sensitive to changes in foreign currency exchange rates.

Bécancour Silicon may enter into foreign exchange contracts from time to time in the future, to mitigate its foreign currency exchange rate risks. In particular, commencing October 2010, Bécancour Silicon has entered into forward contracts to convert a portion of its Euro denominated cash inflows in Q4-10 and Q1-11 to Canadian dollars to mitigate such risks; however, there is no assurance that these or any other foreign exchange contracts entered into in the future will fully protect the Company against such risks.

Long Lived Asset Impairment

Although the Company has been and continues to devote resources towards the market development of solar grade silicon, there remains uncertainty regarding the timing and volumes of future commercial sales. In Q4-10, the Company recorded a long lived asset impairment charge related to the assets of its HP1 and HP2 solar grade silicon purification operations, including a portion of the intangible assets and all of the goodwill attributable to solar grade purification, in the amount of approximately $7.5 million. In Q4-09, the Company recorded a long lived asset impairment charge related to the production equipment at its HP2 solar grade silicon purification facility in the amount of approximately $39.0 million (see "Critical Accounting Estimates—Long Lived Asset Impairment"). Recovery of the remaining carrying value of the HP1 and HP2 solar grade silicon purification facilities and the intangible assets related to solar silicon production are dependent upon successful completion of the Company's continued product and market development activities, a restart of solar grade production and sufficient profitable future production volumes. Should this not materialize as planned, additional material long lived asset impairments related to the HP1 and HP2 long lived assets, including property, plant and equipment and intangibles , are likely to occur, which could have a material adverse effect on the Company's liquidity and results of operations.

Pensions

The estimated return on pension plan assets and discount rate on future pension obligations affect the Company's pension expenses and obligations. The estimated return on plan assets is subject to change based on the anticipated returns of the equities and fixed income securities held by the plan and the performance of public securities markets. The discount rate is subject to change based on the age and changes in composition of the plan members and long term bond rates. A one percent change in either the estimated return or discount rate would have a material impact on the pension liabilities. Significant ongoing volatility in the global financial markets or a substantial change in actuarial assumptions could significantly increase the Company's pension liabilities which could have a material adverse effect on the Company's liquidity and results of operations. See "Critical Accounting Estimates—Pension Return and Discount Rates."

If there is recovery in sales for Bécancour Silicon's solar grade silicon product line and a resulting resumption of purification operations, Bécancour Silicon and Québec Silicon may agree to a transfer of certain employees from Québec Silicon. Any transfer of employees from Québec Silicon who participate in the Québec Silicon defined pension benefits plans will include the assumption by Bécancour Silicon of all pension assets and liabilities associated with such employees. To the extent that a net deficit exists in respect of any such employees, such transfer could have a material adverse effect on the Company's liquidity and results of operations.

Production Efficiencies and Interruptions

Bécancour Silicon's manufacturing processes for solar grade silicon and Québec Silicon's manufacturing processes for silicon metal are dependent upon the continuous, efficient operation of certain critical production equipment, such as silicon metal electric arc furnaces, casters and crushing equipment, electrical transformers, rotary furnaces, filtration equipment, molds, electromagnetic stirrers, silicon crystallization furnaces, sawing equipment, and product quality testing equipment. While some of this manufacturing equipment is relatively new, such as Bécancour Silicon's equipment for the solar grade silicon purification lines and AMG Conversion's equipment for ingoting, much of Québec Silicon's equipment has been in operation for several years, or even decades in the case of the silicon metal electric arc furnaces. This equipment may on occasion be out of service as a result of unanticipated failures or scheduled maintenance shutdowns. For example, some of the silicon metal electric arc furnaces are scheduled to have major repairs in 2011. Bécancour Silicon's and Québec Silicon's manufacturing equipment may also operate at less than nominal production capacity due to a variety of other factors, such as the quality and mix of raw materials used in the production process and any additional materials processing to meet customer requirements. Some of this equipment is, and in the future may be, owned and operated by third parties, such as the equipment in the ingoting facility. Bécancour Silicon and Québec Silicon may in the future experience material shutdowns or periods of reduced production efficiencies as a result of equipment failures, prolonged maintenance shutdowns, or any of these other factors. Moreover, Bécancour Silicon and Québec Silicon may be required to make significant capital expenditures to remedy any underlying problems with equipment failures or production efficiencies. Pursuant to governance agreements in place, Québec Silicon can make cash calls on its partners if sufficient funds are not available to maintain its facility in sound condition so that it is capable of operating at current capacity (see "Production Partnership with Dow Corning—Governance Agreements"). Any such capital expenditures or cash calls could have a negative effect on the Company's profitability and cash flows. Loss of production efficiencies or interruptions in Québec Silicon's silicon metal production or Bécancour Silicon's solar grade silicon purification and testing capabilities could have a significant adverse affect on production levels, revenues and earnings.

In addition to equipment failures, Bécancour Silicon's and Québec Silicon's facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. The losses that Bécancour Silicon or Québec Silicon may sustain as a result of such events could exceed any recoveries they may be able to make under their insurance coverage. In addition to such losses, long term disruption could result in a loss of customers, which could also have a material adverse effect on the Company's business, financial condition and results of operations.

Power Supply and Electricity Prices

The production of silicon metal is energy intensive and Québec Silicon is dependent upon the continuous supply of electricity from Hydro Québec and others for its smelting and other operations in Bécancour. Québec Silicon has taken measures to mitigate the likelihood of an interruption in electricity service, but there is no assurance that Québec Silicon will not be subject to power interruptions in the future.

In addition, electricity prices form a significant component of the cost of production for silicon metal. Electricity rates for industrial users in the Province of Québec are favourable, relative to other global locations. However, there is no assurance that such rates will remain favourable. Since all production output by Québec Silicon is sold to each of Bécancour Silicon and Dow Corning at a price equal to the actual full production cost per metric ton plus a fixed mark-up, (see above under "Production Partnership with Dow Corning—Supply Agreement"), an increase in electricity prices for Québec Silicon's operations could have a material adverse effect on Bécancour Silicon's costs and the Company's results of operations.

Pricing and Availability of Raw Materials

Coal is a significant raw material in the production of silicon metal, and the market price of coal is an important factor influencing Québec Silicon's costs and thus the Company's cash flows and earnings. The price of coal fluctuates considerably through the economic cycle. Québec Silicon has its own supply of quartz which is another significant raw material for silicon metal. However, alternate suppliers of quartz may have superior quality for the production of certain grades of silicon metal, in which case Québec Silicon may procure more of its quartz from third party suppliers. Bécancour Silicon also buys silicon metal in the spot (or open) market to balance its production and thus is subject to fluctuations in market prices (see above under "Silicon Metal Supply Commitments"). An increase in the pricing for, or limitations on the availability of, any of these raw materials could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Credit Risk

Accounts receivable and long term receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. Substantially all of Bécancour Silicon's accounts receivable are due from customers in a variety of different industries and, as such, are subject to normal credit risks in their respective industries. Bécancour Silicon regularly monitors customers for changes in credit risk. Where available, Bécancour Silicon has insured its accounts receivable under credit insurance policies to offset the increased credit risk environment. However, since all customers may not qualify for credit insurance Bécancour Silicon may not be able to reduce its exposure to all such credit risks.

Transportation Delays and Disruptions

The Company depends upon seaborne freight, rail and truck transport to deliver raw materials to its facilities and its products to market. Delays and disruptions in these transportation services has arisen, and may arise from time to time in the future, because of weather related problems, equipment failures, labour strikes or lock-outs, or limitations on available port capacity, shipping containers, or rail delivery schedules. Any such disruption could temporarily impair the Company's ability to supply its raw materials to its facilities, and/or deliver its products to its customers on a timely basis, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Class Action Lawsuit

Timminco is subject to a potential class action lawsuit alleging that Timminco and others made certain misrepresentations about Bécancour Silicon's solar grade silicon production process (see above under the heading "Liquidity and Capital Resources—Class Action Lawsuits"). Timminco intends to vigorously defend these allegations and the plaintiff's attempts to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded could be substantial. In addition, the defence of this lawsuit could involve significant expenses and divert the attention of Timminco's senior management and other personnel for long periods of time.

These matters may have also contributed to negative publicity in respect of Timminco and Bécancour Silicon's solar grade silicon production process. Continuing negative publicity could have an adverse effect on the Company's business and liquidity, and on the market price of Timminco's common shares.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that cash and short term investments, bank indebtedness, term debt and convertible debt are at floating rates of interest. The Company's maximum exposure to interest rate risk is based on the effective interest rate and the current carrying value of these assets and liabilities. The Company monitors the interest rate markets to assess whether any steps can be taken to mitigate interest rate volatility. However, the Company may not be able to reduce its exposure to such interest rate risks and a significant increase in interest rates could have an adverse effect on the Company's results of operations and liquidity.

Financing for Capacity Expansion

The Company may require capital or other expenditures for production capacity expansions, acquisitions, mergers, business combinations, joint ventures, or strategic business alliances or partnerships in respect of its businesses or investments, whether in respect of silicon metal, solar grade silicon or other products. For example, Bécancour Silicon may be required to provide funding to Québec Silicon (see "Liquidity and Capital Resources—Capital Expenditures"), or Timminco may be required to provide further funding to Thorsil to pursue a potential new silicon metal manufacturing facility in Iceland (see "Strategy").

The Company expects to fund its requirements for capital expenditures from common equity, term debt, credit facilities, operating cash flows and cash balances. However, these sources of financing may not be available to the Company when required in the amounts needed or on acceptable terms. The Senior Credit Agreement, the IQ Term Loan, the AMG Convertible Note and the Loan Agreement also limit the Company's financial flexibility in a number of ways, including restrictions on the Company's ability to incur additional indebtedness, to sell assets, to create liens or other encumbrances, to incur guarantee obligations, to make certain payments, investments, loans or advances, and to make acquisitions or capital expenditures beyond certain levels. In addition, in the event that the holder of the Thorsil Bond exercises its right to convert all or a portion of the principal and accrued interest on such bond into common shares of Thorsil, as described above under "Liquidity and Capital Resources—Convertible Notes", Timminco may be required to make a further equity investment in Thorsil in order to maintain its majority equity ownership in Thorsil, which is a special purpose vehicle through which Timminco is pursuing the Icelandic project. Any restriction or inability of the Company to generate financing for such expenditures may limit or prevent the Company from pursuing production capacity expansions, acquisitions, mergers, business combinations, joint ventures, or strategic business alliances or partnerships, which could have a material adverse effect on the Company's results of operation and liquidity.

Expansion of Production Capacity

Timminco announced in Q1-10 that it is pursuing opportunities to expand its silicon metal capacity, through a potential new silicon metal production facility in Iceland that would operate using geothermal power. To this end, Timminco is in negotiations with an Icelandic power company on the terms of a long-term power supply contract for such a facility, and Timminco has also secured preliminary financing, as described above under "Liquidity and Capital Resources—Convertible Notes", to fund preliminary expenses associated with this project. However, a definitive power contract has not yet been signed and additional financing will be required to fund future project expenses. In addition, engineering work and a feasibility study in respect of such a facility are still ongoing, as well as negotiations with potential long-term customers and strategic partners. There is no assurance that the potential silicon metal production capacity project will proceed as expected, if at all.

In Q1-10, Bécancour Silicon temporarily suspended purification operations pending meeting of prospective customer specifications and recovery of sales for economic volumes of solar grade silicon in future quarters. Once production of solar grade silicon resumes, Bécancour Silicon will continue to be in a ramp-up stage until demand supports operating all of its planned purification lines and acceptable operating performance has been achieved. The number of purification lines and the nature and scope of the production processes that Bécancour Silicon uses will depend substantially on future customer demand, in terms of volume and quantity, for Bécancour Silicon's solar grade silicon.

Any future production capacity expansion, whether for silicon metal or solar grade silicon, will involve risks, including potential delays in commissioning of equipment, and unanticipated costs and changes in design that may cause the Company's capital budget for the project to be exceeded. Failure to complete any further expansion or to achieve the anticipated production capacity of the existing or any additional purification lines, within foreseeable timeframes and on budget, could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Environmental Liabilities

The Company is, and historically has been, involved in certain activities that may be deemed to be hazardous to the environment, and the Company must also comply with stringent regulatory requirements in certain jurisdictions. The Company maintains environmental and industrial safety and health compliance programs at its facilities. There can be no assurance that current environmental requirements or future changes to them, including possible additional regulations or increases in levels of fines or penalties, will not result in liabilities and obligations that may be material to the Company's business, financial condition and results of operations.

The Company's manufacturing businesses are subject to extensive and changing laws and regulations governing, amongst other things, emissions to air, discharges and releases to land and water, the generation, handling, storage, transportation, treatment and disposal of wastes and other materials, and the remediation of contamination caused by discharges of waste and other material, as well as the risk that employees and others are exposed to hazardous or toxic substances. The Company also operates under environmental permits issued by regulatory authorities, which impose additional requirements for compliance under applicable laws. Such laws and regulations not only expose the Company to liability for its own actions, but also may expose it to liability for the conduct of others or for its actions which were in compliance with all applicable laws at the time such actions were undertaken or performed but which subsequently have become subject to regulation. In addition, the Company could be held liable for the release or discharge of materials which may be hazardous to health or the environment, including the cost of investigating and cleaning up such contamination, regardless of whether such release or discharge was legal and of whether the Company continues to own or operate the facility at which such release or discharge occurred, as well as such releases or discharges that occur at sites to which the Company or its predecessors have sent waste or that migrate onto the property of third parties. The Company could be held liable for such costs even if they arise from the actions of third parties. The Company's operations generally, and those involving hazardous materials in particular, also raise potential risks of liability under common law.

A violation of environmental or health and safety laws relating to the Company's facilities or a failure to comply with the instructions of the relevant environmental or health and safety authorities could lead to, amongst other things, a temporary shutdown of the Company's facilities or the imposition of fines, penalties or costly compliance or remediation procedures. The Company may also be exposed to potential litigation based on perceived violations of environmental or health and safety laws. If environmental or health and safety authorities impose substantial fines or penalties or require the Company to shut down any of its facilities or to implement costly compliance measures, whether pursuant to existing or new environmental, health and safety laws and regulations, such measures could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is also obligated to undertake remediation activities related to former facilities and has accrued $4.8 million as at December 31, 2010, for future costs relating to site restoration and closure of certain of its former facilities and operations, including at Haley, Ontario, and Aurora, Colorado. The Company has also accrued $1.2 million as at December 31, 2010 for future costs relating to site restoration and remediation relating to the silica fumes site in Bécancour, Québec. In addition, Timminco and Bécancour Silicon have agreed to indemnify Québec Silicon for all expenditures to comply with environmental undertakings set out in the Certificate of Authorization estimated to be $0.4 million as at December 31, 2010 and also expect to incur $0.8 million of capital expenditures in respect of this matter. See "Production Partnership with Dow Corning—Environmental Compliance." The actual cost in respect of any or all of the foregoing could be higher than the amounts estimated. The Company's estimates for future liability are also subject to change based on amendments to applicable laws, the nature of ongoing operations, the timing of future events and technological innovations. Any changes in estimates could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Greenhouse Gas Regulatory Initiatives

As a producer of silicon metal, Québec Silicon emits carbon dioxide, which is a greenhouse gas ("GHG"), as a natural by-product of the pyrometallurgical process used to make silicon at its Bécancour facilities. Specifically, carbon-based process materials, such as coal, coke, charcoal and wood chips are combined with quartz to create both silicon and carbon dioxide. In November 2009, Québec's Minister of Sustainable Development, Environment and Parks announced Québec's target to reduce GHG emissions by 20% below 1990 levels by the year 2020. In order to achieve its reduction target, the Québec government has stated that a GHG cap and trade system will need to be implemented in 2012. Québec Silicon's silicon metal operations in Bécancour are currently subject to regulations requiring the quantification and annual reporting of GHG emissions, and as such, may fall within the purview of such anticipated cap-and-trade system. Similar regulatory initiatives are also under way in other Canadian jurisdictions designed to limit or create economic disincentives for GHG emissions, including potential carbon taxes and cap and trade regimes. The scope and potential impact of such initiatives on the Company's business is not yet known, and the extent to which such initiatives impose limits, taxes, obligations or other adverse economic consequences on any of the Company's operations could have an adverse effect on the Company's business, financial condition or results of operations.

Relationships with AMG Advanced Metallurgical Group

AMG is the largest single shareholder in Timminco, with a direct holding of common shares representing approximately 42.5% of Timminco's issued and outstanding share capital as of the date of this MD&A. Certain of AMG's directors and executive officers are also directors and executive officers of Timminco. AMG also trades in silicon metal, produces silicon metal through its controlled subsidiary Graphit Kropfmuehl AG, and operates other businesses that are complementary to the Company's solar grade silicon product line. AMG has also established various commercial relationships with Bécancour Silicon, including arrangements regarding ingot making. See above under the heading "Related Party Transactions" for a description of transactions with AMG and its subsidiaries.

As a result of these relationships, AMG has the ability to influence the Company's strategic direction and business opportunities, including any merger, consolidation or sale of Timminco's and Bécancour Silicon's assets and the composition of Timminco's board of directors and executive management. There may be significant synergies and new business opportunities for the benefit of the Company that may arise from these relationships with AMG. However, these relationships may also involve conflicts of interest. The boards of directors of Timminco and AMG have established independent committees and special procedures to address these conflicts of interest. AMG may also directly pursue acquisitions or other strategic opportunities that could be beneficial or complementary to the Company's business. However, the Company may not realize the benefits of any such acquisitions or opportunities pursued by AMG, if at all.

In addition, these relationships have served as a foundation for certain equity financings and other commercial transactions between the Company and AMG, which have supported the Company's expansion and liquidity. However, there is no assurance that such financings or transactions with AMG will be available on terms acceptable to the Company, if at all.

In the past, AMG has participated as an investor in Timminco's equity financings and maintained a controlling interest in Timminco through its ownership of more than 50% of the outstanding common stock. However, since September 30, 2009, AMG no longer has majority control over Timminco. AMG may acquire common shares of Timminco upon the exercise of its conversion rights under the AMG Convertible Note, but exercising these rights may not entitle AMG to reacquire a majority ownership interest in Timminco. See above under the heading "Related Party Transactions—AMG Advanced Metallurgical Group". In the event that AMG's equity ownership position in Timminco declines, AMG may reduce its involvement in pursuing opportunities that may otherwise be beneficial to the Company's business, results of operations or liquidity.

Limited History with Solar Grade Silicon

Although Bécancour Silicon has experience in producing silicon metal, it has relatively limited history and experience in producing solar grade silicon. As such, the Company's historical financial results may not provide a meaningful basis for evaluating its future financial performance.

Solar Grade Silicon Selling Prices

The Company's revenues, earnings and cash flows from the sale of solar grade silicon are significantly influenced by the prevailing and expected future market (or spot) prices for polysilicon. Such spot prices have declined considerably since 2008 from a price peak of approximately US$400 per kg to a level of approximately US$50 per kg in Q1-09 prior to increasing again in the second half of 2010 to a level of US$60-80 per kg. Volatility of polysilicon spot prices is the result of real or perceived increases or decreases in polysilicon manufacturing capacity, which can be impacted by new plant construction, seasonal availability of electricity in certain parts of China, government regulation of polysilicon producers, operating problems at large polysilicon producers or due to changes in demand in the solar photovoltaic industry or electronic (semiconductor) market. Continued price volatility could have a material effect on the Company's financial position, results of operations and liquidity with price declines in polysilicon negatively impacting solar grade silicon realized selling prices and margins, and price increases favourably impacting demand for solar grade silicon as a substitute for polysilicon.

Customer Commitments for Solar Grade Silicon

There is significant uncertainty about the nature and scope of demand from solar grade silicon customers, including future pricing, deliveries and volumes. Bécancour Silicon had executed several long-term supply agreements with solar grade silicon customers in 2007 and 2008, all of which have since been terminated. Bécancour Silicon is in ongoing negotiations with prospective solar grade silicon customers, to secure new commitments to support future production and sales activities. However, there is no assurance that Bécancour Silicon will be able to secure meaningful long-term commitments from such customers, which may have an adverse effect on the prospects and future results of operations from Bécancour Silicon's solar grade silicon product line.

Quality of Solar Grade Silicon

The requirements of Bécancour Silicon's prospective customers with respect to specifications, quality controls and testing methodologies for solar grade silicon are expected to continue to evolve as Bécancour Silicon and its prospective customers build experience in using Bécancour Silicon's solar grade silicon for solar photovoltaic applications.

Bécancour Silicon's objective is to produce, through repeatable processes, solar grade silicon that is priced competitively with polysilicon and of such quality that solar cells manufactured using Bécancour Silicon's solar grade silicon will have characteristics that make them competitive with solar cells manufactured from polysilicon. To that end, Bécancour Silicon continues its efforts to develop market opportunities for its solar grade silicon product line, through improvements in its proprietary purification processes and collaboration with strategic partners in developing new downstream sales channels, to meet the enhanced specifications of its prospective new customers. Although it is making progress towards achieving these objectives, Bécancour Silicon may experience delays in being able to consistently produce solar grade silicon at the required specifications or purity levels, in implementing such new equipment, methodologies and processes, and in ultimately being able to achieve its objective. Furthermore, achieving and maintaining these heightened customer requirements may increase Bécancour Silicon's production costs for solar grade silicon.

Bécancour Silicon's proprietary purification process, which is based on metallurgical methods as compared to the chemical processes used to manufacture polysilicon, involve several steps and various equipment to control the levels of impurities, or dopants, particularly phosphorus and boron. Controlling these and other non-metallic elements, at the levels required for solar cell applications (which are measured in parts per million), is critical and there is no universally accepted method for controlling all of these elements at required levels simultaneously. As a consequence, multiple refining steps, or passes, are necessary, with the risk of lower yields and increased solar grade silicon production costs. In addition, recontamination by impurities from the equipment or reactants used in the purification process may reduce the quality or require further processing of the solar grade silicon. This risk is exacerbated in the ramp-up stage of a new production process. While Bécancour Silicon has valuable experience in mitigating these risks, there is no assurance that it will be able to consistently achieve the desired quality or required purity levels within a certain range of production costs.

Producing Ingots with Bécancour Silicon's Solar Grade Silicon

The process for making ingots is a key element in the objective of being able to manufacture solar cells from solar grade silicon that have characteristics that make them competitive with solar cells manufactured from polysilicon. Bécancour Silicon is collaborating with third parties and its affiliates to develop processes to optimize the quality of ingots and bricks made from its solar grade silicon in order to achieve this objective. However, there is no assurance that such development efforts will be successful or that customers will adopt appropriate processes. If Bécancour Silicon's customers do not achieve the results that they expect from using Bécancour Silicon's solar grade silicon to make ingots or bricks, or are unable to manufacture solar cells that have characteristics that are competitive with solar cells manufactured from polysilicon, such customers will be disinclined to take deliveries of Bécancour Silicon's solar grade silicon, which could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Protection of Intellectual Property Rights

The success of Bécancour Silicon's solar grade silicon depends in part on the protection and development of its intellectual property rights, including proprietary technology, information, processes and know-how. Such protection is based on trade secrets and patents, including patents pending in respect of Bécancour Silicon's manufacturing process for the production of solar grade silicon. Bécancour Silicon has received some patents as well as favourable preliminary reports from some patent examiners in respect of two of its key patent applications. However, some patent examiners have also issued reports that could adversely affect the patentability of certain processes in respect of which patent protection has been sought. As well, Bécancour Silicon attempts to protect its trade secrets through physical security measures, as well as confidentiality agreements with customers, suppliers and key employees. Bécancour Silicon also enters into licensing arrangements in respect of third parties' intellectual property rights, and collaborates with AMG Conversion and others in the development of technologies that are expected to enhance Bécancour Silicon's product offering. Bécancour Silicon could also be liable to third parties in respect of any infringements of their patents or other intellectual property rights. There is no assurance that Bécancour Silicon has adequately protected or will be able to adequately protect its valuable intellectual property rights, or will at all times have access to all intellectual property rights that are required to conduct its business or pursue its strategies, or that Bécancour Silicon will be able to adequately protect itself against any intellectual property infringement claims.

Customer Concentration

The Silicon Group has traditionally had several large customers, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Company. In FY-10, the five largest customers accounted for 58% of total sales in the Silicon Group, compared to 53% in FY-09. Going forward, the Company expects the customer concentration risk to increase, mainly due to the reduced production output that is available to Bécancour Silicon as a result of the Supply Agreement with Dow Corning and Québec Silicon (see "Production Partnership with Dow Corning—Supply Agreement"), and increased volume commitments that Bécancour Silicon has under long-term supply contracts and other delivery arrangements with certain silicon metal customers for 2011 and further years (see "Silicon Group—Silicon Metal Supply Commitments"). The extent to which any of Bécancour Silicon's significant silicon metal customers may be unwilling or unable to satisfy all or a material portion of its purchase commitments with Bécancour Silicon could have a material adverse affect on the Company's results of operations and liquidity.

Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which 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 revenue and expenses for the reporting year. Due to the inherent uncertainty involved with making such estimates, actual results reported in future periods could differ from those estimates. Significant estimates include the following:

Measurement Uncertainty

Certain assets, principally inventory, long term inventory, deferred development costs, property, plant and equipment, goodwill and other intangibles are subject to recoverability and/or impairment tests. Ultimate recovery of these assets is dependent on the ability to meet higher quality demands from solar grade customers as market conditions evolve and estimates of future levels of demand, sales, pricing and product costing as it relates to both raw material input pricing and production efficiencies. The net realizable value of solar grade inventory is also subject to significant uncertainties in near and long term market demand and pricing conditions. Deferred development costs recoverability is dependent on the successful completion and commercialization of solar grade development activities. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Long Lived Asset Impairment

The Company assesses its long lived assets for impairment in accordance with its accounting policies. For purposes of impairment testing, the Company determined that it had three asset groups, namely, silicon metal assets, and each of its two physically separate, stand alone solar grade purification facilities, known as "HP1" and "HP2". Management compares the carrying value of long lived assets with undiscounted cash flows for each of the three asset groups to determine whether an impairment indicator exists. In Q4-10, management determined the HP1 and HP2 long lived assets, including a portion of the intangible assets and all of the goodwill attributable to solar grade purification, were impaired and recognized a charge in the amount of approximately $7.5 million to reduce their carrying value to fair value. In Q4-09, management determined the HP2 long lived assets (property, plant and equipment) were impaired and recognized a charge in the amount of approximately $39.0 million to reduce the carrying value to fair value. Recovery of the remaining carrying value of the HP1 and HP2 solar grade silicon purification facilities and intangible assets related to solar silicon production are dependent upon successful completion of the Company's continued product and market development activities, a restart of solar grade production and sufficient profitable future production volumes. Should this not materialize as planned, additional material long lived asset impairments related to the HP1 and HP2 asset groups, including property, plant and equipment and intangibles, are likely to occur.

Solar Grade Silicon Inventory Net Realizable Value

Given the low sales volume of Bécancour Silicon's solar grade silicon products, the need to meet prospective new customers' specifications and the uncertainty around the timing of future demand for the finished products, management is not able to predict the volumes of the solar grade silicon inventory that may be sold in the near term. Management believes that the timing of future sales of Bécancour Silicon's solar grade silicon product, including from existing inventories, is principally dependent upon successful completion of Bécancour Silicon's continued product and market development activities and improvements in external economic conditions affecting the demand for such product, including the pricing and availability of alternative products such as polysilicon for the solar photovoltaic industry. As a result, Bécancour Silicon's existing inventory of solar grade silicon has been classified as a long-term asset. Future sales of this inventory will be recognized as revenue and inventory will be expensed at its net carrying cost.

Based upon solar grade silicon market conditions and the low level of sales of its solar grade silicon products, the Company evaluated the carrying value of these inventories in FY-10 relative to their estimated net realizable value and recorded a provision of $13.4 million. The charge has been recorded to cost of sales. Notwithstanding such provision, the Company continues to pursue market and product development activities in respect of its solar grade silicon product line and it intends to further process its solar grade silicon inventories in future periods as demand warrants to meet the enhanced specifications of its prospective new customers.

Additionally, the Company had accumulated a significant volume of by-product generated from the production of solar grade silicon that the Company has in the past utilized in the production of silicon metal. Following completion of the transaction with

Dow Corning, there was uncertainty regarding the use of this by-product in silicon metal production by Québec Silicon. During FY-10, the Silicon Group recorded a provision of $12.0 million, related to the net realizable value of the by-product inventory which is classified as raw materials. The charge has been recorded to cost of sales.

Pension Return and Discount Rates

The estimated return and discount rate affect pension expense and liabilities. These estimates are made with the assistance of the Company's actuaries to ensure that the estimates are reasonable and consistent with those of other companies in our industry. The estimated return on plan assets is subject to change on an annual basis based on the anticipated returns of the plan assets, the return of equities and fixed income securities held by the plan and the performance of public securities markets. The discount rate is subject to change based on the age and changes in composition of the plan members and long term bond rates. A one percent change in either rate would have a material impact on the pension liabilities. Significant ongoing volatility in the global financial markets or a substantial change in actuarial assumptions could significantly increase the Company's pension liabilities. This could have a material adverse effect on the Company's liquidity and results of operations. Certain future defined benefit pension and other post-retirement benefit obligations will be assumed by the production partnership upon closing. Total net liabilities of approximately $6.8 million and the corresponding funding requirements were assumed by Québec Silicon effective October 1, 2010.

Revenue Recognition

The terms of Bécancour Silicon's solar silicon contracts provide certain customers with limited rights of return for scrap. Revenue from such contracts is recorded net of an adjustment for estimated returns. The Company's estimate of returns requires assumptions to be made regarding the market price for solar silicon scrap in concert with actual experience of returns received. Should this estimate and these experiences change, the return provision will be adjusted in the period.

Asset Retirement Obligations

The Company's asset retirement obligations involve various estimates of the cost of a variety of activities often many years in the future. The Company engages independent consultants to assist in the estimation of closure and remediation costs. Furthermore, the asset retirement obligation is a discounted balance. Currently, the Company discounts the estimated cash flows at 9% to 16%. A 1% change in the discount rate will change the obligation by approximately $0.3 million.

Fair Market Value of Inactive Assets

Timminco owns land and buildings of former manufacturing operations and anticipates eventually disposing of these assets. Management has made estimates of the expected net proceeds and has reduced the carrying value of these assets to fair value, where applicable. The value of the properties is impaired by the ongoing environmental remediation underway at the sites.

Accounting Changes

There were no new accounting policies adopted in FY-10.

Disclosure Controls and Procedures

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures, as defined in National Instrument 52-109—*Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in filings under securities legislation is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company regularly reviews its disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

Evaluation of Disclosure Controls and Procedures

The Company's management, including the CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2010. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2010.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as defined in NI 52-109. ICFR is a process designed by or under the supervision of the CEO and CFO, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems have inherent limitations and therefore ICFR can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Changes in Internal Control over Financial Reporting
The Company implemented the following changes in respect of or affecting its ICFR during 2010:

- The scope of ICFR changed as the Company formed the legal entity Québec Silicon and transferred assets and liabilities of the existing Silicon Group. Key accounting and IT functions continue to be performed by existing personnel. ICFRs are largely unchanged; however, they are now effective in two legal entities whereas they were previously employed in one legal entity. The resulting sale of a 49% interest in Québec Silicon and various transfer pricing and cost sharing arrangements have necessitated emphasis on additional ICFR considerations.

There have been no other changes in the Company's ICFR during the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, its ICFR.

Evaluation of Internal Control over Financial Reporting
The Company's management, including the CEO and CFO, conducted an evaluation of the effectiveness of internal controls over financial reporting as of December 31, 2010, following a reassessment of key internal controls relating to the above changes and using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Based on this evaluation, the CEO and CFO have concluded that the Company's internal control over financial reporting was effective as of December 31, 2010.

Recent Accounting Pronouncements Issued but Not Yet Adopted

International Financial Reporting Standards ("IFRS")
In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly traded enterprises will be converted to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB has continued to issue accounting standards that are converged with IFRS such as IAS 2, "Inventories" and IAS 38, "Intangible Assets", thus mitigating the impact of adopting IFRS at the changeover date.

The Company currently converts its internal financial statements to IFRS in order to report to AMG and therefore has identified the nature of the significant differences between Canadian GAAP and IFRS in its accounts. However, the amount of the differences will not be the same as AMG had an earlier transition date to IFRS. In terms of the IFRS conversion process, during Q4-09, the Company performed a formal diagnostic review of the significant differences between Canadian GAAP and IFRS. The review identified potentially significant differences in the areas of property, plant and equipment, impairment of long lived assets, foreign currency translations, share-based payments and provisions and contingencies. During the first half of 2010, detailed work plans to facilitate transition of these and other financial statement balances and accounting policies to IFRS were prepared. During the second half 2010, the Company has been documenting differences between Canadian GAAP and IFRS, preparing analyses of the IFRS choices, evaluating IFRS accounting policies, considering one-time IFRS elections, where applicable, and reconciling opening balance differences between Canadian GAAP and IFRS effective from January 1, 2010. The Company will complete this process for its Q1-11 interim reporting, including evaluation of the Company's choices of these elements by the Company's auditors. Where appropriate, the Company will adopt the same IFRS accounting policies that are used to report to its significant shareholder on a retroactive basis.

The Company has completed various preliminary assessments of certain aspects of its transitional balance sheet at January 1, 2010 and certain significant accounting policies. The Company does not anticipate any material impact related to the adoption of Inventory Valuation, Foreign Currency Translation, Investment in Applied Magnesium, Leasing, Business Combinations and Segmented Reporting. There may be transitional adjustments for Investment Properties, Intangible Assets, Goodwill, Long Term Provisions, Income Tax Accounting, Revenue Recognition and Financial Instruments and Hedges. In addition, as indicated below, the Company believes there may be significant transitional adjustments related to Property, Plant and Equipment, Employee Benefits, Share-Based Compensation, Long Lived Asset Impairment and Consolidations. All of these matters are subject to verification and confirmation by the Company's auditors and the transition opening balance sheet will be reported in conjunction with the Company's first quarter 2011 interim financial results.

First-time adoption of IFRS

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The most significant IFRS 1 exemptions that are expected to apply to the company upon adoption are summarized in the following table.

Area of IFRS	Summary of Exemption Available
IFRS 2 – Share-Based Payments	**Choices:** One of the elections available under IFRS 1 relates to IFRS 2 and provides entities with the following options: 1) Apply IFRS retrospectively to all share-based payment transactions occurring before the date of transition to IFRS (this option is only available if the entity has publicly disclosed the fair value of these awards); or 2) Elect not to apply retrospective treatment to the following: – Equity instruments granted on or before November 7, 2002; – Equity instruments granted after November 7, 2002 that vested before the date of transition to IFRS; or – Liabilities arising from share-based payment transactions that were settled before the date of transition to IFRS. **Policy selection:** The Company will elect to continue recognizing vested option grants at their previous GAAP valuation on transition to IFRS. **Expected transitional impact:** None. **Expected future impact:** None.
IAS 16— Property, Plant & Equipment	**Choices:** Instead of retrospectively applying the provisions of IAS 16 and IAS 36 to determine the net book value of property, plant and equipment at the transition date to IFRS based on historical cost, the Company can elect to measure individual items of property, plant and equipment at transition date to IFRS using one of the following options: 1) Use the fair value of an item of property, plant and equipment at the date of transition to IFRS ("fair value as deemed cost" option), or 2) Use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to IFRS as deemed cost at the date of the revaluation. **Policy selection:** The Company will elect to use the "fair value as deemed cost" option for all assets in the silicon metal operating segment. These property, plant and equipment assets were transferred to QSLP on October 1, 2010. All other property, plant and equipment which are used in the solar grade silicon operating segment will be measured by retrospectively applying the provisions of IAS 16 and IAS 36. **Expected transitional impact:** The impact of the use of the "fair value as deemed cost" option for the property, plant & equipment in the silicon metal operating segment is still being determined; however, management anticipates recognizing an increase in carrying cost of approximately \$40 to \$50 million. **Expected future impact:** Use of the election will increase the amount of depreciation expense recorded.

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Area of IFRS	Summary of Exemption Available
IAS 19—Employee Benefits	**Choices:** The Company may elect to recognize all cumulative actuarial gains and losses through opening retained earnings at the date of transition to IFRS. Actuarial gains and losses would have to be recalculated under IFRS from the inception of each defined benefit plan if the exemption is not taken. The Company's choice must be applied to all defined benefit plans consistently. **Policy Selection:** The Company will elect to recognize all cumulative actuarial gains and losses through opening retained earnings at the date of transition to IFRS. **Expected transition impact:** The Company has approximately $17 million of cumulative net actuarial losses that are unrecognized under existing Canadian GAAP at the date of transition to IFRS. On the transition date of January 1, 2010, immediate recognition of this amount will reduce opening retained earnings and increase the employee future benefit liability by approximately $17 million. **Expected future impact:** Use of the election will reduce the amount of actuarial losses (or increase the amount of actuarial gains) recognized on a cumulative basis subsequent to the date of transition to IFRS by approximately $17 million. The impact on the Company's 2010 net income is still being determined.
IAS 27—Consolidation/ Business Combination	**Choices:** The company may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3, "Business Combinations", or to apply an elective exemption from applying IFRS 3 to past business combinations. **Policy selection:** If the elective exemption is chosen, specific requirements must be met, such as: maintaining the classification of the acquirer and the acquiree, recognizing or derecognizing certain acquired assets or liabilities as required under IFRS and remeasuring certain assets and liabilities at fair value. The company will elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated. **Expected transition impact:** None. **Expected future impact:** None.

Expected Areas of Significance

The key areas where the company has identified that accounting policies will differ significantly or where accounting policy decisions were necessary that may impact the Company's consolidated financial statements are set out in the following table. Note that this does not include impact of transition policy choices made under IFRS 1, described above.

Accounting Policy Area	Impact on Policy Adoption
IFRS 2—Share-Based Payments	**Choices:** There are no policy choices available under IFRS. **Differences from existing Canadian GAAP:** Graded Vesting Under existing Canadian GAAP, the Company has chosen to value option grants with graded vesting provisions as one award and recognize compensation on a straight-line basis over the total vesting period of the instrument. IFRS 2 requires each tranche to be measured and recognized as a separate award. While the primary impact of treating each tranche as a separate award is front-end loading the recognition of compensation, the total amount of compensation recognized is impacted. Grant Date Determination When shareholder approval is necessary, IFRS 2 does not permit a grant date to occur prior to such approval being obtained. Under existing Canadian GAAP, a grant date can occur when shareholder approval is assured. Since the final measurement of compensation for equity-settled awards generally occurs on the grant date, this difference impacts the measurement of compensation for certain options that were granted by the Company in 2008 but not approved by shareholders until 2009. Total compensation for these options is still being determined, but is expected to be approximately $40 million lower under IFRS 2 than existing Canadian GAAP over the vesting life of the options. Forfeitures Under existing Canadian GAAP, the Company has chosen to recognize the effect of forfeitures as they occur. IFRS 2 requires an estimate of forfeitures to be factored into the calculation of period compensation expense. Since the total amount of compensation recognized under either method will ultimately reflect the number of options that vested, this difference is a timing difference only. **Expected transition impact:** On the transition date of January 1, 2010, the combined adjustment for the above-mentioned differences is still being determined, but is expected to increase opening shareholders equity and decrease contributed surplus by up to $3 million. **Expected future impact:** Graded Vesting and Grant Date Determination The combined differences relating to graded vesting and grant date determination will decrease the cumulative amount of compensation expense recognized subsequent to the date of transition to IFRS. The amount of the cumulative adjustment is still being determined, but is expected to be in excess of $40 million over the vesting life of the options due to the difference in grant date determination. The impact on the Company's 2010 net income is still being determined, but is expected to be a decrease in selling, general and administrative expense. Forfeitures Any differences that exist are timing differences only and will reverse over the vesting period.

