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 shows a total IAS 19 defined benefit plan deficit of $36,249 at January 1, 2010 and $35,711 at June 30, 2010 which compares with a net deficit (employee future benefit obligation less asset) of $19,179 at January 1, 2010 and $19,542 at June 30, 2010 reported previously under Canadian GAAP. In addition, the operating expense through the 2010 consolidated statement of operations and comprehensive loss decreased by $144 and $288 for the three and six months ended June 30, 2010.

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 and $124 at June 30, 2010. The remeasurement increased interest expense by $17 for both the three and six months ended June 30, 2010.

iii. **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 by $2,306 at January 1, 2010 and $2,085 at June 30, 2010.

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 and $1,276 at June 30, 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 by $2,451 at both January 1, 2010 and June 30, 2010.

Interest on provisions for the three and six months ended June 30, 2010 was lower by $110 and $221.

iv. **Due to related companies and other financial liability**

The Company had issued a convertible debt to AMG (refer Note 15) 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 and $228 at June 30, 2010 and recognition of an other financial liability of $471 at January 1, 2010 and $nil at June 30, 2010. In addition, other operating expenses for the three months and six months ended June 30, 2010 reflects the adjustment for accreted interest expense of $94 and $181, respectively, and foreign exchange and the mark to market of the embedded derivative conversion option financial liability of $12 and $472, respectively.

v. **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.

The application of IFRS 2 reduced contributed surplus and increased opening retained earnings by $3,558 at January 1, 2010 and $5,808 at June 30, 2010. The expense under IFRS is lower for the three and six months ended June 30, 2010 by $1,210 and $2,249 as compared to previous Canadian GAAP.

Under IFRS, expense recognition for the performance share units is higher by $54 and $260 for the three and six months ended June 30, 2010, based on a fair value model, compared to an intrinsic value under previous Canadian GAAP. The resulting fair value of $nil at January 1, 2010 and $260 at June 30, 2010 is recorded in accounts payable and accrued liabilities.

vi. **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 and $232 at June 30, 2010. In addition, the operating expense reflects the impact of accreted interest expense in this respect of $55 and $102 for the three and six months ended June 30, 2010.

vii. **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. Under 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 is 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 of $81 and $290 for the three and six months ended June 30, 2010 are attributed to non-controlling interest even if this results in a debit balance.

viii. **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. This change in accounting policy reduced capital stock and increased opening retained earnings by $746 at both January 1, 2010 and June 30, 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 and $2,550 at June 30, 2010 compared with that previously reported under Canadian GAAP.

(c) **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 and six month periods ended June 30, 2010.

		Three months ended June 30, 2010		Six months ended June 30, 2010
Comprehensive loss as reported under previous Canadian GAAP	$	(9,704)	$	(20,609)
Differences increasing (decreasing) reported comprehensive loss:				
Differences in net income		19		288
Comprehensive loss as reported under IFRS	$	(9,685)	$	(20,321)

i. **Differences in Net Income**

Reflects the differences in net income between Canadian GAAP and IFRS as described above (Note 23(b)).

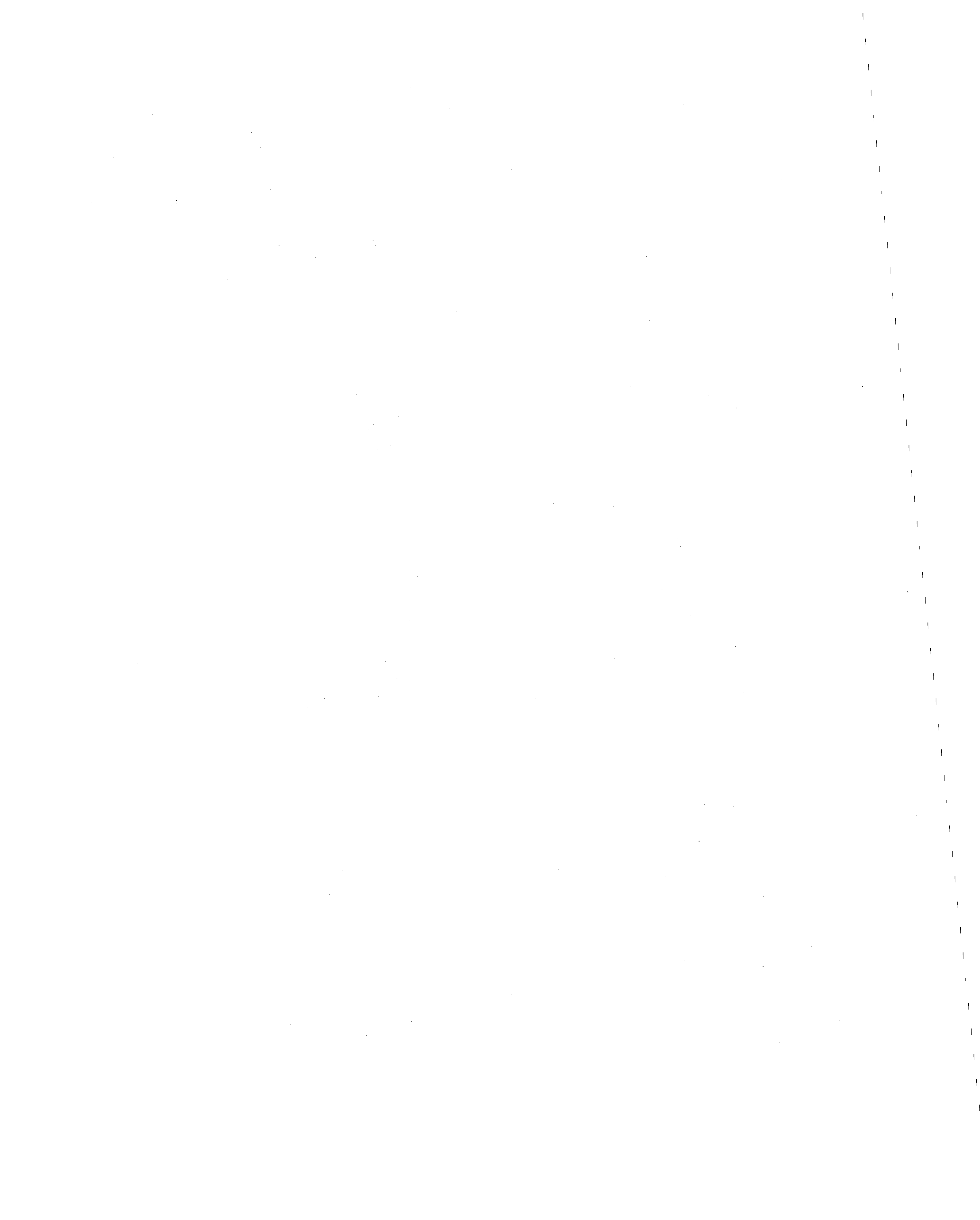
(d) **Reconciliation of Consolidated Statements of Cash Flows As Reported Under Previous Canadian GAAP and IFRS**

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 June 30, 2010. For the year ended December 31, 2010 the operating, investing and financing sub-totals are impacted by the de-consolidation of Québec Silicon.

24. EVENTS AFTER THE REPORTING PERIOD

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.

The Bank waived compliance with the minimum EBITDA financial covenant under the Senior Credit Facility for the month of June 2011 (see Note 10).



TIMMINCO

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements of Timminco Limited ("Timminco" and, collectively, with its consolidated subsidiaries, the "Company") and the notes thereto for the quarter ended June 30, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A covers the quarter and six months ended June 30, 2011 ("Q2-11" and "H1-11", respectively) with comparisons to results for the quarter and six months ended June 30, 2010 ("Q2-10" and "H1-10", respectively) restated from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS. All amounts are in Canadian dollars unless otherwise noted. This MD&A is prepared as of August 9, 2011.

OVERVIEW

The following are the highlights of results for Q2-11, which are described in more detail elsewhere in this MD&A:

- Sales for Q2-11 were $21.0 million, compared to $34.3 million in Q2-10 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 Q2-11 was negative $3.6 million, compared to negative EBITDA of $3.1 million in Q2-10.
- Net loss for Q2-11 was $5.3 million or $0.03 per share compared to a loss of $9.7 million or $0.05 per share for Q2-10.
- In 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.
- The Company and Bank of America have agreed to revised financial covenants under the Senior Credit Agreement, in respect of Q2-11 and future periods, including new minimum EBITDA levels that are consistent with the Company's revised forecasts and new restrictions on the Company's ability to incur capital expenditures beyond existing commitments.

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 note 2 to the unaudited interim condensed 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 Q2-11 unaudited interim condensed consolidated financial statements reflect the adoption of IFRS, with effect from January 1, 2010.

Note 21 of the Q2-11 unaudited interim condensed consolidated financial statements contains a detailed description of the Company's conversion to IFRS, including reconciliations of net income and

comprehensive income previously prepared under CGAAP to IFRS for Q2-10 and H1-10, and for the balance sheets and equity as at June 30, 2010.

SUMMARY OF OPERATIONS

($000's, except per share amounts)				
	Q2-11	Q2-10(2)	H1-11	H1-10(2)
Sales	21,046	34,309	44,964	65,106
Gross Loss	(2,791)	(2,325)	(2,020)	(8,439)
Gross Loss Percentage	(13.3%)	(6.8%)	(4.5%)	(13.0%)
Net Loss				
Silicon	(3,206)	(3,337)	(2,757)	(9,465)
Corporate/Other	(2,100)	(6,348)	(10,630)	(10,856)
Total	(5,306)	(9,685)	(13,387)	(20,321)
EBITDA(1)				
Silicon	(1,585)	552	350	(1,704)
Corporate/Other	(1,967)	(3,616)	(4,450)	(5,238)
Total	(3,552)	(3,064)	(4,100)	(6,942)
Adjusted Income (Loss) (1)				
Silicon	(3,087)	(3,322)	(2,658)	(9,450)
Corporate/Other	(3,858)	(6,349)	(8,497)	(11,328)
Total	(6,945)	(9,671)	(11,155)	(20,778)
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 (000's)	193,615	184,215	194,669	172,408
(1) See "Non-GAAP Accounting Definitions". (2) 2010 amounts have been re-stated based on the application of IFRS.				