Accounting Policy Area	Impact on Policy Adoption
IAS 16— Property, plant & equipment	**Choices:** The Company can choose to account for its property, plant and equipment using either the cost method (which is based on historical cost) or the revaluation method (which requires assets to be periodically revalued to ensure the carrying value does not differ materially from fair value). **Policy selection:** Property, plant and equipment will be accounted for using the cost model. Differences from existing Canadian GAAP: Componentization IAS 16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to its total cost to be depreciated separately. Since existing Canadian GAAP places less emphasis on using this approach, its application can significantly impact the manner in which assets are categorized and depreciated. Depreciation Rates and Methods IAS 16 places increased emphasis on applying empirically proven useful lives and explicitly requires depreciation rates and methods to be reviewed every year based on past experience. Major Overhaul and Inspection Activities IAS 16 generally requires the costs of major overhaul and inspection activities to be capitalized, whereas under existing Canadian GAAP they are expensed. **Expected impact:** Due to the Company's choice to use the "fair value as deemed cost" election for property, plant and equipment in the silicon metal operating segment, the impact of the above-mentioned differences on the transition date to IFRS will be limited to assets in the solar grade silicon operating segment. Componentization and Depreciation Rates and Methods The Company has determined that several of its major items of property, plant and equipment (e.g., buildings, furnaces and certain other major production equipment) contain material components that have not been separately depreciated under Canadian GAAP. As part of this componentization exercise, the Company has also revised the depreciation rates of certain assets. The impact of these differences is still being determined. If it is determined that an impairment charge on solar grade silicon assets is required at the transition date to IFRS (see discussion below), the impact of these differences may be reduced. Major Overhaul and Inspection Activities The Company does not expect this difference to have a material impact at the date of transition to IFRS because the assets in the solar grade silicon operating segment are relatively new and have not historically been subject to major overhaul and inspection activities. The impact of this difference subsequent to the transition date to IFRS will be dependent on the occurrence of future overhaul and inspection activities.

Accounting Policy Area	Impact on Policy Adoption
IAS 19— Employee Benefits	**Choices:** Actuarial gains and losses are permitted under IAS 19, "Employee Benefits", to be recognized in one of three manners: (i) directly through profit or loss, (ii) directly in other comprehensive income, and (iii) deferred and amortized through profit or loss using the corridor method. **Policy selection:** Actuarial gains and losses will be deferred and amortized through profit or loss using the corridor method. While this policy is consistent with the policy chosen under existing Canadian GAAP, the application of this policy will yield different results than existing Canadian GAAP due to the Company's use of the available IFRS 1 election discussed above and the other differences between IAS 19 and existing Canadian GAAP noted below. **Differences from existing Canadian GAAP:** Past Service Costs IAS 19 requires the past service cost element of defined benefit plans to be expensed on an accelerated basis, with vested past service costs expensed immediately and unvested past service costs recognized on a straight-line basis until the benefits become vested. Under existing Canadian GAAP, past service costs are generally amortized on a straight-line basis over the average remaining service period of active employees expected under the plan. Transitional Assets and Liabilities Under existing Canadian GAAP, certain gains and losses which were unrecognized at the time of adopting the current Canadian accounting standard were permitted to be amortized over a period under transitional provisions of the current standards. Those amounts will not be permitted to remain unrecognized and must be recognized on transition to IFRS. Discount Rate IAS 19 generally requires the rate used to discount the defined benefit obligation to be determined by reference to market yields on high quality corporate bonds. Existing Canadian GAAP provides certain alternatives to this general rule that are not available under IAS 19. For example, existing Canadian GAAP permits the obligation to be measured using rates inherent in the current prices of annuity contracts if immediate settlement using such an annuity contract is possible. **Expected transition impact:** On the transition date of January 1, 2010, the combined adjustment for the above-mentioned differences is expected to increase opening shareholders equity and decrease the employee future benefit liability. The amount of the adjustment is still being determined. **Expected future impact:** Past Service Costs and Transitional Assets and Liabilities The combined differences relating to past service costs and transitional assets and liabilities are expected to increase the cumulative amount of future pension expense recognized subsequent to the date of transition to IFRS. The amount of the cumulative adjustment and the impact on the Company's 2010 net income are still being determined. Discount Rate Any differences that exist are timing differences only and will reverse when the plan is ultimately settled.

Accounting Policy Area	Impact on Policy Adoption
IAS 27—Consolidation	**Choices:** There are no policy choices available under IFRS.

Differences from existing Canadian GAAP: The IFRS approach to consolidation is principles-based whereby consolidation is required for all entities which are controlled. Unlike the Canadian GAAP two-step model which first requires consideration as to whether an entity is a Variable Interest Entity, the IFRS guidance on consolidation is a single-step model—the control model. IFRS utilizes the concepts of risks and rewards where the existence of control is not apparent, although not in the same rules-based manner as under current Canadian GAAP. The respective guidance in SIC 12 focuses on the substance of the activities of a Special Purpose Entity and a key criterion for the conclusion on consolidation is the question which shareholder in substance receives the majority of the benefits of the activities of the Entity, either by legal rights or by implementing an "autopilot" mechanism. An autopilot is thereby defined as a policy guiding the ongoing activities of the Special Purpose Entity, which cannot be modified without the approval of its creator or sponsor.

Expected impact in the IFRS comparison period 2010: During 2010, the Company has entered into two transactions which have been reviewed from a consolidation perspective under the different guidance in Canadian GAAP and IFRS:

1) On February 4, 2010, Timminco and Strokkur Energy ehf. ("Strokkur"), an Icelandic private equity firm, formed Thorsil ehf. ("Thorsil"), an Icelandic company, with Timminco having subscribed for 51% of its share capital and Strokkur having subscribed for 49% of its share capital. The board of Thorsil is comprised of an equal number of representatives from both shareholders. Additionally Timminco is responsible for the management of the operations and has a slight majority of share ownership in Thorsil. Since the operations of Thorsil primarily support the business activities of Timminco as a silicon metal producer, whereas the private equity partner is looking for a return on the capital investment from the planned Iceland activities, Timminco has concluded that in substance the majority of the risks and rewards of Thorsil are with the Company and therefore will consolidate Thorsil in accordance with IAS 27 and SIC 12. Under Canadian GAAP the Company has also concluded on the consolidation of Thorsil, therefore the differences in the consolidation accounting rules have not resulted in a different accounting in the Thorsil case.

2) On October 1, 2010, the Company completed its production partnership transaction with Dow Corning in respect of the silicon metal production facilities in Bécancour, Québec. As a result of the closing, Dow Corning has acquired a 49% equity interest in Québec Silicon, the new production partnership entity that owns the silicon metal operations in Bécancour, Québec, in consideration for net cash proceeds of approximately US$40.1 million. Bécancour Silicon has retained a 51% equity interest in Québec Silicon, as well as all of the solar grade silicon purification operations and facilities at the Bécancour site.

For the newly created Québec Silicon Limited Partnership, Timminco has concluded, that in accordance with IAS 27 and SIC 12, the Company does not control the partnership, but has joint control of Québec Silicon in accordance with IAS 31 for the following reasons:

a) Although the Company appoints 3 of 5 board members (the other 2 are appointed by Dow Corning) of the general partner of Québec Silicon, all strategic decisions of this board require unanimous consent from the Timminco and Dow Corning board members. Therefore all strategic decisions need the support of at least one board member from Dow Corning.

b) Although key management members from Timminco have been transferred to Québec Silicon, participation rights of Dow Corning in operation decisions indicate joint control.

c) In substance the benefits flowing from Québec Silicon to its partners are nearly equal, because the whole silicon output from the operations are allocated 51% and 49% respectively to the partners. In addition, other benefits provided also indicate in substance a sharing of all risks and rewards of Québec Silicon.

This conclusion for IFRS purposes is different than the conclusion for Canadian GAAP purposes, because under AcG-15 Timminco is qualified as the primary beneficiary of the variable interest entity.

The main impact from the different accounting handling (Consolidation of Québec Silicon under Canadian GAAP versus Joint Control under IFRS) in the fourth quarter 2010 may result in the recognition of a gain or loss from the loss of control in the silicon metal production business under IFRS. The amount is yet to be determined. In accordance with IAS 27.34, this gain from the loss of control would be calculated as the difference between the fair value of the cash consideration received from Dow Corning plus the fair value of the 51% investment retained in Québec Silicon minus the carrying value of the net assets transferred as of October 1, 2010 to Québec Silicon. The Company has applied IAS 27.34 and not SIC 13 "Jointly Controlled Entities—Non Monetary Contributions by Venturers" to the transaction, because IAS 27.34 deals specifically with the accounting for a loss of control in a subsidiary or business and the existing SIC 13 interpretation will be replaced by the new IASB standard for Joint Ventures, which is expected for final approval in March 2011.

Expected future impact: The different accounting treatment of Québec Silicon under IFRS will result in the recognition of the jointly controlled entity on an equity basis (versus consolidation under Canadian GAAP). Therefore Timminco is reflecting the results of Québec Silicon in the one line adjustment for the equity investment instead of consolidating the net assets and results of the entity.

Accounting Policy Area	Impact on Policy Adoption
IAS 36—Impairment of Assets	**Choices:** There are no policy choices available under IFRS. **Differences from existing Canadian GAAP:** Methodology IAS 36 uses a one-step approach for both testing for and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use. Existing Canadian GAAP uses a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. This difference can result in situations where a writedown is necessary under IAS 36 but not under existing Canadian GAAP. Testing Level IAS 36 requires impairment testing to be performed at the cash generating unit level, whereas existing Canadian GAAP uses the concept of an asset group. As of the transition date, the Company has assessed that its asset groups and cash generating units are the same and, accordingly, no differences have been identified in this respect. The Company will assess this conclusion on an ongoing basis. Reversal of Writedowns IAS 36 requires previous long term asset impairment charges to be reversed where circumstances have changed such that the amount of impairment has been reduced. Canadian GAAP prohibits reversal of impairment losses. Allocation of Goodwill Goodwill must be, from the acquisition date, allocated to each of the acquirer's cash generating units that are expected to benefit from the synergies of the business combinations. In addition, the cash generating units, or groups of cash generating units, to which goodwill is allocated must represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, but also cannot be larger than an operating segment determined in accordance with IFRS 8. Allocation of Corporate Assets IAS 36 requires corporate assets not already assessed for impairment to be allocated to individual cash generating units for impairment testing purposes. Due to this requirement the company may allocate certain corporate assets located in Becancour and Timminco to the cash generating units described above. **Expected transition impact:** Methodology The Company does not expect this difference to have a material impact on the transition date to IFRS because (a) the "fair value as deemed cost" election is being used for assets in the silicon metal operating segment, and (b) the solar grade silicon operating segment have already been subject to step two of the impairment test under existing Canadian GAAP as at the transition date to IFRS. Testing Level As the Company already assesses impairment on Canadian GAAP asset groups that are similar to the level of the IFRS cash generating units, this difference is not expected to result in the recognition of additional impairment expenses at the transition date to IFRS. Reversal of Writedowns As of transition date to IFRS, the Company has not identified any opportunity to reverse former long term asset impairment charges. Allocation of Goodwill As at December 31, 2009, approximately $4 million of the $16 million goodwill carrying value was allocated to the Canadian GAAP "solar purification" reporting unit. Approximately the same amount is expected to be allocated to the HP1 cash generating unit for the purposes of IFRS. Allocation of Corporate Assets Most of the Company's corporate assets are cash and legacy operations which are individually tested for impairment. Accordingly, these assets are already recorded at fair value at the transition date to IFRS and therefore will not be allocated to the cash generating units for impairment testing. **Expected future impact:** Due to the uncertainty regarding the future operation of the HP1 and HP2 facilities, there is a possibility of further impairment charges. Conversely, if the market circumstances for solar grade silicon improve and operations resume at the HP2 facility, the current impairment to a residual value of the HP2 assets may be partly or completely reversed.

Since the Company reports IFRS compliant financial results to AMG, management has determined that the current information technology infrastructure should be sufficient for IFRS conversion and ongoing reporting requirements. Additionally, the Canadian accounting functions are aware of IFRS reporting requirements in preparation for a formal implementation on January 1, 2011. It is not anticipated that the implementation of IFRS will have a significant effect on the Company's control environment, internal controls over financial reporting or disclosure controls and procedures. The implementation of IFRS is not anticipated to result in material differences in the calculation of bank covenants as they are currently defined in the Senior Credit Agreement.

Cautionary Note on Forward-Looking Information

This MD&A contains "forward-looking information", including "financial outlooks", as such terms are defined in applicable Canadian securities legislation, concerning the Company's future financial or operating performance and other statements that express management's expectations or estimates of future developments, circumstances or results. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "expects", "targets", "believes", "anticipates", "budget", "scheduled", "estimates", "forecasts", "intends", "plans" and variations of such words, or by statements that certain actions, events or results "may", "will", "could", "would" or "might" "be taken", "occur" or "be achieved". Forward-looking information is based on a number of assumptions and estimates that, while considered reasonable by management based on the business and markets in which Timminco operates, are inherently subject to significant operational, economic and competitive uncertainties and contingencies. Timminco cautions that forward-looking information involves known and unknown risks, uncertainties and other factors that may cause Timminco's actual results, performance or achievements to be materially different from those expressed or implied by such information, including, but not limited to: liquidity risks; silicon metal supply commitments; production partnership with Dow Corning; foreign currency exchange rates; long lived asset impairment; pension risks; equipment failures, downtime or inefficiencies; dependence upon power supply for silicon metal production; pricing and availability of raw materials; credit risk exposure; selling price of silicon metal; transportation delays and disruptions; class action lawsuits; interest rates; future growth plans and strategic objectives; production capacity expansion at the Bécancour facilities; environmental, health and safety laws and liabilities; climate change; conflicts of interest; limited history with the solar grade silicon business; selling price of solar grade silicon; customer commitments; achieving and maintaining quality of solar grade silicon; customer capabilities in producing ingots; access to crystallization equipment; protection of intellectual property rights; customer concentration. These factors are discussed in greater detail in Timminco's Annual Information Form for the year ended December 31, 2010, which is available on SEDAR via www.sedar.com, and above under the heading "Risks and Uncertainties". Although Timminco has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in forward-looking information, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information in this MD&A is made as of the date of this MD&A and Timminco disclaims any intention or obligation to update or revise such information, except as required by applicable law.

Other Information

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2010, is available at www.sedar.com.

Quarterly and Annual Financial Information

(CAD$000's except per share amounts)	2010				2009				2010	2009
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	FY	FY
Sales										
Silicon	30,975	36,916	34,309	30,797	25,447	17,050	8,286	23,638	132,997	74,421
Magnesium/ Other	–	–	–	–	21	2,013	14,007	14,106	–	30,147
Total	30,975	36,916	34,309	30,797	25,468	19,063	22,293	37,744	132,997	104,568
Gross Profit (Loss)[1]										
Silicon	(255)	(21,585)	1,410	(2,380)	(14,142)	(5,442)	(8,097)	(10,257)	(22,810)	(37,938)
Magnesium/Other	–	–	–	–	774	17	(951)	958	–	798
Total	(255)	(21,585)	1,410	(2,380)	(13,368)	(5,425)	(9,048)	(9,299)	(22,810)	(37,140)
Gross Profit (Loss) Percentage[1]										
Silicon	(0.8%)	(58.5%)	4.1%	(7.7%)	(55.6%)	(31.9%)	(97.7%)	(43.4%)	(17.2%)	(51.0%)
Magnesium/ Other	–	–	–	–	n/m[2]	0.8%	(6.8%)	6.8%	–	2.6%
Total	(0.8%)	(58.5%)	4.1%	(7.7%)	(52.5%)	(28.5%)	(40.6%)	(24.6%)	(17.2%)	(35.5%)
Net Loss										
Silicon	(11,780)	(27,464)	(2,288)	(5,171)	(62,439)	(12,973)	(18,459)	(10,541)	(46,704)	(104,412)
Magnesium	–	–	–	–	–	(3,536)	(1,278)	(5,095)	–	(9,909)
Corporate/Other	(8,130)	(6,769)	(7,416)	(5,734)	(6,964)	(2,013)	(4,243)	(6,681)	(28,048)	(19,901)
Total	(19,910)	(34,233)	(9,704)	(10,905)	(69,403)	(18,522)	(23,980)	(22,317)	(74,752)	(134,222)
Earnings (loss) per common share, basic and diluted	(0.10)	(0.17)	(0.05)	(0.07)	(0.48)	(0.15)	(0.20)	(0.20)	(0.40)	(1.09)
Weighted average number of common shares outstanding, basic and diluted (000's)[3]	195,735	195,735	184,215	160,470	143,748	122,925	117,868	108,874	184,167	123,448
EBITDA[1]										
Silicon	(1,460)	(24,039)	408	(2,400)	(18,301)	(9,929)	(7,841)	(11,720)	(27,491)	(47,791)
Magnesium	–	–	–	–	–	(1,118)	(1,097)	(1,139)	–	(3,354)
Corporate/Other	(3,688)	(2,784)	(3,523)	(1,456)	869	3,355	(922)	(3,088)	(11,451)	214
Total	(5,148)	(26,823)	(3,115)	(3,856)	(17,432)	(7,692)	(9,860)	(15,947)	(38,942)	(50,931)
Adjusted Income (Loss)[1]										
Silicon	(4,278)	(26,980)	(2,229)	(5,127)	(22,179)	(13,473)	(11,825)	(15,451)	(38,614)	(62,928)
Magnesium	–	–	–	–	–	(1,167)	(1,138)	(1,177)	–	(3,482)
Corporate/Other	(7,409)	(6,685)	(7,300)	(5,617)	(3,440)	(1,513)	(4,243)	(5,983)	(27,011)	(15,179)
Total	(11,687)	(33,665)	(9,529)	(10,744)	(25,619)	(16,153)	(17,206)	(22,611)	(65,625)	(81,589)
Working Capital (excluding available cash items and interest bearing debt)										
Silicon	24,280	17,741	25,229	22,226	30,833	11,870	29,394	23,493	24,280	30,833
Magnesium	–	–	–	–	–	(7,743)	(1,770)	4,149	–	–
Corporate/Other	(5,518)	(8,197)	(4,967)	(5,942)	(5,980)	(28)	(97)	(101)	(5,518)	(5,980)
Total	18,762	9,544	20,262	16,284	24,853	4,099	27,527	27,541	18,762	24,853
Total assets										
Silicon	156,831	164,379	192,294	200,462	205,933	269,184	274,454	275,494	156,831	205,933
Magnesium	–	–	–	–	–	7,129	18,562	31,164	–	–
Corporate/Other	11,617	5,264	3,374	3,907	3,975	4,136	–	–	11,617	3,975
Total	168,448	169,643	195,668	204,369	209,908	280,449	293,016	306,658	168,448	209,908
Total bank debt	–	28,506	31,213	36,226	40,315	43,421	41,663	53,100	–	40,315
Total long term liabilities	57,002	31,781	29,064	33,498	28,716	70,529	47,106	34,213	57,002	28,716

(1) See Non-GAAP accounting definitions.
(2) n/m—not meaningful.
(3) No dividends were paid during any of the quarters.

Non-GAAP Accounting Definitions

Gross Profit (Loss) by Quarter and Year

Gross profit is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), gross profit is a useful supplemental measure as it provides investors with an indication of the profits generated on products sold to customers before corporate overhead expenses. Investors should be cautioned, however, that gross profit should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. The Company's method of calculating gross profit may differ from other companies and accordingly, gross profit may not be comparable to measures used by other companies. Gross profit is calculated as follows:

(CAD$000's)	2010				2009				2010	2009
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	FY	FY
Sales	30,975	36,916	34,309	30,797	25,468	19,063	22,293	37,744	132,997	104,568
Cost of goods sold	31,230	58,501	32,899	33,177	38,836	24,488	31,341	47,043	155,807	141,708
Gross profit (loss)	(255)	(21,585)	1,410	(2,380)	(13,368)	(5,425)	(9,048)	(9,299)	(22,810)	(37,140)

Normalized Gross Profit (Loss) for Silicon Metal Product Lines

Normalized gross profit (loss) for silicon metal product lines ("normalized gross profit (loss)") is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), normalized gross profit (loss) is a useful supplemental measure as it provides investors with an indication of the profits generated on the Company's core silicon metal products sold to customers before corporate overhead expenses. Investors should be cautioned, however, that normalized gross profit (loss) should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. The Company's method of calculating normalized gross profit (loss) may differ from other companies and accordingly, normalized gross profit (loss) may not be comparable to measures used by other companies. Normalized gross profit (loss) is calculated as follows:

Normalized gross profit for silicon metal product lines

(CAD$000's)	2010	2009	2010	2009
	Q4	Q4	FY	FY
Gross profit—Silicon Group	(255)	(14,142)	(22,810)	(37,938)
Net realizable value provision relating to solar grade silicon inventories increasing cost of sales	136	6,907	25,977	8,079
Stand-down and other operating costs related to solar grade silicon	1,057	2,381	4,231	36,530
Normalized gross profit (loss) for silicon metal product lines	938	(4,854)	7,398	6,671

EBITDA by Quarter and Year

EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, past pension service obligations, capital expenditures, income taxes and restructuring cash payments. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. Also, EBITDA should not be construed as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies.

EBITDA is calculated as follows:

(CAD$000's)	2010							2009	2010	2009
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	FY	FY
Net loss	(19,910)	(34,233)	(9,704)	(10,905)	(69,403)	(18,522)	(23,980)	(22,317)	(74,752)	(134,222)
Add back(subtract):										
Income taxes	8	19	–	–	(14)	17	6,653	(4,876)	27	1,780
Impairment of Fundo	–	–	–	–	–	–	–	698	–	698
Loss on disposal of Magnesium Group	–	–	–	–	3,006	2,180	–	–	–	5,186
Impairment of long lived assets	7,567	–	–	–	39,039	–	–	–	7,567	39,039
Loss (gain) on the sale of property, plant and equipment	–	(78)	14	–	(19)	40	(11)	–	(64)	10
Interest	1,619	1,800	1,678	2,113	2,298	2,372	1,830	934	7,210	7,434
Amortization of intangible assets	707	706	707	707	707	707	435	235	2,827	2,084
Amortization of long lived assets	2,117	2,241	1,935	2,026	3,203	3,386	3,090	3,534	8,319	13,213
Reorganization costs	506	–	–	–	542	–	(1)	3,752	506	4,293
Environmental remediation costs	142	627	161	161	1,230	132	133	132	1,091	1,627
Stock-based compensation	2,096	2,095	2,094	2,042	1,979	1,996	1,991	1,961	8,327	7,927
EBITDA	(5,148)	(26,823)	(3,115)	(3,856)	(17,432)	(7,692)	(9,860)	(15,947)	(38,942)	(50,931)

Normalized EBITDA for Silicon Metal Product Lines
Normalized EBITDA for silicon metal product lines ("normalized EBITDA") is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), normalized EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution from the Company's core silicon metal product lines prior to debt service, past pension service obligations, capital expenditures, income taxes and restructuring cash payments. Investors should be cautioned, however, that normalized EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. Also, normalized EBITDA should not be construed as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating normalized EBITDA may differ from other companies and, accordingly, normalized EBITDA may not be comparable to measures used by other companies. Normalized EBITDA is calculated as follows:

Normalized EBITDA for silicon metal product lines

(CAD$000's)	2010	2009	2010	2009
	Q4	Q4	FY	FY
EBITDA –Silicon Group	(1,460)	(18,301)	(27,491)	(47,791)
Net realizable value provision relating to solar grade silicon inventories increasing cost of sales	136	6,907	25,977	8,079
Stand-down and other operating costs related to solar grade silicon	1,057	2,381	4,231	36,530
Contract termination settlements	80	3,101	2,206	3,101
Normalized EBITDA for silicon metal product lines	(187)	(5,912)	4,923	(81)

Adjusted Income (Loss) by Quarter and Year

Adjusted income (loss) is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), adjusted income (loss) is a useful supplemental measure as it provides investors with an indication of ongoing income excluding non-operational costs originating from closed facilities. Investors should be cautioned, however, that adjusted income (loss) should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. The Company's method of calculating adjusted income (loss) may differ from other companies and, accordingly, adjusted income (loss) may not be comparable to measures used by other companies. Adjusted income (loss) is calculated as follows:

(CAD$000's)				2010				2009	2010	2009
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	FY	FY
Net loss	(19,910)	(34,233)	(9,704)	(10,905)	(69,403)	(18,522)	(23,980)	(22,317)	(74,752)	(134,222)
Add back(subtract):										
Income taxes	8	19	–	–	(14)	17	6,653	(4,876)	27	1,780
Impairment of Fundo	–	–	–	–	–	–	–	698	–	698
Impairment of long lived assets	7,567	–	–	–	39,039	–	–	–	7,567	39,039
Loss on disposal of Magnesium Group	–	–	–	–	3,006	2,180	–	–	–	5,186
Loss (gain) on the sale of property, plant and equipment	–	(78)	14	–	(19)	40	(11)	–	(64)	10
Reorganization costs	506	–	–	–	542	–	(1)	3,752	506	4,293
Environmental remediation costs	142	627	161	161	1,230	132	133	132	1,091	1,627
Adjusted Income (Loss)	(11,687)	(33,665)	(9,529)	(10,744)	(25,619)	(16,153)	(17,206)	(22,611)	(65,625)	(81,589)

EXHIBIT "K"

This is Exhibit "K"
to the affidavit of Peter A.M. Kalins,
sworn before me on the 2nd day
of January, 2012

Yannick Katirai

Commissioner for Taking Affidavits

Yusuf Yannick Katirai, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires April 12, 2013.

Timminco Limited

Consolidated Balance Sheets
See Note 2 regarding Going Concern

As at (unaudited) *(in thousands of Canadian dollars)*	**March 31 2011**	December 31 2010	January 1 2010
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 963**	$ 7,483	$ 1,170
Restricted cash	**27**	105	-
Accounts receivable (Note 18)	**7,979**	12,365	11,007
Due from related companies (Note 14)	**3,371**	2,172	209
Inventories (Note 7)	**13,477**	14,473	39,797
Finished goods consigned to related company (Note14)	**4,445**	4,530	8,262
Prepaid expenses and deposits	**1,573**	1,365	1,494
	31,835	42,493	61,939
Due from related companies (Note 14)	**-**	1,275	-
Long term receivables	**1,272**	1,275	1,282
Long term inventories (Note 7)	**2,264**	2,874	26,597
Property, plant and equipment (Notes 8)	**58,910**	59,826	163,914
Investments (Note 6)	**43,088**	43,171	222
Intangible assets (Notes 9)	**2,650**	3,231	7,875
Goodwill (Note 25 a)	**-**	-	16,827
	$ 140,019	$ 154,145	$ 278,656
LIABILITIES			
Current Liabilities			
Bank indebtedness (Note 10)	**$ -**	$ -	$ 40,315
Accounts payable and accrued liabilities	**9,362**	9,064	19,627
Deferred revenue	**6,205**	6,319	10,070
Due to related companies (Note 14)	**9,507**	19,252	5,117
Other financial liabilities (Note 14)	**3,635**	1,343	471
Current portion of long term liabilities (Note 10)	**3,658**	3,273	38,824
Current portion of long term provisions (Note 11)	**2,358**	2,555	4,366
	34,725	41,806	118,790
Due to related companies (Note 14)	**6,459**	6,418	-
Long term liabilities (Note 10)	**28,108**	28,619	128
Employee future benefits (Note 12)	**21,155**	20,610	36,249
Long term provisions (Note 11)	**6,771**	6,855	7,432
	97,218	104,308	162,599
SHAREHOLDERS' EQUITY			
Capital stock	**310,777**	310,777	285,205
Contributed surplus	**14,253**	13,320	9,438
Deficit	**(281,675)**	(273,650)	(178,586)
Equity attributable to owners of parent	**43,355**	50,447	116,057
Non-controlling interest (Note 15)	**(554)**	(610)	-
Total Equity	**42,801**	49,837	116,057
	$ 140,019	$ 154,145	$ 278,656

The accompanying notes are an integral part of these consolidated financial statements
See Note 22 regarding Commitments, Contingencies and Guarantees.

On behalf of the Board of Directors:

(signed) Heinz C. Schimmelbusch

Dr. Heinz C. Schimmelbusch
Director

(signed) Mickey M. Yaksich

Mickey M. Yaksich
Director

Timminco Limited

Consolidated Statements of Operations and Comprehensive Loss
(unaudited)

Period ended March 31 *(in thousands of Canadian dollars, except for loss per share information,*		2011		2010
Sales	$	**23,918**	$	30,797
Cost of goods sold (Note 7 and 16 (c))		**23,147**		36,911
Gross margin		**771**		(6,114)
Administrative expenses		**3,648**		4,353
Other operating expenses (income) (Note 16 (a))		**1,251**		(1,657)
Operating profit (loss)		**(4,128)**		(8,810)
Finance costs (income) (Note 16 (b))		**3,701**		1,826
Impairment loss on investment in Applied Magnesium		**222**		-
Share of net loss of a jointly controlled entity		**30**		-
Loss before income taxes		**(8,081)**		(10,636)
Income tax expense (Note 17)		**-**		-
Loss and total comprehensive loss for the period		**(8,081)**		(10,636)
Attributable to:				
Owners of the parent		**(8,025)**		(10,427)
Non-controlling interests (Note 15)		**(56)**		(209)
Loss and total comprehensive loss for the period		**(8,081)**		(10,636)
Loss per common share - basic and diluted	$	**(0.04)**	$	(0.07)
Weighted average number of common shares outstanding - basic and diluted (Note 19)		**195,734,769**		160,470,031

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

Timminco Limited

Consolidated Statements of Cash Flows
(unaudited)

Three months ended March 31 *(in thousands of Canadian dollars)*	**2011**	2010
Cash flows from (used in) operating activities		
Net loss	**$ (8,081)**	$ (10,636)
Adjustments for items not requiring cash		
Amortization of property, plant and equipment (Note 8)	**930**	3,171
Amortization of intangible assets (Note 9)	**581**	706
Interest expense	**-**	839
Accretion of convertible debt	**304**	283
Stock-based compensation (Note 13)	**742**	1,003
Termination benefits (Note 12)	**1,341**	-
Fair value loss on financial instruments at fair value	**2,292**	(471)
Impairment of investment in Applied Magnesium	**222**	-
Accretion of provisions (Note 11)	**45**	49
Benefits plan expense	**272**	443
Share of net income of a jointly controlled entity	**76**	-
Unrealized foreign exchange (gain) loss	**(84)**	(1,127)
Accrued employee future benefits paid	**(1,068)**	(493)
Expenditures charged against provisions (Note 11)	**(326)**	(401)
Change in non-cash working capital items		
Decrease (increase) in restricted cash	**78**	(639)
Decrease in accounts receivable	**4,386**	1,789
Decrease in inventories	**1,691**	6,769
Increase in prepaid expenses and deposits	**(208)**	(149)
Increase in accounts payable and accrued liabilities	**298**	482
Decrease in related company balances (Note 14)	**(9,821)**	(203)
Increase (decrease) in deferred revenue	**(114)**	2,162
	(6,444)	3,577
Cash used in investing activities		
Capital expenditures (Note 8)	**(14)**	(655)
	(14)	(655)
Cash flows from (used in) financing activities		
Issuance of convertible bond	**-**	1,043
Decrease in bank indebtedness	**-**	(4,089)
Funding from non-controlling interest	**112**	-
Decrease in long term receivable	**3**	2
Decrease in long term liabilities	**(177)**	(31)
	(62)	(3,075)
Decrease in cash during the period	**(6,520)**	(153)
Cash, beginning of period	**7,483**	1,170
Cash, end of period	**$ 963**	$ 1,017
		-
Supplemental cash flow information		
Cash paid (received) during the period:		
Interest	**$ 1,015**	$ 881
Income taxes	**$ -**	$ (10)

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

Timminco Limited

Consolidated Statement of Changes in Equity
As at March 31, 2011; March 31, 2010 and December 31, 2010
(unaudited)
(in thousands of Canadian dollars)

	Issued Capital	Contributed surplus	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interest	**Total**
As at January 1, 2011	$ 310,777	$ 13,320	$ (273,650)	$ 50,447	$ (610)	$ **49,837**
Total comprehensive loss	-	-	(8,025)	(8,025)	(56)	**(8,081)**
Non-controlling interest investment	-	-	-	-	112	**112**
Share-based payment transactions	-	933	-	933	-	**933**
As at March 31, 2011	**$ 310,777**	**$ 14,253**	**$ (281,675)**	**$ 43,355**	**$ (554)**	**$ 42,801**

	Issued Capital	Contributed surplus	Retained earnings	Total attributable to the equity holders of the parent	Non-controlling interest	**Total**
As at January 1, 2010	$ 285,205	$ 9,438	$ (178,586)	$ 116,057	$ -	$ **116,057**
Total comprehensive loss	-	-	(10,427)	(10,427)	(209)	**(10,636)**
Common shares issued in settlement of repayment liability	12,726	-	-	12,726	-	**12,726**
Common shares issued in settlement of trade payable	412	-	-	412	-	**412**
Share-based payment transactions	-	1,003	-	1,003	-	**1,003**
As at March 31, 2010	**$ 298,343**	**$ 10,441**	**$ (189,013)**	**$ 119,771**	**$ (209)**	**$ 119,562**
Total comprehensive loss	-	-	(84,637)	(84,637)	(401)	**(85,038)**
Common shares issued for cash	12,434	-	-	12,434	-	**12,434**
Share-based payment transactions	-	2,879	-	2,879	-	**2,879**
As at December 31, 2010	**$ 310,777**	**$ 13,320**	**$ (273,650)**	**$ 50,447**	**$ (610)**	**$ 49,837**

1. ORGANIZATION

The consolidated financial statements of Timminco Limited ("Timminco" and, collectively with its consolidated subsidiaries, the "Company") for the three months ended March 31, 2011 were authorized for issuance in accordance with a resolution of the Audit Committee of Timminco on June 13, 2011. Timminco is incorporated under the laws of Canada and its common shares are listed and publicly traded on the Toronto Stock Exchange. The address of Timminco's principal office is at 150 King Street West, Suite 2401, Toronto Ontario Canada.

The Company's silicon metal and solar grade silicon operations are organized as the "Silicon Group", which is the Company's only reporting segment. Up to September 30, 2010, the Company produced and sold silicon metal and solar grade silicon products, through its wholly-owned subsidiary Bécancour Silicon Inc. ("Bécancour Silicon"). As of October 1, 2010, the Company transferred ownership and operation of silicon metal production to Québec Silicon Limited Partnership ("Québec Silicon"), which is a 51% owned production partnership accounted for by the Company under the equity method. See Note 6 for further details. Accordingly, as of October 1, 2010, the Company's operations consist of the purchase and resale of silicon metal and the production and sale of solar grade silicon, and the results of Québec Silicon's operations are not consolidated with the results of the Company's operations.

See Note 18 and 21 for a discussion of the Company's liquidity and capital management strategy.

AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder of Timminco (see Note 14).

2. GOING CONCERN

The consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the Company having sufficient liquidity to realize its assets and to discharge its liabilities in the normal course of business for the foreseeable future. However, the Company incurred net losses of $8.0 million for the three months ended March 31, 2011 and $95.7 million for the year ended December 31, 2010. In addition, Timminco has been named as a defendant in a proposed class action lawsuit and, while the timing and outcome of such lawsuit are uncertain, the amount of any damages awarded could be substantial (see Note 22).

In the fourth quarter 2010, the Company fully repaid borrowings under its credit agreement with Bank of America and established a new senior revolving credit facility with Bank of America for a further three years, and extended the term of both its term debt due to Investissement Québec and its convertible loan from AMG. As at March 31, 2011 the Company has no loan balance outstanding under its credit agreement with Bank of America. However the Company has not achieved a level of sustained profitability and positive cash generation to operate without a revolving credit facility, which the Company requires in order to finance working capital requirements, to fund long-term obligations relating to reorganization costs, retirement benefits, contract termination settlements and environmental remediation and to provide a liquidity buffer (see Notes 18, 21 and 22).

Accordingly, the Company's ability to continue as a going concern is subject to achieving a level of sustained profitability and positive cash generation which is subject to material uncertainty and these conditions may cast significant doubt about the Company's ability to continue as a going concern. As a result, the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities other than in the normal course of business and at amounts different than those reflected in the consolidated financial statements (see also Notes 18 and 21).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For all periods up to and including the year ended December 31, 2010, the Company presented its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These financial statements for the three months ended March 31, 2011, are the first interim consolidated financial statements the Company has prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The notes presented in these interim consolidated financial statements are not fully inclusive of all matters that would normally be disclosed in the Company's annual audited financial statements including the disclosures required by IFRS. Accordingly, these interim consolidated financial statements should be read in conjunction with the disclosures included in the audited consolidated financial statements for the year ended December 31, 2010, prepared in accordance with Canadian generally accepted accounting principles in effect for that period.

The Company has prepared these interim financial statements based on IFRS applicable for periods beginning on or after January 1, 2011 as described in the accounting policies below. The Company's opening consolidated balance sheet was prepared as at January 1, 2010, the Company's date of transition to IFRS. Note 24 explains the principle adjustments made by the Company in restating its Canadian GAAP consolidated balance sheet as at January 1, 2010, and its previously published Canadian GAAP financial statements for the quarter ended March 31, 2010 and year ended December 31, 2010, to be in compliance with IFRS.

(a) **Basis of preparation**
The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company Timminco, and all values are rounded to the nearest thousand. They are prepared on the historical cost basis except for derivative financial instruments and liabilities for cash settled share based payment plans which are measured at fair value.

(b) **Statement of compliance**
These interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), and are subject to IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") as they apply to the period covered by the Company's first IFRS financial statements for the year ending December 31, 2011. These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (June 2011). The IFRS standards and IFRIC interpretations that will be applicable at December 31, 2011, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim consolidated financial statements. Accordingly, the accounting policies will be finalized when the first annual IFRS consolidated financial statements are prepared for the year ending December 31, 2011. The policies described below have been consistently applied to all the periods presented.

(c) **Principles of consolidation**
The consolidated financial statements include the accounts of Timminco and its directly or indirectly owned subsidiaries. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(d) **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration for the acquisition is measured as the fair value of the assets and equity instruments given and liabilities incurred or assumed at the date of exchange. An excess of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. Transaction costs that are incurred in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at the fair value on the acquisition date and is included as part of the consideration transferred. The fair value of a contingent consideration liability is re-measured at each reporting date with the corresponding gain or loss being recognized in earnings.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any negative difference is recognized directly in the consolidated statements of operations and comprehensive income/loss. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units ("CGUs") that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those CGUs. Where goodwill forms part of a CGU and part of the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. If the Company reorganizes its reporting structure in a way that changes the composition of one or more CGUs to which goodwill has been allocated, the goodwill is reallocated to the units affected. Goodwill disposed of or reallocated in these cases is measured based on the relative values of the operation disposed of and the portion of the CGU retained or the relative value of the part of the CGU allocated to a new CGU compared to the part remaining in the old organizational structure.

On first-time adoption of IFRS, the Company elected not to apply IFRS 3 Business Combinations retrospectively to acquisitions carried out before January 1, 2010. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS transition date January 1, 2010, is carried at the amount reported in the consolidated financial statements prepared under Canadian GAAP as of December 31, 2009.

(e) **Interest in a joint venture**

The Company recognises its interest in a jointly controlled entity using the equity method. Under the equity method, the investment in a jointly controlled entity is carried in the consolidated balance sheet at cost plus post acquisition changes in the Company's share of net assets of the jointly controlled entity. The consolidated statements of operations and comprehensive income/loss reflect the Company's share of the results of operations of the jointly controlled entity. Where there has been a change recognized directly in the equity of the jointly controlled entity, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The financial statements of the jointly controlled entity are prepared for the same reporting period as the Company. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Adjustments are made in the Company's consolidated financial statements to eliminate the Company's share of unrealized gains and losses on transactions between the Company and its jointly controlled entity.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its jointly controlled entity. The Company determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in the consolidated statements of operations and comprehensive income/loss.

Upon loss of joint control the Company measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the investment at the time of loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

(f) **Cash and cash equivalents**

All highly liquid cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

(g) **Inventory**

Raw materials, work in process, finished goods and stores inventories are valued at the lower of cost and net realizable value, using a weighted average cost. For work in process and finished goods, costs include all direct costs incurred in production including direct labour, freight, directly attributable manufacturing overhead costs based on normal operating capacity, and property, plant and equipment amortization and direct materials.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

(h) **Property, plant and equipment**

Property, plant and equipment is stated at cost, net of any accumulated depreciation and any impairment losses determined. Cost includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary and, where relevant, the present value of all dismantling and removal costs. Borrowing costs are recognized for qualifying assets where construction commenced subsequent to the IFRS transition date of January 1, 2010. Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately. The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred and if it is probable that the future economic benefits embodied with the item can be reliably measured. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of operations and comprehensive income/loss as an expense when incurred. Depreciation expense is recognized in the consolidated statements of operations and comprehensive income/loss in the expense category consistent with the function of the asset and is provided over the estimated useful lives of the assets as follows:

Buildings	26 to 50 years
Roads and sidings	50 years
Plant equipment	2 to 60 years
Machinery and equipment under finance leases	10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statements of operations and comprehensive income/loss when the asset is derecognized.

Useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate. No amortization is taken on construction in progress until the asset is ready for management's intended use. Amounts representing direct costs incurred for major overhauls of furnaces are capitalized and amortized over the estimated useful life of the components replaced.

(i) **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. The Company currently does not hold any intangible assets with indefinite lives.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of operations and comprehensive income/loss in the expense category consistent with the function of the intangible assets.

Internally generated intangibles are capitalized when the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Amortization of an internally generated intangible asset begins when the development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Intangibles are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Technology	10 years
Deferred development costs	3 years
Customer relationships	10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the derecognized asset and are recognized in the consolidated statements of operations and comprehensive income/loss when the asset is derecognized.

(j) **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, the Company estimates the asset's recoverable amount. This estimate is also performed annually. The recoverable amount of goodwill as well as intangible assets not yet available for use, is estimated at least annually. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model has to be used. The recoverable amount of assets that do not generate independent cash flows is determined based on the CGUs to which the asset is allocated.

The Company bases its impairment calculation on detailed forecasts and calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These forecasts and calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognized in the consolidated statements of operations and comprehensive income/loss if an asset's carrying amount or that of the CGU to which it is allocated is higher than its recoverable amount. Impairment losses of CGUs are first charged against the carrying value of the goodwill balance included in the CGU and then against the value of the other assets, in proportion to their respective carrying amounts except an individual asset is not impaired below the greater of zero, its fair value less costs to sell (if determinable) or VIU (if determinable). In the consolidated statements of operations and comprehensive income/loss the impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of income.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the

CGU or group of CGUs is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(k) **Leases**
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee:
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of operations and comprehensive income/loss.

Leased assets under finance leases are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated statements of operations and comprehensive income/loss on a straight line basis over the lease term.

(l) **Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

The Company capitalizes borrowing costs for all eligible assets where construction was commenced on or after the IFRS transition date January 1, 2010.

(m) **Financial instruments**
Financial assets and liabilities:
The Company classifies its financial instruments as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, or (iii) available for sale, and its financial liabilities as (i) financial liabilities at fair value through profit or loss, or (ii) other financial liabilities. Derivatives are designated as hedging instruments in an effective hedge, as appropriate. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated balance sheet.

All financial instruments are recognized initially at fair value plus, in the case of investments and liabilities not at fair value through profit and loss, directly attributable transaction costs. Financial instruments are recognized on the trade date, which is the date on which the Company commits to purchase or sell the asset.

Financial assets at fair value through profit or loss:
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at fair value through profit and loss are carried at fair value. Related realized and unrealized gains and losses are included in consolidated statement of income in finance income or finance costs.

The Company has not designated any financial assets upon initial recognition as fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of operations and comprehensive income/loss.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include receivables. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance income in the consolidated statements of operations and comprehensive income/loss. The losses arising from impairment are recognized in the consolidated statements of operations and comprehensive income/loss in administrative expenses.

Available for sale financial investments:
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income/loss in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or until the investment is determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of operations and comprehensive income/loss in finance costs and removed from the available-for-sale reserve.

Derecognition:
A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets:
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other income.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of operations and comprehensive income/loss – is removed from other comprehensive income and recognized in the consolidated statements of operations and comprehensive income/loss. Impairment losses on equity investments are not reversed through the consolidated statements of operations and comprehensive income/loss; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of operations and comprehensive income/loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of operations and comprehensive income/loss, the impairment loss is reversed through the consolidated statements of operations and comprehensive income/loss.

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of operations and comprehensive income/loss.

The Company has bifurcated a derivative embedded in the convertible loan payable to AMG upon initial recognition and is measuring such embedded derivative at fair value through profit or loss (Note 14).

Other Financial Liabilities:
Other financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities include long-term debt issued, which is initially measured at fair value determined as the consideration received, net of transaction costs incurred. Transaction costs related to the long term debt instruments are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in the finance cost in the consolidated statements of operations and comprehensive income/loss.

Derecognition:
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive income/loss.

(n) **Derivative instruments and hedge accounting**
The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Commodity contracts that meet the definition of a derivative as defined by IAS 39 but are entered into in accordance with the Company's expected purchase requirements are accounted for as derivatives.

The Company analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Embedded derivatives are accounted for separately from the host contract at inception date when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated statements of operations and comprehensive income/loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income. Hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statements of operations and comprehensive income/loss in other operating expenses. Amounts recognised as other comprehensive income are transferred to the consolidated statements of operations and comprehensive income/loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statements of operations and comprehensive income/loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company has an embedded derivative in the convertible loan payable to AMG. This derivative is accounted for as a separate instrument and is measured at fair value at each reporting date. Changes in fair value are recognized in earnings.

(o) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(p) **Fair value of financial instruments**

Fair value is the estimated amount that the Company would pay or receive to dispose of these contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

(q) **Revenue recognition**

Revenue is recognized when significant risks and rewards of ownership are transferred to the customer. Revenue is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

The terms of the Company's contracts may provide certain customers with specified rights of return. Revenue from such contracts is recorded net of an adjustment for estimated returns of material not meeting contractual specifications. The Company's estimate of returns requires assumptions to be made regarding the costs of re-working returned material to meet customer specification. Should these estimates change, the return provision will be adjusted in the period.

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms and included in other operating income.

(r) **Foreign currency translation**

These consolidated statements are presented in Canadian dollars, which is the functional currency of Timminco. Each entity included in the consolidated financial statements determines its own functional currency and measures items included in its financial statements using that functional currency.

Transactions in foreign currencies are initially recorded at the applicable functional currency rate prevailing at the date of the transaction.

Monetary items are translated at the functional currency spot rate as of the reporting date. Exchange differences from monetary items are recognized in profit or loss. Non-monetary items that are not carried at fair value are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

The financial statements of entities with a functional currency different than the Canadian dollar are translated to Canadian dollars using the current rate for assets and liabilities and average rates for revenues and expenses. Exchange differences are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of operations and comprehensive income/loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(s) **Earnings per share**

The computation of earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share is computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

(t) **Share based compensation plans**

Directors, senior executives and key employees of the Company receive part of their remuneration in the form of share based payment transactions, whereby their services are rendered in consideration for equity instruments or for cash settled instruments, or both.

In situations where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the value of these goods or services received are measured as the difference between the fair value of the share based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalized or expensed as appropriate.

Equity-settled transactions:

The cost of equity-settled transactions is recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of the shares that will ultimately vest. The expense or credit recognized for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized in the consolidated statements of operations and comprehensive income/loss in the expense category consistent with the function to which the equity-settled transaction pertains.

When options and other share-based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to capital stock. The amount of cash, if any, received from participants is also credited to capital stock.

Where the terms of an equity settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. All cancellations of equity settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash settled transactions:

The cost of cash settled transactions is measured initially at fair value at the grant date, further details of which are given in Note 13. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of operations and comprehensive income/loss in the expense category consistent with the function the respective employee is engaged in.

(u) **Employee future benefits**

The Company operates defined benefit and defined contribution pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. The Company's policy is to amortize net actuarial gains or losses in excess of 10% of the greater of the accrued benefit obligations and the market value of assets over the expected average remaining service life of the employees.

The past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The costs of the Company's defined benefit plans are determined periodically by independent actuaries. The benefit plan costs charged to income for the period include the cost of benefits provided for services rendered during the period, using actuarial cost methods as permitted by regulatory bodies and management's best estimates of expected plan investment performance, salary escalation and retirement ages of employees. For the purpose of calculating the actual return on plan assets, those assets are valued at fair value. For the purpose of calculating the expected return on plan assets, a market value of assets is used.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(v) **Asset Retirement Obligations**

The Company records the fair value of a provision for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. Asset retirement obligations are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. Changes in the obligation due to the passage of time are recognized in finance costs in the consolidated statements of operations and comprehensive income/loss using the effective interest method. Changes in the obligation due to changes in estimated cash flows are reviewed annually and recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

(w) **Income Taxes**

The Company is a taxable entity under the Income Tax Act (Canada) and applicable provincial income tax legislation. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the expected amount are those that are enacted or substantively enacted, at the reporting date in the jurisdictions where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity are recognized in equity and not in the consolidated statements of operations and comprehensive income/loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it incurred during the measurement period or in profit or loss.

Sales tax:
Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

(x) **Provisions**
Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of operations and comprehensive income/loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires judgment and the use of estimates and related assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The following judgments and estimates in particular were made in the process of applying the accounting policies:

- Judgment is required to fair value all silicon metal property, plant and equipment as of the IFRS transition date January 1, 2010, using the fair value as deemed cost exemption from the retrospective application of IAS 16 in accordance with IFRS 1.
- Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized including the usage of tax planning strategies.
- Estimates are used when estimating the useful lives of property, plant and equipment and intangible assets for the purpose of amortization, and when accounting for and measuring items such as inventory allowances and allowances for doubtful debts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have significant effect on the financial statements relate to the following:

Impairment of non-financial assets
The Company's impairment test is based on value in use and fair value less cost to sell calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and are sensitive to the discount rate used as well as the expected future cash-inflows and the growth rate used for extrapolation

purposes. The key assumptions used to determine the value in use or fair value less costs to sell for the different CGUs, including a sensitivity analysis, are further explained in Note 25(a).

Intangible assets – deferred development costs
Development costs are capitalized in accordance with the accounting policy in Note 3(i). Initial capitalization of costs is based on managements' judgment that technical and economical feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. At March 31, 2011, the carrying amount of capitalized development costs was $2,126 (December 31, 2010: $2,669, January 1, 2010: $5,263). This amount primarily includes costs related to the internal development of a new raw material feedstock for solar grade silicon production and the crystallization and ingoting of solar grade silicon.

Useful life of key property, plant and equipment and intangible assets
The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Company. Refer to Notes 3(h) and (i) for the estimated useful lives.

Provisions for litigation
The Company reviews outstanding litigation matters at each reporting date to assess whether a contingent liability exists. In particular, judgment by management is required in the estimation of the probability of a liability existing. Additionally, when the Company determines a liability exists, it estimates the amount of any provision. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

Trade receivables
The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of operations and comprehensive loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Refer to Note 18 for further details.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 18 for further details about the assumptions as well as sensitivity analysis.

Share based payments
The Company measures the cost of share-based transactions with employees by reference to the fair value of the instruments granted. The fair value of equity-settled instruments is measured at the date at which they are granted and not subsequently remeasured. The fair value of cash-settled instruments is remeasured at each subsequent reporting date. Estimating fair value for share-based payments requires determining the most appropriate valuation model, which is dependent on the terms and conditions of each grant, and the most appropriate inputs to the valuation model, including the expected life of the instrument, volatility and dividend yield. Refer to Note 13 for further details.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can

be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has tax loss carry forwards. These losses relate to entities that have a history of losses, of which a significant portion expire in the future and may not be used to offset taxable income elsewhere in the Company. The entities have neither taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. Further details on taxes are disclosed in Notes 17 and 25(b).

Pension benefits
The cost of defined benefit pension plans and other post employment medical benefits and the present value of these obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for Canada. Future salary increases and pension increases are based on expected future inflation rates for Canada. Further details about the assumptions used are given in Note 25(c).

Acquisition accounting
For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as of the date of acquisition.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities (including "special purpose entities," or "structured entities" as they are now referred to in the new standards). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 uses some of the terms that were used by IAS 31, but with different

meanings. Whereas IAS 31 identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former jointly controlled entities), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity.

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The additional disclosure requirements are substantial.

IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)
On 20 December 2010, the IASB issued *Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)* concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate *SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets* into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment.* The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 *Investment Property.* IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

6. INVESTMENTS

(a) Interest in Jointly Controlled Entity
On September 30, 2010, Bécancour Silicon transferred all the silicon metal operations in Bécancour, Québec, to Québec Silicon. On October 1, 2010 Dow Corning Corporation ("Dow Corning") acquired a 49% equity interest in Québec Silicon in consideration for net cash proceeds of approximately US$40.1 million. Bécancour Silicon retained a 51% equity interest in Québec Silicon, as well as all of the solar grade silicon

(in thousands of Canadian dollars, except where indicated and per share amounts)

purification operations and facilities at the Bécancour site.

The Company has concluded, that, in accordance with IAS 27 and SIC 12, it does not control the partnership, but has joint control of Québec Silicon in accordance with IAS 31 for the following reasons:

- Although Bécancour Silicon appoints three of five board members (the other two are appointed by Dow Corning) of the general partner of Québec Silicon, all strategic decisions of this board require unanimous consent from the Timminco and Dow Corning board members
- Although key management members from Bécancour Silicon have been transferred to Québec Silicon, participation rights of Dow Corning in operational decisions indicate joint control.
- In substance the benefits flowing from Québec Silicon to its partners are nearly equal, because the silicon metal output from operations is allocated 51% and 49% and risk and rewards are being shared proportionately.

The Company accounts for its interest in Québec Silicon using the equity method. The following sets out the Company's 51% share of the statement of financial position of Québec Silicon as at March 31, 2011, December 31, 2010 and January 1, 2010 and income and expenses of the jointly controlled entity for the three months ended March 31, 2011, is included in the consolidated financial statements using the equity method, is as follows:

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
Share of the joint venture's consolidated balance sheet:			
Current assets	$ **18,984**	$ 18,847	$ -
Non-current assets	**47,552**	47,343	-
Current liabilities	**(13,523)**	(13,166)	-
Non-current liabilities	**(8,871)**	(10,037)	-
Equity	$ **44,142**	$ 42,987	$ -

	Three months ended March 31, 2011	**Three months ended March 31, 2010**
Share of the joint venture's revenue and profit:		
Revenue	**$ 14,672**	**$ -**
Cost of sales	**(14,232)**	**-**
Administrative expenses	**(228)**	**-**
Finance costs	**(97)**	**-**
Profit before tax	**115**	**-**
Income tax expense	**-**	**-**
Profit for the period from continuing operations	**$ 115**	**$ -**

Québec Silicon has no contingent liabilities as at March 31, 2011 and December 31, 2010.

The capital expenditure commitments of Québec Silicon for the silicon metal operations as at March 31, 2011 amount to $800 (December 31, 2010: $1,312).

The Company recorded an impairment loss of $17,693 in the third quarter of 2010 when the operations of Québec Silicon qualified as assets held for sale. The impairment loss reflects a writedown of the carrying value to fair value less costs to sell. This loss was calculated as the difference between the cash consideration received from Dow Corning in the amount of $40,908, (US$ 40,106) plus the fair value of the investment retained in Québec Silicon in the amount of $42,601 minus the carrying value of the net assets transferred to Québec Silicon as of October 1, 2010 in the amount of $86,590, environmental provision of $660 and the impairment of the carrying value of goodwill and intangible assets assigned to the silicon metal CGU of $13,952.

(in thousands of Canadian dollars, except where indicated and per share amounts)

If the rolling average cost of production (per metric ton) for any 12-month period in the three year period commencing October 1, 2010 (the "Post-Closing Period") is less than specified thresholds, then Dow Corning will contribute to Québec Silicon, for distribution to Bécancour Silicon, a one-time payment of additional consideration in accordance with an agreed formula. In addition, if during any consecutive six-month period in the Post-Closing Period, the average annual production capacity of Québec Silicon exceeds 47,000 metric tons of silicon metal, then Dow Corning will contribute to Québec Silicon for distribution to Bécancour Silicon a further one-time payment of additional consideration calculated in accordance with an agreed formula. The maximum amount that Bécancour Silicon may receive upon achieving these performance objectives is US$10,000.

(b) Investment in Applied Magnesium

	March 31, 2011		December 31, 2010		January 1, 2010	
Balance, beginning of period	$	222	$	222	$	222
Impairment loss		(222)		-		-
Balance, end of period	$	-	$	222	$	222

During the first quarter 2011, the Company impaired its investment in Applied Magnesium due to the uncertainty of Applied Magnesium continuing as a going concern.

7. INVENTORIES

Inventory – current	March 31,2011		December 31, 2010		January 1, 2010	
Raw materials	**$**	**-**	$	-	$	10,432
Finished goods		**11,971**		13,044		25,134
Stores inventory		**1,506**		1,429		4,231
Total inventories at the lower of cost and net realizable value	**$**	**13,477**	$	14,473	$	39,797

Stores inventory includes minor spare parts and consumables for plant and equipment.

Cost of raw materials includes costs in bringing each product to its present location and condition. Cost of finished goods and work in progress includes cost of direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

During the three months ended March 31, 2011, provisions of $nil (March 31, 2010 – $ 500) were recorded with regards to silicon metal finished goods inventories.

The components of cost of goods sold, excluding depreciation and amortization, are as follows:

	Three months ended March 31			
		2011		2010
Inventory and overhead not capitalized to inventories	**$**	**23,105**	$	31,543
Distribution costs		**1,263**		652
Drawdown of net realizable value provision for inventory sold		**(239)**		(829)
Adjustment to net realizable value provision		**(2,493)**		1,667
	$	**21,636**	$	33,033

The Company's inventory of solar grade silicon was classified as a long-term asset as at December 31, 2010. Future sales of this inventory will be recognized as revenue and inventory will be expensed at its net carrying cost.

Given low sales volume of the Company's solar grade silicon products, the need to meet prospective new customers' specifications and the uncertainty around the timing of future demand for the finished products, management is not able to predict the volumes of the solar grade silicon inventory that may be sold in the near term. Management believes that the timing of future sales of the Company's solar grade silicon product, including from existing inventories, is principally dependent upon successful completion of the Company's continued product and market development activities. As a result, the Company's existing inventory of solar grade silicon was classified as a long-term asset at December 31, 2010.

(in thousands of Canadian dollars, except where indicated and per share amounts)

During the first quarter 2011 the Company received purchase orders for quantities of solar grade silicon held in inventory for shipment in the second quarter 2011. The Company has classified as current inventories the quantity of solar grade silicon subject to these purchase orders at March 31, 2011. Additionally during the first quarter 2011 the Company processed certain quantities of solar grade silicon in the Bécancour ingoting facility to meet future expected demand from existing customers who had purchased similar products in the first quarter 2011. Finished goods resulting from this processing are classified as current inventories at March 31, 2011.

Based upon solar grade silicon market conditions and the low level of sales of its solar silicon products during 2010, the Company evaluated the carrying value of its solar grade silicon inventories during the year ended December 31, 2010 relative to their estimated net realizable value and recorded a provision of $ 13,570 to cost of goods sold. However, notwithstanding such provision, the Company continues to pursue market and development activities in respect of its solar grade silicon product line during 2011 and reversed net realizable value provisions amounting to $2,278 during the three months ended March 31, 2011 (March 31, 2010 - $nil) based on sales and firm commitments for sales for products which are held in inventory and that require no further processing. The Company intends to further process a portion of its solar grade silicon inventories in future periods as demand warrants to meet the enhanced specifications of its prospective new customers.

The Company had also accumulated a significant volume of by-product generated from the production of solar grade silicon that was in the past utilized in the production of silicon metal. Following completion of the transaction with Dow Corning, there was uncertainty regarding the use of this by-product in silicon metal production by Québec Silicon. During the three months ended March 31, 2011, the Silicon Group reversed a provision of $241 (March 31, 2010 – charge of $338) related to the net realizable value of the by-product inventory which is classified as raw materials. The charge/reversal of provision has been recorded to cost of goods sold. The Company sold a significant portion of this inventory subsequent to the end of the first quarter 2011 and accordingly has classified its net carrying value as current inventory at March 31, 2011.

Inventories – long term	**March 31, 2011**	December 31, 2010	January 1, 2010
Raw materials	**$ 158**	$ 120	$ 10,959
Work in progress	**1,214**	1,214	5,187
Finished goods	**892**	1,540	10,451
	$ 2,264	$ 2,874	$ 26,597

Inventories pledged as security:
Substantially all of the Company's inventories are pledged as security for the Company's obligation under the Loan and Security Agreement dated December 15, 2010 with Bank of America, N.A. and under the term loan with Investissement Québec (see Note 10).

(in thousands of Canadian dollars, except where indicated and per share amounts)

8. PROPERTY, PLANT AND EQUIPMENT

		Land		Buildings		Equipment		Total
Cost:								
Opening balance at January 1, 2011	$	1,434	$	37,534	$	84,353	$	123,321
Additions		-		14		-		14
Balance at March 31, 2011	$	1,434	$	37,548	$	84,353	$	123,335
Depreciation and impairment:								
Opening balance at January 1, 2011	$	-	$	3,812	$	59,683	$	63,495
Depreciation charge for the period		-		302		628		930
Balance at March 31, 2011	$	-	$	4,114	$	60,311		64,425
Net book value at January 1, 2011	$	1,434		33,722		27,670	$	59,826
Net book value at March 31, 2011	$	1,434	$	33,434	$	24,042	$	58,910

(in thousands of Canadian dollars, except where indicated and per share amounts)

	Land	Buildings	Equipment	Leased Equipment	Construction in progress	Total
Cost:						
Opening balance at January 1, 2010	$ 3,077	$ 49,015	$ 165,976	$ 212	$ 245	$ 218,525
Additions	-	73	910	-	-	983
Disposals	-	-	(47)	-	-	(47)
Disposal to Québec Silicon	(1,643)	(11,554)	(82,486)	(212)	(245)	(96,140)
Balance at December 31, 2010	$ 1,434	$ 37,534	$ 84,353	$ -	$ -	$ 123,321
Depreciation and impairment:						
Opening balance at January 1, 2010	$ -	$ 2,462	$ 52,149	$ -	$ -	$ 54,611
Depreciation charge for the year	-	1,615	8,938	27	-	10,580
Disposals	-	-	(31)	-	-	(31)
Disposal to Québec Silicon	-	(334)	(6,101)	(27)	-	(6,462)
Impairment	-	69	4,728	-	-	4,797
Balance at December 31, 2010	$	$ 3,812	$ 59,683	$	$	$ 63,495
Net book value at January 1, 2010	$ 3,077	$ 46,533	$ 113,827	$ 212	$ 245	$ 163,914
Net book value at December 31, 2010	$ 1,434	$ 33,722	$ 24,670	$ -	$ -	$ 59,826

The Company regularly assesses its long lived assets for impairment. As at December 31, 2010, the Company impaired the carrying value of solar grade silicon property, plant and equipment related to the CGU known as the "HP1" solar grade silicon purification facility in the amount of $3,156 and the CGU known as the "HP2" solar grade silicon purification facility in the amount of $1,572 (see Note 25). These impairment expenses have been recognized in the consolidated statements of operations and comprehensive income/loss in impairment of long lived assets. Also, the carrying value of buildings at the Company's former magnesium manufacturing facility at the Haley, Ontario site was reduced by $69 in 2010 which was recorded as an impairment of long lived assets.

Property, plant and equipment pledged as security:
Substantially all of the Company's land, buildings and equipment are pledged as security for the Company's obligations under the Loan and Security Agreement dated December 15, 2010 with Bank of America, N.A. and under the term loan with Investissement Québec (see Note 10).

(in thousands of Canadian dollars, except where indicated and per share amounts)

9. INTANGIBLE ASSETS

	Technology	Customer relationships	Internally generated intangible assets	Total
Cost:				
Opening balance at January 1, 2010	$ 4,000	$ 1,500	$ 6,831	$ 12,331
Disposal silicon metal operations	(4,000)	-	-	(4,000)
Balance at December 31, 2010 and March 31, 2011	$ -	$ 1,500	$ 6,831	$ 8,331

	Technology	Customer relationships	Internally generated intangible assets	Total
Amortization and impairment:				
Opening balance at January 1, 2010	$ 2,100	$ 788	$ 1,568	$ 4,456
Amortization charge for the year	400	150	2,277	2,827
Impairment loss	-	-	317	317
Disposal silicon metal operations	(2,500)			(2,500)
Exchange differences	-		-	
Balance at December 31, 2010	$ -	$ 938	$ 4,162	$ 5,100
Amortization charge for the period	-	38	543	581
Balance at March 31, 2011	$ -	$ 976	$ 4,705	$ 5,681
Net book value at January 1, 2010	**$ 1,900**	**$ 712**	**$ 5,263**	**$ 7,875**
Net book value at December 31, 2010	**-**	**562**	**2,669**	**3,231**
Net book value at March 31, 2011	**$ -**	**$ 524**	**$ 2,126**	**$ 2,650**

As at December 31, 2010, the Company impaired the carrying value of solar grade silicon intangible assets related to the CGU known as the "HP1" solar grade silicon purification facility in the amount of $317 (see Note 25(a)).

(in thousands of Canadian dollars, except where indicated and per share amounts)

10. INTEREST BEARING LOANS AND BORROWINGS

		March 31, 2011		December 31, 2010		January 1, 2010
Senior Credit Facility	$	-	$	-	$	40,315
Long term liabilities						
IQ Term Loan	$	**26,371**	$	26,318	$	24,666
Repayment Liability (January 1, 2010 - €9,397)		-				14,096
Capital lease and other		-		-		190
Contract termination claims (Note 11)		**4,282**		4,460		-
Thorsil Bond		**1,113**		1,114		-
		31,766		31,892		38,952
Less current portion		**3,658**		3,273		38,824
	$	**28,108**	$	28,619	$	128

Interest expense for the three months ended March 31, 2011 includes interest on long term liabilities of $896 ($1,076 for three months ended March 31, 2010).

Senior Credit Facility
On December 15, 2010, Bécancour Silicon executed a Loan and Security Agreement (the "Senior Credit Agreement") with Bank of America, N.A., Canada branch (the "Bank") which replaced the Company's revolving credit facility that expired on the same day. The Senior Credit Agreement consists of a three-year revolving credit facility (the "Senior Credit Facility") of up to $20,000, subject to a borrowing base and terminates on December 15, 2013. Bécancour Silicon may borrow under the Senior Credit Facility in US dollars or Canadian dollars, as prime rate loans, base rate loans, LIBOR loans or BA equivalent loans, and may use the Senior Credit Facility to refinance existing indebtedness, issue standby or commercial letters of credit, and finance on-going working capital needs. Amounts borrowed as prime rate loans under the Senior Credit Facility bear interest at the Canadian prime rate plus an applicable margin of 2.75%, subject to adjustment. Such interest rate totaled 5.75% as at March 31, 2011.

Availability under the Senior Credit Facility is equal to the borrowing base minus the sum of (i) the aggregate outstanding amounts borrowed under such facility, which was nil as at December 31, 2010 and March 31, 2011, (ii) any borrowing base reserve applied by the Bank from time to time, and (iii) the amount of the availability block, which is currently $5,000. The borrowing base continues to be based on the value of the Bécancour Silicon's inventories and receivables, subject to caps on the advance rates and eligibility criteria. In determining the borrowing base, the Bank may rely on reports or analyses provided by the Company (including a borrowing base certificate), or by third parties on behalf of the Bank, regarding such inventories or receivables. The Company files borrowing base certificates with the Bank currently on a monthly basis.

The Company is required to maintain certain minimum EBITDA levels, on a cumulative year-to-date basis as at each month end, and to restrict capital expenditures to certain maximum levels, also on a cumulative year-to-date basis as at each month end, throughout the term. The definition of EBITDA, for the purposes of the financial covenants in the Senior Credit Agreement, has been amended to exclude certain non-cash charges arising in connection with the Company's transition to IFRS. The Company is also subject to restrictions on distributions and dividends, acquisitions and investments, asset dispositions, indebtedness, liens and affiliate transactions.

The Senior Credit Facility does not have a minimum fixed charge coverage ratio covenant. However, in the event that the Company achieves a certain minimum fixed charge coverage ratio, the availability block will be reduced to $2,000 and, depending on the extent and timing of any improvements in such ratio, the applicable margin on the interest rate, as well the unused line fees payable under the Senior Credit Facility, will also be reduced.

The Company's assets, including Bécancour Silicon's equity interests in Québec Silicon, continue to be pledged as security for the Company's obligations under the Senior Credit Facility. Accounts receivable are required to be forwarded to a lockbox or deposited in a blocked account, and Bank of America will have the ability to exercise cash dominion if excess availability is less than $5,000 or upon the occurrence of a default. Timminco has also guaranteed all obligations of Bécancour Silicon under the Senior Credit Facility.

A default under the Senior Credit Agreement could trigger an event of default under the cross-default provisions of the Term Loan Agreement (see below) and the AMG Convertible Note (see Note 14), subject to the provisions of the postponement agreements executed by the Bank with each of Investissement Québec and AMG, and Bécancour Silicon, in respect thereof. Also, a default under either the Term Loan Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement.

Going forward, the borrowing base and availability under the Senior Credit Facility, and the Company's ability to comply with its financial covenants under the Senior Credit Agreement, are subject to material uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could enable the Bank to declare an event of default under the Senior Credit Agreement and demand repayment of all outstanding indebtedness (see Note 2).

IQ Term Loan

In July 2009, Bécancour Silicon received a loan from Investissement Québec ("IQ") in the principal amount of $25,000 (the "Term Loan"). The proceeds of the Term Loan were used for general working capital purposes, including repayment of amounts borrowed under the Company's revolving credit facility. The Term Loan is also secured by a guarantee from Timminco and a charge upon Bécancour Silicon's assets, and is subordinated to the obligations of the Company to the Bank under the Senior Credit Agreement.

The Term Loan is interest-bearing at a variable rate of Bank of Canada prime plus 9%, which is currently 12% per annum, with interest payable monthly until maturity. In March 2010, IQ agreed to defer interest payments for the six month period from February 1, 2010 to July 31, 2010. Deferred interest of approximately $1,400 is payable August 31, 2011.

The loan agreement with IQ in respect of the Term Loan (the "Term Loan Agreement") includes certain annual financial and other covenants in respect of Bécancour Silicon, including a minimum working capital ratio and a maximum long-term debt to net equity ratio. All interCompany indebtedness due from Bécancour Silicon to Timminco is treated as equity, for the purposes of the long-term debt to net equity covenant. In addition, all such intercompany indebtedness has been extended, and payment thereon has been postponed pending payment in full of all amounts due and owing under the Term Loan.

On December 15, 2010, IQ agreed to an eight-year extension of the maturity date of the Term Loan from August 31, 2011 to July 16, 2019. The Term Loan is repayable in fixed, consecutive monthly installments of $175, starting on August 31, 2012, and additional annual installments, due on June 30 of each year, in amounts based on a percentage of Bécancour Silicon's defined adjusted cash flow for the preceding fiscal year, starting on June 30, 2013. The first annual installment will be 12.5% of such adjusted cash flow for fiscal year ended December 31, 2012, and each annual installment thereafter will be 30% of such adjusted cash flow. As well, Bécancour Silicon is obligated to remit half of any future earn-out payments received from Dow Corning as repayment under the Term Loan (see Note 6(a)).

A default under the Term Loan Agreement or the guarantee from Timminco could trigger an event of default under the cross-default provisions of the Senior Credit Agreement (see above) and under the cross-default provisions of the AMG Convertible Note (see Note 14). Also, a default under the Senior Credit Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Term Loan Agreement, subject to the provisions of the postponement agreements executed by the Bank with each of IQ, AMG and Bécancour Silicon, in respect thereof.

Going forward, Bécancour Silicon's ability to comply with its financial covenants under the Term Loan Agreement is subject to uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could cause a circumstance that may enable IQ to declare an event of default under the Term Loan Agreement and demand repayment of all outstanding indebtedness.

Repayment Liability

During 2009, in connection with the settlement of a solar grade silicon customer contract termination claim, Bécancour Silicon agreed to a repayment schedule and terms for an outstanding deposit received in 2008, which amounted to €8,808 ($13,862) (the "Repayment Liability") at that time. As at December 31, 2009, the Repayment

(in thousands of Canadian dollars, except where indicated and per share amounts)

Liability was $14,096 (€9,397), including accrued interest of $1,023 (€682). No cash payments were made in respect of the Repayment Liability during 2009.

On March 26, 2010, Timminco issued approximately 15.9 million common shares, representing just less than 10% of its total issued and outstanding common shares to the customer, in settlement of substantially all of the Repayment Liability, which was $13,372 (€9,665) at that time. In settlement of the balance of the Repayment Liability, the customer also received a promissory note of €525, which was a direct, unsecured obligation of Timminco, payable in nine equal monthly installments of €58 starting April 30, 2010. The promissory note was paid in full as of December 31, 2010.

Thorsil bond

Thorsil ehf ("Thorsil"), a majority-controlled Icelandic subsidiary of Timminco, has issued a US$1,000 convertible bond dated February 22, 2010 (the "Thorsil Bond") to Strokkur Energy ehf ("Strokkur"), the proceeds of which have been fully and exclusively used to fund preliminary expenses for a potential silicon metal capacity expansion project in Iceland. The Thorsil Bond bears interest at 12% per annum, payable on maturity and is a direct obligation of Thorsil. Timminco does not have any cash repayment liabilities under the Thorsil Bond. However, the Thorsil Bond is convertible, at Strokkur's option, into Thorsil common shares at a nominal value, or into common shares of Timminco at a conversion price that is the lesser of $1.09 per share and the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the date of notice of conversion, with the US dollar amount converted into Canadian dollars at a fixed exchange rate of US$0.95. Strokkur's notice of conversion is due no later than ten days prior to the maturity date of the Thorsil Bond.

Since (i) the maturity date of the Thorsil Bond depends on the outcome of negotiations for a long-term power contract for the Iceland project, and (ii) Thorsil and Orkuveita Reykjavikur, an Icelandic power company, had, by May 31, 2011, neither signed a long-term power contract for the Iceland project nor agreed to a new deadline for doing so, the maturity date of the Thorsil Bond is currently June 30, 2011 and the outstanding principal and interest of the Thorsil Bond will be reduced by 10%. However, Thorsil, Timminco and Strokkur are currently in negotiations to amend the Thorsil Bond, for the purposes of (i) extending the maturity date beyond June 30, 2011, and linking it to certain deadline dates relating to a potential long-term power contract for the Iceland project, (ii) and avoiding a 10% reduction in the outstanding principal and interest and a conversion of the Thorsil Note on June 30, 2011.

11. LONG TERM PROVISIONS

	March 31, 2011	December 31, 2010	January 1, 2010
Provision for reorganization	$ **642**	$ 719	$ 745
Provision for environmental remediation	**8,487**	8,691	8,602
Provision for contract termination claims	**-**	-	2,451
	9,129	9,410	11,798
Less current portion	**2,358**	2,555	4,366
	$ **6,771**	$ 6,855	$ 7,432

Provision for reorganization

	Three months ended March 31, 2011	Year ended December 31, 2010
Balance, beginning of the period	**$ 719**	$ 745
Costs recognized	**-**	-
Amounts charged against provision	**(77)**	(26)
Balance, end of the period	**$ 642**	$ 719

The provision for reorganization relates to the closure of Aurora, Colorado facility in 2009 which manufactured magnesium anodes and extruded products. The Company's reorganization liabilities are recorded at the anticipated cash outflow.

(in thousands of Canadian dollars, except where indicated and per share amounts)

Provision for environmental remediation

	Three months ended March 31, 2011	Year ended December 31, 2010
Balance, beginning of the period	**$ 8,691**	$ 8,602
Costs recognized	**(13)**	1,096
Accretion	**45**	200
Amounts charged against provision	**(236)**	(1,207)
Balance, end of the period	**$ 8,487**	$ 8,691

The provision for environmental remediation relates to remediation of a silica fumes disposal site associated with the silicon metal manufacturing facility in Bécancour, Québec, the closure of the former magnesium manufacturing facility in Haley, Ontario, and 49% of the indemnification by Bécancour Silicon to Québec Silicon related to undertakings in connection with the environmental certificate of authorization granted to Québec.

Environmental remediation costs, including accretion, are disclosed in other operating expenses in the consolidated statement of operations. The Company's environmental liabilities are discounted using risk free discount rates of 0.98% - 3.77% for periods to 2029.