Silicon Group

The Silicon Group segment is operated through the Company's wholly-owned subsidiary, Bécancour Silicon Inc. ("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 Limited Partnership ("Québec Silicon"), a 51%-owned production partnership, 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 H1-11, 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 H1-11 (as compared with H1-10) 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 H1-11 reflected the improving market conditions for this product line with revenue of approximately $5.3 million generated primarily from the shipment to customers through distributors and the recognition of deferred revenues of 159 metric tons of solar grade silicon inventory, some of which was further processed at the ingoting facility in Bécancour, Québec. Subsequent to Q2-11, during July 2011, Bécancour Silicon shipped an additional 10 metric tons of solar grade silicon, substantially through similar channels to these same customers.

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. This new contract, which replaced all previous commitments with this customer for the years 2011 to 2014, amended the existing contractual relationship with revised pricing retroactive to January 1, 2011, and extended 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.

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 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 (CAD$1.6 million), on account of deliveries made in 2011 prior to signing the new contract.

In addition to the supply contract referenced above, Bécancour Silicon also has other commitments to supply volumes of silicon metal to other customers. All of these volumes combined represent substantially all of Bécancour Silicon's anticipated allocation of silicon metal output from the Québec Silicon production partnership until the end of 2013, based on existing production capacity at the silicon metal manufacturing facility in Bécancour (see "Related Party Transactions – Québec Silicon").

Results of Operations

For Q2-11 and H1-11, Silicon Group sales were $21.0 million and $45.0 million, compared to $34.3 million and $65.1 million for the comparable periods of 2010.

Analysis of Silicon Group Sales								
	Q2-11		Q2-10		H1-11		H1-10	
	Metric tons	$000's	Metric tons	$000's	Metric tons	$000's	Metric tons	$000's
Silicon metal	5,460	15,731	13,228	32,046	13,275	37,488	25,508	61,252
By-products	6,844	2,221	9,558	2,263	6,844	2,221	15,792	3,839
Silicon metal product lines	12,304	17,952	22,786	34,309	20,119	39,709	41,300	65,091
Solar grade silicon	87	3,094	-	-	159	5,255	-	15
Total Silicon Group sales	**12,391**	**21,046**	**22,786**	**34,309**	**20,278**	**44,964**	**41,300**	**65,106**

Sales of silicon metal were $15.7 million in Q2-11, compared to $32.0 million for Q2-10 (H1-11 - $37.5 million and H1-10 - $61.3 million). 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 2011, compared with 2010. However, the Company has been able to realize higher unit selling prices for silicon metal in 2011, reflecting improved market prices compared to 2010. The volume of silicon metal sold by Bécancour Silicon in H1-11 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 H1-11 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 on a commission basis. Consequently, these by-product sales are no longer included in the Silicon Group's sales and Bécancour Silicon now records as sales the commission earned. 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. During Q2-11, $2.2 million of silica fumes were extracted and sold.

Solar grade silicon net revenues in Q2-11 were $3.1 million (H1-11 – $5.3 million), compared to $nil in Q2-10 (H1-10 - $nil), and relate to sales of inventories produced in 2009, some of which were further processed at the ingoting facility in Bécancour, Québec during H1-11. The Company continues to test and optimize its purification process and develop prospective customers to enable the restart of purification operations, as market conditions warrant.

Gross loss for Q2-11 and H1-11 was $2.8 million (13.3% of sales) and $2.0 million (4.5% of sales), respectively, compared with $2.3 million (6.8% of sales) in Q2-10 and $8.4 million (13.0% of sales) in H1-10. Silicon Group gross margins in H1-11 were unfavourably impacted by $0.9 million, compared to H1-10, 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 has entered into forward contracts to convert anticipated Euro inflows into Canadian dollars.

Gross margin related to silicon metal sales was $1.0 million for Q2-11 and $2.3 million for H1-11 compared with $1.2 million in Q2-10 and negative $0.8 million in H1-10. The gross margin reflects higher average selling prices for silicon metal. However, higher selling prices were partially offset by increased costs of production. During Q2-11, silicon metal unit production costs of Québec Silicon increased as a result of lower yields caused by poor raw material quality consumed in Q2-11 and unabsorbed overheads incurred during planned maintenance shutdowns during the quarter. Utilities and labour represent a majority of Québec Silicon's silicon metal production costs. Québec Silicon's

overhead production spending in the quarter was lower than Q2-10, including in respect of labour costs due to reduced overtime.

Gross margin related to solar grade silicon products was negative $3.8 million in Q2-11 and negative $4.3 million in H1-11. During Q2-11 the Company realized $0.1 million in gross margin from product sales of solar grade silicon. This was offset by stand-down and other overhead costs related to the solar grade silicon facilities, depreciation and amortization and process improvement and development costs amounting to $3.9 million. During H1-11 the company earned $2.6 million in gross margin from product sales of solar grade silicon, offset by stand-down and other overhead costs related to the solar grade silicon facilities, depreciation and amortization and process improvement and development costs amounting to $6.9 million.

The Silicon Group generated EBITDA in Q2-11 of negative $1.6 million (positive EBITDA of $0.4 million in H1-11) compared to positive $0.6 million in Q2-10 (negative $1.7 million in H1-10). The higher EBITDA in H1-11, compared to H1-10, reflects increased silicon metal selling prices offset by the higher production costs for silicon metal and the unabsorbed costs relating to the operation of the ingoting facility for inventory production, stand-down costs relating to the solar grade silicon production facilities and costs relating to continuous process improvements. H1-11 was also unfavourably impacted by the currency translation effect of the Canadian dollar against the Euro and the US dollar.

The Silicon Group generated net losses for Q2-11 and H1-11 of $3.2 million and $2.8 million, respectively, compared with net losses of $3.4 million and $9.5 million for the same periods in 2010. The net loss for H1-11 reflects increased silicon metal production costs and solar grade silicon market development costs partially offset by profitable shipments of solar grade silicon inventory.

Corporate and Other

Corporate and Other expenses primarily represent selling and administration expenses included in administrative expenses in the statement of operations. H1-11 includes professional fees of $0.3 million related to pension and post-retirement benefit plans and expenditures of $0.2 million for evaluating the feasibility of a silicon metal facility in Iceland. Excluding the split of the pension and post-retirement benefit plans and Iceland expenditures, Corporate and Other expenses were $3.9 million in H1-11 and $4.4 million in H1-10.

Other Operating Expenses

Other Operating Expenses is comprised of environmental remediation provision adjustments, termination benefit provisions and foreign exchange translation gains and losses. In Q2-11 and H1-11, the Company updated estimates of termination benefit provisions by $0.4 million and $1.8 million.

Finance Costs

Finance Costs is comprised of interest expense and income, fair value loss (gain) on financial instruments at fair value through profit and loss and gain on Thorsil Bond conversion. Net interest expense is predominantly determined by the interest charges on the Investissement Québec Term Loan and borrowings from the Senior Credit Facility (Q2-11 - $1.3 million; H1-11 - $2.8 million). The fair value loss (gain) on financial instruments at fair value through profit and loss reflects changes in the fair value of the conversion option of the AMG Note (Q2-11 - $2.2 million gain; H1-11 - $0.1 million loss). As a result of the conversion of the US$1.0 million Thorsil Bond on June 30, 2011, a gain of $0.1 million has been recognized in Q2-11 and H1-11.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY OF CASH FLOWS ($000's)		
	H1-11	H1-10[5]
Net loss[4]	(13,387)	(20,321)
Non-cash adjustments[4]	7,779	11,874
Expenditures related to benefit plans and various provisions	(2,892)	(2,475)
Cash used in operations before changes in non-cash working capital	(8,500)	(10,922)
Non-cash working capital changes	985	7,793
Cash from (used in) operating activities	(7,515)	(3,129)
Capital expenditures	(50)	(906)
Increase (decrease) in bank indebtedness	700	(9,102)
Issuance of convertible bond	-	1,043
Issuance of common shares	-	12,434
Cash from financing activities[1]	700	4,375
Other investing and financing activities[2]	(206)	(29)
Net change in cash during the period	(7,071)	311
Cash - beginning of period[3]	7,483	1,170
Cash - end of period[3]	412	1,481

(1) "Cash from financing activities" consists of "Issuance of convertible bond" and "Increase/(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 reversals: H1-11 – $2.7 million; H1-10: $0.2 million.
(5) 2010 amounts have been re-stated based on the application of IFRS.

Cash From (Used in) Operating Activities

During H1-11 and H1-10, the Company used cash of $8.5 million and $10.9 million, respectively, from operations before changes in non-cash working capital. The use of cash in H1-11 was largely attributable to EBITDA loss of $4.1 million, interest payments of $1.9 million, cash expenditures for employee future benefits in excess of amounts expensed of approximately $1.6 million, long term provision payments of approximately $0.7 million and other operating expenditures of $0.2 million. The use of cash during H1-10 resulted from losses incurred from the solar grade silicon product line operations.

During H1-11 and H1-10, the Company's operations generated cash from reductions in working capital of $1.0 million and $7.8 million, respectively, reducing cash consumed by operations to $7.5 million and $3.1 million, respectively. H1-11 cash flows reflect the impact of the transition of volumes of production of Québec Silicon to Dow Corning which reduced the level of accounts receivable and reduced the level of accounts payable to Québec Silicon and H1-10 cash flows reflect the orderly liquidation of inventories.