Provision for contract termination claims

	Three months ended March 31, 2011	Year ended December 31, 2010
Balance, beginning of the year	**$ -**	$ 2,451
Costs recognized	**-**	2,206
Amounts charged against provision	**-**	(197)
Classified as long term liability (see Note 10)	**-**	(4,460)
Balance, end of the period	**$ -**	$ -

The Company has negotiated settlement agreements with certain suppliers to resolve claims arising from the termination of contracts relating to Bécancour Silicon's commitments to purchase certain equipment, supplies and services relating to its solar grade silicon purification facilities. The Company has recorded a liability related to these matters. Upon finalization of settlement of agreements, these provisions have been classified as financial liabilities.

12. EMPLOYEE BENEFITS

	March 31, 2011	December 31, 2010	January 1, 2010
Pension and post retirement benefits	**$ 18,724**	$ 19,380	$ 34,236
Termination benefits	**2,431**	1,230	2,013
	$ 21,155	$ 20,610	$ 36,249

The Company provides pension or retirement benefits to substantially all of its employees in Canada through group RRSPs, non-registered employee savings plans, and a defined contribution and defined benefit pension plans, based on length of service and remuneration. The Company also sponsors a contributory defined benefit pension plan and other retirement benefits for certain of its eligible employees (see Note 25(c)).

Termination benefits relate to the closures of the Company's former magnesium manufacturing facilities in Aurora, Colorado, in 2009, the prior closure of operations at the Haley, Ontario facility, certain accrued retirement obligations for former employees of the Haley facility and a termination agreement with a former president and chief operating officer of the Company. The future period costs of these obligations have been discounted at the rate of high quality corporate bonds and will continue until 2021. During the three months ended March 31, 2011, Company has accrued an additional $1,341 (nil for three months March 31, 2010) which relates to a change in actuarial estimate for retirement benefits relating to a former chief executive officer of the Company.

(in thousands of Canadian dollars, except where indicated and per share amounts)

13. SHARE BASED COMPENSATION PLANS

(a) **Share option plans**

The Company has a share option plan for key employees originally established in 2004 (the "2004 Option Plan"), as well as another share option plan established in 2008 (the "2008 Option Plan"), both of which were amended and restated in March 2011 to:

- decrease the number of common shares of Timminco ("Common Shares") available for issuance under the 2008 Option Plan by 3,000,000 Common Shares (from 10,000,000 Common Shares to 7,000,000 Common Shares);
- increase the number of Common Shares available for issuance under the 2004 Option Plan by 3,000,000 Common Shares (from 8,448,175 Common Shares to 11,448,175 Common Shares);
- provide that, with respect to any options that expire under the 2008 Option Plan without the recipient having purchased all of the Common Shares which he was entitled to purchase, the remaining Common Shares shall not be available for re-issuance under the 2008 Option Plan; and
- provide that the number of Common Shares reserved for issuance under the 2004 Option Plan shall be increased by an amount equal to the number of Common Shares that otherwise would have become available for issuance under the 2008 Option Plan as a result of options expiring without the recipient having purchased all of the Common Shares which he was entitled to purchase.

All awards are accounted for under the fair value method. Under the fair value method, compensation cost is measured at fair value at the grant date by graded vesting tranche using a Black-Scholes option pricing model. Compensation cost is recognized in the respective expense category by function on a straight-line basis over each tranche's graded vesting period, net of estimated forfeiture, with a corresponding increase to contributed surplus. Consideration paid on the exercise of stock options is recorded as share capital.

Options are granted at the discretion of the Board of Directors or its compensation committee, at an exercise price no less than the closing price of the common shares on the Toronto Stock Exchange on the last trading day preceding the day of grant. Options granted under the 2004 Option Plan vest equally over a four year period, with the initial 25% vesting after the first anniversary of the grant date, and expire seven years after the grant date, whereas options granted under the 2008 Option Plan have a nine-year vesting schedule with 50% becoming exercisable after the fifth anniversary of the grant date, and the remaining 50% vesting equally on the sixth through ninth anniversary dates and expire ten years after the grant date.

A summary of the status of the options under both the 2004 Option Plan and the 2008 Option Plan is presented below:

	Three months ended March 31, 2011		Year ended December 31, 2010	
	Shares (000's)	**Weighted Average Exercise Price**	Shares (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**13,908**	**$ 4.90**	12,235	$ 5.45
Granted	**320**	**$ 0.53**	1,737	$ 0.90
Expired	**(1,010)**	**$ 0.96**	-	$ -
Forfeited	**-**	**$ -**	(64)	$ 1.26
Outstanding, end of period	**13,218**	**$ 5.08**	13,908	$ 4.90

(in thousands of Canadian dollars, except where indicated and per share amounts)

At March 31, 2011, the number of Common Shares subject to options outstanding and exercisable under both option plans was as follows:

Price Range	Outstanding Options (000's)	Weighted Average Exercise Price	Weighted Average Remaining Life	Exercisable Options (000's)	Weighted Average Exercisable Price
$0.29 to $0.59	3,335	$ 0. 44	3.60	2,365	$ 0.46
$1.23 to $2.57	1,953	$ 1. 52	5.73	543	$ 1.62
$7.64 to $15.45	7,930	$ 7. 94	7.24	528	$ 10.70
	13,218	$ 5.08	6.10	3,436	$ 2.22

As of March 31, 2011, the maximum number of Timminco Common Shares that may be reserved for issuance pursuant to options granted under both the 2004 Option Plan and the 2008 Option Plan is 18,448,175, representing 9.4% of the issued and outstanding Common Shares on that date.

The following tables list the inputs to the model for the three months ended March 31 2011 and year ended December 31, 2010:

	March 31, 2011	December 31, 2010
Dividend yield (%)	**-**	-
Expected volatility (%)	**120.58 - 131.18**	118.4 - 119.8
Risk-free interest rate (%)	**2.91 - 3.21**	2.91 - 3.0
Expected life of the options (years)	**5.69 - 6.88**	5.27 - 6.82
Weighted average share price ($/share)	**0.53**	0.34
Model used	**Black-Scholes**	Black-Scholes

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the options is indicative of future trends, which may also not necessarily be the actual outcome.

Compensation cost for the three month period ending March 31, 2011 $742 (March 31, 2010 - $1,003) relating to the two option plans is recognized in the expense lines related to the function of the respective employee.

(b) **Deferred share unit plan**

Timminco has a deferred share unit plan ("DSU Plan") for members of its Board of Directors. Under the DSU Plan, each director is required to receive a minimum of 40% of his or her annual compensation in the form of notional common shares of Timminco called deferred share units ("DSUs"). The issue price of each DSU is equal to the market value of a common share which, for the purposes of the DSU Plan, is based on the weighted average share price at which Timminco's common shares trade on the Toronto Stock Exchange ("TSX") during the five trading days prior to the last day of the quarter in which the DSUs are issued. A director may elect to have up to 100% of his or her compensation in the form of DSUs. DSUs are fully vested at the date of issuance.

DSUs are only redeemable in cash, upon each director's retirement or resignation from the Board of Directors of Timminco. The value of the DSUs, when redeemed in cash, will be equivalent to the market value of the common shares at the time of redemption. DSUs are recognized as liabilities and compensation is measured at fair value, with remeasurement occurring at each reporting date. Since DSUs are fully vested at the date of issuance, both the initial fair value and any subsequent changes in fair value are recognized immediately. The value of the outstanding DSUs as at March 31, 2011, is $952 (December 31, 2010 - $594), representing the equivalent of 2,070,447 (December 31, 2010 – 1,801,033) common shares of Timminco. Compensation cost for three month period ending March 31, 2011 of $379 (March 31, 2010 - $29) is recognized in the statements of operations and comprehensive loss in administrative expenses.

(in thousands of Canadian dollars, except where indicated and per share amounts)

(c) **Performance share unit plan**
Timminco has a performance share unit plan ("PSU Plan") for key employees of the Company. Under the PSU Plan, each employee who is awarded performance share units ("PSUs") may be entitled to receive a cash payment if certain minimum performance conditions are achieved at the conclusion of a three year performance period. The value of each PSU will be based on the market value of a Timminco common share at the time of redemption, multiplied by a performance factor that is determined by the relative performance of Timminco's total shareholder return versus the return of a composite benchmark index, established at the time of the award of the PSUs. PSUs are only redeemable in cash, are subject to three year vesting, and may be paid before the end of the performance period and without regard to the performance conditions or the performance factor in certain extraordinary circumstances. During the three month period ended March 31, 2011, no PSUs were awarded (March 31 2010 – 2,436,900 PSUs for the performance period ending 2012). Compensation cost and changes in the value of PSUs are recognized in the statements of operations if management estimates that, as at the financial statement date, the future minimum performance conditions will be satisfied at the end of the three year performance period (for the three months ended March 31, 2011 - $184 and March 31, 2010 - $206). The accrual for the outstanding PSUs as at March 31, 2011 and December 31, 2010 were $428 and $244 respectively.

	2010 PSU awards	2009 PSU awards	Total
PSUs granted	2,346,900	771,800	3,118,700
Less PSUs cancelled	590,100	148,200	738,300
Outstanding units as at March 31, 2011	1,756,800	623,600	2,380,400

The expense recognized for employee services received during the period, which is included in selling and administrative expenses in the statement of operations, is shown in the following table:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Expense arising from share option plans	**$ 742**	$ 1,003
Expense arising from DSUs	**379**	29
Expense arising from PSUs	**184**	206
Total expense arising from share-based payment transactions	**$ 1,305**	$ 1,238

14. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of the Company and each of the subsidiaries listed in the following table:

		% equity interest	
Name of subsidiary	Country of Incorporation	March 31, 2011	December 31, 2010
Bécancour Silicon Inc.	Canada	100%	100%
Thorsil ehf	Iceland	51%	51%

(in thousands of Canadian dollars, except where indicated and per share amounts)

The following table provides the total amounts receivable from and payable to related parties:

Due from related companies- current	**March 31, 2011**	December 31, 2010	January 1, 2010
Due from AMG Conversion	**$ 70**	$ 1	$ 64
Due from ALD	**26**	-	145
Trade receivable from Québec Silicon	**725**	896	-
Notes receivable from Québec Silicon	**2,550**	1,275	-
	$ 3,371	$ 2,172	$ 209

Due from related companies- long term	**March 31, 2011**	December 31, 2010	January 1, 2010
Notes receivable from Québec Silicon	**-**	1,275	-
	$ **-**	$ 1,275	$ -

Due to related companies- current	**March 31, 2011**	December 31, 2010	January 1, 2010
AMG Convertible Note	$ **-**	$ -	$ 4,657
Due to AMG Conversion	**331**	346	449
Due to AMG	**8**	8	8
Due to Québec Silicon	**9,086**	18,841	-
Indemnification liability to Québec Silicon	**37**	37	-
Due to ALD	**45**	20	3
	$ **9,507**	$ 19,252	$ 5,117

Due to related companies- long term	**March 31, 2011**	December 31, 2010	January 1, 2010
AMG Convertible Note	$ **3,537**	$ 3,539	$ -
Indemnification liability to Québec Silicon	**2,922**	2,879	-
	$ **6,459**	$ 6,418	$ -

Other financial liability	**March 31, 2011**	December 31, 2010	January 1, 2010
AMG Convertible Note embedded derivative	$ **3,635**	$ 1,343	$ 471
	$ **3,635**	$ 1,343	$ 471

The following tables provide the total sales to and purchases from related parties:

Sales to related companies	**Three months ended March 31, 2011**	Three months ended March 31, 2010
AMG Conversion	$ **62**	$ 604
Sudamin	**-**	2,843
ALD	**11**	-
Dow Corning	**3,345**	4,385
	$ **3,418**	$ 7,832

(in thousands of Canadian dollars, except where indicated and per share amounts)

Purchases from related companies	Three months ended March 31, 2011	Three months ended March 31, 2010
AMG Conversion	$ **352**	$ 131
RW Silicium	**-**	35
ALD	**-**	9
Québec Silicon	**16,545**	-
	$ **16,897**	$ 175

Québec Silicon and Dow Corning

On October 1, 2010, Dow Corning acquired a 49% equity interest in Québec Silicon, the production partnership entity that owns the silicon metal operations in Bécancour, Québec, in consideration for net cash proceeds of approximately US$40,106. Bécancour Silicon retained a 51% equity interest in Québec Silicon, as well as all of the solar grade silicon purification operations and facilities at the Bécancour site. Québec Silicon is classified as a jointly controlled entity of the two venturers (see Note 6(a)).

Québec Silicon's production output is subject to a supply agreement among Québec Silicon, Bécancour Silicon and Dow Corning (the "Supply Agreement"). The Supply Agreement allocates all of the silicon metal production output of Québec Silicon, which will be based on an initial annual production capacity of 47,000 metric tons of silicon metal, between Bécancour Silicon and Dow Corning, proportional to their equity interests in Québec Silicon. All production output will be sold by Québec Silicon to each of Bécancour Silicon and Dow Corning at a price equal to the actual full production cost per metric ton for the quarter plus a fixed mark-up.

To fulfill Bécancour Silicon's supply commitments to its third party end-customers during the fourth quarter 2010 and the first quarter 2011, less than 49% of Québec Silicon's production was allocated to Dow Corning in each quarter. Québec Silicon has agreed to allocate more than 49% of its output to Dow Corning starting in the second quarter of 2011 to replace such shortfall in accordance with an agreed formula. If any shortfall from the fourth quarter 2010 remains at the end of 2012, Bécancour Silicon has agreed to pay Dow Corning for such remaining shortfall at prevailing market prices.

Certain designated non-union employees of Québec Silicon (the "Shared Employees") allocate a specified percentage of their time to perform specified services for Bécancour Silicon. Such allocations of time and services are to be reviewed and adjusted quarterly. In addition, Bécancour Silicon is entitled to certain use and access rights in respect of Québec Silicon's information technology and related systems and networks. Québec Silicon also provides processing and handling services for Bécancour Silicon in respect of silicon metal that Bécancour Silicon may choose to buy from third parties from time to time, and resell to its end-customers. In consideration, Bécancour Silicon reimburses Québec Silicon for the prorated portion of all salary and benefits paid to the Shared Employees and of all costs and expenses associated with such systems and services. For the three months ended March 31, 2011, such amounts totaled $812.

Pursuant to an agency services agreement, Bécancour Silicon acts as Québec Silicon's agent with respect to the sale of by-products produced by Québec Silicon for a commission to be paid quarterly. For the three months ended March 31, 2011, such amounts totaled $53.

Québec Silicon's governance agreements provide that, upon the occurrence of certain insolvency-related default events affecting either Bécancour Silicon or Dow Corning, the non-defaulting party has the right to purchase the defaulting party's equity interests in Québec Silicon.

Québec Silicon has a Loan Agreement with Dow Corning dated October 1, 2010 (the "Loan Agreement") that provides for a revolving credit facility of up to $10,000 to fund Québec Silicon's working capital requirements. Outstanding amounts bear interest at a variable rate of Canadian prime plus 2%, which is payable quarterly.

On December 10, 2010, Bécancour Silicon and Dow Corning loaned an aggregate of $5,000 to Québec Silicon, in principal amounts that were proportional to their equity interests in Québec Silicon. In consideration, Québec Silicon issued to each of Bécancour Silicon and Dow Corning two promissory notes with maturity dates of April 1, 2011 and March 30, 2012, respectively, and bearing interest at 5% per annum. Subsequent to the first quarter 2011, Québec Silicon repaid the notes due in April 2011 in the amount of $2,500.

AMG Advanced Metallurgical Group
AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder in the Company. As at March 31, 2011, AMG directly held 83,146,007 common shares Timminco, representing 42.5% of the total issued and outstanding shares at that time.

AMG Convertible Note
In December 2009, Bécancour Silicon issued a convertible promissory note to AMG in consideration for a loan of US$5,000 (the "AMG Convertible Note"). On December 15, 2010, Bécancour Silicon and AMG executed an amended and restated AMG Convertible Note, that extended the maturity date of the AMG Convertible Note by three years, from January 3, 2011 to January 3, 2014, adjusted the conversion rate, and commencing January 1, 2011, set the interest rate at 14%, payable monthly in arrears, starting on January 1, 2011.

The AMG Convertible Note is repayable, in whole or in part and without penalty, at Bécancour Silicon's option, to the extent that the availability under the Senior Credit Facility exceeds $5,000, both during the 90 days before and immediately after such repayment, provided that the Company has also satisfied a minimum fixed charge coverage ratio, over the previous 12 months and on a pro forma basis after giving effect to such repayment, and is also not in default under the Senior Credit Facility. Bécancour Silicon is also required to pay AMG, as a partial or whole prepayment of the principal amount due under the AMG Convertible Note and on a quarterly basis, an amount equal to either: (i) one half of the availability under the Senior Credit Facility in excess of $5,000, where the principal amount then outstanding is greater than such excess availability amount; or (ii) all of the principal amount then outstanding, where such principal amount is less than the amount of availability under the Senior Credit Facility in excess of $5,000. In each case, such prepayment is subject to any prior exercise of AMG's conversion right, as well as satisfaction of the other conditions in respect of optional prepayments. Given the possibility of repayment prior to maturity, the AMG Convertible Note has been recorded as a current liability.

Up to the full principal amount of the AMG Convertible Note is convertible into common shares of Timminco, at AMG's option at any time during the extended term at a conversion price of $0.26 per share, subject to customary anti-dilution adjustments, with the US dollar principal amount converted into Canadian dollars at the Bank of Canada's noon exchange rate on the date of notice of conversion.

The AMG Convertible Note continues to have financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements. A default under the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement and the Term Loan Agreement. Also, a default under either the Senior Credit Agreement or the Term Loan Agreement could trigger an event of default under the cross-default provisions of the AMG Convertible Note subject to the provisions of the postponement agreement executed by the Bank, AMG and Bécancour Silicon. Timminco also continues to guarantee all obligations of Bécancour Silicon under the AMG Convertible Note.

The AMG Convertible Note is denominated in U.S. dollars, which is a different currency than the functional currency of Timminco, which is Canadian dollars. As a result, changes in the exchange rate between the US$ and the C$ results in variability in the number of common shares that may be issued upon the exercise of the conversion right and therefore the conversion right under the AMG Convertible Note represents an embedded derivative liability which is fair valued as at the balance sheet date with gains and losses recognized in the statement of operations and comprehensive loss. The fair value of this embedded derivative as of December 15, 2010, which was the effective date of the amendment and restatement of the AMG Convertible Note, was determined to be $1,555. The consideration received of US$5,000 being the fair value of the previous convertible debt instrument extinguished as of December 15, 2010, or ($5,018) was apportioned between the fair value of the embedded derivative and the residual value was allocated to the debt component of the AMG Convertible Note. The fair value of the embedded derivative liability at March 31, 2011 is $3,635 (December 31, 2010 - $1,343).

AMG Conversion
Bécancour Silicon and AMG Conversion Ltd. ("AMG Conversion"), a wholly-owned subsidiary of AMG, executed a Memorandum of Understanding dated March 31, 2009 (as amended, the "Memorandum of Understanding") whereby the parties agreed to jointly develop the ingot production process to optimize the quality of the ingots and bricks produced with Bécancour Silicon's solar grade silicon, and to jointly explore the feasibility of AMG Conversion producing ingots and bricks at the Bécancour Silicon ingoting facility on an exclusive long-term tolling basis for and on behalf of Bécancour Silicon. These activities continued during an interim period, which expires on September 30, 2011.

AMG Conversion produces ingots and bricks at the Bécancour ingotting facility on behalf of Bécancour Silicon, using its equipment and Bécancour Silicon's employees and solar grade silicon. AMG Conversion also produces ingots and bricks at the Bécancour ingotting facility for its own account, using its equipment and solar grade silicon and

(in thousands of Canadian dollars, except where indicated and per share amounts)

Bécancour Silicon's employees.

Bécancour Silicon and AMG Conversion are also considering the feasibility of a long-term relationship on the basis that Bécancour Silicon would focus on the production and sale of solar grade silicon, in chunk form, while AMG Conversion would use solar grade silicon purchased from Bécancour Silicon to produce and sell ingots and bricks and focus on the solar wafer market.

Sudamin
During 2009, Bécancour Silicon sold 5,000 metric tons of silicon metal finished goods inventory to Sudamin S.A. ("Sudamin"), a wholly-owned subsidiary of AMG, for a cash purchase price of $10,430. A portion of such silicon inventory was to be sold by Bécancour Silicon to a European silicon metal customer during 2009 and Sudamin assumed a portion of the volume commitments under the silicon metal supply contract with such customer.

Inventory under the control of Sudamin is classified as finished goods consigned to a related company with a corresponding deferred revenue amount. Revenue is recognized as the finished product is shipped to the end customer. During three months ended March 31, 2010, Bécancour Silicon recognized revenue of $2,843 representing the value of finished goods shipped to the silicon metal customer and $834 was recorded as deferred revenue.

During the three months ended March 31, 2010, Bécancour Silicon agreed to supply and deliver a certain volume of silicon metal in the third and fourth quarters 2010 on behalf of Sudamin to one of Bécancour Silicon's traditional long-term silicon metal customers, and received a pre-payment of $4,668 (€3,259) from Sudamin towards such deliveries, recorded as deferred revenue, net of a fee of $337 (€235).

As of December 31, 2010, all product had been shipped to the customers and deferred revenue was $nil.

Executive Management
Dr. Heinz C. Schimmelbusch is Chairman of the Board and Chief Executive Officer of Timminco, as well as Chairman of the Management Board of AMG. Dr. Schimmelbusch is also a member of the executive committee of the general partner of Safeguard International Fund, L.P. ("Safeguard"), which is a shareholder of AMG. Mr. Arthur R. Spector is a member of the Board of Directors of Timminco and is also a member of the executive committee of the general partner of Safeguard.

Mr. John Fenger is President and Chief Operating Officer of Timminco. The Company is paying the full cost of remuneration of Mr. Fenger, which is paid through a subsidiary of Allied Resource Corporation, of which Dr. Schimmelbusch is Chairman. For the three months ended March 31, 2011, the Company contributed $317 (three months ended March 31, 2010 - $210) to the cost of Mr. Fenger's remuneration.

15. NON-CONTROLLING INTEREST

On February 4, 2010, Timminco and Strokkur Energy ehf ("Strokkur"), an Icelandic private equity firm, formed Thorsil ehf ("Thorsil"), an Icelandic company, with Timminco having subscribed for 51% of its share capital and Strokkur having subscribed for 49% of its share capital. The Company's investment in Thorsil is considered to be a Special Purpose Entity ("SPE") since the Company has the rights to obtain the majority of the benefits of Thorsil and as such is also exposed to risks incident to the activities of Thorsil; accordingly, the Company consolidates Thorsil.

	Three months ended March 31, 2011	Year ended December 31, 2010
Balance, beginning of the period	$ **(610)**	$ -
Investment in Thorsil	**112**	2
Share of net loss	**(56)**	(612)
Balance, end of the period	$ **(554)**	$ (610)

(in thousands of Canadian dollars, except where indicated and per share amounts)

16. OTHER INCOME / EXPENSES

(a) Other operating expenses (income), net

	Three months ended March 31, 2011	Three months ended March 31, 2010
Environmental remediation costs	$ (14)	$ -
Termination benefits	1,341	-
Foreign exchange gain	(76)	(1,657)
	$ 1,251	$ (1,657)

(b) Finance costs (income), net

	Three months ended March 31, 2011	Three months ended March 31, 2010
Interest income	$ (40)	$ (5)
Interest on overdrafts and other finance costs	287	826
Interest on debts and borrowings	1,162	1,476
Fair value loss (gain) on financial instruments at fair value through profit and loss	2,292	(471)
	$ 3,701	$ 1,826

(c) Depreciation, amortization and cost of inventories included in the consolidated statements of operations and comprehensive income/loss

Included in costs of goods sold:	Three months ended March 31, 2011	Three months ended March 31, 2010
Depreciation	$ 930	$ 3,171
Amortization of intangible assets	581	707
Costs of inventories recognized as an expense	21,636	33,033
	$ 23,147	$ 36,911

(d) Employee benefits expense

	Three months ended March 31, 2011	Three months ended March 31, 2010
Salaries and wages	$ 1,327	$ 5,117
Share based payments transaction expense	926	1,247
Pension Costs	335	851
Other employee benefit expenses	103	1,252
Total employee benefit expense	$ 2,691	$ 8,467

17. INCOME TAX EXPENSE

Significant components of income tax expense:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Current tax expense	$ -	$ -
Deferred tax expense	-	-
	$ -	$ -

Effective tax rate
The Company has not recognized deferred tax assets for significant amounts of timing differences, tax loss carry-forwards and investment tax credits (see Note 22(b)) as there is insufficient certainty as to the availability of future profits against which they can be utilized. The Company has recognized deferred tax assets only to the extent that they equal its recognized deferred tax liabilities and are expected to be realized over the same time periods as the deferred tax liabilities. Since the Company expects to have no current income tax expense in 2011 and any changes in recognized deferred tax liabilities will be matched by a corresponding off-setting change in recognized deferred tax assets, the expected effective income tax rate for the year is zero percent.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial assets and liabilities
Financial instruments are either measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held-for-trading financial assets and liabilities and available-for-sale financial assets are measured on the balance sheet at fair value. Derivative non-financial instruments are classified as held-for-trading and are recorded on the balance sheet at fair value unless exempted as a non-financial derivative representing a normal purchase and sale arrangement. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges. The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

(in thousands of Canadian dollars, except where indicated and per share amounts)

	March 31, 2011		December 31, 2010		January 1, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Held-for-trading						
Cash	$ 963	$ 963	$ 7,483	$ 7,483	$ 1,170	$ 1,170
Restricted cash	27	27	105	105	-	-
Foreign exchange contracts	20	20	69	69	-	-
Available for sale						
Investment in Applied Magnesium	-	-	222	222	222	222
Loans and receivables						
Accounts receivable	7,979	7,979	12,365	12,365	11,007	11,007
Due from related companies	3,371	3,371	2,172	2,172	209	209
Long term receivables	1,272	1,272	1,275	1,275	1,282	1,282
	$ 13,632	$ 13,632	$ 23,691	$ 23,691	$ 13,890	$ 13,890
Financial Liabilities						
Other financial liabilities						
Bank indebtedness	$ -	$ -	$ -	$ -	$ 40,315	$ 39,147
Accounts payable and accrued liabilities	9,362	9,362	9,064	9,064	19,627	19,627
Liabilities due to/from related companies	9,507	9,507	19,252	19,252	5,117	5,403
Current portion of long term debt	3,658	3,658	3,273	3,273	38,824	38,824
Due to related companies	6,459	7,424	6,418	7,465	-	-
Long term debt	28,108	28,108	28,619	28,619	128	128
Derivative financial liability						
Embedded derivative	3,635	3,635	1,343	1,343	471	471
	$ 60,729	$ 61,694	$ 67,969	$ 69,016	$ 104,482	$ 103,600

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2011, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts and one option embedded in a convertible debt agreement. The valuation of the foreign exchange forward contracts is primarily forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties

(in thousands of Canadian dollars, except where indicated and per share amounts)

and foreign exchange spot and forward rates. The carrying value of the option embedded in the convertible debt is based on valuation techniques with appropriate market inputs.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: The fair value measurements are classified as Level 1 in the fair value hierarchy if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.
- Level 2: Fair value measurements which require inputs other than quoted prices in Level 1, and for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly are classified as Level 2 in the fair value hierarchy.
- Level 3: Fair value measurements which require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the fair value hierarchy.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

	March 31, 2011			December 31, 2010			January 1, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets									
Cash and cash equivalents	$ 963	$ -	$ -	$ 743	$ -	$ -	$ 1,170	$ -	$ -
Foreign exchange contracts	$ -	20	$ -	$ -	$ 69	$ -	$ -	$ -	$ -
Embedded derivative	$ -	3,635	$ -	$ -	$ 1,343	$ -	$ -	$ 471	$ -

At March 31, 2011, the Company has $27 of restricted cash which is classified as a current asset. The restricted cash represents funds available for funding preliminary expenses for a potential silicon metal capacity expansion project in Iceland (Thorsil).

Investment in the common shares of Applied Magnesium is classified as available for sale financial asset and is measured at cost since there is not an active market to determine a fair value.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The carrying value of current monetary assets and liabilities approximates their fair value due to their relatively short periods to maturity. The fair values of long term receivables, other long term liabilities and the debt component of the amounts due to an affiliated company approximate their carrying values as the terms and conditions are similar to current market conditions. Foreign exchange contracts are marked to market using quoted market prices.

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has deposits, trade and other receivables and cash and short term deposits generated directly from its operations. The Company also holds available for sale investments and enters into derivative transactions.

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to mitigate certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience and supervision. The Company's operating entities along with the corporate finance function, identify, evaluate and, where appropriate, mitigate financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors.

(in thousands of Canadian dollars, except where indicated and per share amounts)

The risks associated with the Company's financial instruments are as follows:

(a) **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are discussed below.

Foreign currency risk:

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

The Company reports its results in Canadian dollars, and a substantial portion of the costs of the Silicon Group is in Canadian dollars, as the Company purchases silicon metal from Québec Silicon in Canadian dollars, whereas a significant part of the Company's products are priced and sold in Euros and U.S. dollars. In particular, Bécancour Silicon has commitments to supply silicon metal to long standing customers over the next five years at prices denominated in Euros in quantities that are a significant portion of Bécancour Silicon's expected supply allocation from Québec Silicon for at least the next three years. Such pricing is fixed in Euros for 2011 and subject to negotiation within a defined price range in Euros, for each of the remaining four years. The pricing is subject to currency adjustment which effectively reduces by half the exposure of both parties to fluctuations in the average quarterly Euro/USD exchange rate by more than 5% relative to the exchange rate in effect in October 2009. The Company also has U.S. dollar interest-bearing debt. Volatility in the Canadian dollar – Euro exchange rate and Canadian dollar - USD exchange rate could have a material impact on the gross margins of the Company.

Based on the Company's Euro denominated net inflows and outflows for the three months ended March 31, 2011, a strengthening (weakening) of the Euro of 1% would, everything else being equal, have a positive (negative) effect on net income before taxes of $11 (2010 - $365), prior to hedging activities. Based on the Company's U.S. dollar denominated net inflows and outflows for the three months ended March 31, 2011, a strengthening (weakening) of the U.S. dollar of 1% would, everything else being equal, have a positive (negative) effect on net income before taxes (due to changes in the fair value of monetary assets and liabilities including non designated foreign currency derivatives) of $65 (2010 - $275). The Company's exposure to foreign currency changes for all other currencies is not material.

The Company enters into foreign exchange forward contracts to mitigate foreign currency risk relating to certain cash flow exposures. The hedge transactions are expected to occur within a maximum 12 month period. The Company's foreign exchange forward contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset losses and gains on transactions being hedged. Where the nature of the hedge relationship is not an economic hedge, it is the Company's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximize hedge effectiveness.

The Company had entered into foreign exchange forward contracts at March 31, 2011 and December 31, 2010, relating to Euro denominated sales in subsequent respective quarters. The counterparty to the contracts is a multinational commercial bank and therefore credit risk of counterparty non-performance is remote. Realized and unrealized gains or losses are included in net earnings (three months ended March 31, 2011 - $134 loss; three months ended March 31, 2010 - $nil).

The open foreign exchange forward contracts as at March 31, 2011 are as follows:

	Notional	Notional Canadian dollars equivalent		
	amount of	Contract amount	Fair value	Unrealized loss
(000's)	currency sold	$	$	$
Euro	5,300	7,279	7,259	20

(in thousands of Canadian dollars, except where indicated and per share amounts)

The open foreign exchange forward contracts as at December 31, 2010 are as follows:

(000's)	Notional amount of currency sold	Notional Canadian dollars equivalent Contract amount $	Fair value $	Unrealized loss $
Euro	4,500	5,936	5,867	69

Subsequent to March 31, 2011, the Company entered into foreign exchange forward contracts to sell €1,800 for Canadian dollars in the period May 20 June 2011 at rates of 1.395 to 1.401 (see Note 26).

Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that cash and short term investments, bank indebtedness, the IQ Term Loan and amounts due to an affiliated entity are at floating rates of interest. The Company's maximum exposure to interest rate risk is based on the effective interest rate and the current carrying value of these assets and liabilities. The Company monitors the interest rate markets to ensure that appropriate steps can be taken if interest rate volatility compromises the Company's cash flows. A 1% change in interest rates would, everything else being equal, change annualized net income before taxes for the three month period ended March 31, 2011 by $264 (March 31, 2010 - $612). There is no additional impact on consolidated statements of operations from the change in interest rates.

Commodity price risk
The Company is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions with regards to anticipated silicon metal purchases from Québec Silicon. The Company's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The inability or failure of the Company to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Company.

As of the year ends December 31, 2011 and 2010 the Company does not have any derivative financial instruments to hedge commodity price risks.

(b) **Credit risk**
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk from its operating activities (primarily for trade accounts receivable and deposits) and from financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Accounts receivable and long term receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. Substantially all of the Company's accounts receivable are due from customers in a variety of different industries and as such, are subject to normal credit risks in their respective industries. The Company regularly monitors customers for changes in credit risk. As a requirement of the Company's Senior Credit Facility, trade receivables from customers in Europe are insured for events of non-payment through third party export insurance.

The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities. The Company does not believe that any single industry or customer group or geographic region represents significant credit risk.

At March 31, 2011, the Company had five customers (December 31, 2010: five customers, January 1, 2010: five customers) that accounted for approximately 57% (December 31, 2010: 48%, January 1, 2010: 70%) of all receivables owing. The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

(in thousands of Canadian dollars, except where indicated and per share amounts)

In addition, the Company enters into foreign exchange forward contracts with a large multinational bank to mitigate associated foreign exchange risk. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit is received before any goods are shipped. The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of operations within other operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against other operating income in the consolidated statements of operations. The following table sets forth details of the age of trade accounts receivables that are not overdue as well as an analysis of overdue amounts and related allowance for the doubtful accounts:

	March 31, 2011		December 31, 2010		January 1, 2010	
Total accounts receivable	$	8,214	$	12,641	$	12,249
Less: Allowance for doubtful accounts		(235)		(276)		(1,242)
Total accounts receivable, net	$	7,979	$	12,365	$	11,007
Of which:						
Not overdue	$	7,979	$	12,365	$	10,961
Past due for more than three months but not for more than one year		-		-		-
Past due for more than one year		235		276		1,288
Less: Allowance for doubtful accounts		(235)		(276)		(1,242)
Total accounts receivable, net	$	7,979	$	12,365	$	11,007

The movement in the Company's allowance for doubtful accounts for the periods ended March 31, 2011, and December 31, 2010 was as follows:

Total	**March 31,2011**		December 31, 2010	
Cost:				
At January 1	**$**	**276**	$	1,242
Additional provision recognized		**-**		226
Amounts recovered during the year		**-**		(1,160)
Unused provision reversed		**(37)**		(23)
Exchange differences		**(4)**		(9)
At period end	**$**	**235**	$	276

Credit risk from balances with banks and financial institutions is managed by the Company's treasury in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Company's maximum exposure to credit risk for the components of the consolidated balance sheet at March 31, 2011 and December 31, 2010 is the carrying amounts of cash and cash equivalents and other current financial assets in the consolidated balance sheet.

(c) **Liquidity risk**
Liquidity risk is the potential inability to meet financial obligations as they fall due. The Company manages this risk by monitoring detailed monthly cash forecasts and longer term forecasts for subsequent periods to ensure adequate and efficient use of cash resources and credit facilities.

The Company's objective in managing liquidity risk is to maintain sufficient readily available sources of funding in order to meet its liquidity requirements at any point in time. The Company attempts to achieve this through managing cash from operations and through the availability of funding from committed credit facilities.

The Company incurred net losses of $8,025 for the three months ended March 31, 2011 and $95, 674 for the year ended December 31, 2010. There is also material uncertainty with respect to the level of liquidity that will be generated by operations in the future.

At March 31, 2011, the Company had negative working capital of $2,890, was holding cash of $963 and had undrawn available lines of credit under the Credit Agreement with Bank of America of approximately $3,798.

Both the Senior Credit Agreement and the Term Loan Agreement contain financial covenants and cross-default provisions (see Note 10). The minimum EBITDA levels for the purpose of the financial covenants in the Senior Credit Agreement have been set at amounts based on the Company's projected financial results. In the event that the Company is unable to achieve such financial results, it may become non-compliant under the Senior Credit Agreement. Non-compliance with any of the financial covenants under the Senior Credit Agreement or the Term Loan Agreement may cause Bank of America or IQ, respectively, to declare an event of default and demand repayment of the entire outstanding indebtedness under such facilities. The AMG Convertible Note also contains a cross-default provision, financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements.

Both the Senior Credit Agreement and the Term Loan Agreement restrict the Company's ability to incur additional indebtedness, sell assets, create liens or other encumbrances, incur guarantee obligations, make certain payments, make investments, loans or advances and make acquisitions beyond certain levels. Substantially all of the Company's assets have been pledged as collateral to their lenders under the Senior Credit Agreement and the Term Loan Agreement.

The Company has also been named as a defendant in a proposed class action lawsuit, claiming damages in excess of $540,000. While the Company intends to vigorously defend the allegations in such lawsuit and the plaintiff's attempt to get court approval to proceed, the timing and outcome of such proceedings are uncertain and the amount of any damages awarded could be substantial.

As a result of the Company's liquidity risk, the Company's ability to continue as a going concern is subject to the continued support of its lenders and is uncertain. Therefore the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

19. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income/loss for the period attributable to equity holders of the parent by the weighted average number of shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net income/loss attributable to equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

(in thousands of Canadian dollars, except where indicated and per share amounts)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	March 31, 2011	March 31, 2010
Net loss attributable to shareholders for basic and diluted earnings per share	**$ 8,025**	$ 10,427
Weighted average number of shares for basic earnings per share	**195,734,769**	160,470,031
Effect of dilution:		
Share options	-	-
Convertible debt conversion right	-	-
Weighted average number of shares adjusted for the effect of dilution	**195,734,769**	160,470,031

There have been no other transactions involving an actual or potential issuance of shares between the reporting date and the date of completion of these financial statements which materially affect diluted earnings per share.

20. REPORTABLE BUSINESS SEGMENTS

The Company is managed as a single business segment, the Silicon Group, that consists of silicon metal and solar grade silicon product lines. The Company also incurs corporate administrative expenses and costs related to inactive, legacy entities ("Other"). The Company determines and presents business segments based on the information that internally is provided to the president and chief operating officer of the Company, who is the Company's chief operating decision maker ("CODM"). When making resource allocation decisions the CODM evaluates liquidity and production capacity. The objective in making resource allocation decisions is to maximize consolidated profits and cash flows.

The CODM assesses the performance of the business segment based on the consolidated earnings of the Company for the period. This measure excludes the effects of certain income and expense items, which are unusual, by virtue of their size and incidence, in the context of the Company's ongoing core operations, such as the impairment of a financial asset investment and accelerated depreciation of property, plant and equipment.

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, intersegment revenue is zero.

(a) **Sales (based on the country/region to which the goods were shipped):**

	Three month period ended March 31	
	2011	2010
	Silicon Group	Silicon Group
Canada	$ 2,328	$ 3,880
United States	7,777	9,600
Mexico	-	6
Europe	12,553	17,127
Australia	-	-
Pacific Rim	1,260	184
Other	-	-
	$ 23,918	$ 30,797

(in thousands of Canadian dollars, except where indicated and per share amounts)

(b) **Net income (loss):**

	Three month period ended March 31		
	2011		
	Silicon Group	Other	Total
Loss before the undernoted:	$ 1,697	$ (5,573)	$ (3,876)
Amortization of PP&E and intangible assets	(1,467)	(5)	(1.472)
Interest	-	(1,345)	(1,345)
Environmental remediation costs	(50)	36	(14)
Accretion of convertible debt	-	(80)	(80)
Pension curtailment costs	-	-	-
Impairment of investment in Applied Magnesium	-	(222)	(222)
Reorganization costs	-	(1,341)	(1,341)
Equity income of Québec Silicon	269	-	269
Net loss	$ 449	$ (8,530)	$ (8,081)
Total assets	$ 137,546	$ 2,473	$ 140,019
Total liabilities	$ 79,735	$ 17,483	$ 97,218

	Three month period ended March 31, 2010		
	Silicon Group	Other	Total
Loss before the undernoted:	$ (2,255)	$ (2,206)	$ (4,461)
Amortization of PP&E and intangible assets	(3,872)	(6)	(3,878)
Interest	-	(2,111)	(2,111)
Environmental remediation costs	(44)	(6)	(50)
Accretion of convertible debt	-	(136)	(136)
Pension curtailment costs	-	-	-
Impairment of assets	(-)	-	-
Income tax expense	-	-	-
Net loss	$ (6,171)	$ (4,465)	$ (10,636)
Total assets	$ 264,200	$ 3,316	$ 267,516
Total liabilities	$ 128,500	$ 19,454	$ 147,954

(in thousands of Canadian dollars, except where indicated and per share amounts)

(c) **Non-current assets (excludes financial instruments, deferred tax assets and post-employment benefit assets):**

	Silicon Group	Other	**March 31, 2011**
Canada	$ 63,308	$ 516	**$ 63,824**
	$ 63,308	$ 516	**$ 63,824**

	Silicon Group	Other	December 31,2010
Canada	$ 64,640	$ 1,291	$ 65,931
	$ 64,640	$ 1,291	$ 65,931

(d) **Additions to non-current assets (excludes financial instruments, deferred tax assets and post-employment benefit assets):**

	March 31, 2011	December 31, 2010
Silicon	**$ 14**	$ 927
Other	**-**	-
	$ 14	$ 927

The Company has traditionally had several large customers, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Company. For the three months ended March 31, 2011, sales to each of the Company's two (three months ended March 31, 2010 – two) largest customers exceeded 10% of total sales and were $ 10,384 and $3,345 (three months ended March 31, 2010 - $ 12,631 and $ 4,385). The extent to which any of the Company's significant silicon metal customers may be unwilling or unable to satisfy all or a material portion of its purchase commitments with the Company could have a material adverse affect on the Company's results of operations and liquidity.

For the three months ended March 31 2011, the Company sold inventories to Sudamin for $nil (three months ended March 31, 2010 - $4,668). These transactions were for cash (see Note 14).

21. CAPITAL MANAGEMENT

The Company defines capital as Shareholders' equity (excluding accumulated other comprehensive income) and long-term debt. The Company's objectives when managing capital are to maintain flexibility between:

(a) Enabling it to operate efficiently;
(b) Providing liquidity and access to capital for growth opportunities; and
(c) Providing returns and generating predictable cash flow for distribution to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable profitable growth. The Company's capital management objectives have remained unchanged from the prior year. The Company is not subject to any externally imposed capital requirements, other than restrictions on distributions and dividends under the Senior Credit Facility (see Note 10).

The Company defines capital that it manages as the aggregate of its shareholders' equity and interest bearing debt. The Company's objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

As at March 31, 2011, the Company's managed capital was $74,376 (March 31, 2010 - $150,750) which was comprised of shareholders' equity excluding non-controlling interest of $43,355 (March 31, 2010 - $119,771) and interest-bearing debt of $31,021 (March 31, 2010 - $30,979). Included in interest bearing debt is the debt component of the convertible note of $3,537 (March 31, 2010 - $4,767), where the associated accreted interest expense is a non-cash charge.

(in thousands of Canadian dollars, except where indicated and per share amounts)

The Company manages its capital structure with the objective of matching short and long-term financing with the respective assets. The Company targets having sufficient revolving credit facilities to fund working capital requirements and principal and interest payments of its debts, and adequate long-term debt and equity to finance long-term assets.

22. COMMITMENTS AND CONTINGENCIES

(a) Commitments

i. **Contractual obligations**

The table below summarizes the maturity profile of the Company's financial liabilities as at March 31, 2011 and December 31, 2010 based on contractual undiscounted payments:

Period ended March 31, 2011:

	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	Thereafter
Term debt	$ 46,745	$ 3,181	$ 14,250	$ 4,492	$ 24,822
Operating Lease	1,826	285	703	197	641
Financial liabilities due to related parties	9,038	739	6,664	260	1,375
Thorsil Bond	1,113	1,113	-	-	-
Defined benefit pension funding obligations	14,811	3,424	9,017	2,370	-
Capital asset purchase commitments	800	800	-	-	-
Reorganization obligations	1,958	792	376	118	672
Environmental obligations	7,686	2,234	2,536	188	2,728
Contract termination claims	4,843	1,443	3,400	-	-
Total contractual obligations	$ 88,020	$ 13,211	$ 36,946	$ 7,625	$ 30,238

(in thousands of Canadian dollars, except where indicated and per share amounts)

Period ended December 31, 2010:

	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	Thereafter
Term debt	$ 47,527	$ 3,172	$ 13,889	$ 4,547	$ 25,919
Operating Lease	1,879	286	706	197	690
Financial liabilities due to related parties	7,106	700	6,406	-	-
Thorsil Bond	1,114	1,114	-	-	-
Defined benefit pension funding obligations	14,811	3,424	9,017	2,370	-
Reorganization obligations	2,050	874	392	123	661
Environmental obligations	6,886	1,434	2,536	188	2,728
Contract termination claims	5,081	1,041	4,040	-	-
Total contractual obligations	$ 87,766	$ 13,357	$ 36,986	$ 7,425	$ 29,998

ii. **Operating leases**

The Company leases equipment and office, manufacturing and warehouse space under operating leases with minimum aggregate rent payable in the future as follows:

Within one year	$ 285
After one year but not more than five years	900
More than five years	641
	$ 1,826

iii. **Environmental obligations**

In 2009, the Québec Ministry of the Environment issued a Certificate of Authorization with respect to the Bécancour facility to remediate a silica fumes disposal site. The planned work is scheduled to be completed in 2014.

In 2006, the Company filed a Mine Closure Plan with the Ontario Ministry of Northern Development, Mines and Forestry with respect to the Haley, Ontario facility. The plan requires the Company to provide financial assurance of $1,683 by way of an initial deposit of $337 and annual payments of $269 over a period of five years. The Company has paid the initial payment and four annual instalments ($1,413). The Company has been remediating the property in accordance with the agreed terms of the Mine Disclosure Plan.

The environmental certificate of authorization (the "Certificate of Authorization") granted to Québec Silicon by the Québec Minister of Sustainable Development, Environment and Parks (the "Ministry") on September 30, 2010 incorporated a number of environmental undertakings of Québec Silicon which are to be completed within the timelines set out in the Certificate of Authorization. Bécancour Silicon has agreed to indemnify Québec Silicon for all expenditures relating to the environmental undertakings set out in the Certificate of Authorization including future estimated capital-related expenditures of approximately $849 incremental to the Company's capital expenditures commitments of $439 as at December 31, 2010.

(b) **Contingent liabilities**

i. **Class Action Lawsuit**

Timminco and certain of its directors and officers, as well as certain third parties have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on May 14, 2009. This lawsuit was commenced by the plaintiff Ravinder Kumar Sharma on behalf of shareholders who acquired Timminco's common shares between March 17, 2008 and November 11, 2008 and claims damages exceeding $540 million. The plaintiff alleges that Timminco and others made certain misrepresentations about Bécancour Silicon's solar grade silicon production process.

These are unproven allegations, and the plaintiff will need to seek leave, or permission, of the court to proceed under the secondary market disclosure provisions of the Ontario Securities Act.

The Company has not recorded any liability related to these matters. Timminco's directors and officers insurance policies provide for reimbursement of costs and expenses incurred in connection with this lawsuit, including legal and professional fees, as well as potential damages awarded, if any, subject to certain policy limits and deductibles. Timminco intends to vigorously defend these allegations and the plaintiff's attempt to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded in such lawsuit could be substantial.

ii. **Other legal actions**
The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

iii. **Guarantees**
In the normal course of business, the Company has provided indemnifications in various commercial agreements which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law. The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote.

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties.

23. COMPARATIVE FIGURES

Certain of the January 1, 2010 and March 31, 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2011.

24. EXPLANATION OF TRANSITION TO IFRS

For all periods up to December 31, 2010 the Company prepared its consolidated financial statements in accordance with previous Canadian generally accepted accounting principles ("Canadian GAAP"). These consolidated financial statements for the quarter ending March 31, 2011 are the first interim consolidated financial statements that comply with IFRS expected to be in effect as at December 31, 2011, as described in the accounting polices described in Note 3. In preparing these consolidated financial statements, the Company's opening consolidated balance sheet was prepared as at January 1, 2010, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previous Canadian GAAP consolidated balance sheet as at January 1, 2010 and its previously published Canadian GAAP consolidated financial statements for the three month period ended March 31, 2010 and year ended December 31, 2010.

(a) **Elected exemptions from full retrospective application**
In preparing these consolidated financial statements in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS as described below.

i. **Business combinations**
The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

ii. **Fair value or revaluation as deemed cost**
The Company has elected to measure the silicon metal property, plant and equipment at Bécancour at fair value as at January 1, 2010 and use that amount as deemed cost as at January 1, 2010.

iii. **Employee benefits**
The Company has elected to recognize all cumulative actuarial gains and losses as at January 1, 2010 in opening retained earnings for the Company's employee benefit plans.

iv. **Share-based payments**
The Company has elected to retrospectively apply the provisions of IFRS 2 Share-based Payment ("IFRS 2") only to equity instruments granted after November 7, 2002 that are unvested at the transition date, and liability instruments arising from share-based payment transactions that are outstanding at the date of transition.

v. **Foreign exchange**
Cumulative currency translation differences for all foreign operations are deemed to be zero as at January 1, 2010.

vi. **Borrowing costs**
The Company has elected only to capitalize borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the date of transition.

vii. **First time adopter later than an entity that has significant influence over it**
The Company became a first time adopter later than AMG, which has significant influence over the Company (see Note 14). IFRS 1 offers the Company the opportunity either to use the carrying amounts that would be included in AMG's consolidated financial statements, based on AMG's date of transition to IFRSs, if no adjustments were made for equity accounting procedures and for the effects of the acquisition accounting in which AMG acquired an interest in the Company; or the carrying amounts required by the rest of IFRS 1 based on the Company's date of transition to IFRSs. The Company has elected to apply the IFRS 1 exemptions independently of AMG's application of such exemptions using the Company's transition date of January 1, 2010.

(in thousands of Canadian dollars, except where indicated and per share amounts)

(b) **Reconciliation of equity**

The following is a reconciliation of the Company's consolidated balance sheet reported in accordance with previous Canadian GAAP to its consolidated balance sheet reported in accordance with IFRS at the transition date January 1, 2010:

	Notes	Canadian GAAP	Adjustment	IFRS
ASSETS				
Current Assets				
Cash and cash equivalent		$ 1,170	$ -	$ 1,170
Accounts receivable		11,007	-	11,007
Due from related companies		209	-	209
Inventories		39,797	-	39,797
Finished goods consigned to related company		8,262	-	8,262
Prepaid expenses and deposits		1,494	-	1,494
		$ 61,939	$ -	$ 61,939
Long term receivables		1,282	-	1,282
Long term inventories		26,597	-	26,597
Property, plant and equipment	i	91,396	72,518	163,914
Investments		222	-	222
Future income taxes	x	2,831	(2,831)	-
Employee future benefits	ii	939	(939)	-
Intangible assets		7,875	-	7,875
Goodwill		16,827	-	16,827
		$ 209,908	$ 68,748	$ 278,656

Notes to Consolidated Financial Statements
Three months ended March 31, 2011 and 2010
(in thousands of Canadian dollars, except where indicated and per share amounts)

	Notes		Canadian GAAP		Adjustment		IFRS
LIABILITIES							
Current Liabilities							
Bank indebtedness		$	40,315	$	-	$	40,315
Accounts payable and accrued liabilities	v		22,078		(2,451)		19,627
Deferred revenue			10,070		-		10,070
Due to related companies	vi		5,526		(409)		5,117
Future income taxes	x		455		(455)		-
Other financial liability	vi		-		471		471
Current portion of long term liabilities	viii		39,158		(334)		38,824
Current portion of long term provisions	v		2,681		1,685		4,366
		$	120,283	$	(1,493)	$	118,790
Long term liabilities			128		-		128
Employee future benefits	ii		20,118		16,131		36,249
Future income taxes	x		2,376		(2,376)		-
Long term provisions	v		6,266		1,166		7,432
		$	149,171	$	13,428	$	162,599
SHAREHOLDERS' EQUITY							
Capital stock	x		285,951		(746)		285,205
Equity component of convertible notes	vi		217		(217)		-
Contributed surplus	vii		12,996		(3,558)		9,438
Deficit		$	(238,427)	$	59,841	$	(178,586)
Equity attributable to owners of parent			60,737		55,320		116,057
Non-controlling interest			-		-		-
Total Equity		$	60,737	$	55,320	$	116,057
		$	209,908	$	68,748	$	278,656

(in thousands of Canadian dollars, except where indicated and per share amounts)

The following is a reconciliation of the Company's consolidated balance sheet reported in accordance with Canadian GAAP to its consolidated balance sheet reported in accordance with IFRS at December 31, 2010:

	Notes		Canadian GAAP (Note 23)		De-Consolidate Québec Silicon (Note iv)		Adjustment		IFRS
ASSETS									
Current Assets									
Cash and cash equivalent		$	8,076		(593)		-		7,483
Restricted cash			105		-		-		105
Accounts receivable			13,984		(1,619)		-		12,365
Due from related companies			967		1,205		-		2,172
Inventories	iv		29,368		(14,684)		(211)		14,473
Finished goods consigned to related company			4,530		-		-		4,530
Prepaid expenses and deposits			1,531		(166)		-		1,365
		$	58,561	$	(15,857)	$	(211)	$	42,493
Due from related companies			-		1,275		-		1,275
Long term receivables			1,275		-		-		1,275
Long term inventories			2,874		-		-		2,874
Property, plant and equipment	i, iii		83,608		(91,155)		67,373		59,826
Investments	iv		222		42,895		54		43,171
Future income taxes	x		2,283		-		(2,283)		-
Employee future benefit	ii		3,140		-		(3,140)		-
Intangible assets	iii, iv		4,919		(1,500)		(188)		3,231
Goodwill	iii, iv		12,352		(12,352)		-		-
		$	169,234	$	(76,694)		61,605	$	154,145

TIMMINCO LIMITED

Notes to Consolidated Financial Statements
Three months ended March 31, 2011 and 2010
(in thousands of Canadian dollars, except where indicated and per share amounts)

	Notes	Canadian GAAP (Note 23)	De-consolidate Québec Silicon (Note iv)	Adjustment	IFRS
LIABILITIES					
Current Liabilities					
Bank indebtedness		$ -	-	-	-
Accounts payable and accrued liabilities	vii	20,426	(11,606)	244	9,064
Deferred revenue		6,319	-	-	6,319
Due to related companies	v	1,863	17,337	52	19,252
Future income taxes	x	335	-	(335)	-
Other financial liability	vi	-	-	1,343	1,343
Current portion of long term liabilities	v, viii	2,604	(53)	722	3,273
Current portion of long term provisions	iv, v	3,679	(57)	(1,067)	2,555
		35,226	5,621	,959	41,806
Due to related companies	vi	16,199	(8,348)	(1,433)	6,418
Long term liabilities		25,028	(28)	3,619	28,619
Employee future benefits	ii	20,360	(9,466)	9,716	20,610
Future income taxes	x	1,948	-	(1,948)	-
Long term provisions	v	9,015	-	(2,160)	6,855
		107,776	(12,603)	9,135	104,308
Non-controlling interest	iv	41,574	(41,574)	-	-
SHAREHOLDERS' EQUITY					
Capital stock	x	311,523	-	(746)	310,777
Equity component of convertible notes	vi	217	-	(217)	-
Contributed surplus	vii	21,323	-	(8,003)	13,320
Deficit		(313,179)	(22,899)	62,428	(273,650)
Equity attributable to owners of parent		19,884	(22,899)	53,462	50,447
Non-controlling interest	ix	-	-	(610)	(610)
Total Equity		19,884	(22,899)	52,852	49,837
		$ 169,234	(76,694)	61,605	154,145

(in thousands of Canadian dollars, except where indicated and per share amounts)

The following is a reconciliation of the Company's consolidated balance sheet reported in accordance with Canadian GAAP to its consolidated balance sheet reported n accordance with IFRS at March 31, 2010:

	Notes		Canadian GAAP (Note 23)		Adjustment		IFRS
ASSETS							
Current Assets							
Cash and cash equivalent		$	1,017		-		1,017
Restricted cash			639		-		639
Accounts receivable			9,218		-		9,218
Due from related companies			584		-		584
Inventories			36,837		-		36,837
Finished goods consigned to related company			5,419		-		5,419
Prepaid expenses and deposits			1,643		-		1,643
		$	55,357	$	-	$	55,357
Long term receivables			1,280		-		1,280
Long term inventories			25,631		-		25,631
Property, plant and equipment	i		89,657		71,373		161,030
Investments			222		-		222
Future income taxes	x		7,287		(7,287)		-
Employee future benefit	ii		939		(939)		-
Intangible assets			7,169		-		7,169
Goodwill			16,827		-		16,827
		$	204,369	$	63,147	$	267,516

Notes to Consolidated Financial Statements
Three months ended March 31, 2011 and 2010
(in thousands of Canadian dollars, except where indicated and per share amounts)

	Notes		Canadian GAAP (Note 23)	Adjustment	IFRS
LIABILITIES					
Current Liabilities					
Bank indebtedness		$	36,226	-	36,226
Accounts payable and accrued liabilities	v, vii		21,575	(2,245)	19,330
Deferred revenue			12,232	-	12,232
Due to related companies	vi		5,743	(311)	5,432
Future income taxes	x		332	(332)	-
Current portion of long term liabilities	viii		27,310	(287)	27,023
Current portion of long term provisions	v		2,441	1,820	4,261
			105,859	(1,355)	104,504
Long term liabilities			66	-	66
Employee future benefits	ii		20,297	15,606	35,903
Future income taxes	x		6,955	(6,955)	-
Long term provisions	v		6,180	1,301	7,481
			139,357	8,597	147,954
SHAREHOLDERS' EQUITY					
Capital stock	x		299,089	(746)	298,343
Equity component of convertible notes	vi		217	(217)	-
Contributed surplus	vii		15,038	(4,597)	10,441
Deficit			(249,332)	60,319	(189,013)
Equity attributable to owners of parent			65,012	54,759	119,771
Non-controlling interest	ix		-	(209)	(209)
Total Equity			65,012	54,550	119,562
		$	204,369	63,147	267,516

(in thousands of Canadian dollars, except where indicated and per share amounts)

(c) **Reconciliation of Net Income As Reported Under Previous Canadian GAAP to IFRS**

The following is a reconciliation of the Company's net income reported in accordance with Canadian GAAP to its net income in accordance with IFRS for the three month period ended March 31, 2010.

	Note	Period ended March 31, 2010	Year ended December 31, 2010
Net loss as reported under previous Canadian GAAP		$ (10,905)	$ (74,752)
Differences increasing (decreasing) reported net income:			
Depreciation expense	i	(1,145)	(3,311)
Employee benefit expense	ii	144	(313)
Share-based payments expense	vii	833	4,378
Impairment of assets prior to disposal to Québec Silicon	iv	-	(17,693)
De-consolidate Québec Silicon	iv	-	(1,462)
Fair value adjustment of financial liability	vi	460	663
Share of net loss in jointly controlled entity	iv, vii	-	(335)
Impairment of long lived assets	iii	-	(2,022)
Interest	ii, v, vi	24	(612)
Transaction costs	viii	(47)	(215)
Net loss as reported under IFRS		$ (10,636)	$ (95,674)

Explanation of reconciling items from previous Canadian GAAP to IFRS

The following explanations accompany the preceding reconciliations and describe the effect of the transition to IFRS:

i. **Property, Plant and Equipment**

The Company elected to record certain items of property, plant and equipment at fair value as deemed cost on transition. The resulting carrying value of these assets for IFRS exceeded the recorded amount under previous Canadian GAAP by $71,070 at January 1, 2010.

For all other items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. Differences relating to the level of componentization and depreciation rates as at transition date caused the carrying value of these assets under IFRS to exceed the recorded amount under Canadian GAAP by $1,448.

The net increase in carrying value resulted in higher depreciation under IFRS as compared to previous Canadian GAAP, however, this impact is partially offset by using longer estimated useful lives for certain component parts (for the three months ended March 31, 2010 - $1,145; twelve months ended December 31, 2010 - $3,311).

ii. **Employee Benefits**

The Company elected to recognize in equity all cumulative actuarial gains and losses existing at the transition date.

The other differences impacting the consolidated balance sheet and consolidated statements of operations and comprehensive loss include:

- Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the average remaining service period of active employees. IAS 19 requires the past service costs to be expensed on an accelerated basis, with vested past service costs expensed immediately and unvested past service costs recognized on a straight-line basis until the benefits become vested.
- Under Canadian GAAP, certain losses that were unrecognized at the time of adopting the Canadian accounting standard were permitted to be recognized as a transitional asset and

amortized into income over time. Those amounts are not permitted to remain unrecognized under IAS 19 and must be recognized in equity on the transition date.

- Canadian GAAP permits the defined benefit obligation to be measured using rates inherent in the current prices of annuity contracts if immediate settlement using such an annuity contract is possible. IAS 19 requires the rate used to discount the defined benefit obligation to be determined by reference to market yields on high quality corporate bonds.
- In addition IFRIC 14, The Limit on a Defined Benefit Asset – Minimum Funding Requirements, requires the Company to take into account solvency funding contributions it currently makes to its pension plans to cover its solvency deficit when determining its pension asset or obligation. The Corporation has recorded an additional liability as a result of IFRIC 14.

The consolidated balance sheets above show a total IAS 19 defined benefit plan deficit of $36,249 at January 1, 2010 ($35,903 at March 31, 2010; $20,610 at December 31, 2010) which compares with a net deficit (employee future benefit obligation less asset) of $19,179 at January 1, 2010 ($19,358 at March 31, 2010; $17,220 at December 31, 2010) reported previously under Canadian GAAP. In addition, the operating expense through the 2010 consolidated statement of operations and comprehensive loss increased by $313 for the year ended December 31, 2010 (three months ended March 31, 2010 – decreased $144).

Employee benefit obligations reclassified from long term provisions and included in the IAS 19 amounts described above were re-measured applying high quality bond discount rates. The carry value of the obligations increased $107 at January 1, 2010 (March 31, 2010 - $107; December 31, 2020 - $144). The remeasurement increased interest expense $37 for the year ended December 31, 2010 (three months ended March 31, 2010 - $nil).

iii. **Long term asset impairment**

IAS 36, Impairment of Assets ("IAS 36"), requires a one-step approach to determine the recoverable amount of a CGU. Previous Canadian GAAP's two step approach required the application of discounted cash flow techniques to measure the impairment amount, but only after the use of undiscounted cash analysis indicates the existence of impairment. The adoption of IAS 36 is expected to result in more frequent write downs as compared to previous Canadian GAAP since the carrying amount of the assets which are supported by undiscounted cash flows may be determined impaired when the future cash flows are discounted in accordance with the IFRS requirements. Under IFRS, except for impairment losses attributed to goodwill, previous impairment losses may be reversed or reduced if circumstances lead to a change in the impairment amount.

In accordance with IAS 36, Impairment of Assets, the Company assessed whether there were events or circumstances indicating that an asset may be impaired both at the date of transition to IFRS and as at December 31, 2010. Recoverable amounts were calculated using discounted cash flow models based on the Company's long-term planning model. The key assumptions used in those reviews are disclosed in Note 25. As a result of the review of recoverable amounts it was determined that certain of the Company's CGUs were impaired.

The total impact on the consolidated balance sheet shows a reduction in property, plant and equipment of $1,834 and a reduction in intangible assets of $188 at December 31, 2010 ($nil at January 1, 2010 and March 31, 2010). In addition, cost of goods sold reflects the impact on depreciation/amortization as a result of the recognition of this impairment loss.

iv. **Investments**

Under IAS 31, Financial Reporting of Interests in Joint Ventures, the Company recognizes its interest in the jointly controlled entity, Québec Silicon, using the equity method from October 1, 2010 (Note 6). Under the equity method, the investment in a jointly controlled entity is carried in the consolidated balance sheet at cost plus post acquisition changes in the Company's share of net assets of the jointly controlled entity. Under previous Canadian GAAP, however, this investment was considered to be a Variable Interest Entity from October 1, 2010 and the Company was considered the primary beneficiary and accordingly the Company consolidated the jointly controlled entity.

The adjustment on the consolidated balance sheet reflects deconsolidation of all the assets and liabilities recognized under previous Canadian GAAP relating to the jointly controlled entity and an increase in investment balance by $43,173 at December 31, 2010 (refer to Note 6).

Under the equity method, the Company recognizes its share of the net income of the jointly controlled entity, restated to IFRS accounting policies consistent with those of the Company (three months ended March 31, 2010 - $nil; year ended December 31, 2010 - $54). Under previous Canadian GAAP, Québec Silicon was consolidated and a non-controlling interest change was recognized with regards to Dow Corning. Under IFRS, Québec Silicon is not consolidated resulting in a decrease in net income of $1,462 for the twelve months ended December 31, 2010.

The Company's share of profits included in inventories purchased from Québec Silicon are eliminated as at the balance sheet date (January 1, 2010 and March 31, 2010 - $nil; December 31, 2010 - $211).

The accounting in this respect also resulted in an additional impairment loss on transition to IFRS of $17,693 for the year ended December 31, 2010 determined as the difference between the net proceeds received, the fair value of the 51% investment in Québec Silicon retained and the carrying value of the assets deconsolidated.

v. **Provisions**

Under IFRS, the discount rate used to calculate the present value of obligations is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Under previous Canadian GAAP, Timminco discounted the future cash flows using Timminco's credit adjusted risk free rate. Accordingly, the discount rate applied under IFRS is lower than the rate used under previous Canadian GAAP. The re-measurement increased current and long-term provisions (January 1, 2010 - $2,306; March 31, 2010 - $2,195 and December 31, 2010 - $2,319).

Amounts relating to termination benefits which were recorded as provisions under previous Canadian GAAP have been reclassified as employee benefits. The total impact on the consolidated balance sheet is a decrease in current and long-term provisions and an increase in employee benefits of $1,906 at January 1, 2010 ($1,525 at March 31, 2010; $1,086 at December 31, 2010). In addition, the statements of operations and comprehensive loss reflect the impact on operating expense as a result of the recognition of the additional provisions on transition to IFRS.

Under IFRS, current and long-term provisions are accounted for and disclosed separately from accounts payable and accrued liabilities. Provisions were reclassified from accounts payable and accrued liabilities to current and long-term provisions (January 1, 2010 and March 31, 2010 - $2,451; December 31, 2010 - $nil). Also, the accounting for Québec Silicon under the equity method for IFRS results in the environmental undertakings indemnification of Bécancour Silicon to Québec Silicon (Note 22(a) iii) being re-measured as at December 31, 2010 and increasing the provision $52 ($nil impact for January 1, 2010 and March 31, 2010). During the third and fourth quarters of 2010, the obligations previously reclassified from accounts payable and accrued liabilities were settled as contractual obligations. Accordingly, these obligations were reclassified to long term liabilities including current portions under IFRS during these respective periods (as at December 31, 2010 - $4,460).

Accretion of provisions for the three months ended March 31, 2010 was lower by $111 (year ended December 31, 2010 - $12 increase).

vi. **Due to related companies and other financial liability**

The Company had issued a convertible debt to AMG (refer Note 14) and under Canadian GAAP the conversion feature relating to this debt was accounted for as an equity instrument for $217 at all reporting dates. Under IFRS, however, this debt including the embedded derivative conversion option is accounted for as a financial liability in accordance with IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments.

The total impact on the consolidated balance sheet shows a decrease in long term portion of due to related companies by $409 at January 1, 2010 ($311 at March 31, 2010; $1,433 at December 31, 2010) and recognition of an other financial liability of $471 at January 1, 2010 ($nil at March 31, 2010; $1,343 at December 31, 2010). In addition, the operating expense reflects the adjustment for accreted interest expense, foreign exchange, and the mark to market of the embedded derivative conversion option financial liability (three months ended March 31, 2010 - $87 and $460, respectively; twelve months ended December 31, 2010 - $511 and $663, respectively).

vii. **Share-Based Payments**
The Company elected to only retrospectively apply the provisions of IFRS 2 to equity-settled awards that were unvested at the transition date and liability awards outstanding at the transition date.

The differences impacting the statement of position at the transition date include:

- When shareholder approval is necessary, IFRS 2 does not permit a grant date to occur prior to such approval being obtained. Under existing Canadian GAAP, a grant date can occur when shareholder approval is assured. Since the final measurement of compensation for equity-settled awards generally occurs on the grant date, this difference impacts the measurement of compensation for certain options that were granted by the Company in 2008 but approved by shareholders in 2009.
- Awards with graded vesting provisions are treated as a single award for both measurement and recognition purposes under Canadian GAAP. IFRS 2 requires such awards to be treated as a series of individual awards, with compensation measured and recognized separately for each tranche of options within a grant that has a different vesting date.

Under Canadian GAAP, compensation is recognized assuming all options will vest and adjusted as forfeitures occur. IFRS 2 requires an estimate of forfeitures to be reflected in the amount of compensation recognized.

At January 1, 2010, the application of IFRS 2 reduced contributed surplus and increased opening retained earnings by $ 3,558 ($4,597 at March 31, 2010; $8,003 at December 31, 2010). The expense under IFRS is lower by $4,622 for the year ended December 31, 2010 ($1,039 for the three months ended March 31, 2010) as compared to previous Canadian GAAP.

Employees transferred from Bécancour Silicon to Québec Silicon retained the rights to vested and unvested options. As there is no corresponding equivalent or offsetting contribution by Dow Corning, 49% of the share-based payment must be recognized by the Company. The amount increases contributed surplus and decreases share of net income of a jointly controlled entity (for the year ended December 31, 2010 - $178).

Under IFRS, expense recognition for the performance share units is based on a fair value model, compared to an intrinsic value under previous Canadian GAAP (for the three months ended March 31, 2010 - $206; for the year ended December 31, 2010 - $244). The resulting fair value is recorded in accounts payable and accrued liabilities (January 1, 2010 - $nil; March 31, 2010 - $206; December 31, 2010 - $244).

viii. **Transaction costs on debt**

Under IFRS, transaction costs related to the long term debt instruments are included in the value of the instruments and amortized using the effective interest rate method. Under previous Canadian GAAP, such transaction costs were expensed by the Company.

The total impact on the consolidated balance sheets is a decrease in long term liabilities including current portions by $334 at January 1, 2010 ($287 at March 31, 2010; $119 at December 31, 2010). In addition, the operating expense reflects the impact of accreted interest expense in this respect of $215 for the year ended December 31, 2010 ($47 for the three months ended March 31, 2010).

ix. **Non-Controlling Interest in Thorsil**
Under previous Canadian GAAP, the loss attributable to the non-controlling interest of Thorsil is shown as a deduction in the determination of loss in the statement of operations and comprehensive loss. IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries, the loss attributable to the non-controlling interest of Thorsil is not included in the determination of loss in the statement of operations but are attributed to non-controlling interest in the statement of changes in equity. In addition, under previous Canadian GAAP, losses attributable to the non-controlling interest were limited such that the non-controlling interest amount on the balance sheet was not taken into a debit balance. Under IFRS, losses continue to be attributed to non-controlling interest even if this results in a debit balance (for the three months ended March 31, 2010 - $209; for the year ended December 31, 2010 - $610).

(in thousands of Canadian dollars, except where indicated and per share amounts)

x. **Income Taxes**

The decrease in net income related to deferred taxes reflects the change in temporary differences resulting from the effect of the IFRS and Canadian GAAP adjustments described.

Under previous Canadian GAAP, the Company is exempt from recognizing temporary differences relating to its outstanding convertible debt because the Company is able to settle the instrument without the incidence of tax. IAS 12, Income Taxes ("IAS 12") does not contain such an exemption and the recognition of temporary differences is required. At January 1, 2010, this change in accounting policy reduced capital stock and increased opening retained earnings by $746 ($746 at March 31, 2010; $746 at December 31, 2010).

Under IFRS the deferred tax assets and liabilities can be offset if they are from the same legal entity and subject to tax by the same taxing authorities. In this respect an adjustment has been made on the consolidated balance sheets to reduce the deferred tax asset and liability by $2,831 at January 1, 2010 ($7,287 at March 31, 2010; $2,283 at December 31, 2010) compared with that previously reported under Canadian GAAP.

(d) **Reconciliation of Comprehensive (Loss) Income As Reported Under Previous Canadian GAAP and IFRS**

The following is a reconciliation of the company's comprehensive income reported in accordance with previous Canadian GAAP to its comprehensive income in accordance with IFRS for the three month period ended March 31, 2010.

	Note	Period ended March 31, 2010	Year ended December 31, 2010
Comprehensive loss as reported under previous Canadian GAAP		(10,905)	(74,752)
Differences increasing (decreasing) reported comprehensive loss:			
Differences in net income		269	(20,922)
Comprehensive loss as reported under IFRS		(10,636)	(95,674)

i. **Differences in Net Income**

Reflects the differences in net income between Canadian GAAP and IFRS as described above (Note 24(c)).

(e) **Reconciliation of Consolidated Statements of Cash Flows As Reported Under Previous Canadian GAAP and IFRS**

There are no material differences between the operating, investing and financing subtotals in the statements of cash flows presented under IFRS and the statements of cash flows under previous Canadian GAAP for the three months ended March 31, 2010. For the year ended December 31, 2010 the operating, investing and financing sub-totals are impacted by the de-consolidation of Québec Silicon.

25. SELECTED ANNUAL DISCLOSURES

As these interim consolidated financial statements are the Company's first consolidated financial statements prepared using IFRS, the Company has included certain unaudited annual IFRS disclosures to the extent that they are new disclosures or have changed significantly under IFRS and the Company considers them to be material to the understanding of the interim consolidated financial statements.

(in thousands of Canadian dollars, except where indicated and per share amounts)

(a) **IMPAIRMENT TESTING**

For purposes of impairment testing the Company determined that is has three CGUs, namely silicon metal assets and each of the solar grade purification facilities known as HP1 and HP2. The silicon metal asset CGU is at the reporting date primarily comprised of the 51% share in the jointly controlled entity Québec Silicon and working capital for the silicon metal trading operation of Bécancour Silicon. Goodwill has been allocated to the solar metal asset cash generating unit and to the group of solar grade purification cash generating units comprised of HP1 and HP2.

Silicon metal assets:		**2010**
Opening balance historical costs goodwill at January 1	$	12,352
Impairment loss of the period		(12,352)
Closing balance goodwill at December 31, 2010	$	-

Solar grade purification facilities:		**2010**
Opening balance historical costs goodwill at January 1	$	4,475
Impairment loss of the period		(4,475)
Closing balance goodwill at December 31, 2010	$	-

Silicon metal facilities:

The Company performed its last annual impairment test as at December 31, 2010. The recoverable amount of the silicon metal asset CGU has been determined based on a value in use calculation using cash flow projections from financial forecasts presented to the Company's Board of Directors covering a five year period. The pre-tax discount rate applied to the cash flow projections was 19% as of December 31, 2010 (January 1, 2010: 17%) and cash flows beyond the five year period were extrapolated using a 3% growth rate as of December 31, 2010 (January 1, 2010: 3%) which did not exceed the long term average growth rate projected for the worldwide silicon industry. As a result of this analysis management has not recognized any impairment.

In the third quarter 2010, the Company announced an agreement for the sale of a 49% interest in the silicon metal production assets ("metal disposal group") to Dow Corning. Accordingly, the silicon metal CGU was reclassified as assets available for sale. The carrying value of the metal disposal group exceeded fair value less cost of sale resulting in an impairment charge of $17,693.

Solar grade purification facilities:

The Company performed an annual impairment test as at January 1, 2010. The recoverable amount of the solar CGU HP1 was determined based on a value in use calculation using medium-term cash flow projections from financial forecasts presented to the Company's Board of Directors and estimated cash flows thereafter. The pre tax discount rate applied to the cash flow projections was 19.5% as of January 1, 2010 and cash flows beyond the five year period are extrapolated using a 3% growth rate as of January 1, 2010 which did not exceed the long term average growth rate projected for the worldwide polysilicon industry.

The Company performed its last annual impairment test as at December 31, 2010. The recoverable amount of the solar CGU HP1 was determined based on a fair value less cost of sale calculation under which the Company used probability weighted cash flow projection scenarios to arrive at the fair value less cost of sale. The pre tax discount rate applied to the cash flow projections was 21.5% as of December 31, 2010 and cash flows beyond the five year period are extrapolated using a 3% growth rate as of December 31, 2010 which did not exceed the long term average growth rate projected for the worldwide polysilicon industry.

With respect to the HP2 CGU, the installation of the assets is still not complete and there is also the expectation, that future sales volumes will not be sufficient to require this facility's capacity in the production of solar grade silicon. Accordingly the fair value less cost of sale of the assets was used for the determination of the recoverable amount for the HP2 CGU.

As a result of this analysis the goodwill balance allocated to the solar CGUs was completely impaired in the amount of $4,475 in the fiscal period 2010. For the HP2 CGU, at the IFRS transition date January 1, 2010, an impairment amount of $41,377 was recorded. This impairment amount was further increased during the fiscal period 2010 by $1,572. For the HP1 CGU the net carrying value of the production equipment and intangible assets was impaired in the fourth quarter 2010 by an amount of $3,156. In the first quarter 2011 no further impairment has been recognized.

Key assumptions used in value in use and fair value less cost of sale calculations
The calculation of value-in-use for both the solar grade silicon and the silicon metal CGUs are most sensitive to the following assumptions:

- Gross margin;
- Discount rates;
- Price development for silicon products;
- Market share during the forecast period; and
- Growth rate used to extrapolate cash flows beyond the forecast period.