Expenditures related to 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 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	55	71	604
Pension	4,239	612	789	1,915
Site closure and remediation costs	2,406	198	805	3,811
Total	**8,579**	**865**	**1,665**	**6,330**

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 Senior Credit Facility		
($ millions)	June 30, 2011	December 31, 2010
Total facility	20.0	20.0
Borrowing base	8.7	13.0
Facilities available	3.6	7.9
Less: Facilities drawn	0.7	NIL
Undrawn facilities	2.9	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 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 consent of the Bank.

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 June 30, 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$3.6 million

AMG Convertible Note

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 Bonds

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$1.0 million 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$1.05 million, into Timminco common shares. As a result, on June 30, 2011, Timminco issued 2,810,447 common shares to Strokkur, based on a conversion 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.

Capitalization

Total Capitalization		
($000's)	June 30, 2011	December 31, 2010
Convertible notes (AMG and Strokkur)	3,589	4,652
Bank indebtedness (Bank of America)	700	-
Term loan (Investissement Québec)	26,324	26,318
Shareholders' equity	39,429	50,447
Total capitalization	70,042	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.

Expenditures relating to the Company's pursuit of a potential silicon metal capacity expansion project in Iceland have been funded exclusively from the cash proceeds received by Thorsil from Strokkur in respect of the Thorsil Bonds (see "Liquidity and Capital Resources – Convertible Notes").

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 Q2-11, 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 $0.3 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.

The Company will need to incur capital expenditures in the future in pursuit of its strategic objectives relating to both silicon metal and solar grade silicon. As a result of the recent amendments to the financial covenants in the Senior Credit Agreement (see "Liquidity and Capital Resources – Credit Facilities"), the Company's ability to incur any new capital expenditures has been restricted

Contractual Obligations

($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
Senior credit facility	800	40	760	-	-
Operating Leases	1,826	285	703	197	641
Non-trade financial liabilities due to related parties	9,038	739	6,664	260	1,375
Employee future benefit funding obligations	15,516	3,525	9,317	2,458	216
Reorganization obligations	1,253	691	76	30	456
Environmental obligations	7,686	2,234	2,536	188	2,728
Contract termination obligations	4,843	1,443	3,400	-	-
Total contractual obligations	$ 87,707	$ 12,138	$ 37,706	$ 7,625	$ 30,238

Numbers in table above reflect undiscounted obligations on dates discussed below. There have been no significant changes in the Company's obligations since March 31, 2011.

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".

Senior credit facility

"Senior credit facility" represents the outstanding balance drawn on the Bank of America revolving credit facility, as recorded on the balance sheet as at June 30, 2011. See "Liquidity and Capital Resources – Credit Facilities".

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 as at March 31, 2011 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").

Employee future benefit funding obligations

"Employee future benefits funding obligations" reflect statutory funding requirements of the post-employment defined benefits pension plans and the estimated future funding requirements for post-retirement benefits of Bécancour Silicon and Timminco 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 as at March 31, 2011 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 $0.3 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 as at March 31, 2011.

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.

RELATED PARTY TRANSACTIONS

AMG Advanced Metallurgical Group

AMG is a significant shareholder of Timminco. As at June 30, 2011, AMG held 83,146,007 common shares of Timminco, representing approximately 41.9% 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

AMG Conversion Ltd. ("AMG Conversion"), a wholly-owned subsidiary of AMG, is a producer of ingots and bricks made from Bécancour Silicon's solar grade silicon. Since March 2009, when Bécancour Silicon sold ingoting equipment at the Bécancour ingoting facility to AMG Conversion and concurrently executed agreements in respect of joint ingot and brick production at that facility and in respect of joint product and process development activities, Bécancour Silicon and AMG Conversion have been co-ordinating their efforts to develop their respective markets in the solar photovoltaic industry and to optimize their respective processes for the purification of solar grade silicon and the production of ingots and bricks and related quality control procedures. Bécancour Silicon and AMG Conversion have also been jointly exploring opportunities for establishing long-term, exclusive tolling arrangements in respect of ingot and brick production at the Bécancour ingoting facility. Although certain of these agreements have expired or are scheduled to expire shortly, Bécancour Silicon and AMG Conversion continue to co-operate with respect to the operations at the Bécancour ingoting facility and sharing information that is mutually beneficial to their market development activities.

In the context of this relationship, Bécancour Silicon sold approximately 153 metric tons of its solar grade silicon to AMG Conversion in 2009, and received aggregate cash proceeds of approximately $5.9 million. Such sales were recorded as deferred revenue, and revenue has been recognized as AMG

Conversion ships its inventory of purchased solar grade silicon material to third-party customers. During FY-10, AMG Conversion shipped approximately 2 metric tons of such inventory, and Bécancour Silicon recognized approximately $0.1 million as revenue. In H1-11, AMG Conversion shipped approximately 8 metric tons of such inventory, and Bécancour Silicon recognized approximately $0.3 million as revenue. Accordingly, this volume is included in the total volume of solar grade silicon that the Company has reported as having shipped during this period. Approximately $5.5 million from these sales to AMG Conversion remains to be recognized as revenue for Bécancour Silicon in future periods.

In Q2-11, 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 Bécancour Silicon's solar grade silicon, and invoiced a tolling fee of approximately $0.4 million (H1-11 - $0.7 million). AMG Conversion also produced ingots and bricks at the Bécancour ingoting facility for its own account during this period, using its equipment and its solar grade silicon and Bécancour Silicon's employees, and Bécancour Silicon invoiced AMG Conversion a tolling fee of approximately $0.6 million for both Q2-11 and H1-11. The production volume of ingots and bricks produced at the Bécancour ingoting facility, whether on account of Bécancour Silicon or AMG Conversion, has fluctuated and will continue to fluctuate from period to period, principally based on the nature and volume of orders received from third party customers and on the level of market development activities for Bécancour Silicon's and AMG Conversion's respective product lines.

ALD Vacuum Technologies GmbH

The Company purchased from ALD Vacuum Technologies GmbH, a wholly-owned subsidiary of AMG, maintenance parts for the operations of the Bécancour ingoting facility.

GfE Fremat GmbH

The Company recognized 2009 shipments of solar grade silicon to GfE Fremat GmbH, a wholly-owned subsidiary of AMG, previously recorded as deferred revenue, as all revenue recognition criteria have been satisfied.

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 since the transition to IFRS. The following is a summary of 100% of certain Q2-11 and H1-11 financial information of Québec Silicon not included in the Company's unaudited interim condensed consolidated financial statements:

Summary of Québec Silicon Financial Information	Q2-11	H1-11
Revenue	29,952	58,773
EBITDA[1]	2,748	5,567
Net Income	49	196
Cash flow from operations	320	7,614
Capital expenditures	(2,159)	(2,441)
Net cash flow before financing and other activities	(1,839)	5,173
		As at June 30, 2011
Interest bearing debt		12,500
Equity		85,233
Total capitalization		127,162
(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 H1-11, Bécancour Silicon received from Québec Silicon a total of approximately 5,000 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. If by end of the fourth quarter of 2012 such shortfall remains, Bécancour Silicon must pay Dow Corning for such remaining shortfall at prevailing market prices.

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 June 30, 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. Québec Silicon repaid the notes due in April 2011 in the amount of $2.5 million.

Executive Management

Subsequent to Q2-11, the Company announced that its board of directors had appointed Mr. Douglas A. Fastuca as the new Chief Executive Officer of Timminco. Dr. Heinz C. Schimmelbusch concurrently relinquished his position as Chief Executive Officer of Timminco, which position he had held since August 2007. Dr. Schimmelbusch will remain in his position as Chairman of the Board of Timminco which he has held since April 2003. Dr. Schimmelbusch is also a member of the executive committee

of the general partner of Safeguard International Fund, L.P., which was a shareholder of Timminco until the fourth quarter of 2010 and is a shareholder of AMG. Mr. Fastuca was previously Senior Vice President, Corporate Development of AMG.

Subsequent to Q2-11, the Company also appointed Mr. Julien Y. Crisnaire as General Manager of Timminco Solar, a division of Bécancour Silicon. Prior to his appointment, Mr. Crisnaire worked in various roles within Corporate Development at AMG, and also as Operations Director of AMG Conversion.

Timminco will pay the cost of remuneration of Mr. Fastuca and Mr. Crisnaire through an indirectly-held subsidiary of AMG.

CAPITAL STRUCTURE

As at June 30, 2011, the common shares issued and reserved were as follows:

Description	Number of Shares
Common shares issued	198,545,216
Common shares issuable upon the exercise of options	15,652,500
Common shares issuable upon conversion of notes payable	18,544,231
Common shares on a fully diluted basis	232,741,947

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 $13.2 million for H1-11 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 June 30, 2011, the Company had negative working capital of $3.2 million, was holding cash of approximately $0.4 million and had undrawn availability under the Senior Credit Facility of approximately $2.9 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 recently re-set at amounts based on the Company's current 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 capital expenditures, 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 interim condensed 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 interim condensed consolidated financial statements.

Pricing and Availability of Raw Material

Coal is a significant raw material in the production of silicon metal, and the supply, quality and market price of coal is an important factor influencing Québec Silicon's costs and thus the Company's cash flows and earnings. Coal is sourced from a limited number of suppliers in the United Sates and Colombia mostly under short-term fixed price contracts and purchase orders. Coal must be of a special grade and must be washed and screened to Quebec Silicon's specification to ensure high quality silicon metal. 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 the production of silicon metal. The quartz is mined, washed and screened to Quebec Silicon's specifications pursuant to a long-term contract with a third party. However, alternate suppliers may offer superior quality quartz required for the production of certain grades of silicon metal, in which case Québec Silicon may procure more of its quartz from such third party suppliers.

In order to obtain such raw materials in a cost efficient and timely manner, Quebec Silicon depends on certain suppliers of these raw materials, their labour union relationships, mining regulations and output and general local economic conditions. An increase in costs of raw materials or transportation, or a decrease in their production, availability or deliverability in a timely fashion, or other disruptions in production, could result in increased costs to Quebec Silicon and lower productivity levels. Quebec Silicon may not be able to obtain adequate supplies of raw materials from alternative sources on terms as favourable as its current arrangements or at all. Any increases in the price or shortfall in the production and delivery of raw materials, could have a material adverse effect on the Company's financial position, results of operations and liquidity.

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, Bécancour Silicon has other commitments to supply volumes of silicon metal to other customers (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, 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.

Capital Expenditures

The Company may require capital expenditures for any proposed 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, and the Company may need to incur capital expenditures in pursuit of its strategic objectives relating to silicon metal and solar grade silicon (see "Liquidity and Capital Resources – Capital Expenditures"). However, the Company is currently unable to fund its requirements for capital expenditures from operating cash flows or under existing credit facilities, including as a result of restrictions in respect of financial covenants under the Senior Credit Agreement (see "Liquidity and Capital Resources – Credit Facilities"). Alternative sources of financing for capital expenditures, such as common equity or additional term debt, may not be available to the Company when required in the amounts needed or on acceptable terms. The Senior Credit Agreement, the Term Loan and the AMG Convertible Note 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. Any restriction or inability of the Company to generate financing for capital expenditures may limit or prevent the Company from pursuing production capacity expansions, acquisitions, mergers, business combinations, joint ventures, or strategic business alliances or partnerships, and may limit the ability of Bécancour Silicon to provide any required funding to Québec Silicon, which could have a material adverse effect on the Company's results of operation and liquidity.

Relationships with AMG Advanced Metallurgical Group

AMG is the largest single shareholder in Timminco. 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, and operates other businesses that are complementary to the Company's solar grade silicon product line, through AMG's wholly-owned and other controlled subsidiaries. AMG has also established various commercial relationships with the Company, including arrangements regarding ingot making, sales and marketing of solar grade silicon inventories, and development of the Company's solar grade silicon purification process. AMG has also provided significant levels of equity, debt and other forms of financing for the Company, which have supported the Company's expansion and liquidity.

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 the Company'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 benefits of any such acquisitions or opportunities pursued by AMG. In addition, these relationships have served as a foundation for certain equity financings and other commercial transactions between the Company and AMG. 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. 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's unaudited interim condensed 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 interim condensed 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 Q2-11 to meet market demand. In addition, the Company has adjusted and will continue to adjust 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 less cost to sell, 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 March 31, 2011 unaudited interim condensed consolidated financial statements. Note 21 to the unaudited interim condensed 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

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 July 1, 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 January 1, 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 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)

	Q2-11	Q1-11	Q2-10[1]	Q1-10[1]
Sales				
Silicon	21,046	23,918	34,309	30,797
Gross Profit (Loss)				
Silicon	(2,791)	771	(2,325)	(6,114)
Gross Profit (Loss) Percentage				
Silicon	(13.3%)	3.2%	(6.8%)	(19.9%)
Net Income (Loss)				
Silicon	(3,206)	449	(3,337)	(6,128)
Corporate / Other	(2,100)	(8,530)	(6,348)	(4,508)
Total	(5,306)	(8,081)	(9,685)	(10,636)
Earnings (loss) per common share, basic and diluted	(0.03)	(0.04)	(0.05)	(0.07)
Weighted average number of common shares outstanding, basic and diluted (000's)[3]	193,615	195,735	184,215	160,470
EBITDA[2]				
Silicon	(1,585)	1,935	552	(2,256)
Corporate / Other	(1,967)	(2,483)	(3,616)	(1,622)
Total	(3,552)	(548)	(3,064)	(3,878)
Adjusted Income (Loss) [2]				
Silicon	(3,087)	429	(3,322)	(6,128)
Corporate / Other	(3,858)	(4,639)	(6,349)	(4,979)
Total	(6,945)	(4,210)	(9,671)	(11,107)
Working Capital (excluding available cash items and interest bearing debt)				
Silicon	3,493	8,558	25,669	22,765
Corporate / Other	(4,904)	(4,786)	(4,753)	(5,552)
Total	(1,411)	3,772	20,916	17,213
Total assets				
Silicon	129,703	137,546	259,267	264,200
Corporate / Other	2,606	2,473	3,048	3,316
Total	132, 309	140,019	262,315	267,516
Total bank debt	700	-	31,213	36,226
Total long term liabilities	64,470	62,493	43,295	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)	Q2-11	Q1-11	Q2-10	Q1-10
Net loss	(5,306)	(8,081)	(9,685)	(10,636)
Add back(subtract):				
Impairment of Applied Magnesium	-	222	-	-
Loss (gain) on the sale of property, plant and equipment	-	-	14	-
Interest	1,211	1,409	1,844	2,348
Amortization of intangible assets	568	581	707	707
Amortization of property, plant and equipment	945	930	3,172	3,171
Reorganization costs	413	1,341	-	-
Environmental remediation costs	74	(14)	-	-
Stock-based compensation	669	742	884	1,003
Fair value loss (gain) on financial instruments at fair value	(2,208)	2,292	-	(471)
Share of net loss of a jointly controlled entity	82	30	-	-
EBITDA	(3,552)	(548)	(3,064)	(3,878)

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)	Q2-11	Q1-11	Q2-10	Q1-10
Net loss	(5,306)	(8,081)	(9,685)	(10,636)
Add back(subtract):				
Impairment of Applied Magnesium	-	222	-	-
Loss (gain) on the sale of property, plant and equipment	-	-	14	-
Reorganization costs	413	1,341	-	-
Environmental remediation costs	74	(14)	-	-
Fair value loss (gain) on financial instruments at fair value	(2,208)	2,292	-	(471)
Share of net loss of a jointly controlled entity	82	30	-	-
Adjusted Income (Loss)	(6,945)	(4,210)	(9,671)	(11,107)

EXHIBIT "M"

This is Exhibit "M"
to the affidavit of Peter A.M. Kalins,
sworn before me on the 2 day
of ~~September,~~ 2011
4th January 4th

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)*	**September 30 2011**	December 31 2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ **2,798**	$ 7,483
Restricted cash	**10**	105
Accounts receivable	**7,315**	12,365
Due from related companies (Note 15)	**2,244**	2,172
Inventories (Note 7)	**7,710**	14,473
Finished goods consigned to related company	**-**	4,530
Prepaid expenses and deposits	**182**	1,365
	20,259	42,493
Due from related companies (Note 15)	**-**	1,275
Long term receivables	**1,272**	1,275
Long term inventories (Note 7)	**2,199**	2,874
Property, plant and equipment (Notes 8)	**57,065**	59,826
Investments (Note 6)	**43,673**	43,171
Intangible assets (Notes 9)	**1,507**	3,231
	$ **125,975**	$ 154,145
LIABILITIES		
Current Liabilities		
Bank indebtedness (Note 10)	$ **-**	$ -
Accounts payable and accrued liabilities	**5,896**	9,064
Deferred revenue	**-**	6,319
Due to related companies (Note 15)	**14,796**	19,252
Current portion of long term liabilities (Note 10)	**2,338**	3,273
Current portion of long term provisions (Note 11)	**2,000**	2,555
	25,030	40,463
Due to related companies (Note 15)	**7,088**	6,418
Other financial liabilities (Note 15)	**-**	1,343
Long term liabilities (Note 10)	**27,989**	28,619
Employee future benefits (Note 12)	**21,899**	20,610
Long term provisions (Note 11)	**6,858**	6,855
	88,864	104,308
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	**311,873**	310,777
Contributed surplus	**15,139**	13,320
Deficit	**(289,901)**	(273,650)
Equity attributable to owners of parent	**37,111**	50,447
Non-controlling interest (Note 16)	**-**	(610)
Total Equity	**37,111**	49,837
	$ **125,975**	$ 154,145

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)

(in thousands of Canadian dollars, except for loss per share information)	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Sales				
Revenue	**$ 23,199**	$ 36,916	**$ 68,163**	$ 102,022
Recognition of deferred revenue (Note 17)	**5,446**	-	**5,446**	-
	28,645	36,916	**73,609**	102,022
Cost of goods sold (Note 7)	**28,586**	62,282	**75,570**	135,827
Gross margin	**59**	(25,366)	**(1,961)**	(33,805)
Administrative expenses	**418**	7,277	**6,886**	15,443
Other operating expenses (income) (Note 18 (a))	**3,708**	(639)	**5,569**	(644)
Operating profit (loss)	**(4,067)**	(32,004)	**(14,416)**	(48,604)
Finance costs (income) (Note 18 (b))	**80**	2,014	**2,784**	5,735
Impairment loss (recovery) on investment in Applied Magnesium (Note 6 (b))	**(1,104)**	-	**(882)**	-
Share of net income of a jointly controlled entity	**(677)**	-	**(565)**	-
Loss before income taxes	**(2,366)**	(34,018)	**(15,753)**	(54,339)
Income tax expense	**-**	19	**-**	19
Loss and total comprehensive loss for the period	**(2,366)**	(34,037)	**(15,753)**	(54,358)
Attributable to:				
Owners of the parent	**(2,366)**	(33,916)	**(15,708)**	(53,947)
Non-controlling interests (Note 16)	**-**	(121)	**(45)**	(411)
Loss and total comprehensive loss for the period	**(2,366)**	(34,037)	**(15,753)**	(54,358)
Loss per common share - basic and diluted	**$ (0.01)**	$ (0.17)	**$ (0.08)**	$ (0.30)
Weighted average number of common shares outstanding - basic and diluted (Note 20)	**198,545,216**	195,734,769	**196,692,174**	180,269,265