The Company determined that these same assumptions were appropriate for the evaluation of probability weighted scenarios to determine fair value less cost of sale as at December 31, 2010 for the HP1 CGU.

Gross margins
Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the forecast period for anticipated efficiency improvements and resulting production volume increases. An increase of 5 percentage points per annum was applied.

Discount rates
Discount rates reflect the current market assessment of the risks specific to each CGU. The pre-tax discount rate was estimated based on the average percentage of a weighted average cost of capital adjusted to exclude taxes for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash-flows have not been adjusted.

Price development for the silicon markets
Estimates are obtained from published forecasts about the future development of worldwide silicon metal prices during the detailed forecast period.

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates (as noted below) management assesses how the CGU's position, relative to its competitors, might change over the forecast period. The Company expects its share of the silicon market to be stable over the forecast period.

Growth rate estimates
Growth rates of approximately 3% were used to extrapolate cash flow projections beyond the five year period covered by the forecast and did not exceed the long-term average growth rate of the industry.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use and fair value less cost of sale, management believes that reasonably foreseeable changes in the above key assumptions taken as a whole would not cause the carrying value of the silicon metal CGU to materially exceed its recoverable amount.

For the HP1 and HP2 CGUs the recoverable amount is equal to its carrying value and, consequently, any adverse change in a key assumption may result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

Operational Performance
Management has considered the possibility of lower than forecasted production yields. This may occur if production lines are not operating efficiently or if below grade silicon metal feedstock is used. Also during 2010, the Company has been applying a continuous improvement strategy to its solar purification processes, which have been specifically designed to achieve a targeted purity and consistency in the end product at a competitive cost. Should the Company be unable to achieve targeted production yields or consistent manufacturing processes, a further impairment would result.

Growth rate assumptions
Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term growth rate of 3%. During 2010, the Company focused efforts to develop market

(in thousands of Canadian dollars, except where indicated and per share amounts)

opportunities for the solar grade silicon product line to determine and evaluate current specifications of prospective customers. If these specifications cannot be achieved or prospective customers cannot efficiently produce solar wafers with solar grade silicon, then projected volumes or growth rates may not be achieved. A reduction of the estimated volumes or long-term growth rate would result in a further impairment.

(b) **Deferred tax assets and liabilities**

Recognized deferred income tax assets and liabilities
The tax effects of temporary differences that have been recognized as deferred tax assets and liabilities are presented below:

	Consolidated balance sheet		Consolidated statements of operations and comprehensive income/loss
	As at December 31, 2010	As at January 1, 2010	Year ended December 31, 2010
Accruals and provisions	$ 1,577	$ 3,479	$ (1,902)
Inventories	111	-	111
Post employment benefits	2,074	3,979	(1,905)
Tax loss carry forwards	-	9,191	(9,191)
Property, plant and equipment	2,913	(13,962)	16,875
Investment in QSLP	(5,437)	-	(5,437)
Intangible assets	(871)	(2,142)	1,271
Transaction costs	(32)	(90)	58
Unrealized foreign exchange gains	(335)	(455)	120
Net deferred tax assets (liabilities)	$ -	$ -	
Deferred tax expense (income)			$ -

Reconciliation of deferred tax assets and liabilities

Opening balance as of January 1	-
Deferred tax expense (income) in the period	-
Closing balance as of December 31	-

Deferred tax assets and liabilities are offset since equal amounts of assets and liabilities relate to taxes levied by the same tax authority.

(in thousands of Canadian dollars, except where indicated and per share amounts)

Unrecognized deferred tax assets and liabilities
Deferred tax assets have not been recognized in respect of the following items:

	AS at 31 December 2010
Timing differences associated with:	
Property, plant and equipment	47,840
Deferred financing costs	664
Share issue costs	2,338
Accruals and provisions	11,513
Post employment benefits	12,919
Research and development expenditures	26,693
Impaired investments	9,230
Impaired land	158
Ontario/Federal tax harmonization credit	270
	$ 111,625
Tax loss carry forwards	194,567
Investment tax credits expiring between 2011 and 2018	7,845
Alternative and corporate minimum tax carry forwards	113

Deferred tax assets have not been recognized in respect of these timing differences, tax losses and investment tax credits as there is insufficient certainty as to the availability of future profits against which they can be utilized.

At December 31, 2010 the unrecognized tax loss carry forwards above include:

Gross tax loss carry forwards available to reduce future years' income in:		
Canada expiring between 2013 and 2029	$	159,353
United States (Federal) expiring between 2012 and 2028	$	22,534
Iceland expiring in 2020	$	1,243

Taxable capital loss carry forwards available to reduce future years' taxable capital gains in:		
Canada – no expiry date	$	11,553

Approximately $1,331 of the United States tax loss carry forwards above are subject to restrictions that limit the amount that can be utilized in any one taxation year.

The Company's investment in partnership units of Québec Silicon has a tax basis which is approximately $19,375 less than its accounting carrying value. A deferred tax liability pertaining to the half of this difference which would be taxable on the disposition of the partnership units has not been recorded since the Company has control over a disposition and it is probable that the temporary difference will not reverse in the foreseeable future.

Except as discussed above with respect to the investment in Québec Silicon, the Company does not have any temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities could be recognized.

(in thousands of Canadian dollars, except where indicated and per share amounts)

(c) **Employee benefits**

The Company provides pension or retirement benefits to substantially all of its employees in Canada and the United States through Company RRSPs, 401(K), a defined contribution plan and defined benefit plans, based on length of service and remuneration.

The Company sponsors a contributory defined benefit pension plan and other retirement benefits for certain of its eligible employees. Pension benefits vest immediately and are based on years of service and average final earnings. Other post-retirement benefits consist of a group insurance plan covering plan members for life insurance, disability, hospital, medical and dental benefits. At retirement, employees maintain a reduced life insurance coverage and certain hospital and medical benefits. The Company funds expenditures of the other post-retirement benefits plan as incurred. The net cost of other post-retirement benefits includes the current service cost, the interest cost and the amortization of experience losses.

Information about the Company's defined benefit plans, in aggregate, is as follows:

	2010	
	Pension Plans	Other Post-Retirement Plan
Accrued benefit obligation:		
Balance, beginning of year	$ 59,316	$ 20,364
Current service cost, net of plan expenses	637	559
Employee contribution	228	-
Plan curtailment	-	(11,121)
Interest cost	3,342	1,252
Net actuarial (gain) loss	7,596	2,206
Benefits paid	(3,899)	(545)
Attributable to disposal of Québec Silicon	(18,560)	-
Balance, end of year	$ 48,660	$ 12,715
Plan assets:		
Fair value, beginning of year	$ 45,445	$ -
Actual contributions by the Company	5,340	545
Actual contributions by employees	228	-
Actual return (loss) on plan assets	3,468	-
Expected plan expenses	(135)	-
Benefits paid	(3,899)	(545)
Transferred to Québec Silicon	(11,252)	-
Fair value, end of year	$ 39,195	$ 0
Funded status – deficit	$ (9,465)	$ (12,715)
Restriction to Defined Benefit Asset due to Asset Ceiling (additional liability for past service minimum funding requirements)	(1,652)	-
Unamortized net actuarial loss	4,383	69
Employee future benefits (Note 12)	$ (6,734)	$ (12,646)

(in thousands of Canadian dollars, except where indicated and per share amounts)

The Company's net benefit plan expense, which is recognized in the respective functional expense line in the consolidated statements of operations and comprehensive income/loss, is as follows:

	2010	
	Pension Plans	Other Post Retirement Plan
Current service cost	$ 772	$ 559
Past service cost arising from current period plan initiation / amendment	-	-
Interest cost on accrued benefit obligation	3,342	1,252
Actual return on plan assets	(2,750)	-
Curtailment gain reported as part of disposal to Québec Silicon	(4,866)	(9,001)
Actuarial loss during current period on accrued benefit obligation	53	17
	(3,449)	(7,173)
Adjustments to recognize long-term nature of future employee benefit costs:		
Change in the effect of the Asset Ceiling (additional liability for past service minimum funding requirement)	1,654	-
Amortization of transitional asset	-	-
Net benefits plan expense	$ (1,795)	$ (7,173)

The overall expected rate of return on assets is determined on the market value expectations prevailing on that date, applicable to the period over which the obligations are to be settled. These are reflected in the actuarial assumptions below.

The significant actuarial assumptions adopted in measuring the Company's accrued obligations and benefit costs are as follows (weighted-average assumptions as of March 31, 2011 and December 31, 2010):

	2010	
	Pension Plans	Other Post Retirement Plan
Accrued benefit obligation as of December 31:		
Discount rate	4.38-5.9%	5.4-5.9%
Rate of compensation increase	2.8%	n/a
Benefit costs for years ended December 31:		
Discount rate	4.19-6.75%	5.4-5.9%
Expected long-term rate of return on plan assets	6.25%	n/a
Rate of compensation increase	2.8%	n/a

(in thousands of Canadian dollars, except where indicated and per share amounts)

For the curtailed pension plan, rate of compensation increases are not applicable

	2010
Assumed other post-retirement benefit obligation trend rates as of December 31:	
Initial weighted average health care trend rate	7.10%
Ultimate weighted average health care trend rate	4.30%
Year ultimate rate reached	2026-27
Assumed other post-retirement benefit costs trend rates for the years ended December 31:	
Initial weighted average health care trend rate	7.9%
Ultimate weighted average health care trend rate	4.3%
Year ultimate rate reached	2024-25

The following table reflects the effect of a change in the assumed health care cost trend rates on the aggregate of the service and interest cost components of the benefit cost for the period, and on the accrued benefit obligation at the end of the period:

	Accrued Benefit Obligation as at December 31, 2010	Aggregate of service cost and interest cost for the period ending December 31, 2010
Valuation trend + 1%	$ 1,428	$ 381
Valuation trend - 1 %	$ (1,199)	$ (291)

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	December 31, 2010
Pension plan	
Equity	28%
Debt	38%
Others (Fixed Income)	34%
	100%

With respect to other retirement benefits, there is no requirement to fund the deficit. As such, cash disbursements in a given year are limited to benefits paid to retirees in the year.

(d) **Compensation of Key Management Personnel**

The Company's key management personnel as at December 31, 2010 includes: (i) all members of the Board of Directors of Timminco, which is comprised of seven individuals, (ii) the Chief Executive Officer of Timminco, who is also a member of the Board of Directors of Timminco, (iii) the Executive Vice President – Finance and Chief Financial Officer of Timminco, who is also a member of the Board of Directors of Bécancour Silicon, (iv) the President and Chief Operating Officer of Timminco, who is also a member of the Board of Directors of Bécancour Silicon, (v) the General Counsel and Corporate Secretary of Timminco, who is also a member of the Board of Directors of Bécancour Silicon, and (vi) the President and Chief Executive Officer of Quebec Silicon, who also serves in a non-executive capacity for the Company primarily as a member of the Board of Directors of Bécancour Silicon. The compensation of the Company's key management personnel comprised the following:

(in thousands of Canadian dollars, except where indicated and per share amounts)

		December 31, 2010
Short-term employee benefits	$	2,627
Post-employment benefits		759
Other long-term employee benefits		-
Termination benefits		-
Share-based payments		3,459
Total	$	6,845

Short-term employee benefits include: (i) for all members of the Board of Directors of Timminco, the portion of total compensation earned as a director, including annual retainer, committee chair fees and meeting fees, for the year ended December 31, 2010 that were paid in cash, and (ii) for all other key management personnel, the fees, salaries and annual bonuses earned in respect of the year ended December 31, 2010, and other non-monetary benefits in respect of such period.

Post-employment benefits include: (i) expenses incurred in respect of the year ended December 31, 2010 on behalf of the key management personnel under defined benefit pension plans, group retirement savings plans, and supplementary executive retirement plans, and (ii) expenses associated with post-retirement medical benefits (see Note 12).

Share-based payments include expenses incurred in the year ended December 31, 2010 in respect of PSUs, DSUs and options granted to key management personnel (see Note 13).

Any compensation of key management personnel in connection with the transfer of employment from Bécancour Silicon to Québec Silicon on September 30, 2010, which includes certain payments on account of the settlement of PSUs, has been included in the amount in respect of share-based payments.

See Note 14 for additional transactions with related parties involving the Company's key management personnel.

26. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the first quarter 2011, during May 2011, Bécancour Silicon executed a new long-term contract with one of its long-standing silicon metal customers that replaces all previous commitments with this customer for the years 2011 to 2014, which provides for revised pricing as of January 1, 2011 and extends supply commitments to 2015.

Subsequent to March 31, 2011, the Company entered into foreign exchange forward contracts to sell €1,800 for Canadian dollars in the period May 20 June 2011 at rates of 1.395 to 1.401.

TIMMINCO

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Timminco Limited ("Timminco" and, collectively, with its consolidated subsidiaries, the "Company") and the notes thereto for the quarter ended March 31, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). While the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") for the year ended December 31, 2010 consolidated Québec Silicon Limited Partnership ("Québec Silicon"), a 51%-owned production partnership that owns the silicon metal operations in Bécancour, Québec, as of October 1, 2010, the Company equity accounts for this entity in accordance with IFRS and thus no longer consolidates Québec Silicon. This MD&A covers the quarter ended March 31, 2011 ("Q1-11") with comparisons to results for the quarter ended March 31, 2010 ("Q1-10") restated to IFRS. All amounts are in Canadian dollars unless otherwise noted. This MD&A is prepared as of June 14, 2011.

OVERVIEW

The following are the highlights of results for Q1-11, which are described in more detail elsewhere in this MD&A:

- Sales for Q1-11 were $23.9 million, compared to $30.8 million in Q1-10 reflecting the lower production off-take from the silicon metal production operations available to Bécancour Silicon Inc.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") for Q1-11 was negative $0.6 million, compared to negative EBITDA of $3.9 million in Q1-10.
- Net loss for Q1-11 was $8.1 million or $0.04 per share compared to a loss of $10.6 million or $0.07 per share for Q1-10.
- Subsequent to Q1-11, during May 2011, Bécancour Silicon Inc. executed a new, long-term silicon metal supply contract with one of its long-standing silicon metal customers that replaces all previous commitments with this customer for the years 2011 to 2014, amends the existing contractual relationship with revised pricing retroctive to January 1, 2011, and extends supply commitments through to the end of 2015.

As a result of its losses and the uncertainty with respect to future solar grade silicon revenues, the Company is subject to substantial liquidity risk and going concern risk (see notes 2 and 18 to the unaudited consolidated financial statements of the Company).

ADOPTION OF IFRS

In February 2008, the Accounting Standards Board ("AcSB") confirmed that CGAAP for publicly traded enterprises would be converted to IFRS in the 2011 calendar year. While IFRS uses a conceptual framework similar to CGAAP, there are significant differences with respect to recognition, measurement and disclosures.

The accompanying Q1-11 unaudited consolidated financial statements reflect the adoption of IFRS, with effect from January 1, 2010.

Note 24 of the Q1-11 unaudited consolidated financial statements contains a detailed description of the Company's conversion to IFRS, including a reconciliation of net income and comprehensive income previously prepared under CGAAP to IFRS for Q1-10 and for the balance sheets and equity as at January 1, 2010, March 31, 2010 and December 31, 2010.

STRATEGY

The Company is pursuing a strategy responsive to changes in market conditions for its two Silicon Group product lines – silicon metal and solar grade silicon.

The Company's allocation of Québec Silicon's silicon metal production for 2011 through 2013, based on existing capacity, is essentially sold out as customer demand remains strong. Silicon metal pricing has also strengthened since the low point in 2009. In addition, in May 2011, the Company signed a new, long-term silicon metal supply contract with a long-standing customer that provides for revised pricing retroactive to January 1, 2011 and extends the Company's supply commitments through to the end of 2015. The new contract, which replaces all previous commitments with this customer for the years 2011 to 2014, will provide additional liquidity to the Company's wholly-owned subsidiary, Bécancour Silicon Inc. ("Bécancour Silicon") in the near term through higher pricing. The Company will continue to seek improved cost performance and production volume increases in Québec Silicon to further improve its operational performance over the long term.

With respect to solar grade silicon, the Company's objective is to produce, through a standardized process, solar grade silicon that has the characteristics necessary to meet solar cell manufacturers' specifications and that is priced competitively with polysilicon. To that end, the Company continues its efforts to develop market opportunities for its solar grade silicon product line, through improvements in its proprietary purification processes to meet the current specifications of prospective new customers. The Company has been applying a continuous improvement strategy to its purification processes, which have been specifically designed to achieve a targeted purity and consistency in the end product at a competitive cost. These process enhancements have already been implemented, on a trial scale, and are in advanced stages of testing. In Q1-11, the Company also implemented process controls in the critical stage of production that transforms the Company's solar grade silicon into ingots and bricks. The end goal of these efforts is to deploy improved ingoting techniques and derive product data that the Company can share with its customers to assist them in achieving optimal outcomes when they produce ingots, bricks and wafers using the Company's solar grade silicon. In addition, as of April 30, 2011, year to date, the Company had delivered approximately 135 metric tons of solar grade silicon, in the form of chunks and bricks, to several customers in the photovoltaic industry, as initial sales towards building future, ongoing customer relationships. The Company intends to continue its efforts to develop the market for solar grade silicon with the objective of restarting production of solar grade silicon in 2011 in response to market demand, subject to being able to achieve a sustainable positive cash operating margin from prospective orders.

SUMMARY OF OPERATIONS

($000's, except per share amounts)		
	Q1-11	Q1-10
Sales	23,918	30,797
Gross Profit (Loss)	771	(6,114)
Gross Profit (Loss) Percentage	3.2%	(19.9%)
Net Income (Loss)		
Silicon	449	(6,172)
Corporate/Other	(8,530)	(4,464)
Total	(8,081)	(10,636)
EBITDA[1]		
Silicon	1,935	(2,300)
Corporate/Other	(2,483)	(1,629)
Total	(548)	(3,929)
Adjusted Income (Loss) [1]		
Silicon	429	(6,172)
Corporate/Other	(4,639)	(4,935)
Total	(4,210)	(11,107)
Loss per common share, basic and diluted	(0.04)	(0.07)
Weighted average number of common shares outstanding, basic and diluted (000's)	195,735	160,470
(1) See "Non-GAAP Accounting Definitions".		

Silicon Group

The Silicon Group segment is operated through the Company's wholly-owned subsidiary, Bécancour Silicon. Up to September 30, 2010, the Silicon Group segment consisted of the production and sale of silicon metal and solar grade silicon products. As of October 1, 2010, the production of silicon metal was transferred to Québec Silicon, and Bécancour Silicon became a purchaser of silicon metal from Québec Silicon and continued to sell silicon metal to its own customers. For the three months ended December 31, 2010, Québec Silicon's results of operations were consolidated with the Company, under CGAAP. However, starting October 1, 2010, Québec Silicon's results are not consolidated with the Company under IFRS.

During Q1-11, market conditions for silicon metal remained stable, with demand for chemical and regular grade silicon at traditional levels and spot market prices strengthening. Foreign currency exchange rates, particularly the Euro/Canadian dollar and the Canadian dollar/US dollar exchange rates were volatile, effectively lowering the revenues realized by the Silicon Group in Canadian dollars in Q1-11 (as compared with Q1-10) since the Company sells silicon metal externally predominantly in Euros and US dollars. The Company purchases from Québec Silicon substantially all of its silicon metal for resale to its customers and augments such supply with purchases from other silicon metal suppliers, at prevailing market prices. Purchases from Québec Silicon are on a cost-plus basis. Accordingly, significant factors impacting silicon metal results are furnace efficiency (i.e. output per unit of capacity) and spending within Québec Silicon. Efficiency is impacted by furnace utilization (uptime), process efficiency (production per unit of electricity consumed), and raw material consumption (output to input). Spending relates primarily to labour and overheads.

Solar grade silicon operations in Q1-11 reflected the improving market conditions for this product line with revenue of approximately $2.2 million generated primarily from the shipment to customers through distributors of 72 metric tons of solar grade silicon inventory, some of which was further processed at the ingoting facility in Bécancour, Québec. Subsequent to Q1-11, during April 2011, Bécancour Silicon shipped an additional 63 metric tons of solar grade silicon, substantially through similar channels to these same customers.

Silicon Metal Supply Commitments

Subsequent to Q1-11, during May 2011, Bécancour Silicon executed a new, long-term silicon metal supply contract with one of its long-standing silicon metal customers. This new contract, which replaces all previous commitments with this customer for the years 2011 to 2014, amends the existing contractual relationship with revised pricing retroactive to January 1, 2011, and extends the supply commitments through to the end of 2015.

The base quantity to be delivered under the new contract is 17,500 metric tons per year from 2011 through 2015, plus an additional quantity of approximately 8,000 metric tons to be delivered by the end of 2013, for an aggregate total volume of approximately 95,500 metric tons over the five-year term. These volumes, together with Bécancour Silicon's commitments to other silicon metal customers, represent substantially all of Bécancour Silicon's anticipated allocation of up to 51% of the silicon metal output from the Québec Silicon production partnership for at least the next three years, based on existing production capacity at the silicon metal manufacturing facility in Bécancour, Québec, and Québec Silicon's commitments under its supply contract with Dow Corning and Bécancour Silicon (see "Related Party Transactions – Québec Silicon").

The prices under the new contract are fixed for 2011 and are subject to negotiation within a defined price range for each of the remaining four years, as was the case under the previous supply commitments. However, under the new contract, the fixed prices for 2011 have increased while the upper limits of the defined price range for negotiations for the years 2012 through 2014 have been reduced, relative to the previous commitments. The price range for negotiations in respect of 2015 will be based on a percentage spread above and below the actual pricing for silicon metal deliveries in 2014.

The new pricing is effective as of January 1, 2011 and, as a result, Bécancour Silicon received a true-up payment of approximately €1.2 million ($1.6 million), on account of deliveries made in 2011 prior to signing the new contract of which $1.2 million was recorded as revenue in Q1-11.

The new contract still contains annual call and put rights in respect of the supply commitments, starting with 2012 and based on the upper and lower limits of the defined price range for annual negotiations. If Bécancour Silicon and the customer are unable to mutually agree on prices for silicon metal deliveries before the following year, the customer will have a right to buy the annual base quantity for that year from Bécancour Silicon at the upper limit of the price range and Bécancour Silicon will have the right to sell that quantity to the customer at the lower limit.

Consistent with the previous contract, the annual base quantity under the new contract is subject to volume adjustments by up to approximately 20% per year, at the customer's option. However, if either the call right or the put right is exercised, then these adjustments do not apply in such year. The parties' commitments regarding the base quantity for any year may also be suspended, if the parties are unable to mutually agree upon prices for that year and neither the call right nor the put right is exercised.

All pricing under the new contract is in Euros, and is subject to the currency adjustment clause from the previous contract. This clause effectively reduces by half the parties' exposure to fluctuations in excess of 5% in the average quarterly USD-Euro exchange rate relative to the rate in effect in October 2009.

In the fourth quarter of 2010 and Q1-11, Bécancour Silicon entered into contractual arrangements to supply approximately 3,500 metric tons of silicon metal to another long-standing silicon metal customer. The majority of the volume reflects a fixed Canadian dollar price, with the balance reflecting a fixed Euro price.

In light of Bécancour Silicon's supply commitments to customers as described above and the anticipated production volumes at Québec Silicon, Bécancour Silicon's allocation of silicon metal production from Québec Silicon may be less than such supply commitments. See "Risks and Uncertainties – Silicon Metal Supply Commitments."

Results of Operations

For Q1-11, Silicon Group sales were $23.9 million, compared to $30.8 million in Q1-10.

Analysis of Silicon Group Sales				
	Q1-11		Q1-10	
	Metric tons	$000's	Metric tons	$000's
Silicon metal	7,815	21,757	12,280	29,206
By-products	-	-	6,234	1,576
Silicon metal product lines	7,815	21,757	18,514	30,782
Solar grade silicon	72	2,161	-	15
Total Silicon Group sales	**7,887**	**23,918**	**18,514**	**30,797**

Sales of silicon metal were $21.8 million in Q1-11, compared to $29.2 million for Q1-10. As a result of transferring the silicon metal production assets to Québec Silicon and establishing the production and supply agreements with Dow Corning in Q4-10, quantities of silicon metal available for sale by Bécancour Silicon to its customers were reduced by 49%. This is reflected in the lower volumes and revenues in Q1-11, compared with Q1-10. However, the Company has been able to realize higher unit selling prices for silicon metal in Q1-11, reflecting improved market demand compared to Q1-10. The volume of silicon metal sold by Bécancour Silicon in Q1-11 includes shipments from its existing silicon metal inventories and silicon metal purchased from Québec Silicon and other suppliers. The volume of silicon metal allocated to Bécancour Silicon in Q1-11 was greater than 51% of Québec Silicon's production during that period and, accordingly, Bécancour Silicon's allocation will be reduced in subsequent reporting periods. See "Related Party Transactions – Québec Silicon".

Also, as a result of the transfer of the silicon metal production assets to Québec Silicon in Q4-10, all by-products produced by Québec Silicon are sold by Bécancour Silicon as agent on behalf of Québec Silicon. Consequently, these by-product sales are no longer included in the Silicon Group's sales. However, Bécancour Silicon still owns a silica fumes disposal site and extracts silica fumes (a form of by-product) from that site. Silica fumes extraction operations are conducted mainly in the summer months and, accordingly, the Silicon Group did not have any sales of such material in Q1-11.

Solar grade silicon net revenues in Q1-11 were $2.2 million, compared to $0.1 million in Q1-10, and relate to sales of inventories produced in 2009, some of which were further processed at the ingoting facility in Bécancour, Québec. The Company continues its efforts on further research and development to meet prospective customer specifications and market development.

Gross profit for Q1-11 was $0.8 million (3.2% of sales) compared with negative $6.1 million (negative 19.9% of sales) in Q1-10. The primary contributors to the improvement in gross profit in Q1-11, compared to Q1-10, were improved gross margin for silicon metal, profitable sales of solar grade silicon and inventory valuation provisions of $2.3 million recorded in 2010 that were reversed to reflect committed solar grade silicon sales. Silicon Group gross margins in Q1-11 were unfavourably impacted by $1.2 million, compared to Q1-10, as a result of lower realized Canadian dollar selling prices resulting from the depreciation of the Euro and US dollar relative to the Canadian dollar. Commencing October 2010, to mitigate the volatility of short term exchange rate movements, Bécancour Silicon entered into forward contracts to convert anticipated Euro inflows into Canadian dollars. During Q1-11, Québec Silicon operated at full capacity and the Company purchased its full planned portion of production. Silicon metal unit production costs of Québec Silicon were lower in Q1-11 reflecting better furnace efficiency, better raw material quality and lower labour costs. Utilities and labour represent a majority of Québec Silicon's silicon metal production costs. Québec Silicon's spending in the quarter was lower than Q1-10, including in respect of labour costs due to reduced overtime. The Company also operated the ingoting facility at full capacity during Q1-11 in order to further process existing solar grade silicon inventories for sale to third parties in Q1-11 and future periods, capitalizing production costs directly attributable to the finished goods inventories. Cost of sales of the solar grade silicon product line are comprised of raw materials, utilities, labour, depreciation and an allocation of manufacturing overhead expenses. During Q1-10 solar grade silicon operations were operated for product development purposes and all costs were expensed in the period.

The Silicon Group generated EBITDA in Q1-11 of positive $1.9 million compared to negative $2.3 million in Q1-10. The improvement in EBITDA reflects improved average selling prices for silicon metal, shipment of solar grade silicon at positive gross margins and the operation of the ingoting facility for inventory production. Q1-11 was unfavourably impacted by the currency translation effect of the Canadian dollar against the Euro and the US dollar.

The Silicon Group generated net income for Q1-11 of $0.4 million, compared with a net loss of $6.2 million for Q1-10. The net income for Q1-11 reflects improved silicon metal margins, profitable shipments of solar grade silicon inventory and the reversal of net realizable value provisions of $2.3 million in respect of solar grade silicon inventory.

Corporate and Other

Corporate and Other expenses primarily represent selling and administration expenses. Q1-11 includes professional fees of $0.2 million related to the split of the Bécancour Silicon and Québec Silicon pension and post-retirement benefit plans, expenditures of $0.1 million for evaluating the feasibility of a silicon metal facility in Iceland and a favourable foreign exchange adjustment on the translation of foreign currency denominated debt to Canadian dollars of $0.1 million. Excluding the split of the pension and post-retirement benefit plans, foreign exchange and Iceland expenditures, Corporate and Other expenses were $1.9 million in Q1-11 and $2.2 million in Q1-10.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY OF CASH FLOWS ($000's)		
	Q1-11	Q1-10
Net loss(4)	(8,081)	(10,636)
Non-cash adjustments(4)	6,721	4,896
Expenditures for benefit plans and various provisions	(1,394)	(894)
Cash used in operations before changes in non-cash working capital	(2,754)	(6,634)
Non-cash working capital changes	(3,690)	10,211
Cash from (used in) operating activities	(6,444)	3,577
Capital expenditures	(14)	(655)
Decrease in bank indebtedness	-	(4,089)
Issuance of convertible bond	-	1,043
Cash used in financing activities(1)	-	(3,046)
Other investing and financing activities(2)	(62)	(29)
Net change in cash during the period	(6,520)	(153)
Cash – beginning of period(3)	7,483	1,170
Cash – end of period(3)	963	1,017

(1) "Cash from (used in) financing activities" consists of "Issuance of convertible bond" and "Decrease in bank indebtedness".
(2) "Other investing and financing activities" consists of "Decrease in long term liabiities", "Increase in loans from related companies" and "Funding from non-controlling interest".
(3) "Cash includes short term interest bearing deposits with original maturities less than 90 days.
(4) Includes inventory net realizable value (reversal) / provision: Q1-11 – $2.5 million reversal; Q1-10: $0.8 million provision.

Cash From (Used in) Operating Activities

During Q1-11 and Q1-10, the Company used cash of $2.8 million and $6.6 million, respectively, from operations before changes in non-cash working capital. The use of cash in Q1-11 was largely attributable to cash expenditures for employee future benefits of approximately $1.1 million and long term provisions of $0.3 million. The use of cash during Q1-10 resulted from losses incurred from the solar grade silicon product line operations.

During Q1-11 and Q1-10, the Company's operations consumed cash of $6.4 million and generated cash of $3.7 million, respectively. Q1-11 cash flows reflect payment in Q1-11 of Q4-10 silicon metal purchases from Québec Silicon and Q1-10 cash flows reflect the orderly liquidation of inventories.

Long Term Inventory

During the 2010 fiscal year, management believed that the timing of future sales of the Company's solar grade silicon product, including from existing inventories, would be principally dependent upon successful completion of the Company's continued product and market development activities. As a result, the Company's inventory of solar grade silicon was classified as a long-term asset.

Based upon actual solar grade silicon market conditions and the low level of sales during the 2010 fiscal year of its solar grade silicon products, the Company evaluated the carrying value of these inventories in the third quarter of 2010 relative to their estimated net realizable value and recorded a provision of $13.1 million to cost of sales. However, the Company continued to pursue market and product development activities in respect of its solar grade silicon product line and began to further process its solar grade silicon inventories in Q1-11 to meet renewed market demand. Given the shipments of and orders-on-hand for solar grade silicon inventories and re-cast solar grade silicon, the Company has re-classified $2.3 million of these inventories, after net realizable value reversal, as current assets as at March 31, 2011 as it expects to liquidate this inventory within the current year. In addition, the Company has adjusted the carrying value of inventory for which the Company has received firm purchase orders that do not require further processing to the extent that the sale prices are above the carrying values. The Company continues to classify as long-term inventory solar grade silicon that it intends to further process when purification operations re-start. Such re-start date is currently not determinable.

Expenditures from Benefit Plans and Various Provisions

In 2008, the Company completed the closure of its cast magnesium billet and specialty magnesium granules and turnings manufacturing facility in Haley, Ontario. The following table summarizes the Company's long term obligations related to the site closure:

Cost element ($000's)	Cash expenditures 2008 to 2010	Cash expenditures during 2011	Anticipated additional cash expenditures during 2011	Anticipated expenditures beyond 2011
Employment termination costs	1,934	25	101	604
Pension	4,239	-	1,175	1,915
Site closure and remediation costs	2,406	91	1,113	3,738
Total	**8,579**	**116**	**2,389**	**6,257**

The total cost of the closure over time is expected to be approximately $17 million.

Employment termination costs will continue to be incurred to 2021 for accrued post-employment obligations of certain former employees.

Credit Facilities

Summary of Credit Facilities		
($ millions)	March 31, 2011	December 31, 2010
Total facility	$20.0	$20.0
Borrowing base	$8.8	$13.0
Facilities available	$3.8	$7.9
Less: Facilities drawn	NIL	NIL
Undrawn facilities	$3.8	$7.9

Bécancour Silicon has a Loan and Security Agreement dated December 15, 2010 (the "Senior Credit Agreement") with Bank of America, N.A., Canada branch (the "Bank"). The Senior Credit Agreement, which terminates on December 15, 2013, consists of a revolving credit facility (the "Senior Credit Facility") of up to $20.0 million, subject to a borrowing base and a $5.0 million availability block. The applicable interest rate for the Senior Credit Facility was 5.75% as at March 31, 2011.

Starting in Q1-11, the Company is required to maintain certain minimum EBITDA levels, on a cumulative year-to-date basis as at each month end, and to restrict capital expenditures to certain maximum levels, also on a cumulative year-to-date basis as at each month end, throughout the term. The definition of EBITDA, for the purposes of the financial covenants in the Senior Credit Facility has been amended to exclude certain non-cash charges arising in connection with the Company's transition to IFRS.

Term Loan

Bécancour Silicon has a loan from Investissement Québec ("IQ") in the principal amount of $26.4 (the "Term Loan"), which includes the initial $25.0 million principal amount received in July 2009 plus $1.4 million of deferred interest for a six month period during 2010 that has been capitalized. The Term Loan has a maturity date of July 16, 2019 and bears interest at a variable rate of Bank of Canada prime plus 9%, which was 12% as at March 31, 2011.

Convertible Notes

Lender	Amount borrowed	Current principal amount outstanding	Financial statement carrying amount, including accretion and accrued interest payable
AMG	US$5.0 million	US$5.0 million	CAD$3.5 million
Strokkur	US$1.0 million	US$1.0 million	CAD$1.1 million

In December 2009, Bécancour Silicon issued a convertible promissory note to AMG in consideration for a loan of US$5.0 million (the "AMG Convertible Note"). On December 15, 2010, Bécancour Silicon and AMG executed an amended and restated AMG Convertible Note, that extended the maturity date of the AMG Convertible Note by three years, from January 3, 2011 to January 3, 2014, adjusted the conversion rate and, as of January 1, 2011, set interest at 14%, payable monthly in arrears. Under IFRS, on the date of restatement, the debt under the AMG Convertible Note and the conversion option under the AMG Convertible Note were ascribed separate values of US$3.5 million and US$1.5 million, respectively. The US$3.5 million carrying value of the debt will be accreted to the maturity date value of US$5.0 million over the three-year term of the note. The conversion option will be fair valued every quarter and recognized on the Company's balance sheet as "other financial liabilities".

Thorsil ehf. ("Thorsil"), a majority-controlled Icelandic subsidiary of Timminco, has issued a US$1.0 million convertible bond dated February 22, 2010 (the "Thorsil Bond") to Strokkur Energy ehf. ("Strokkur"), the proceeds of which have been fully and exclusively used to fund preliminary expenses for a potential silicon metal capacity expansion project in Iceland. Interest on the Thorsil Bond accrues at 12% per annum and is payable upon maturity. Timminco does not have any cash repayment liabilities under the Thorsil Bond. However, the Thorsil Bond is convertible, at Strokkur's option, into Thorsil common shares at a nominal value, or into common shares of Timminco at a conversion price that is the lesser of $1.09 per share and the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the date of notice of conversion, with the US dollar amount converted into Canadian dollars at a fixed exchange rate of US$0.95. Strokkur's notice of conversion is due by ten days prior to the maturity date of the Thorsil Bond.

Since (i) the maturity date of the Thorsil Bond depends on the outcome of negotiations for a long-term power contract for the Iceland project, and (ii) Thorsil and Orkuveita Reykjavikur, an Icelandic power company, had, by May 31, 2011, neither signed a long-term power contract for the Iceland project nor agreed to a new deadline for doing so, the maturity date of the Thorsil Bond is currently June 30, 2011 and the outstanding principal and interest of the Thorsil Bond will be reduced by 10%. However, Thorsil, Timmnico and Strokkur are currently in negotiations to amend the Thorsil Bond, for the purposes of (i) extending the maturity date beyond June 30, 2011, and linking it to certain deadline dates relating to a potential long-term power contract for the Iceland project, and (ii) avoiding a 10% reduction in the outstanding principal and interest and a conversion of the Thorsil Note on June 30, 2011. If the parties do not agree to such amendments, the amount of principal and interest repayable on the Thorsil Bond on June 30, 2011 will be approximately US$1.05 million and, if Strokkur elects to convert such amount into Timminco common shares, the conversion amount in Canadian dollars will be approximately $1.1 million, pursuant to the existing terms of the Thorsil Bond.

Capitalization

Total Capitalization		
($000's)	March 31, 2011	December 31, 2010
Convertible notes (AMG and Strokkur)	4,650	4,652
Bank indebtedness (Bank of America)	-	-
Term loan (Investissement Québec)	26,371	26,318
Shareholders' equity	43,355	50,447
Total capitalization	74,376	81,417

The Company uses the Senior Credit Facility to finance the working capital requirements of Bécancour Silicon's silicon metal trading operations (primarily accounts receivable and silicon metal purchased from Québec Silicon), solar grade silicon operations and for general corporate purposes. Bécancour Silicon has funded its investment in its solar grade silicon production facilities and losses from operations from the issuance of convertible debt and the proceeds from common share equity issued by Timminco.

Capital Expenditures

The Company operates in a capital-intensive manufacturing industry. Capital expenditures are incurred to maintain capacity, comply with safety and environmental regulations, support cost reductions, and foster growth.

During Q1-11, the Company invested nominal amounts in solar grade silicon capital assets.

The Company has agreed to indemnify Québec Silicon for all expenditures relating to environmental undertakings set out in a certificate of authorization granted to Québec Silicon by the Québec Minister of Sustainable Development, Environment and Parks on September 30, 2010, including estimated future capital-related expenditures of approximately $0.8 million expected to be incurred during the remainder of 2011.

While Québec Silicon plans to fund its capital expenditures from internally generated cash flows, it has the right to make a cash call on its partners if sufficient resources are not available for certain maintenance-related or other expenditures.