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)	Nine months ended September 30 **2011**	2010
Cash flows from (used in) operating activities		
Net loss	$ **(15,753)**	$ (54,358)
Adjustments for items not requiring cash		
Amortization of property, plant and equipment (Note 8)	**2,812**	9,562
Amortization of intangible assets (Note 9)	**1,724**	2,120
Interest expense	**-**	1,949
Accretion of convertible debt	**772**	552
Stock-based compensation (Note 14)	**360**	2,832
Termination benefits (Note 12)	**4,723**	-
Loss (gain) on disposal of property, plant and equipment	**-**	14
Provision for contract termination claims	**-**	2,126
Environmental remediation	**270**	518
Fair value loss (gain) on financial instruments at fair value	**(1,343)**	(471)
Net realizable value provision for inventories (Note 7)	**-**	26,986
Impairment of investment in Applied Magnesium	**222**	-
Interest on provisions (Note 11)	**136**	121
Benefits plan expense	**1,066**	2,553
Share of net income of a jointly controlled entity	**(565)**	-
Unrealized foreign exchange (gain) loss	**(282)**	(1,017)
Accrued employee future benefits paid	**(3,070)**	(3,146)
Expenditures charged against provisions (Note 11)	**(959)**	(550)
Change in non-cash working capital items		
Decrease (increase) in restricted cash	**95**	(244)
Decrease (increase) in accounts receivable	**5,050**	(1,898)
Decrease in inventories	**11,968**	10,911
Decrease in prepaid expenses and deposits	**1,183**	90
Decrease (increase) in accounts payable and accrued liabilities	**(3,080)**	3,577
Decrease in related company balances (Note 15)	**(8,154)**	(275)
Increase (decrease) in deferred revenue	**(6,319)**	1,255
	(9,144)	3,207
Cash used in investing activities		
Capital expenditures (Note 8)	**(50)**	(1,506)
	(50)	(1,506)
Cash flows from (used in) financing activities		
Issuance of common shares	**-**	12,434
Issuance of convertible bond	**-**	1,043
Decrease in bank indebtedness	**-**	(11,809)
Funding from non-controlling interest	**112**	-
Decrease in long term receivable	**3**	5
Increase in related company balances (Note 15)	**4,855**	-
Decrease in long term liabilities	**(461)**	(47)
	4,509	1,626
Decrease (increase) in cash during the period	**(4,685)**	3,327
Cash, beginning of period	**7,483**	1,170
Cash, end of period	$ **2,798**	$ 4,497
Supplemental cash flow information		
Cash paid (received) during the period:		
Interest	$ **2,928**	$ 2,745
Income taxes	$ **-**	$ 9

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

Timminco Limited

Consolidated Statement of Changes in Equity
As at September 30, 2011 and September 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	-	-	(15,708)	(15,708)	(45)	**(15,753)**
Non-controlling interest investment	-	-	-	-	112	**112**
Common shares issued in settlement of convertible notes	1,096	-	-	1,096	-	**1,096**
Share-based payment transactions	-	1,819	-	1,819	-	**1,819**
Acquisition of non-controlling interest (Note 16)	-	-	(543)	(543)	543	**-**
As at September 30, 2011	**$ 311,873**	**$ 15,139**	**$ (289,901)**	**$ 37,111**	**$ -**	**$ 37,111**

	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	-	-	(53,947)	(53,947)	(411)	**(54,358)**
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	-	2,832	-	2,832	-	**2,832**
As at September 30, 2010	**$ 310,777**	**$ 12,270**	**$ (232,533)**	**$ 90,514**	**$ (411)**	**$ 90,103**

1. ORGANIZATION

The condensed consolidated interim financial statements of Timminco Limited ("Timminco" and, collectively with its consolidated subsidiaries, the "Company") for the three and nine months ended September 30, 2011 were authorized for issuance in accordance with a resolution of the Board of Directors of Timminco on November 8, 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 $15.8 million for the nine months ended September 30, 2011 and $95.7 million for the year ended December 31, 2010. In addition, Timminco had a working capital deficiency of $4.8 million at September 30, 2011 and 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).

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 level of Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") for the purposes of the financial covenant under the Senior Credit Facility with Bank of America N.A for the year-to-date period ended September 30, 2011. However, such covenant was amended such that the Company remains in compliance with such covenants for such period, and the Company continues to be in discussion with its senior lender regarding additional amendments to such covenant for periods after September 30, 2011 (see Note 10).

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 nine months ended September 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 nine month period ending September 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 month period ended March 31, 2011.

Certain incremental disclosures that are required to be included in annual financial statements prepared in accordance with International Financial Reporting Standards ("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 24 to these condensed consolidated interim 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 judgments, 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 July 1, 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 and financial liabilities 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 hedge accounting, derecognition and amortized cost and impairment. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Company's financial assets and financial liabilities. 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 it

jointly controls or has significant influence over. 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

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 September 30, 2011 and December 31, 2010 and sales, expenses and profit of the jointly controlled entity for the three and nine months ended September 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:	September 30, 2011	December 31, 2010
Current assets	$ **20,958**	$ 18,847
Non-current assets	**46,155**	47,343
Current liabilities	**(14,308)**	(13,166)
Non-current liabilities	**(9,209)**	(10,037)
Equity	$ **43,596**	$ 42,987

Share of the joint venture's sales, expenses and profit:	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Revenue	**$ 15,981**	$ -	**$ 45,864**	$ -
Cost of sales	**(15,053)**	-	**(43,968)**	-
Administrative expenses	**(594)**	-	**(1,144)**	-
Finance costs	**(77)**	-	**(246)**	-
Profit before tax	**257**	-	**506**	-
Income tax expense	**-**	-	**-**	-
Profit for the period from continuing operations	**257**	-	**506**	-
Recovery (expense) arising from share option plans	**331**		**(29)**	-
Realized (unrealized) intercompany profit on closing inventory, net	**89**		**88**	-
Share of net income of a jointly controlled entity	**$ 677**	$ -	**$ 565**	$ -

Québec Silicon has no contingent liabilities as at September 30, 2011 and December 31, 2010.

(b) Investment in Applied Magnesium

	September 30, 2011	December 31, 2010
Balance, beginning of period	$ 222	$ 222
Impairment loss	(222)	-
Balance, end of period	$ -	$ 222

During the third quarter of 2009, the Company completed the divestiture of its magnesium business, with the completion of the merger of the Company's remaining magnesium business with the magnesium operations of Winca Tech Limited ("Winca") to form Applied Magnesium. The merger involved the transfer by each party of certain of their subsidiaries, intellectual property rights, equipment, non-cash working capital and other assets to a newly-formed entity, Applied Magnesium International Limited ("AMI"), in which the Company acquired a 19.5% equity interest and which issued promissory notes to the Company, and to AMI's newly-formed US subsidiary, Applied Magnesium USA, Inc. ("AMU"), which also issued promissory notes and owed other amounts to the Company. In fourth quarter of 2009, the Company determined that there was substantial doubt regarding the eventual collection of the promissory notes and other receivables from the Applied Magnesium entities, resulting in an impairment charge of approximately $4,160, representing all of the amounts due to the Company. In first quarter of 2011, the Company further impaired its investment in Applied Magnesium relating to its equity in AMI, resulting in an additional charge of approximately $222, due to uncertainty about the ability of Applied Magnesium continuing as a going concern. In second quarter of 2011, the Company initiated legal proceedings against AMU to recover the value of certain receivables due to the Company and undertook other activities to recover certain magnesium inventories held by AMU.

In third quarter of 2011, AMU informed the Company that it intended to wind up its operations in the United States, and commenced negotiations with the Company and another large creditor regarding wind-up proceedings and settlement of AMU's liabilities. In consideration for the Company and such other creditor not immediately exercising their rights as creditors of AMU, such parties executed a Wind Down, Business Cessation, Creditor Payment and Release Agreement in August 2011 (the "AMU Liquidation Agreement"), pursuant to which, among other things, AMU's working capital would be liquidated and the net proceeds distributed equally between the Company and AMU's other large creditor. Also in third quarter of 2011, the Company sold certain magnesium inventory that it had repossessed from AMU. The Company received aggregate cash proceeds of US$701 ($728) during third quarter and US$362 ($376) during fourth quarter from AMU pursuant to the AMU Liquidation Agreement and from the liquidation of the Company's magnesium inventories.

The Company is also contemplating other legal proceedings against certain individuals and financial institutions involved in the management and financing of AMU, as well as legal proceedings for the involuntary liquidation of AMI. However, the likelihood, timing and amount of any recoveries for the Company from such proceedings, whether as creditor or equity holder in AMU or AMI, remains uncertain.

The Company still believes that Applied Magnesium is facing significant liquidity challenges as it continues to wind down its remaining operations with insufficient evidence that Applied Magnesium has or will have the financial capacity to repay these amounts in arrears. Accordingly no further impairment has been reversed as at September 30, 2011.

7. INVENTORIES

Inventory – current		September 30, 2011		December 31, 2010
Finished goods	$	**6,204**	$	13,044
Stores inventory		**1,506**		1,429
Total inventories at the lower of cost and net realizable value	$	**7,710**	$	14,473

During the three and nine months ended September 30, 2011, provisions of $nil and $331 (three and nine months ended September 30, 2010 – provision of $312 and $1,563) were recorded with regards to silicon metal finished goods inventories. During the three and nine months ended September 30, 2011, provisions were reversed for sales of silicon metal inventory for $nil and $507 (three and nine months ended September 30, 2010 – reversal of $453 and $1,811).

Inventories – long term		September 30, 2011		December 31, 2010
Raw materials	$	**371**	$	120
Work in progress		**1,151**		1,214
Finished goods		**677**		1,540
	$	**2,199**	$	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 nine months ended September 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 nine months ended September 30, 2010 – provision of $13,016).

During the three and nine months ended September 30, 2011, the Silicon Group reversed a provision of $nil and $241 (three and nine months ended September 30, 2010 – charge of $12,032 and $12,407) 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 September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Inventory and overhead not capitalized to inventories	**$ 27,934**	$ 31,497	**$ 76,139**	$ 95,524
Distribution costs	**533**	1,953	**2,514**	3,446
Drawdown of net realizable value provision for inventory sold	**-**	(453)	**(507)**	(1,811)
Adjustment to net realizable value provision	**-**	25,360	**(2,695)**	26,986
	$ 28,467	$ 58,357	**$ 75,451**	$ 124,145

8. PROPERTY, PLANT AND EQUIPMENT

During the three and nine months ended September 30, 2011, the Company acquired assets with a cost of $nil and $50 (three and nine months ended September 30, 2010 - $601 and $986). No assets were disposed of by the Company during the nine months ended September 30, 2011 (nine months ended September 30, 2010 - $16, resulting in a loss on disposal of $14). Depreciation for the three and nine months ended September 30, 2011 was $937 and $2,812 (three and nine months ended September 30, 2010 - $3,219 and $9,562).

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 nine months ended September 30, 2011 was $575 and $1,724 respectively (three and nine months ended September 30, 2010 - $707 and $2,120).

10. INTEREST BEARING LOANS AND BORROWINGS

	September 30, 2011	December 31, 2010
Senior Credit Facility	$ -	$ -
Long term liabilities		
IQ Term Loan	**$ 26,328**	$ 26,318
Contract termination claims	**3,999**	4,460
Thorsil Bond	**-**	1,114
	30,327	31,892
Less current portion	**2,338**	3,273
	$ 27,989	$ 28,619

Interest expense for the three and nine months ended September 30, 2011 includes interest on long term liabilities of $889 and $2,619 (three and nine months ended September 30, 2010 - $838 and $2,741).

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 September 30, 2011.

Starting in 2011, 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 Bank has agreed to exclude from EBITDA the non-cash expenses associated with the termination provision incurred during the three months ended September 30, 2011. However, notwithstanding this exclusion, the Company did not achieve the minimum required level of EBITDA on a cumulative year-to-date basis as at September 30, 2011, and the Company and the Bank have agreed to revise the minimum EBITDA level for the year-to-date period ended September 30, 2011, resulting in the Company's compliance with such covenant for the nine months ended September 30, 2011, and are in discussions regarding further amendments to such covenant for future periods. The Senior Credit Agreement also has a capital expenditure covenant, which currently prohibits the Company from incurring any additional capital expenditures in 2011 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

To fund preliminary expenses for a potential silicon metal capacity expansion project in Iceland, Thorsil ehf. ("Thorsil"), an Icelandic majority-owned subsidiary of Timminco established to pursue the project, issued a US$1,000 convertible bond (the "Thorsil Bond") in February 2010. Interest on the Thorsil Bond accrued at 12% per annum and was payable upon maturity, on June 30, 2011. Certain project milestones had not been achieved and, as a result, the outstanding principal and interest on the Thorsil Bond was reduced by 10%, such that only 90% of the principal amount and accrued interest (the "Conversion Amount") was payable on maturity. The entire Conversion Amount, of approximately US$1,050, was converted into approximately 2.8 common shares of Timminco as of June 30, 2011 and, by reason of issuing its common shares to the bondholder, Timminco concurrently acquired additional share capital in Thorsil in an amount equal to the Conversion Amount, thereby increasing its equity ownership percentage from 51% to approximately 91%. This has been reflected as a decrease in non-controlling interest and increase in deficit (see Note 16). All of Timminco's shares in Thorsil were subsequently sold to a former executive of the Company (see Note 12).

11. LONG TERM PROVISIONS

		September 30, 2011		December 31, 2010
Provision for reorganization	$	**618**	$	719
Provision for environmental remediation		**8,240**		8,691
		8,858		9,410
Less current portion		**2,000**		2,555
	$	**6,858**	$	6,855

Provision for reorganization		**Nine months ended September 30, 2011**		Year ended December 31, 2010
Balance, beginning of the period	$	**719**	$	745
Amounts charged against provision		**(101)**		(26)
Balance, end of the period	$	**618**	$	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		**Nine months ended September 30, 2011**		Year ended December 31, 2010
Balance, beginning of the period	$	**8,691**	$	8,602
Costs recognized		**271**		1,096
Interest		**136**		200
Amounts charged against provision		**(858)**		(1,207)
Balance, end of the period	$	**8,240**	$	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 0.8% - 2.90% for periods to 2029.

12. EMPLOYEE BENEFITS

		September 30, 2011		December 31, 2010
Pension and post retirement benefits	$	**17,597**	$	19,380
Termination benefits		**4,302**		1,230
	$	**21,899**	$	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 Mr. Thomas Timmins, 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 nine months ended September 30, 2011, the Company has accrued an additional $1,754 (nine months ended September 30, 2010 - $nil) which relates to a change in actuarial estimate for retirement benefits relating to Mr. Thomas Timmins, a former president and chief operating 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 connection with executive management changes the following three officers resigned in August 2011: Mr. John Fenger, who was President and Chief Operating Officer of Timminco; Mr. Robert J. Dietrich, who was Executive Vice President, Finance and Chief Financial Officer of Timminco; and Mr. Peter D. Rayner, who was Corporate Controller of Timminco (collectively, the "Former Officers").

The Company has finalized agreements with each of the Former Officers for termination benefits, including on account of severance entitlements, health and other employee benefits, and settlement of share-based compensation awards. Pursuant to such agreements, the Company agreed to make cash payments during the three months ended September 30, 2011 and the three months ended December 31, 2011and to continue to provide post-employment benefits to certain of the Former Officers for up to two years, which have an aggregate cost of approximately $320.

The Company also issued non-interest bearing convertible promissory notes in September and October 2011 to each of Mr. Fenger and Mr. Dietrich, in the aggregate principal amount of approximately $1,218. The Former Officer Notes are payable, over a period of up to two years from the issuance dates, in monthly instalments in cash or, at the sole option of the Company, in freely tradable common shares of Timminco issued at a conversion price that is 95% of the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the date of equity settlement notice, which may be delivered no less than 10 days before each monthly payment date. However, the Company will not be entitled to exercise the equity settlement options until at least February and March 2012, respectively, which is four months from the date of the issuance of the Former Officer Notes. Approximately $258 in monthly cash payments are due under the Former Officer Notes, before the Company is able to exercise its equity settlement options. If the Company fails to pay any amount payable under the Former Officer Notes, the entire principal amount outstanding under the Former Officer Notes may be declared due and payable in full, after applicable cure periods. Based on the Company's currently liquidity position, the Company expects to fully exercise its equity settlement options.

Pursuant to the agreements with Mr. Fenger, and in connection with the Company's decision to not continue its active pursuit of a potential new silicon metal production facility in Iceland, the Company has also agreed to sell all of its equity interest in its Icelandic majority-owned subsidiary, Thorsil ehf., to Mr. Fenger, for nominal consideration. Thorsil was the entity established by the Company and Strokkur Energy ehf. ("Strokkur") for pursuing the project in Iceland. At the time of Mr. Fenger's resignation, Thorsil had not yet concluded binding commitments for the project, and substantially all of Thorsil's preliminary funding from the Company and Strokkur had been spent. Mr. Fenger intends to continue pursuing the project with Strokkur and other investors, independently of the Company. However, in connection with the sale of Thorsil to Mr. Fenger, the Company has agreed to provide certain technical support for the project (subject to certain conditions and for fees to be negotiated at arms length terms), both during the planning phase and potentially during the construction and operational phases, and Mr. Fenger has agreed to maintain on-going discussions with the Company in respect of potential future involvement as an investor or customer of the Icelandic project. The Company has also agreed to pay certain payables of Thorsil and to waive its claims for reimbursement of certain project-related expenses, in the aggregate amounts of approximately $100. The sale of Thorsil was concluded in the fourth quarter of 2011.

In addition, the Company has entered into a consulting agreement (the "Consulting Agreement") with Mr. Fenger, whereby he would provide certain advisory services in respect of silicon metal projects, at the request of the Company. The Consulting Agreement, which expires on September 30, 2012, provides for the payment of minimum consulting fees of US$100(included in termination benefit).

The Company has also agreed to amend the terms of selected options to purchase common shares of Timminco that were previously granted to the Former Officers in 2009, 2010 and 2011 under the Timminco Share Option Plan dated as of March 26, 2004, as amended (the "Option Plan"). In particular, the vesting and exercisability of such selected options were extended beyond the applicable post-termination exercise period, in some cases up to five years from the original date of grant, which is the maximum extension for exercisability as permitted under the Option Plan. Such extended options have original exercise prices in the range of $0.40 to $2.57 per share, none of which has been amended. Approximately 2.2 million common shares of Timminco are subject to such extended options. The impact of such amendments to stock options is $1,430 which is recognized in contributed surplus (see Note 14).

The arrangements described above represent full and final settlement of all claims or entitlements of the Former Officers relating to the termination of their employment with the Company, including claims arising under employment agreements, in respect of share-based compensation awards, and proposed supplemental retirement benefits (see Note 18a)

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	Nine months ended September 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").