Contractual Obligations as at March 31, 2011

($000's)		Total		Less than 1 Year		1 to 3 Years		4 to 5 Years		Thereafter
Term debt	$	46,745	$	3,181	$	14,250	$	4,492	$	24,822
Operating Leases		1,826		285		703		197		641
Non-trade financial liabilities due to related parties		9,038		739		6,664		260		1,375
Thorsil Bond		1,113		1,113		-		-		-
Employee future benefit funding obligations		14,811		3,424		9,017		2,370		-
Reorganization obligations		1,958		792		376		118		672
Environmental obligations		7,686		12,234		2,536		188		2,728
Contract termination obligations		4,843		1,443		3,400		-		-
Total contractual obligations	$	88,020	$	13,271	$	36,946	$	7,625	$	30,238

Term debt

"Term debt" represents obligations of Bécancour Silicon under the Term Loan, including principal and interest payable in future periods, as recorded on the balance sheet as at March 31, 2011. See "Liquidity and Capital Resources – Term Loan".

Operating leases

"Operating leases" represent corporate office facility commitments as at March 31, 2011.

Non-trade financial liabilities due to related companies

"Non-trade financial liabilities due to related companies" represent obligations of Bécancour Silicon to reimburse Québec Silicon for expenditures with respect to post-retirement benefit obligations of certain employees who retire on or before September 30, 2016 and with respect to the AMG Convertible Note (see "Liquidity and Capital Resources – Convertible Notes").

Thorsil Bond

"Thorsil Bond" represents liabilities of Thorsil ehf with respect to the Thorsil Bond.

Employee future benefit funding obligations

"Employee future benefits funding obligations" reflect statutory funding requirements of the post-employment defined benefits pension plan of Bécancour Silicon and Timminco and the estimated future funding requirements for post-retirement benefits of Bécancour Silicon as at December 31, 2010. Funding obligations in future periods will be dependent on investment returns of the respective plans' assets and discount rates in conjunction with other assumptions at the time of valuation updates.

Reorganization and environmental obligations

"Reorganization" and "environmental obligations" are commitments of the Company related to the closure of various legacy facilities and compliance matters for the continuing operation of the Silicon Group. These expenditures include estimated future capital expenditures of approximately $0.8 million related to Québec Silicon environmental undertakings for which the Company is contractually responsible.

Contract termination obligations

"Contract termination claims" are obligations of Bécancour Silicon related to the termination of contracts to purchase certain equipment, supplies and services relating to its Bécancour solar grade silicon purification facilities.

Class Action Lawsuit

Timminco and certain of its directors and officers, as well as certain third parties, have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on May 14, 2009. This lawsuit was commenced by the plaintiff Ravinder Kumar Sharma on behalf of shareholders who acquired Timminco's common shares between March 17, 2008 and November 11, 2008 and claims damages exceeding $540 million. The plaintiff alleges that Timminco and others made certain misrepresentations about Bécancour Silicon's solar grade silicon production process. These are unproven allegations, and the plaintiff will need to seek leave, or permission, of the court to proceed under the secondary market disclosure provisions of the Ontario Securities Act.

The Company has not recorded any liability related to these matters. Timminco's directors and officers insurance policies provide for reimbursement of costs and expenses incurred in connection with this lawsuit, including legal and professional fees, as well as potential damages awarded, if any, subject to certain policy limits and deductibles. Timminco intends to vigorously defend these allegations and the plaintiff's attempt to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded in such lawsuit could be substantial.

RELATED PARTY TRANSACTIONS

AMG Advanced Metallurgical Group

AMG is a significant shareholder of Timminco. As at March 31, 2011, AMG held 83,146,007 common shares of Timminco, representing approximately 42.5% of the total issued and outstanding shares of Timminco. AMG also holds the AMG Convertible Note (see "Liquidity and Capital Resources-Convertible Notes").

AMG Conversion

Bécancour Silicon and AMG Conversion Ltd. ("AMG Conversion"), a wholly-owned subsidiary of AMG, executed a Memorandum of Understanding dated March 31, 2009 (as amended, the "Memorandum of Understanding") whereby the parties agreed to jointly develop the ingot production process to optimize the quality of the ingots and bricks produced with Bécancour Silicon's solar grade silicon, and to jointly explore the feasibility of AMG Conversion producing ingots and bricks at the Bécancour ingoting facility on an exclusive long-term tolling basis for and on behalf of Bécancour Silicon. These activities are to continue during an interim period, which currently expires on September 30, 2011.

In Q1-11, AMG Conversion produced ingots and bricks at the Bécancour ingoting facility on behalf of Bécancour Silicon, using its equipment and Bécancour Silicon's employees and solar grade silicon, and invoiced a tolling fee of approximately $0.4 million, which was based on the actual, fully-loaded cost to produce ingots and bricks for Bécancour Silicon, plus an agreed fixed margin. AMG Conversion also produced ingots and bricks at the Bécancour ingoting facility for its own account, using its equipment and solar grade silicon and Bécancour Silicon's employees. Bécancour Silicon invoiced AMG Conversion a tolling fee of approximately $0.1 million.

Québec Silicon

Québec Silicon is the production partnership between the Company and Dow Corning that owns the silicon metal operations in Bécancour, Québec and supplies silicon metal to its two partners in proportion to their ownership interests, namely 51% and 49%. Under IFRS, the Company accounts for its ownership in Québec Silicon on an equity basis and, accordingly, does not consolidate Québec

Silicon's results of operations upon the transition to IFRS. The following is a summary of certain Q1-11 financial information of Québec Silicon not included in the Company's unaudited consolidated financial statements:

Summary of Québec Silicon Financial Information	**Q1-11**
Revenue	28,821
EBITDA[1]	2,819
Net Income	147
Cash flow from operations	7,294
Capital expenditures	(282)
Net cash flow before financing and other activities	7,012
Interest bearing debt	15,064
Equity	86,552
Total capitalization	130,462
(1) See "Non-GAAP Accounting Definitions".	

Québec Silicon's revenues are derived solely from sales of silicon metal that it produces for its two partners, and sales of by-products of Québec Silicon's manufacturing operations. The selling price of silicon metal is based on Québec Silicon's full cost of production plus a fixed margin, and the selling price of by-products is based on prevailing market prices as negotiated with third party customers. Québec Silicon's production volumes vary between reporting periods, depending on the overall silicon metal volume requirements of its partners, the timing of scheduled shut-downs for furnace maintenance purposes, and other factors.

Although Bécancour Silicon is entitled to 51% of the silicon metal produced by Québec Silicon, the actual volume of silicon metal allocated to Bécancour Silicon may fluctuate between reporting periods, to address variations in the mix of silicon metal grades that Québec Silicon is required to produce for its two partners, and as a result of the timing of shipments. Any over or under allocations of Québec Silicon's production volumes between the two partners during any reporting period are expected to be rebalanced in subsequent reporting periods. In addition, in Q4-10 (the first period of Québec Silicon's operations) and Q1-11, Bécancour Silicon received from Québec Silicon a total of approximately 5,200 metric tons of silicon metal in excess of its 51% entitlement, to satisfy its previously existing customer commitments. This excess will be factored into Bécancour Silicon's production allocation for subsequent reporting periods through to the end of 2012.

Québec Silicon has a Loan Agreement with Dow Corning dated October 1, 2010 (the "Loan Agreement") that provides for a revolving credit facility of up to $10.0 million to fund Québec Silicon's working capital requirements. Outstanding amounts bear interest at a variable rate of Canadian prime plus 2%, which is payable quarterly. As at March 31, 2011, this facility was fully drawn.

On December 10, 2010, Bécancour Silicon and Dow Corning loaned $5.0 million to Québec Silicon, in principal amounts that were proportional to their equity interests in Québec Silicon. In consideration, Québec Silicon issued to each of Bécancour Silicon and Dow Corning two promissory notes with maturity dates of April 1, 2011 and March 30, 2012, respectively, and bearing interest at 5% per annum. Subsequent to Q1-11, Québec Silicon repaid the notes due in April 2011 in the amount of $2.5 million.

CAPITAL STRUCTURE

As at March 31, 2011, the common shares issued and reserved were as follows:

Description	Number of Shares
Common shares issued	195,734,769
Common shares issuable upon the exercise of options	13,217,500
Common shares issuable upon conversion of notes payable	20,926,869
Common shares on a fully diluted basis	229,879,138

RISKS AND UNCERTAINTIES

For a detailed description of risk factors associated with the Company, refer to the section entitled "Risks and Uncertainties" in the Company's 2010 MD&A dated March 25, 2011. Except as disclosed below, there have been no material changes to the Company's risk factors from what was disclosed at that time.

Liquidity Risk

The Company continues to be exposed to liquidity risk. Liquidity risk arises through financial obligations exceeding available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available sources of funding in order to meet its liquidity requirements at any point in time. The Company attempts to achieve this through managing cash from operations and through the availability of funding from committed credit facilities.

The Company incurred a net loss of $8.1 million for Q1-11 and $95.1 million for the year ended December 31, 2010. The Company also incurred net losses for the years ended December 31, 2009, 2008 and 2007. There remains material uncertainty with respect to the level of liquidity that will be generated by operations in the next twelve months, particularly given the current suspension of solar grade silicon purification operations.

At March 31, 2011, the Company had negative working capital of $2.9 million, was holding cash of approximately $1.0 million and had undrawn available lines of credit under the Senior Credit Agreement of approximately $3.8 million.

Both the Senior Credit Agreement and the Term Loan Agreement contain financial covenants and cross-default provisions. The minimum EBITDA levels for the purpose of the financial covenants in the Senior Credit Agreement have been set at amounts based on the Company's projected financial results. In the event that the Company is unable to achieve such financial results, it may become non-compliant under the Senior Credit Agreement. Non-compliance with any of the financial covenants under the Senior Credit Agreement or the Term Loan Agreement may cause the Bank or IQ, respectively, to declare an event of default and demand repayment of the entire outstanding indebtedness under such facilities. The AMG Convertible Note also contains a cross-default provision, financial reporting covenants, a negative debt covenant and certain capital expenditure approval requirements.

Both the Senior Credit Agreement and the Term Loan Agreement restrict the Company's ability to incur additional indebtedness, sell assets, create liens or other encumbrances, incur guarantee obligations, make certain payments, make investments, loans or advances and make acquisitions beyond certain levels. Substantially all of the Company's assets have been pledged as collateral to their lenders under the Senior Credit Agreement and the Term Loan Agreement.

Timminco has also been named as a defendant in a proposed class action lawsuit, claiming damages in excess of $540 million. While Timminco intends to vigorously defend the allegations in such lawsuit and the plaintiff's attempt to get court approval to proceed, the timing and outcome of such proceedings are uncertain and the amount of any damages awarded could be substantial.

As a result of the Company's liquidity risk, the Company's ability to continue as a going concern is subject to the continued support of its lenders and is uncertain. Therefore the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The unaudited consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the unaudited consolidated financial statements.

Silicon Metal Supply Commitments

In May 2011, Bécancour Silicon executed a new, long-term silicon metal supply contract with one of its long-standing silicon metal customers that replaces all previous commitments with this customer for the years 2011 to 2014, amends the existing contractual relationship with revised pricing retroactive to January 1, 2011, and extends supply commitments to 2015. The base quantity to be delivered under the new contract is 17,500 metric tons per year from 2011 through 2015, plus an additional quantity of approximately 8,000 metric tons to be delivered by the end of 2013, for an aggregate total volume of approximately 95,500 metric tons over the five-year term. In addition, in the fourth quarter of 2010 and Q1-11, Bécancour Silicon entered into contractual arrangements to supply approximately 3,500 metric tons of silicon metal to another long-standing silicon metal customer (see "Summary of Operations – Silicon Metal Supply Commitments"). Under the Supply Agreement with Québec Silicon and Dow Corning, Bécancour Silicon is entitled to 51% of the silicon metal output of Québec Silicon, which as of October 2010 owns and operates all of the silicon metal operations of Bécancour Silicon. Based on such existing supply commitments to customers and the anticipated production volumes at Québec Silicon, Bécancour Silicon's allocation of silicon metal production from Québec Silicon may be less than such supply commitments. In such event, Bécancour Silicon may: (i) renegotiate the terms of the Supply Agreement with Québec Silicon and Dow Corning to allow for the deferral of delivery of some of Dow Corning's silicon metal allocation; (ii) renegotiate with Bécancour Silicon's silicon metal customers the delivery commitments; or (iii) purchase silicon metal from third parties at spot prices, for resale to its customers at the fixed contractual prices. However, there is no assurance that any such measures will result in more favourable delivery commitments for Bécancour Silicon. Moreover, spot prices for silicon metal have been increasing and Bécancour Silicon may be in a position of having to purchase silicon metal on the spot market at a cost that is in excess of the selling price to its end customers. As a result, to the extent that Bécancour Silicon's delivery commitments to its end customers exceed Bécancour Silicon's supply allocation of silicon metal from Québec Silicon, there could be a material adverse effect on the Company's financial position, results of operations and liquidity.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's unaudited consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements, and the reported amounts of revenue and expenses for the reporting period. Due to the inherent uncertainty involved with making such estimates, actual results reported in future periods could differ from those estimates. Significant estimates include the following:

Measurement Uncertainty

Certain assets, principally inventory, long term inventory, deferred development costs, property, plant and equipment and intangibles are subject to recoverability and/or impairment tests. Ultimate recovery of these assets is dependent on the ability to meet higher quality demands from solar grade customers as market conditions evolve and estimates of future levels of demand, sales, pricing and product costing as it relates to both raw material input pricing and production efficiencies. The net realizable value of solar grade silicon inventory is also subject to significant uncertainties in near and long term market demand and pricing conditions. Deferred development costs recoverability is dependent on the successful completion and commercialization of solar grade silicon development activities. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Long Lived Asset Impairment

The Company assesses its long lived assets for impairment in accordance with its accounting policies. For purposes of impairment testing, the Company determined that it had three cash generating units, namely, silicon metal assets, and each of its two physically separate, stand alone solar grade purification facilities, known as "HP1" and "HP2". Management compares the carrying value of long lived assets with the respective fair values of the three cash generating units to determine if it has been impaired. In Q4-10, management determined the HP1 and HP2 long lived assets, including a portion of the intangible assets and all of the goodwill attributable to solar grade purification, were impaired and recognized a charge to reduce their carrying value to fair value. Recovery of the remaining carrying value of the HP1 and HP2 solar grade silicon purification facilities and intangible assets related to solar silicon production are dependent upon successful completion of the Company's continued product and market development activities, a restart of solar grade production and sufficient profitable future production volumes. Should this not materialize as planned, additional material long-lived asset impairments related to the HP1 and HP2 asset groups, including property, plant and equipment and intangibles, are likely to occur.

Solar Grade Silicon Inventory Net Realizable Value

Given low sales volume of the Company's solar grade silicon products, the need to meet prospective new customers' specifications and the uncertainty around the timing of future demand for the finished products, during 2010, management was not able to predict the volumes of the solar grade silicon inventory that might have been sold in the near term. Management believed that the timing of future sales of the Company's solar grade silicon product, including from existing inventories, would be principally dependent upon successful completion of the Company's continued product and market development activities. As a result, the Company's existing inventory of solar grade silicon was classified as a long-term asset. Future sales of this inventory would be recognized as revenue and inventory would be expensed at its net carrying cost.

Based upon solar grade silicon market conditions and the low level of sales during 2010 of its solar grade silicon products, the Company evaluated the carrying value of these inventories in Q3-10 relative to their estimated net realizable value and recorded a provision of $13.1 million to cost of sales. However, the Company continued to pursue market and product development activities in respect of its solar grade silicon product line and began to further process its solar grade silicon inventories in Q1-11 to meet market demand. Given the shipments of and orders-on-hand for solar grade silicon inventories and re-cast solar grade silicon, the Company has re-classified $2.3 million of these inventories as current assets as at March 31, 2011 as it expects to liquidate this inventory within the current year. In addition, the Company has adjusted the carrying value of inventory for which the Company has received firm purchase orders that do not require further processing to the extent that the sale prices are above the carrying values. The Company continues to classify as long-term inventory solar grade silicon that it intends to further process when purification operations re-start. Such restart date is currently not determinable.

Pension Return and Discount Rates

The estimated return and discount rate affect pension expense and liabilities. These estimates are made with the assistance of the Company's actuaries to ensure that the estimates are reasonable and consistent with those of other companies in our industry. The estimated return on plan assets is subject to change based on the anticipated returns of the plan assets, the return of equities and fixed income securities held by the plan and the performance of public securities markets. The discount rate is subject to change based on the age and changes in composition of the plan members and long term bond rates. A one percent change in either rate would have a material impact on the pension liabilities. Significant ongoing volatility in the global financial markets or a substantial change in actuarial assumptions could significantly increase the Company's pension liabilities. This could have a material adverse effect on the Company's liquidity and results of operations.

Revenue Recognition

The terms of Bécancour Silicon's supply agreements provide certain customers with limited rights of return. Revenue from such contracts is recorded net of an adjustment for estimated returns of material not meeting contractual specifications. The Company's estimate of returns requires assumptions to be made regarding the costs of re-working returned material to meet customer specifications. Should this estimate change, the return provision will be adjusted in the period.

Asset Retirement Obligations

The Company's asset retirement obligations involve various estimates of the cost of a variety of activities often many years in the future. The Company engages independent consultants to assist in the estimation of closure and remediation costs. Furthermore, the asset retirement obligation is determined with a risk-free discount rate which currently varies from 1.40% to 3.77% depending on term. A 1% change in the discount rate will change the obligation by approximately $0.5 million.

Fair Market Value of Inactive Assets

Timminco owns land and buildings of former manufacturing operations and anticipates eventually disposing of these assets. Management has made estimates of the expected net proceeds and has reduced the carrying value of these assets to fair value, where applicable. The value of the properties is impaired by the ongoing environmental remediation underway at the sites.

ACCOUNTING CHANGES

The Company adopted IFRS as the basis of financial reporting effective for Q1-11 with restatement of comparative periods, using a transition date of January 1, 2010. The significant accounting policies are included in Note 3 to the Company's unaudited consolidated financial statements. Note 24 to the unaudited consolidated financial statements also includes a reconciliation of equity, operations and comprehensive loss as reported under GAAP and IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures, as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in filings under securities legislation is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company regularly reviews its disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as defined in NI 52-109. ICFR is a process designed by or under the supervision of the CEO and CFO, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems have inherent limitations and therefore ICFR can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Changes in Internal Control over Financial Reporting

The Company implemented changes in respect of or affecting its ICFR during Q1-11 in connection with the requirement that commencing Q1-11, the Company must report its results applying IFRS. The January 1, 2010 transition date requires re-statement of the Company's 2010 interim and annual results from CGAAP to IFRS. Although the Company has been reporting IFRS compliant results to AMG, there are some reporting differences resulting from AMG's earlier transition date. The Company has performed a detailed comparison and analysis of CGAAP to IFRS to identify all material differences.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities (including "special purpose entities", or "structured entities" as they are now referred to in the new standards, or "variable interest entities" as they are referred to in U.S. GAAP). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former jointly controlled entities), an entity recognises its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity.

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The disclosure requirements are substantial and could present additional challenges.

IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)

On December 20, 2010, the IASB issued Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12) concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 Investment Property. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information", including "financial outlooks", as such terms are defined in applicable Canadian securities legislation, concerning the Company's future financial or operating performance and other statements that express management's expectations or estimates of future developments, circumstances or results. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "expects", "targets", "believes", "anticipates", "budget", "scheduled", "estimates", "forecasts", "intends", "plans" and variations of such words, or by statements that certain actions, events or results "may", "will", "could", "would" or "might" "be taken", "occur" or "be achieved". Forward-looking information is based on a number of assumptions and estimates that, while considered reasonable by management based on the business and markets in which Timminco operates, are inherently subject to significant operational, economic and competitive uncertainties and contingencies. Timminco cautions that forward-looking information involves known and unknown risks, uncertainties and other factors that may cause Timminco's actual results, performance or achievements to be materially different from those expressed or implied by such information, including, but not limited to: liquidity risks; silicon metal supply commitments; production partnership with Dow Corning; foreign currency exchange rates; long lived asset impairment; pension risks; equipment failures, downtime or inefficiencies; dependence upon power supply for silicon metal production; pricing and availability of raw materials; credit risk exposure; selling price of silicon metal; transportation delays and disruptions; class action lawsuits; interest rates; future growth plans and strategic objectives; production capacity expansion at the Bécancour facilities; environmental, health and safety laws and liabilities; climate change; conflicts of interest; limited history with the solar grade silicon business; selling price of solar grade silicon; customer commitments; achieving and maintaining quality of solar grade silicon; customer capabilities in producing ingots; access to crystallization equipment; protection of intellectual property rights; customer concentration. These factors are discussed in greater detail in Timminco's Annual Information Form for the year ended December 31, 2010, which is available on SEDAR via www.sedar.com, and above under the heading "Risks and Uncertainties". Although Timminco has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in forward-looking information, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information in this MD&A is made as of the date of this MD&A and Timminco disclaims any intention or obligation to update or revise such information, except as required by applicable law.

OTHER INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2010, is available at www.sedar.com.

QUARTERLY FINANCIAL INFORMATION[1]
(CAD$000's except per share amounts)

	Q1-11	Q1-10[1]
Sales		
Silicon	23,918	30,797
Gross Profit (Loss)		
Silicon	771	(6,114)
Gross Profit (Loss) Percentage		
Silicon	3.2%	(19.9%)
Net Income (Loss)		
Silicon	449	(6,172)
Corporate / Other	(8,530)	(4,464)
Total	(8,081)	(10,636)
Earnings (loss) per common share, basic and diluted	(0.04)	(0.07)
Weighted average number of common shares outstanding, basic and diluted (000's)[3]	195,735	160,470
EBITDA[2]		
Silicon	1,935	(2,300)
Corporate / Other	(2,483)	(1,629)
Total	(548)	(3,929)
Adjusted Income (Loss) [2]		
Silicon	429	(6,172)
Corporate / Other	(4,639)	(4,935)
Total	(4,210)	(11,107)
Working Capital (excluding available cash items and interest bearing debt)		
Silicon	8,558	22,765
Corporate / Other	(4,786)	(5,552)
Total	3,413	17,213
Total assets		
Silicon	137,546	264,200
Corporate / Other	2,473	3,316
Total	140,019	267,516
Total bank debt	-	36,226
Total long term liabilities	62,493	43,450

(1) 2010 amounts have been re-stated based on the application of IFRS
(2) See Non-GAAP accounting definitions.
(3) No dividends were paid during any of the quarters.

NON-GAAP ACCOUNTING DEFINITIONS

In addition to the Company's results reported in accordance with IFRS, the Company uses certain non-GAAP financial measures as supplemental indicators of the Company's operating performance and financial position and for internal planning purposes. The Company has historically reported non-GAAP financial results as the Company believes their use provides more insight into its performance.

EBITDA BY QUARTER

EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, past pension service obligations, capital expenditures, income taxes and restructuring cash payments. The Company defines EBITDA as net loss excluding impairment of Applied Magnesium, interest, amortization of intangible assets, amortization of property, plant and equipment, reorganization costs, environmental remediation costs, stock-based compensation, fair value loss (gain) on financial instruments at fair value and share of net income/loss of a jointly controlled entity. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. Also, EBITDA should not be construed as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies. EBITDA is calculated as follows:

(CAD$000's)	Q1-11	Q1-10
Net loss	(8,081)	(10,636)
Add back(subtract):		
Impairment of Applied Magnesium	222	-
Interest	1,409	2,297
Amortization of intangible assets	581	707
Amortization of property, plant and equipment	930	3,171
Reorganization costs	1,341	-
Environmental remediation costs	(14)	-
Stock-based compensation	742	1,003
Fair value loss (gain) on financial instruments at fair value	2,292	(471)
Share of net loss of a jointly controlled entity	30	-
EBITDA	(548)	(3,929)

ADJUSTED INCOME (LOSS) BY QUARTER

Adjusted income (loss) is not a recognized measure under GAAP. Management believes that, in addition to net income (loss), adjusted income (loss) is a useful supplemental measure as it provides investors with an indication of ongoing income excluding non-operational costs originating from closed facilities and fair value adjustments of other financial liabilities. Investors should be cautioned, however, that adjusted income (loss) should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's profitability. The Company's method of calculating adjusted income (loss) may differ from other companies and, accordingly, adjusted income (loss) may not be comparable to measures used by other companies. Adjusted income (loss) is calculated as follows:

(CAD$000's)	Q1-11	Q1-10
Net loss	(8,081)	(10,636)
Add back(subtract):		
Impairment of Applied Magnesium	222	-
Reorganization costs	1,341	-
Environmental remediation costs	(14)	-
Fair value loss (gain) on financial instruments at fair value	2,292	(471)
Share of net loss of a jointly controlled entity	30	-
Adjusted Income (Loss)	(4,210)	(11,107)

EXHIBIT "L"

This is Exhibit "L"
to the affidavit of Peter A.M. Kalins,
sworn before me on the 2nd day
of January, 2012

Commissioner for Taking Affidavits

Yusuf Yannick Katirai, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires April 12, 2013.

Timminco Limited

Consolidated Balance Sheets
See Note 2 regarding Going Concern

As at (unaudited) *(in thousands of Canadian dollars)*		**June 30 2011**		December 31 2010
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**412**	$	7,483
Restricted cash		**18**		105
Accounts receivable		**6,810**		12,365
Due from related companies (Note 15)		**1,809**		2,172
Inventories (Note 7)		**10,831**		14,473
Finished goods consigned to related company		**4,126**		4,530
Prepaid expenses and deposits		**1,178**		1,365
		25,184		42,493
Due from related companies (Note 15)		**-**		1,275
Long term receivables		**1,269**		1,275
Long term inventories (Note 7)		**2,363**		2,874
Property, plant and equipment (Notes 8)		**58,002**		59,826
Investments (Note 6)		**43,409**		43,171
Intangible assets (Notes 9)		**2,082**		3,231
	$	**132,309**	$	154,145
LIABILITIES				
Current Liabilities				
Bank indebtedness (Note 10)	**$**	**700**	$	-
Accounts payable and accrued liabilities		**7,273**		9,064
Deferred revenue		**5,542**		6,319
Due to related companies (Note 15)		**11,250**		19,252
Current portion of long term liabilities (Note 10)		**1,545**		3,273
Current portion of long term provisions (Note 11)		**2,100**		2,555
		28,410		40,463
Due to related companies (Note 15)		**6,554**		6,418
Other financial liabilities (Note 15)		**1,427**		1,343
Long term liabilities (Note 10)		**28,915**		28,619
Employee future benefits (Note 12)		**20,814**		20,610
Long term provisions (Note 11)		**6,760**		6,855
		92,880		104,308
SHAREHOLDERS' EQUITY				
Capital stock (Note 13)		**311,873**		310,777
Contributed surplus		**15,091**		13,320
Deficit		**(287,535)**		(273,650)
Equity attributable to owners of parent		**39,429**		50,447
Non-controlling interest (Note 16)		**-**		(610)
Total Equity		**39,429**		49,837
	$	**132,309**	$	154,145

The accompanying notes are an integral part of these consolidated financial statements.
See Note 21 regarding Commitments, Contingencies and Guarantees.

On behalf of the Board of Directors:

(signed) Heinz C. Schimmelbusch

Dr. Heinz C. Schimmelbusch
Director

(signed) Mickey M. Yaksich

Mickey M. Yaksich
Director

Timminco Limited

Consolidated Statements of Operations and Comprehensive Loss
(unaudited)

(In thousands of Canadian dollars, except for loss per share information)	Three months ended June 30 **2011**	Three months ended June 30 2010	Six months ended June 30 **2011**	Six months ended June 30 2010
Sales	**$ 21,046**	$ 34,309	**$ 44,964**	$ 65,106
Cost of goods sold (Note 7)	**23,837**	36,634	**46,984**	73,545
Gross margin	**(2,791)**	(2,325)	**(2,020)**	(8,439)
Administrative expenses	**2,820**	3,813	**6,468**	8,166
Other operating expenses (income) (Note 17 (a))	**610**	1,652	**1,861**	(5)
Operating profit (loss)	**(6,221)**	(7,790)	**(10,349)**	(16,600)
Finance costs (income) (Note 17 (b))	**(997)**	1,895	**2,704**	3,721
Impairment loss on investment in Applied Magnesium	**-**	-	**222**	-
Share of net loss of a jointly controlled entity	**82**	-	**112**	-
Loss and total comprehensive loss for the period	**(5,306)**	(9,685)	**(13,387)**	(20,321)
Attributable to:				
Owners of the parent	**(5,317)**	(9,604)	**(13,342)**	(20,031)
Non-controlling interests (Note 16)	**11**	(81)	**(45)**	(290)
Loss and total comprehensive loss for the period	**(5,306)**	(9,685)	**(13,387)**	(20,321)
Loss per common share - basic and diluted	**$ (0.03)**	$ (0.05)	**$ (0.07)**	$ (0.12)
Weighted average number of common shares outstanding - basic and diluted (Note 19)	**193,614,722**	184,215,471	**194,668,889**	172,408,346

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

Timminco Limited

Consolidated Statements of Cash Flows
(unaudited)

(in thousands of Canadian dollars)	Six months ended June 30 **2011**	2010
Cash flows from (used in) operating activities		
Net loss	$ **(13,387)**	$ (20,321)
Adjustments for items not requiring cash		
Amortization of property, plant and equipment (Note 8)	**1,875**	6,343
Amortization of intangible assets (Note 9)	**1,149**	1,413
Interest expense	**-**	1,636
Accretion of convertible debt	**508**	283
Stock-based compensation (Note 14)	**1,411**	1,887
Termination benefits (Note 12)	**1,754**	-
Loss (gain) on disposal of property, plant and equipment	**-**	14
Environmental remediation	**62**	-
Fair value loss (gain) on financial instruments at fair value	**84**	(471)
Impairment of investment in Applied Magnesium	**222**	-
Accretion of provisions (Note 11)	**90**	82
Benefits plan expense	**640**	1,702
Share of net income of a jointly controlled entity	**112**	-
Unrealized foreign exchange (gain) loss	**(128)**	(1,015)
Accrued employee future benefits paid	**(2,190)**	(2,220)
Expenditures charged against provisions (Note 11)	**(702)**	(255)
Change in non-cash working capital items		
Decrease (increase) in restricted cash	**87**	(471)
Decrease (increase) in accounts receivable	**5,555**	(1,932)
Decrease in inventories	**4,557**	11,620
Decrease in prepaid expenses and deposits	**187**	102
Decrease in accounts payable and accrued liabilities	**(1,793)**	(3,594)
Decrease in related company balances (Note 15)	**(6,831)**	(173)
Increase (decrease) in deferred revenue	**(777)**	2,241
	(7,515)	(3,129)
Cash used in investing activities		
Capital expenditures (Note 8)	**(50)**	(906)
	(50)	(906)
Cash flows from (used in) financing activities		
Issuance of common shares	**-**	12,434
Issuance of convertible bond	**-**	1,043
Increase (decrease) in bank indebtedness	**700**	(9,102)
Funding from non-controlling interest	**112**	-
Decrease in long term receivable	**6**	2
Decrease in long term liabilities	**(324)**	(31)
	494	4,346
Decrease (increase) in cash during the period	**(7,071)**	311
Cash, beginning of period	**7,483**	1,170
Cash, end of period	$ **412**	$ 1,481
Supplemental cash flow information		
Cash paid (received) during the period:		
Interest	$ **1,927**	$ 1,572
Income taxes	$ **-**	$ (10)

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

Timminco Limited

Consolidated Statement of Changes in Equity
As at June 30, 2011 and June 30, 2010
(unaudited)
(in thousands of Canadian dollars)

	Issued Capital	Contributed surplus	Deficit	Total attributable to the equity holders of the parent	Non-controlling interest	**Total**
As at January 1, 2011	$ 310,777	$ 13,320	$ (273,650)	$ 50,447	$ (610)	$ **49,837**
Total comprehensive loss	-	-	(13,342)	(13,342)	(45)	**(13,387)**
Non-controlling interest investment	-	-	-	-	112	**112**
Common shares issued in settlement of convertible notes	1,096	-	-	1,096	-	**1,096**
Share-based payment transactions	-	1,771	-	1,771	-	**1,771**
Acquisition of non-controlling interest (Note 16)	-	-	(543)	(543)	543	**-**
As at June 30, 2011	**$ 311,873**	**$ 15,091**	**$ (287,535)**	**$ 39,429**	**$ -**	**$ 39,429**

	Issued Capital	Contributed surplus	Deficit	Total attributable to the equity holders of the parent	Non-controlling interest	**Total**
As at January 1, 2010	$ 285,205	$ 9,438	$ (178,586)	$ 116,057	$ -	$ **116,057**
Total comprehensive loss	-	-	(20,031)	(20,031)	(290)	**(20,321)**
Common shares issued in settlement of repayment liability	12,726	-	-	12,726	-	**12,726**
Common shares issued in settlement of trade payable	412	-	-	412	-	**412**
Common shares issued for cash	12,434	-	-	12,434	-	**12,434**
Share-based payment transactions	-	1,886	-	1,886	-	**1,886**
As at June 30, 2010	**$ 310,777**	**$ 11,324**	**$ (198,617)**	**$ 123,484**	**$ (290)**	**$ 123,194**

1. ORGANIZATION

The condensed consolidated interim financial statements of Timminco Limited ("Timminco" and, collectively with its consolidated subsidiaries, the "Company") for the three and six months ended June 30, 2011 were authorized for issuance in accordance with a resolution of the Board of Directors of Timminco on August 9, 2011. Timminco is incorporated under the laws of Canada and its common shares are listed and publicly traded on the Toronto Stock Exchange. The address of Timminco's principal office is at 150 King Street West, Suite 2401, Toronto Ontario Canada.

The Company's silicon metal and solar grade silicon operations are organized as the "Silicon Group", which is the Company's only reporting segment. Up to September 30, 2010, the Company produced and sold silicon metal and solar grade silicon products, through its wholly-owned subsidiary Bécancour Silicon Inc. ("Bécancour Silicon"). As of October 1, 2010, the Company transferred ownership and operation of silicon metal production to Québec Silicon Limited Partnership ("Québec Silicon"), which is a 51% owned production partnership accounted for by the Company under the equity method. See Note 6 for further details. Accordingly, as of October 1, 2010, the Company's operations consist of the purchase and resale of silicon metal and the production and sale of solar grade silicon, and the results of Québec Silicon's operations are not consolidated with the results of the Company's operations.

AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder of Timminco (see Note 15).

2. GOING CONCERN

The condensed consolidated interim financial statements of the Company have been prepared on a going concern basis, which contemplates the Company having sufficient liquidity to realize its assets and to discharge its liabilities in the normal course of business for the foreseeable future. However, the Company incurred net losses of $13.3 million for the six months ended June 30, 2011 and $95.7 million for the year ended December 31, 2010. In addition, Timminco has been named as a defendant in a proposed class action lawsuit and, while the timing and outcome of such lawsuit are uncertain, the amount of any damages awarded could be substantial (see Note 21).

The Company has not achieved a level of sustained profitability and positive cash generation to operate without a revolving credit facility, which the Company requires in order to finance working capital requirements, to fund long-term obligations relating to reorganization costs, retirement benefits, contract termination settlements and environmental remediation and to provide a liquidity buffer. Also the Company did not achieve the minimum required year-to-date June 30, 2011 Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") covenant and obtained a waiver in this regard and negotiated revised EBITDA covenant thresholds for the period June to December 2011 (see Notes 10 and 21).

The Company's ability to continue as a going concern is subject to achieving a level of sustained profitability, the continued support of its lenders and positive cash generation which is subject to material uncertainty and these conditions may cast significant doubt about the Company's ability to continue as a going concern. As a result, the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments to recorded amounts and their classification which could be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities other than in the normal course of business and at amounts different than those reflected in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For all periods up to and including the year ended December 31, 2010, the Company presented its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The condensed consolidated interim financial statements for the three and six months ended June 30, 2011 were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as were followed in the preparation of the unaudited condensed consolidated interim financial statements for the three month period ending March 30, 2011. Accordingly, these unaudited interim consolidated financial statements for the six month period ending June 30, 2011 should be read in conjunction with the accounting policies as described in Note 3 of the unaudited interim consolidated financial statements for the three months period ended March 31, 2011.

These interim condensed consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS"). Certain incremental disclosures that are required to be included in annual financial statements prepared in accordance with IFRS were not included in the Company's most recent annual financial statements prepared in accordance with Canadian GAAP but were included in the unaudited interim consolidated financial statements for the three months ended March 31, 2011. As such, these interim financial statements should be read in conjunction with the Company's 2010 annual financial statements together with the IFRS transition disclosures included in Note 21 to these financial statements and the incremental annual disclosures required under IFRS included in Note 25 of the unaudited interim consolidated financial statements for the three month period ended March 31, 2011.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires judgment and estimates and related assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources

The accounting judgements, estimates and assumptions that the Company expects to adopt in its financial statements as at and for the year ending December 31, 2011 are disclosed in Note 4 of the Company's unaudited interim financial statements as at and for the three months ended March 31, 2011.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 1 Presentation of financial statements: Presentation of other comprehensive income
The IASB recently issued amendments to IAS 1 Presentation of Financial Statements on the presentation of other comprehensive income (OCI). The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

OCI items that can be reclassified into profit or loss:
- Foreign exchange gains and losses arising from translations of financial statements of a foreign operation (IAS 21)
- Effective portion of gains and losses on hedging instruments in a cash flow hedge (IAS 39)

OCI items that cannot be reclassified into profit or loss:
- Changes in revaluation surplus (IAS 16 and IAS 38)
- Actuarial gains and losses on defined benefit plans (IAS 19.93A)
- Gains and losses from investments in equity instruments measured at fair value through OCI (IFRS 9)
- For those liabilities designated at fair value through profit or loss, changes in fair value attributable to changes in the liability's credit risk (IFRS 9)

These amendments are effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee benefits: Significant changes to accounting for pensions
The IASB has issued numerous amendments to IAS 19. The corridor mechanism for pension plans has been removed. This means all changes in the value of defined benefit plans will be recognized as they occur. Those movements are recorded in profit or loss and other comprehensive income as follows:
- Profit or loss will be charged with a service cost and a net interest income or expense. The net interest income or expense is the product of the net balance sheet liability or asset and the discount rate used to measure the obligation — both as at the start of the year. This removes the current concept of expected return on plan assets — where income is credited with the expected long-term yield on the assets in the fund.
- 'Remeasurements' will be recorded in other comprehensive income.
- Entities will no longer be allowed to recognize all movements in profit or loss.

Other changes as a result of the revised standard include:
- Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested.

- The distinction between short-term and other long-term employee benefits is now based on expected timing of settlement rather than employee entitlement. Changes in the carrying amount of liabilities for other long-term employment benefits will continue to be recognized in profit or loss.

The revised standard requires termination benefits (outside of a wider restructuring) to be recognized only when the offer becomes legally binding and cannot be withdrawn. In the context of a wider restructuring, termination benefits are recognized at the same time as the other restructuring costs. These amendments are applicable for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The IASB has tentatively decided to move the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015 with earlier adoption permitted. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in Q4 of 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities (including "special purpose entities," or "structured entities" as they are now referred to in the new standards). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities -- Non-monetary Contributions by Venturers. IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former jointly controlled entities), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity.

(in thousands of Canadian dollars, except where indicated and per share amounts)

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The additional disclosure requirements are substantial.

IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)
On 20 December 2010, the IASB issued *Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)* concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate *SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets* into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment.* The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 *Investment Property*. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

6. INVESTMENTS

(a) Interest in Jointly Controlled Entity

The Company accounts for its interest in Québec Silicon using the equity method. The following sets out the Company's 51% share of the balance sheet of Québec Silicon as at June 30, 2011 and December 31, 2010 and sales, expenses and profit of the jointly controlled entity for the three and six months ended June 30, 2011, that are reflected in the consolidated financial statements of the Company using the equity method:

Share of the joint venture's balance sheet:	**June 30, 2011**	December 31, 2010
Current assets	**$ 17,825**	$ 18,847
Non-current assets	**47,028**	47,343
Current liabilities	**(12,404)**	(13,166)
Non-current liabilities	**(8,980)**	(10,037)
Equity	**$ 43,469**	$ 42,987

(in thousands of Canadian dollars, except where indicated and per share amounts)

Share of the joint venture's sales, expenses and profit:	**Three months ended June 30 2011**	Three months ended June 30 2010	**Six months ended June 30 2011**	Six months ended June 30 2010
Revenue	**$ 15,211**	$ -	**$ 29,883**	$ -
Cost of sales	**(14,683)**	-	**(28,915)**	-
Administrative expenses	**(322)**	-	**(550)**	-
Finance costs	**(72)**	-	**(169)**	-
Profit before tax	**134**	-	**249**	-
Income tax expense	**-**	-	**-**	-
Profit for the period from continuing operations	**$ 134**	$ -	**$ 249**	$ -

Québec Silicon has no contingent liabilities as at June 30, 2011 and December 31, 2010.

(b) Investment in Applied Magnesium

	June 30, 2011	December 31, 2010
Balance, beginning of period	$ 222	$ 222
Impairment loss	(222)	-
Balance, end of period	$ -	$ 222

During the first quarter 2011, the Company impaired its investment in Applied Magnesium International Ltd. due to the uncertainty of Applied Magnesium continuing as a going concern.

7. INVENTORIES

Inventory – current	**June 30, 2011**	December 31, 2010
Finished goods	**$ 9,374**	$ 13,044
Stores inventory	**1,457**	1,429
Total inventories at the lower of cost and net realizable value	**$ 10,831**	$ 14,473

During the three and six months ended June 30, 2011, provisions of $66 and $331 (three and six months ended June 30, 2010 – $77 net recovery and $1,250 net expense) were recorded with regards to silicon metal finished goods inventories. During the three and six months ended June 30, 2011, provisions were reversed for sales of silicon metal inventory for $268 and $507 (three and six months ended June 30, 2010 – $529 and $1,357).

Inventories – long term	**June 30, 2011**	December 31, 2010
Raw materials	**$ 174**	$ 120
Work in progress	**1,111**	1,214
Finished goods	**1,078**	1,540
	$ 2,363	$ 2,874

Given low sales volume of the Company's solar grade silicon products, the need to meet prospective new customers' specifications and the uncertainty around the timing of future demand for the finished products, management is not able to predict the volumes of the solar grade silicon inventory that may be sold in the near term. Management believes that the timing of future sales of the Company's solar grade silicon product, including from existing inventories, is principally dependent upon successful completion of the Company's continued product and market development activities. Future sales of this inventory will be recognized as revenue and inventory will be expensed at its net carrying cost. During the three and six months ended June 30, 2011, net realizable value provisions amounting to $nil and $2,278 were reversed where there were firm sales commitments for products that required no further processing (three and six months ended June 30, 2010 - $37 and $375).

(in thousands of Canadian dollars, except where indicated and per share amounts)

During the three and six months ended June 30, 2011, the Silicon Group reversed a provision of $nil and $241 (three and six months ended June 30, 2010 – charge of $37 and $375) related to the net realizable value of by-product inventory generated from the production of solar grade silicon.

The components of cost of goods sold are as follows:

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Inventory and overhead not capitalized to inventories	**$ 23,589**	$ 32,483	**$ 48,205**	$ 64,028
Distribution costs	**718**	841	**1,981**	1,493
Drawdown of net realizable value provision for inventory sold	**(268)**	(529)	**(507)**	(1,358)
Adjustment to net realizable value provision	**(202)**	(40)	**(2,695)**	1,625
	$ 23,837	$ 32,755	**$ 46,984**	$ 65,788

8. PROPERTY, PLANT AND EQUIPMENT

During the three and six months ended June 30, 2011, the Company acquired assets with a cost of $36 and $50 (three and six months ended June 30, 2010 - $101 and $385). No assets were disposed of by the Company during the six months ended June 30, 2011 (six months ended June 30, 2010 - $16, resulting in a loss on disposal of $14). Depreciation for the three and six months ended June 30, 2011 were $945 and $1,875 (three and six months ended June 30, 2010 - $3,172 and $6,343).

Property, plant and equipment pledged as security:
Substantially all of the Company's land, buildings and equipment are pledged as security for the Company's obligations under the Loan and Security Agreement dated December 15, 2010 with Bank of America, N.A. and under the term loan with Investissement Québec (see Note 10).

9. INTANGIBLE ASSETS

Amortization for the three and six months ended June 30, 2011 was $568 and $1,149 respectively (three and six months ended June 30, 2010 - $707 and $1,413).

10. INTEREST BEARING LOANS AND BORROWINGS

	June 30, 2011	December 31, 2010
Senior Credit Facility	**$ 700**	$ -
Long term liabilities		
IQ Term Loan	**$ 26,324**	$ 26,318
Contract termination claims	**4,136**	4,460
Thorsil Bond	**-**	1,114
	30,460	31,892
Less current portion	**1,545**	3,273
	$ 28,915	$ 28,619

Interest expense for the three and six months ended June 30, 2011 includes interest on long term liabilities of $834 and $1,730 (three and six months ended June 30, 2010 - $827 and $1,903).

Senior Credit Facility
Bécancour Silicon has a Loan and Security Agreement dated December 15, 2010 (the "Senior Credit Agreement") with Bank of America, N.A., Canada branch (the "Bank"). The Senior Credit Agreement, which terminates on December 15, 2013, consists of a revolving credit facility (the "Senior Credit Facility") of up to $20,000, subject to a borrowing base and a $5,000 availability block. The applicable interest rate for the Senior Credit Facility was 5.75% as at June 30, 2011.

Starting in Q1-11, the Company is required to maintain certain minimum EBITDA levels, on a cumulative year-to-date basis as at each month end, and to restrict capital expenditures to certain maximum levels, also on a cumulative year-to-date basis as at each month end, throughout the term. The Company did not achieve the minimum required level of EBITDA on a cumulative year-to-date basis as at June 30, 2011 to satisfy the minimum EBITDA covenant in the Senior Credit Agreement, and obtained a waiver from the Bank in respect of such covenant for such period. In connection with such covenant waiver, the Company and the Bank agreed to revised minimum EBITDA levels for the periods from June to September 2011. The Company and the Bank also agreed to lower the maximum level of permitted capital expenditures, for the purposes of the capital expenditure covenant in the Senior Credit Agreement, to a level that prohibits the Company from incurring any additional capital expenditures beyond existing commitments without the Bank's consent.

A default under the Senior Credit Agreement could trigger an event of default under the cross-default provisions of the Term Loan Agreement (see below) and the AMG Convertible Note (see Note 15), subject to the provisions of the postponement agreements executed by the Bank with each of Investissement Québec and AMG, and Bécancour Silicon, in respect thereof. Also, a default under either the Term Loan Agreement or the AMG Convertible Note could trigger an event of default under the cross-default provisions of the Senior Credit Agreement.

Going forward, the borrowing base and availability under the Senior Credit Facility, and the Company's ability to comply with its financial covenants under the Senior Credit Agreement, are subject to material uncertainty and risk. Any material adverse developments in the Company's business, results of operations or liquidity could enable the Bank to declare an event of default under the Senior Credit Agreement and demand repayment of all outstanding indebtedness (see Note 2).

Thorsil bond
The Company is pursuing opportunities to expand its silicon metal production capacity through a potential new silicon metal production facility in Iceland. Timminco, through its Icelandic majority-owned subsidiary Thorsil ehf. ("Thorsil"), is in active discussions with Icelandic power companies regarding a long-term power contract and with strategic customers and partners regarding silicon metal off-take agreements, and has undertaken preliminary site selection studies and completed initial engineering studies. However, definitive commitments to proceed with this project have not yet materialized.

To fund preliminary expenses for this project, Thorsil issued a US$1,000 convertible bond (the "Thorsil Bond") to Strokkur Energy ehf. ("Strokkur") in February 2010. Interest on the Thorsil Bond accrued at 12% per annum and was payable upon maturity, on June 30, 2011. The Thorsil Bond was convertible, at Strokkur's option, into Thorsil share capital or into common shares of Timminco. Since Thorsil had neither signed a long-term power contract for the Iceland project, nor agreed to a deadline with an Icelandic power company for doing so, the outstanding principal and interest of the Thorsil Bond was reduced by 10%, and thereby only 90% of the principal amount and accrued interest (the "Conversion Amount") was payable on maturity. Strokkur elected to convert all of the Conversion Amount, of approximately US$1,050, into Timminco common shares. As a result, on June 30, 2011, Timminco issued 2,810,447 common shares to Strokkur, based on a translation of the Conversion Amount into Canadian dollars at an exchange rate of US$0.9542, which was the fixed exchange rate for such purposes, and a conversion price of $0.39 per Timminco common share, which was the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the effective date of notice of conversion. Furthermore, by reason of issuing its common shares to Strokkur, Timminco acquired additional share capital in Thorsil in an amount equal to the Conversion Amount, and thereby increased its equity ownership percentage in Thorsil from 51% to approximately 91%, on June 30, 2011. This has been reflected as a decrease in non-controlling interest and increase in deficit (See Note 16).

(in thousands of Canadian dollars, except where indicated and per share amounts)

11. LONG TERM PROVISIONS

		June 30, 2011		December 31, 2010
Provision for reorganization	$	**577**	$	719
Provision for environmental remediation		**8,283**		8,691
		8,860		9,410
Less current portion		**2,100**		2,555
	$	**6,760**	$	6,855

Provision for reorganization		**Six months ended June 30, 2011**		Year ended December 31, 2010
Balance, beginning of the period	**$**	**719**	$	745
Amounts charged against provision		**(142)**		(26)
Balance, end of the period	**$**	**577**	$	719

The provision for reorganization relates to closure of the Aurora, Colorado facility in 2009 which manufactured magnesium anodes and extruded products. The Company's reorganization liabilities are recorded at the anticipated cash outflow.

Provision for environmental remediation		**Six months ended June 30, 2011**		Year ended December 31, 2010
Balance, beginning of the period	**$**	**8,691**	$	8,602
Costs recognized		**61**		1,096
Interest		**90**		200
Amounts charged against provision		**(559)**		(1,207)
Balance, end of the period	**$**	**8,283**	$	8,691

The provision for environmental remediation relates to remediation of a silica fumes disposal site associated with the silicon metal manufacturing facility in Bécancour, Québec, the closure of the former magnesium manufacturing facility in Haley, Ontario, and 49% of the indemnification by Bécancour Silicon to Québec Silicon related to undertakings in connection with the environmental certificate of authorization granted to Québec.

Environmental remediation costs, including interest, are disclosed in other operating expenses in the consolidated statement of operations. The Company's environmental liabilities are discounted using risk free discount rates of 0.98% - 3.77% for periods to 2029.

12. EMPLOYEE BENEFITS

		June 30, 2011		December 31, 2010
Pension and post retirement benefits	**$**	**18,040**	$	19,380
Termination benefits		**2,774**		1,230
	$	**20,814**	$	20,610

The Company provides pension or retirement benefits to substantially all of its employees in Canada through group RRSPs, non-registered employee savings plans, and a defined contribution and defined benefit pension plans, based on length of service and remuneration. The Company also sponsors a contributory defined benefit pension plan and other retirement benefits for certain of its eligible employees.

Termination benefits relate to closures of the Company's magnesium manufacturing facilities in Aurora, Colorado, in 2009 and operations at the Haley, Ontario facility, certain accrued retirement obligations for former employees of the Haley facility and a termination agreement with a former president and chief operating officer of the Company. The future period costs of these obligations have been discounted at the rate of high quality corporate bonds and will continue until 2021. During the six months ended June 30, 2011, Company has accrued an additional $1,754 (six months ended June 30, 2010 - $nil) which relates to a change in actuarial estimate for retirement benefits relating to a former chief executive officer of the Company and change in estimate resulting from higher anticipated cash outflows relating to accrued retirement obligations for former employees of the Haley facility.

(in thousands of Canadian dollars, except where indicated and per share amounts)

13. CAPITAL STOCK

Authorized: unlimited number of Class A and Class B preference shares, issuable in series and having such rights, privileges, restrictions and conditions as may be approved by the Board of Directors of Timminco. The Class A and Class B preference shares rank in priority to the common shares with respect to the payment of dividends and the return of capital.

Issued: none

Authorized: unlimited number of common shares. Holders of common shares are entitled to one vote for each share.

Issued capital	Six months ended June 30, 2011		Year ended December 31, 2010	
	Shares (000's)	**Amount**	Shares (000's)	Amount
Balance, beginning of the period	**195,735**	**$ 310,777**	159,334	$ 285,205
Common shares issued for cash	-	-	20,155	12,434
Common shares issued in settlement of Thorsil Bond (Note 10)	**2,810**	**1,096**	-	
Common shares issued in settlement of repayment liability	-	-	15,908	12,726
Common shares issued in settlement of trade payable	-	-	338	412
Balance, end of the period	**198,545**	**$ 311,873**	195,735	$ 310,777

14. SHARE BASED COMPENSATION PLANS

(a) **Share option plans**

The Company has a share option plan for key employees originally established in 2004 (the "2004 Option Plan"), as well as another share option plan established in 2008 (the "2008 Option Plan"), both of which were amended and restated in March 2011 and approved by the shareholders on May 18, 2011 to:

- decrease the number of common shares of Timminco ("Common Shares") available for issuance under the 2008 Option Plan by 3,000,000 Common Shares (from 10,000,000 Common Shares to 7,000,000 Common Shares);
- increase the number of Common Shares available for issuance under the 2004 Option Plan by 3,000,000 Common Shares (from 8,448,175 Common Shares to 11,448,175 Common Shares);
- provide that, with respect to any options that expire under the 2008 Option Plan without the recipient having purchased all of the Common Shares which he was entitled to purchase, the remaining Common Shares shall not be available for re-issuance under the 2008 Option Plan; and
- provide that the number of Common Shares reserved for issuance under the 2004 Option Plan shall be increased by an amount equal to the number of Common Shares that otherwise would have become available for issuance under the 2008 Option Plan as a result of options expiring without the recipient having purchased all of the Common Shares which he was entitled to purchase.

(in thousands of Canadian dollars, except where indicated and per share amounts)

A summary of the status of the options under both the 2004 Option Plan and the 2008 Option Plan ("Option Plans") is presented below:

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Shares (000's)	**Weighted Average Exercise Price**	Shares (000's)	Weighted Average Exercise Price
Outstanding, beginning of period	**13,908**	**$ 4.90**	12,235	$ 5.45
Granted	**3,255**	**$ 0.41**	1,737	$ 0.90
Expired	**(1,010)**	**$ 0.96**	-	$ -
Forfeited	**(300)**	**$ 0.62**	(64)	$ 1.26
Outstanding, end of period	**15,853**	**$ 4.31**	13,908	$ 4.90

At June 30, 2011, the number of Common Shares subject to options outstanding and exercisable under the Option Plans was as follows:

Price Range	Outstanding Options (000's)	Weighted Average Exercise Price	Weighted Average Remaining Life	Exercisable Options (000's)	Weighted Average Exercisable Price
$0.29 to $0.59	5,990	$ 0. 42	4.94	2,365	$ 0.46
$1.23 to $2.57	1,938	$ 1.52	5.48	562	$ 1.63
$7.64 to $15.45	7,925	$ 7.94	6.99	528	$ 10.70
	15,853	$ 4.31	6.03	3,455	$ 2.21

As of June 30, 2011, the maximum number of Timminco Common Shares that may be reserved for issuance pursuant to options granted under the Option Plans is 18,448,175, representing 9.4% of the issued and outstanding Common Shares on that date.

The following tables list the inputs to the model for the Option Plans for the six months ended June 30, 2011 and year ended December 31, 2010:

	June 30, 2011	December 31, 2010
Dividend yield (%)	**-**	-
Expected volatility (%)	**115.6 – 131.2**	118.4 - 119.8
Risk-free interest rate (%)	**2.24 – 3.21**	2.91 - 3.00
Expected life of the options (years)	**5.69 – 6.89**	5.27 - 6.82
Share price ($)	**0.37 – 0.53**	0.34
Model used	**Black-Scholes**	Black-Scholes

(b) **Deferred share unit plan**
The value of the outstanding deferred share units ("DSU") as at June 30, 2011, is $837 (December 31, 2010 - $594), representing the equivalent of 2,461,552 (December 31, 2010 – 1,801,033) common shares of Timminco.

(c) **Performance share unit plan**
During the three and six months ended June 30, 2011, 69,400 performance share units ("PSUs") were cancelled. The accrual for the outstanding PSUs as at June 30, 2011 and December 31, 2010 were $314 (2,311,000 units) and $244 (2,380,400 units), respectively.

(in thousands of Canadian dollars, except where indicated and per share amounts)

The expense from share based payment transactions recognized for employee services received during the period, which is included in selling and administrative expenses in the statement of operations, is shown in the following table:

	Three months ended June 30		Six months ended June 30	
	2011	**2010**	2011	2010
Expense arising from share option plans	**$ 669**	$ 884	**$ 1,411**	$ 1,887
Expense (recovery) arising from DSUs	**(73)**	205	**306**	234
Expense (recovery) arising from PSUs	**(51)**	54	**133**	260
Total expense arising from share-based payment transactions	**$ 545**	$ 1,143	**$ 1,850**	$ 2,381

15. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of the Company and each of the subsidiaries listed in the following table:

		% equity interest	
Name of subsidiary	Country of Incorporation	June 30, 2011	December 31, 2010
Bécancour Silicon Inc.	Canada	100%	100%
Thorsil ehf	Iceland	91.4%	51%

The following table provides the total amounts receivable from and payable to related parties:

Due from related companies- current	**June 30, 2011**	December 31, 2010
Due from AMG Conversion Ltd. ("AMGC")	**$ 259**	$ 1
Trade receivable from Québec Silicon Limited Partnership ("Québec Silicon")	**275**	896
Note receivable from Québec Silicon	**1,275**	1,275
	$ 1,809	$ 2,172

Due from related companies- long term	**June 30, 2011**	December 31, 2010
Note receivable from Québec Silicon	**-**	1,275
	$ **-**	$ 1,275

Due to related companies- current	**June 30, 2011**	December 31, 2010
Due to AMGC	$ **361**	$ 346
Due to AMG	**8**	8
Due to Québec Silicon	**10,799**	18,841
Indemnification liability to Québec Silicon	**37**	37
Due to ALD Vacuum Technologies ("ALD")	**45**	20
	$ **11,250**	$ 19,252

(in thousands of Canadian dollars, except where indicated and per share amounts)

Due to related companies - long term		**June 30, 2011**		December 31, 2010
AMGC	$	**3,589**	$	3,539
Indemnification liability to Québec Silicon		**2,965**		2,879
	$	**6,554**	$	6,418

Other financial liability - long term		**June 30, 2011**		December 31, 2010
AMG Convertible Note embedded derivative fair value	$	**1,427**	$	1,343

The following tables provide the total sales to and purchases from related parties:

Sales to related companies		Three months ended June 30				Six months ended June 30		
		2011		2010		**2011**		2010
AMGC	$	**902**	$	-	$	**964**	$	604
Sudamin S.A ("Sudamin")		**-**		898		**-**		3,741
GfE Fremat GmbH ("GfE")		**465**		-		**465**		-
ALD		**-**		64		**11**		64
Dow Corning Corporation ("Dow Corning")		**-**		5,600		**3,345**		9,985
	$	**1,367**	$	6,562	$	**4,785**	$	14,394

		Three months ended June 30				Six months ended June 30		
Purchases from related companies		**2011**		2010		**2011**		2010
AMGC	$	**368**	$	252	$	**720**	$	383
RW Silicium GmbH		**-**		-		**-**		35
ALD		**109**		28		**109**		37
Québec Silicon		**10,657**		-		**27,202**		-
	$	**11,134**	$	280	$	**28,031**	$	455

Québec Silicon Limited Partnership and Dow Corning Corporation
For the three and six months ended June 30, 2011, Bécancour Silicon reimbursed Québec Silicon $184 and $346 for its proportionate share of salaries, benefits and various overhead expenses of Quebec Silicon, at cost.

For the three and six months ended June 30, 2011, Bécancour Silicon invoiced Québec Silicon commissions of $60 and $113 with respect to the sale of by-products produced by Québec Silicon.

On its maturity date of April 1, 2011, Québec Silicon repaid Bécancour Silicon a note in the amount of $2,500.

To fulfill Bécancour Silicon's supply commitments to its third party end-customers during the fourth quarter 2010 and the first quarter 2011, less than 49% of Québec Silicon's production was allocated to Dow Corning in each quarter. Québec Silicon has agreed to allocate more than 49% of its output to Dow Corning starting in the second quarter of 2011 to replace such shortfall in accordance with an agreed formula. If any shortfall from the fourth quarter 2010 remains at the end of 2012, Bécancour Silicon has agreed to pay Dow Corning for such remaining shortfall at prevailing market prices.

AMG Conversion Ltd.
The Company invoiced AMGC for services to convert AMGC's inventories into ingots. AMGC invoiced the Company tolling fees for the use of AMGC's ingoting equipment.

ALD Vacuum Technologies
The Company purchased from ALD maintenance parts for the operations of the ingoting facility.

(in thousands of Canadian dollars, except where indicated and per share amounts)

GfE Fremat GmbH
The Company recognized 2009 shipments of solar grade silicon, previously recorded as deferred revenue, as all revenue recognition criteria have been satisfied.

AMG Advanced Metallurgical Group
AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder in the Company. As at June 30, 2011, AMG directly held 83,146,007 common shares Timminco, representing 41.9% of the total issued and outstanding shares at that time.

Executive Management
Dr. Heinz C. Schimmelbusch is Chairman of the Board and Chief Executive Officer of Timminco, as well as Chairman of the Management Board of AMG. Dr. Schimmelbusch is also a member of the executive committee of the general partner of Safeguard International Fund, L.P. ("Safeguard"), which is a shareholder of AMG. Mr. Arthur R. Spector is a member of the Board of Directors of Timminco and is also a member of the executive committee of the general partner of Safeguard.

Mr. John Fenger is President and Chief Operating Officer of Timminco and is paid through a subsidiary of AMG. For the three and six months ended June 30, 2011, the Company contributed $100 and $417 (three and six months ended June 30, 2010 - $162 and $372) to the cost of Mr. Fenger's remuneration.

16. NON-CONTROLLING INTEREST

The non-controlling interest represents Strokkur Energy ehf's ("Strokkur") interest in Thorsil ehf ("Thorsil"), an entity consolidated by the Company. Upon conversion of the Thorsil bond on June 30, 2011, Strokkur's interest decreased from 49% to 8.6%.

		June 30, 2011		December 31, 2010
Balance, beginning of the period	$	**(610)**	$	-
Investment in Thorsil		**112**		2
Share of net loss		**(45)**		(612)
Acquisition of non-controlling interest (Note 10)		**543**		-
Balance, end of the period	$	**-**	$	(610)

17. OTHER INCOME / EXPENSES

(a) Other operating expenses (income), net

		Three months ended June 30				Six months ended June 30		
		2011		2010		**2011**		2010
Environmental remediation costs	**$**	**74**	$	-	**$**	**60**	$	-
Termination benefits		**413**		-		**1,754**		-
Foreign exchange gain		**123**		1,652		**47**		(5)
	$	**610**	$	1,652	**$**	**1,861**	$	(5)

(in thousands of Canadian dollars, except where indicated and per share amounts)

(b) **Finance costs (income), net**

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Interest income	**$ (12)**	$ (3)	**$ (52)**	$ (8)
Interest on overdrafts and other finance costs	**187**	712	**474**	1,538
Interest on debts and borrowings	**1,163**	1,186	**2,325**	2,662
Fair value loss (gain) on financial instruments at fair value through profit and loss	**(2,208)**	-	**84**	(471)
Gain on Thorsil bond conversion	**(127)**	-	**(127)**	-
	$ (997)	$ 1,895	**$ 2,704**	$ 3,721

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial assets and liabilities
The carrying value of financial assets and financial liabilities is equivalent to fair value, except for the following items:

	June 30, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities				
Bank indebtedness	**$ 700**	**$ 606**	$ -	$ -
Due to related companies	**6,554**	**7,453**	6,418	7,465
	$ 7,254	**$ 8,059**	$ 6,418	$ 7,465

The risks associated with the Company's financial instruments are as follows:

(a) **Market risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the Company is exposed are discussed below.

Foreign currency risk:
The Company had entered into foreign exchange forward contracts at June 30, 2011 and December 31, 2010, relating to Euro denominated sales in subsequent respective quarters. Realized and unrealized gains or losses are included in net earnings (three and six months ended June 30, 2011 - $15 loss and $149; three and six months ended June 30, 2010 - $nil loss and $nil).

There are no open foreign exchange forward contracts as at June 30, 2011.

The open foreign exchange forward contracts as at December 31, 2010 are as follows:

		Notional Canadian dollars equivalent		
(000's)	Notional amount of currency sold	Contract amount $	Fair value $	Unrealized loss $
Euro	4,500	5,936	5,867	69

Subsequent to June 30, 2011, the Company entered into foreign exchange forward contracts to sell €4,500 for Canadian dollars in the period July to September 2011 at rates of 1.3519 to 1.3523 (see Note 24).

(b) **Credit risk**
At June 30, 2011, the Company had five customers (December 31, 2010: five customers, January 1, 2010: five customers) that accounted for approximately 71% (December 31, 2010: 48%, January 1, 2010: 70%) of all receivables owing.

(in thousands of Canadian dollars, except where indicated and per share amounts)

19. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income/loss for the period attributable to equity holders of the parent by the weighted average number of shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net income/loss attributable to equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Net loss attributable to shareholders for basic and diluted earnings per share	**$ 5,306**	$ 9,604	**$ 13,387**	$ 20,031
Weighted average number of shares for basic earnings per share	**193,614,722**	184,215,471	**194,668,889**	172,408,346
Effect of dilution:				
Share options	-	-	-	-
Convertible debt conversion right	-	-	-	-
Weighted average number of shares adjusted for the effect of dilution	**193,614,722**	184,215,471	**194,668,889**	172,408,346

There have been no other transactions involving an actual or potential issuance of shares between the reporting date and the date of completion of these financial statements which materially affect diluted earnings per share.

20. REPORTABLE BUSINESS SEGMENTS

The Company is managed as a single business segment, the Silicon Group, that consists of silicon metal and solar grade silicon product lines. The Company also incurs corporate administrative expenses and costs related to inactive, legacy entities ("Other"). The Company determines and presents business segments based on the information that internally is provided to the president and chief operating officer of the Company, who is the Company's chief operating decision maker ("CODM"). When making resource allocation decisions the CODM evaluates liquidity and production capacity. The objective in making resource allocation decisions is to maximize consolidated profits and cash flows.

The CODM assesses the performance of the business segment based on the consolidated earnings of the Company for the period. This measure excludes the effects of certain income and expense items, which are unusual, by virtue of their size and incidence, in the context of the Company's ongoing core operations, such as the impairment of a financial asset investment and accelerated depreciation of property, plant and equipment.

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, intersegment revenue is zero.

(in thousands of Canadian dollars, except where indicated and per share amounts)

(a) **Sales (based on the country/region to which the goods were shipped):**

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
	Silicon Group	Silicon Group	Silicon Group	Silicon Group
Canada	$ **2,776**	$ 4,220	$ **5,104**	$ 8,100
United States	**2,783**	16,766	**10,560**	26,366
Mexico	**-**	5	**-**	11
Europe	**15,133**	13,054	**27,686**	30,181
Pacific Rim	**354**	264	**1,614**	448
	$ 21,046	$ 34,309	**$ 44,964**	$ 65,106

(b) **Net income (loss):**

	Three months ended June 30			**Six months ended June 30**		
	2011			2011		
	Silicon Group	Other	Total	Silicon Group	Other	Total
Loss before the undernoted:	$ (1,702)	$ (445)	$ **(2,147)**	$ (5)	$ (6,018)	$ **(6,023)**
Amortization of PP&E and intangible assets	(1,540)	(12)	**(1,552)**	(3,007)	(17)	**(3,024)**
Interest	-	(1,062)	**(1,062)**	-	(2,407)	**(2,407)**
Environmental remediation costs	(51)	(88)	**(139)**	(101)	(52)	**(153)**
Interest on convertible debt	-	(80)	**(80)**	-	(160)	**(160)**
Impairment of investment in Applied Magnesium	-	(-)	**(-)**	-	(222)	**(222)**
Reorganization costs	-	(413)	**(413)**	-	(1,754)	**(1,754)**
Equity income of Québec Silicon	87	-	**87**	356	-	**356**
Net loss	$ (3,206)	$ (2,100)	$ **(5,306)**	$ (2,757)	$ (10,630)	$ **(13,387)**
Total assets	$ 129,703	$ 2,606	$ **132,309**	$ 129,703	$ 2,606	$ **132,309**
Total liabilities	$ 74,720	$ 18,160	$ **92,880**	$ 74,720	$ 18,160	$ **92,880**

(in thousands of Canadian dollars, except where indicated and per share amounts)

	Three months ended June 30			**Six months ended June 30**		
	2010			2010		
	Silicon Group	Other	Total	Silicon Group	Other	Total
Loss before the undernoted:	$ 581	$ (4,509)	$ (3,928)	$ (1,632)	$ (6,758)	$ (8,390)
Amortization of PP&E and intangible assets	(3,874)	(5)	(3,879)	(7,745)	(11)	(7,756)
Interest	-	(1,684)	(1,684)	-	(3,795)	(3,795)
Environmental remediation costs	(44)	(7)	(51)	(88)	(13)	(101)
Interest on convertible debt	-	(143)	(143)	-	(279)	(279)
Net loss	$ (3,337)	$ (6,348)	$ (9,685)	$ (9,465)	$ (10,856)	$ (20,321)
Total assets	$ 259,267	$ 3,048	$ 262,315	$ 259,267	$ 3,048	$ 262,315
Total liabilities	$ 120,093	$ 19,028	$ 139,121	$ 120,093	$ 19,028	$ 139,121

(c) **Non-current assets (excludes financial instruments, deferred tax assets and post-employment benefit assets):**

	Silicon Group	Other	**June 30, 2011**
Canada	$ 61,909	$ 538	**$ 62,447**
	$ 61,909	$ 538	**$ 62,447**

	Silicon Group	Other	December 31,2010
Canada	$ 64,640	$ 1,291	$ 65,931
	$ 64,640	$ 1,291	$ 65,931

(d) **Additions to non-current assets (excludes financial instruments, deferred tax assets and post-employment benefit assets):**

	June 30, 2011	December 31, 2010
Silicon	**$ 17**	$ 927
Other	**33**	-
	$ 50	$ 927

The Company has traditionally had several large customers, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Company. For six months ended June 30, 2011 and 2010, sales to each of the Company's two largest customers exceeded 10% of total sales and were $20,584 and $4,686 (June 30, 2010 - $22,201 and $10,219). The extent to which any of the Company's significant silicon metal customers may be unwilling or unable to satisfy all or a material portion of its purchase commitments with the Company could have a material adverse affect on the Company's results of operations and liquidity.

For the three and six months ended June 30 2011, the Company sold inventories to Sudamin for $nil and $nil (three and six months ended June 30, 2010 - $nil and $64). These transactions were for cash (see Note 15).

21. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

i. Class Action Lawsuit

Timminco and certain of its directors and officers, as well as certain third parties, have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on May 14, 2009. The plaintiff, St. Clair Pennyfeather, is bringing the action on behalf of shareholders who acquired Timminco's common shares between March 17, 2008 and November 11, 2008 and claims damages exceeding $540 million. The plaintiff alleges that Timminco and others made certain misrepresentations about Bécancour Silicon's solar grade silicon production process. These are unproven allegations and the action has not yet been certified. Moreover, the plaintiff will need to obtain leave, or permission, of the court to proceed with any of its misrepresentation claims under the secondary market disclosure provisions of the Ontario Securities Act.

The Company has not recorded any liability related to these matters. Timminco's directors and officers insurance policies provide for reimbursement of costs and expenses incurred in connection with this lawsuit, including legal and professional fees, as well as potential damages awarded, if any, subject to certain policy limits and deductibles. Timminco intends to vigorously defend these allegations and the plaintiff's attempt to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of such proceedings, and the amount of any damages awarded in such lawsuit could be substantial.

ii. Other legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

iii. Guarantees

In the normal course of business, the Company has provided indemnifications in various commercial agreements which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law. The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote.

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties.

22. COMPARATIVE FIGURES

Certain of the June 30, 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2011.

(in thousands of Canadian dollars, except where indicated and per share amounts)

23. EXPLANATION OF TRANSITION TO IFRS

For all periods up to December 31, 2010 the Company prepared its consolidated financial statements in accordance with previous Canadian generally accepted accounting principles ("Canadian GAAP"). These interim consolidated financial statements are prepared on the basis of the IFRS expected to be in effect as at December 31, 2011, as described in the accounting polices described in Note 3. In preparing these consolidated financial statements, the Company's opening consolidated balance sheet was prepared as at January 1, 2010, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previously published Canadian GAAP consolidated financial statements for the three and six month period ended June 30, 2010.

(a) **Reconciliation of equity**
The following is a reconciliation of the Company's consolidated balance sheet reported in accordance with Canadian GAAP to its consolidated balance sheet reported in accordance with IFRS at June 30, 2010:

	Notes	Canadian GAAP (Note 22)	Adjustment	IFRS
ASSETS				
Current Assets				
Cash and cash equivalent	$	1,481	-	1,481
Restricted cash		471	-	471
Accounts receivable		12,939	-	12,939
Due from related companies		18	-	18
Inventories		33,893	-	33,893
Finished goods consigned to related company		4,585	-	4,585
Prepaid expenses and deposits		1, 392	-	1,392
	$	54,779	$ -	$ 54,779
Long term receivables		1,280	-	1,280
Long term inventories		24,558	-	24,558
Property, plant and equipment	i	88,051	70,136	158,187
Investments		222	-	222
Future income taxes	viii	2,550	(2,550)	-
Employee future benefit	ii	939	(939)	-
Intangible assets		6,462	-	6,462
Goodwill		16,827	-	16,827
	$	195,668	66,647	$ 262,315

TIMMINCO LIMITED

Notes to Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2011 and 2010
(in thousands of Canadian dollars, except where indicated and per share amounts)

	Notes		Canadian GAAP (Note 22)	Adjustment	IFRS
LIABILITIES					
Current Liabilities					
Bank indebtedness		$	31,213	-	31,213
Accounts payable and accrued liabilities	iii,v		17,537	(2,191)	15,346
Deferred revenue			12,311	-	12,311
Due to related companies	iv		5,499	(228)	5,271
Future income taxes	viii		268	(268)	-
Other financial liability	iv		-	-	-
Current portion of long term liabilities	vi		27,806	(232)	27,574
Current portion of long term provisions	iii		2,134	1,977	4,111
			96,768	(942)	95,826
Long term liabilities			50	-	50
Employee future benefits	ii		20,481	15,230	35,711
Future income taxes	viii		2,282	(2,282)	-
Long term provisions	iii		6,251	1,283	7,534
			125,832	13,289	139,121
SHAREHOLDERS' EQUITY					
Capital stock	viii		311,523	(746)	310,777
Equity component of convertible notes	iv		217	(217)	-
Contributed surplus	v		17,132	(5,808)	11,324
Deficit			(259,036)	60,419	(198,617)
Equity attributable to owners of parents			69,836	53,648	123,484
Non-controlling interest	vii		-	(290)	(290)
Total Equity			69,836	53,358	123,194
		$	195,668	66,647	262,315

(in thousands of Canadian dollars, except where indicated and per share amounts)

(b) **Reconciliation of Net Income As Reported Under Previous Canadian GAAP to IFRS**

The following is a reconciliation of the Company's net income reported in accordance with Canadian GAAP to its net income in accordance with IFRS for the three and six month periods ended June 30, 2010.

	Note	Three months ended June 30, 2010	Six months ended June 30, 2010
Net loss as reported under previous Canadian GAAP		$ (9,704)	$ (20,609)
Differences increasing (decreasing) reported net income:			
Depreciation expense	i	(1,237)	(2,382)
Employee benefit expense	ii	144	288
Share-based payments expense	v	1,156	1,989
Fair value adjustment of financial liability	iv	12	472
Interest	ii, iii, iv	(1)	23
Transaction costs	vi	(55)	(102)
Net loss as reported under IFRS		$ (9,685)	$ (20,321)

Explanation of reconciling items from previous Canadian GAAP to IFRS

The following explanations accompany the preceding reconciliations and describe the effect of the transition to IFRS:

i. **Property, Plant and Equipment**

The Company elected to record certain items of property, plant and equipment at fair value as deemed cost on transition. The resulting carrying value of these assets for IFRS exceeded the recorded amount under previous Canadian GAAP by $71,070 at January 1, 2010.

For all other items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. Differences relating to the level of componentization and depreciation rates as at transition date caused the carrying value of these assets under IFRS to exceed the recorded amount under Canadian GAAP by $1,448.

The net increase in carrying value resulted in higher depreciation under IFRS as compared to previous Canadian GAAP of $1,237 and $2,382 for the three and six months ended June 30, 2010. However, this impact is partially offset by using longer estimated useful lives for certain component parts-.

ii. **Employee Benefits**

The Company elected to recognize in equity all cumulative actuarial gains and losses existing at the transition date.

The other differences impacting the consolidated balance sheet and consolidated statements of operations and comprehensive loss include:

- Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the average remaining service period of active employees. IAS 19 requires the past service costs to be expensed on an accelerated basis, with vested past service costs expensed immediately and unvested past service costs recognized on a straight-line basis until the benefits become vested.
- Under Canadian GAAP, certain losses that were unrecognized at the time of adopting the Canadian accounting standard were permitted to be recognized as a transitional asset and amortized into income over time. Those amounts are not permitted to remain unrecognized under IAS 19 and must be recognized in equity on the transition date.
- Canadian GAAP permits the defined benefit obligation to be measured using rates inherent in the current prices of annuity contracts if immediate settlement using such an annuity contract is possible. IAS 19 requires the rate used to discount the defined benefit obligation to be determined by reference to market yields on high quality corporate bonds.
- In addition IFRIC 14, The Limit on a Defined Benefit Asset – Minimum Funding Requirements, requires the Company to take into account solvency funding contributions it currently makes to