A summary of the status of the options under both the 2004 Option Plan and the 2008 Option Plan (collectively, the "Option Plans") is presented below:

	Nine months ended September 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	**4,425**	**$ 0.38**	1,737	$ 0.90
Expired	**(1,010)**	**$ 0.96**	-	$ -
Forfeited	**(2,822)**	**$ 6.00**	(64)	$ 1.26
Outstanding, end of period	**14,501**	**$ 3.58**	13,908	$ 4.90

At September 30, 2011, the number of Common Shares subject to options outstanding and exercisable under the Option Plans was as follows:

Price Range	Outstanding (000's)	Weighted Average Exercise Price	Weighted Average Remaining Life	Exercisable (000's)	Weighted Average Exercisable Price
$0.29 to $0.59	6,910	$ 0. 40	4.99	2,365	$ 0.46
$1.23 to $2.57	1,799	$ 1.46	5.27	509	$ 1.54
$7.64 to $15.45	5,792	$ 8.04	6.66	507	$ 11.22
	14,501	$ 3.58	5.69	3,381	$ 2.24

As of September 30, 2011, the maximum number of Common Shares reserved for issuance pursuant to options granted under the Option Plans is 17,332,175, representing 8.7% 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 nine months ended September 30, 2011 and year ended December 31, 2010:

	September 30, 2011	December 31, 2010
Dividend yield (%)	**-**	-
Expected volatility (%)	**72.9 – 131.2**	118.4 - 119.8
Risk-free interest rate (%)	**0.89 – 3.21**	2.91 - 3.00
Expected life of the options (years)	**1.51 – 6.91**	5.27 - 6.82
Share price ($)	**0.28 – 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 September 30, 2011, is $598 (December 31, 2010 - $594), representing the equivalent of 3,146,412 (December 31, 2010 – 1,801,033) common shares of Timminco.

(c) **Performance share unit plan**
During the three and nine months ended September 30, 2011, 715,300 and 784,700 performance share units ("PSUs") were cancelled in connection with employee terminations, resulting in payment liabilities of $182 included in the termination provision as at September 30, 2011 (see Note 12). The accrual for the outstanding PSUs as at September 30, 2011 and December 31, 2010 was $133 (972,100 units) and $244 (2,380,400 units), respectively.

The expense from share based payment transactions recognized for employee services received during the period, which is included in administrative expenses in the statement of operations, is shown in the following table:

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	2011	2010
Expense (recovery) arising from options	**$ (1,051)**	$ 945	**$ 360**	$ 2,832
Expense (recovery) arising from DSUs	**(166)**	5	**140**	(229)
Expense (recovery) arising from PSUs	**(244)**	8	**(111)**	268
Total expense (recovery)arising from share-based payment transactions	**$ (1,461)**	$ 958	**$ 389**	$ 2,871

Recovery arising from options during three months ended September 30, 2011 resulted from the forfeitures of options covering 2,552,150 common shares during the same period.

The expense from share based payment transactions arising from executive terminations (see Note 12), which is included in other operating expenses (income) in the statement of operations is $1,430 for three and nine months ended September 30, 2011 ($nil for three and nine months ended September 30, 2010).

15. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of the Company and its subsidiaries. The material subsidiary of the Company is listed in the following table:

		% equity interest	
Name of subsidiary	Country of Incorporation	September 30 , 2011	December 31, 2010
Bécancour Silicon Inc.	Canada	100%	100%

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

Due from related companies - current	**September 30, 2011**	December 31, 2010
Due from AMG Conversion Ltd. ("AMGC")	**$ 68**	$ 1
Trade receivable from Québec Silicon Limited Partnership ("Québec Silicon")	**901**	896
Note receivable from Québec Silicon	**1,275**	1,275
	$ 2,244	$ 2,172

Due from related companies- long term	**September 30, 2011**	December 31, 2010
Note receivable from Québec Silicon		1,275
	$ -	$ 1,275

Due to related companies- current	**September 30, 2011**	December 31, 2010
Due to AMGC	$ **102**	$ 346
Due to AMG	**8**	8
Due to Québec Silicon	**9,739**	18,841
Due to Sudamin Holding SPRL ("Sudamin")	**4,855**	-
Indemnification liability to Québec Silicon	**37**	37
Due to ALD Vacuum Technologies GmbH ("ALD")	**55**	20
	$ **14,796**	$ 19,252

Due to related companies - long term	**September 30, 2011**	December 31, 2010
AMG Convertible Note	$ **3,961**	$ 3,539
Indemnification liability to Québec Silicon	**3,127**	2,879
	$ **7,088**	$ 6,418

Other financial liability - long term	**September 30, 2011**	December 31, 2010
AMG Convertible Note embedded derivative fair value	$ **-**	$ 1,343

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

Sales to related companies	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
AMGC (see Note 17)	$ **5,658**	$ 73	$ **6,622**	$ 677
Sudamin	**-**	-	**-**	3,741
GfE Fremat GmbH ("GfE")	**-**	-	**465**	-
ALD	**-**	-	**11**	64
Dow Corning Corporation ("Dow Corning")	**-**	4,168	**3,345**	14,153
	$ **5,658**	$ 4,241	$ **10,443**	$ 18,635

	Three months ended September 30		Nine months ended September 30	
Purchases from related companies	**2011**	2010	**2011**	2010
AMGC	$ **443**	$ 337	$ **1,163**	$ 720
RW Silicium GmbH	**-**	-	**-**	35
ALD	**6**	-	**115**	37
Québec Silicon	**12,677**	-	**39,879**	-
	$ **13,126**	$ 337	$ **41,157**	$ 792

Québec Silicon Limited Partnership and Dow Corning Corporation
For the three and nine months ended September 30, 2011, Bécancour Silicon reimbursed Québec Silicon $185 and $531 for its proportionate share of salaries, benefits and various overhead expenses of Quebec Silicon, at cost.

For the three and nine months ended September 30, 2011, Bécancour Silicon invoiced Québec Silicon for commissions of $54 and $167 with respect to the sale of by-products produced by Québec Silicon.

On its maturity date of April 1, 2011, Québec Silicon repaid a promissory note due to Bécancour Silicon in the principal amount of $1,275.

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. The Company recognized revenue of $5,446 (gross margin of $1,320) relating to the sales of approximately 140 mt of solar grade silicon inventories in 2009 (see Note 17).

Sudamin
In September 2011, Sudamin, a wholly-owned subsidiary of AMG, agreed to buy from Bécancour Silicon certain volumes of silicon metal with delivery dates in the third quarter of 2012, which volume Sudamin has committed to sell and deliver to one of Bécancour Silicon's traditional long-term silicon metal customers. Bécancour Silicon received a pre-payment of approximately $4,810 (€3,498) from Sudamin for such future deliveries; net of a fee of approximately $594 (€432). The amount received from Sudamin has been recorded as a current liability with revenues to be recognized when the deliveries are made.

Bécancour Silicon has also engaged Sudamin to perform certain consulting services relating to the solar photovoltaic industry in China. During the three month period ended September 30, 2011, Bécancour Silicon paid approximately $5 in fees for such services.

ALD Vacuum Technologies GmbH
The Company purchased from ALD maintenance parts for the operations of the ingoting facility.

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 N.V.
AMG Advanced Metallurgical Group N.V. ("AMG") is a significant shareholder in the Company. As at September 30, 2011, AMG directly held 83,146,007 common shares Timminco, representing 41.9% of the total issued and outstanding shares at that time.

Board of Directors and Executive Management
Dr. Heinz C. Schimmelbusch is Chairman of the Board 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. Jack L. Messman is a member of the Board of Directors of Timminco and is also a member of the supervisory board of AMG.

Dr. Schimmelbusch relinquished his position as Chief Executive Officer of Timminco during the three month period ended September 30, 2011 and has ceased receiving fees for such position. Dr. Schimmelbusch and Messrs. Spector and Messman continue to receive fees and other compensation as members of the Board of Directors of Timminco.

All cash compensation and employee health and other benefits for certain employees of the Company who are U.S. residents, including Mr. Douglas A. Fastuca (Chief Executive Officer of Timminco), Mr. Julien Y. Crisnaire (General Manager of Timminco Solar) and Mr. John Fenger (former President and Chief Operating Officer of Timminco) are provided and paid through CEPC, Inc., which is a subsidiary of AMG that provides payroll processing services in the United States on behalf of the Company ("CEPC"). For the three and nine months ended September 30, 2011, the Company paid $237 and $654 (three and nine months ended September 30, 2010 - $123 and $470) to CEPC on account of cash compensation and benefits provided to such employees.

16. NON-CONTROLLING INTEREST

The non-controlling interest represents Strokkur Energy ehf's ("Strokkur") 8.6% equity interest in Thorsil ehf ("Thorsil"), an entity consolidated by the Company.

	September 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)

Subsequent to September 30, 2011, the Company has agreed to sell all of its equity interest in Thorsil ehf to Mr. Fenger, for nominal consideration (see Note 12).

17. RECOGNITION OF DEFERRED REVENUE

Recognition of deferred revenue of $5,446 (gross margin of $1,320) relates to the sales of approximately 140 mt of solar grade silicon inventories in 2009 to a related party, AMG Conversion Ltd. In third quarter of 2011, AMG Conversion determined that it would no longer pursue sales of its inventory of solar grade silicon solely in the form of ingots, bricks and wafers, and ceased all further processing of its solar grade silicon chunks, into ingots and bricks, at the Bécancour ingoting facility. On the basis that AMG Conversion has determined to sell all of its remaining solar grade silicon inventories purchased from Bécancour Silicon in 2009 in its current form, and that AMG Conversion no longer requires or demands any further performance by or from Bécancour in respect of such inventory to facilitate such sales, management has determined that all relevant revenue recognition criteria have been satisfied in respect of such prior sales and accordingly recognized this amount as revenue in third quarter of 2011.

18. OTHER INCOME / EXPENSES

(a) Other operating expenses (income), net

	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Environmental remediation costs	$ **405**	$ 519	$ **465**	$ 519
Termination benefits	**2,969**	-	**4,723**	-
Foreign exchange loss (gain)	**334**	(1,158)	**381**	(1,163)
	$ **3,708**	$ (639)	$ **5,569**	$ (644)

(b) **Finance costs (income), net**

	Three months ended September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Interest income	**$ (16)**	$ (5)	**$ (68)**	$ (13)
Interest on overdrafts and other finance costs	**422**	572	**896**	2,110
Interest on debts and borrowings	**1,101**	1,447	**3,426**	4,109
Fair value loss (gain) on other financial liability at fair value through profit and loss	**(1,427)**	-	**(1,343)**	(471)
Gain on Thorsil bond conversion	**-**	-	**(127)**	-
	$ 80	$ 2,014	**$ 2,784**	$ 5,735

19. 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:

	September 30, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities				
Due to related companies	**7,088**	**7,785**	6,418	7,465
	$ 7,088	**$ 7,785**	$ 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 September 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 nine months ended September 30, 2011 - $88 loss and $237; three and nine months ended September 30, 2010 - $10 gain and $10 gain).

The open foreign exchange forward contracts as at September 30, 2011 are as follows:

		Notional Canadian dollars equivalent		
(000's)	Notional amount of currency sold	Contract amount $	Fair value $	Unrealized gain $
Euro	4,500	6,346	6,378	32

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

(b) **Credit risk**
At September 30, 2011, the Company had five customers (December 31, 2010: five customers, January 1, 2010: five customers) that accounted for approximately 70% (December 31, 2010: 48%, January 1, 2010: 70%) of all receivables owing.

20. 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 September 30		Nine months ended September 30	
	2011	2010	**2011**	2010
Net loss attributable to shareholders for basic and diluted earnings per share	**$ 2,366**	$ 33,916	**$ 15,708**	$ 53,947
Weighted average number of shares for basic earnings per share	**198,545,216**	195,734,769	**196,692,174**	180,269,265
Effect of dilution:				
Share options	**-**	-	**-**	-
Convertible debt conversion right	**-**	-	**-**	-
Weighted average number of shares adjusted for the effect of dilution	**198,545,216**	195,734,769	**196,692,174**	180,269,265

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.

21. 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 Company's chief operating decision maker ("CODM"), which was the President and Chief Operating Officer of Timminco until August 2011 and since then is the Chief Executive Officer of Timminco. 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 months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	Silicon Group	Silicon Group	Silicon Group	Silicon Group
Canada	$ **9,764**	$ 6,561	$ **14,867**	$ 14,661
United States	**1,714**	14,453	**12,274**	40,818
Mexico	**-**	27	**-**	38
Europe	**16,923**	15,507	**44,609**	45,688
Pacific Rim	**244**	368	**1,859**	817
	$ 28,645	$ 36,916	**$ 73,609**	$ 102,022

(b) **Net income (loss):**

	Three months ended September 30			**Nine months ended September 30**		
	2011			2011		
	Silicon Group	Other	Total	Silicon Group	Other	Total
Gain / (Loss) before the undernoted:	$ 349	$ 1,857	$ **2,206**	$ 812	$ (4,161)	$ **(3,349)**
Amortization of PP&E and intangible assets	(1,501)	(11)	**(1,512)**	(4,508)	(28)	**(4,536)**
Interest	-	(1,278)	**(1,278)**	-	(3,685)	**(3,685)**
Environmental remediation costs	(245)	(260)	**(505)**	(346)	(312)	**(658)**
Interest on convertible debt	-	(89)	**(89)**	-	(249)	**(249)**
Impairment of investment in Applied Magnesium	-	1,104	**1,104**	-	882	**882**
Reorganization costs	-	(2,969)	**(2,969)**	-	(4,723)	**(4,723)**
Equity income of Québec Silicon	677	-	**677**	565	-	**565**
Net loss	$ (720)	$ (1,646)	$ **(2,366)**	$ (3,477)	$ (12,276)	$ **(15,753)**
Total assets	$ 122,826	$ 3,149	$ **125,975**			
Total liabilities	$ 71,681	$ 17,183	$ **88,864**			

	Three months ended September 30			Nine months ended September 30		
	2010			2010		
	Silicon Group	Other	Total	Silicon Group	Other	Total
Loss before the undernoted:	$ (23,867)	$ (3,711)	$ (27,578)	$ (25,587)	$ (10,364)	$ (35,951)
Amortization of PP&E and intangible assets	(3,920)	(6)	(3,926)	(11,665)	(17)	(11,682)
Interest	-	(2,014)	(2,014)	-	(6,206)	(6,206)
Environmental remediation costs	(519)	-	(519)	(519)	-	(519)
Net loss	$ (28,306)	$ (5,731)	$ (34,037)	$ (37,771)	$ (16,587)	$ (54,358)
Total assets	$ 210,048	$ 25,415	$ 235,463			
Total liabilities	$ 121,533	$ 23,826	$ 145,359			

(c) **Non-current assets (excludes financial instruments, deferred tax assets and post-employment benefit assets):**

	Silicon Group	Other	**September 30, 2011**
Canada	$ 60,244	$ 527	**$ 60,771**
	$ 60,244	$ 527	**$ 60,771**

	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):**

	September 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 nine months ended September 30, 2011 and 2010, sales to each of the Company's two largest customers exceeded 10% of total sales and were $34,867 and $7,348 (September 30, 2010 - $32,960 and $14,647). 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.

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(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.

23. COMPARATIVE FIGURES

Certain of the September 30, 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 interim condensed 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 nine month period ended September 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 September 30, 2010:

	Notes		Canadian GAAP (Note 23)		Adjustment		IFRS
ASSETS							
Current Assets							
Cash and cash equivalent		$	4,497		-		4,497
Restricted cash			244		-		244
Accounts receivable			12,905		-		12,905
Due from related companies			4		-		4
Inventories			29,421		-		29,421
Finished goods consigned to related company			4,531		-		4,531
Prepaid expenses and deposits			1,404		-		1,404
		$	53,006	$	-	$	53,006
Long term receivables			1,277		-		1,277
Long term inventories			2,807		-		2,807
Property, plant and equipment	i		86,411		69,158		155,569
Investments			222		-		222
Future income taxes	viii		2,399		(2,399)		-
Employee future benefit	ii		939		(939)		-
Intangible assets			5,755		-		5,755
Goodwill			16,827		-		16,827
		$	169,643		65,820	$	235,463

TIMMINCO LIMITED

Notes to Condensed Consolidated Interim Financial Statements
Three and nine months ended September 30, 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		$	28,506	-	28,506
Accounts payable and accrued liabilities	iii,v		22,249	268	22,517
Deferred revenue			11,325	-	11,325
Due to related companies	iv		5,743	(119)	5,624
Future income taxes	viii		311	(311)	-
Other financial liability	iv		-	-	-
Current portion of long term liabilities	vi		27,856	(172)	27,684
Current portion of long term provisions	iii		4,174	2,286	6,460
			100,164	1,952	102,116
Long term liabilities			34	-	34
Employee future benefits	ii		20,655	14,971	35,626
Future income taxes	viii		2,088	(2,088)	-
Long term provisions	iii		9,004	(1,421)	7,583
			131,945	13,414	145,359
SHAREHOLDERS' EQUITY					
Capital stock	viii		311,523	(746)	310,777
Equity component of convertible notes	iv		217	(217)	-
Contributed surplus	v		19,227	(6,956)	12,271
Deficit			(293,269)	60,736	(232,533)
Equity attributable to owners of parents			37,698	52,817	90,515
Non-controlling interest	vii		-	(411)	(411)
Total Equity			37,698	52,406	90,104
		$	169,643	65,820	235,463

(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 nine month periods ended September 30, 2010.

	Note	Three months ended September 30, 2010	Nine months ended September 30, 2010
Net loss as reported under previous Canadian GAAP		$ (34,233)	$ (54,842)
Differences increasing (decreasing) reported net income:			
Depreciation expense	i	(978)	(3,360)
Employee benefit expense	ii	144	432
Share-based payments expense	v	1,141	3,130
Fair value adjustment of financial liability	iv	(5)	467
Interest	ii, iii, iv	(46)	(23)
Transaction costs	vi	(60)	(162)
Net loss as reported under IFRS		$ (34,037)	$ (54,358)

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 $978 and $3,360 for the three and nine months ended September 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 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 shows a total IAS 19 defined benefit plan deficit of $36,249 at January 1, 2010 and $35,626 at September 30, 2010 which compares with a net deficit (employee future benefit obligation less asset) of $19,179 at January 1, 2010 and $19,716 at September 30, 2010 reported previously under Canadian GAAP. In addition, the operating expense through the 2010 consolidated statement of operations and comprehensive loss decreased by $144 and $432 for the three and nine months ended September 30, 2010.

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 and $123 at September 30, 2010. The remeasurement increased (decreased) interest expense by ($1) and $16 for three and nine months ended September 30, 2010.

iii. **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 by $2,306 at January 1, 2010 and $2,027 at September 30, 2010.

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 and $1,162 at September 30, 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.

Interest on provisions for the three and nine months ended September 30, 2010 was lower by $58 and $279.

iv. **Due to related companies and other financial liability**

The Company had issued a convertible debt to AMG (refer Note 15) 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 and $119 at September 30, 2010 and recognition of another financial liability of $471 at January 1, 2010 and $nil at September 30, 2010. In addition, other operating expenses for the three months and nine months ended September 30, 2010 reflects the adjustment for accreted interest expense of $105 and $286, respectively, and foreign exchange and the mark to market of the embedded derivative conversion option financial liability of ($5) and $467, respectively.

v. **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.

The application of IFRS 2 reduced contributed surplus and increased opening retained earnings by $3,558 at January 1, 2010 and $6,956 at September 30, 2010. The expense under IFRS is lower for the three and nine months ended September 30, 2010 by $1,149 and $3,398 as compared to previous Canadian GAAP.

Under IFRS, expense recognition for the performance share units is lower by $8 and higher by $268 for the three and nine months ended September 30, 2010, based on a fair value model, compared to an intrinsic value under previous Canadian GAAP. The resulting fair value of $nil at January 1, 2010 and $268 at September 30, 2010 is recorded in accounts payable and accrued liabilities.

vi. **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 and $172 at September 30, 2010. In addition, the operating expense reflects the impact of accreted interest expense in this respect of $60 and $162 for the three and six months ended June 30, 2010.

vii. **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. Under 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 is 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 of $121 and $411 for the three and nine months ended September 30, 2010 are attributed to non-controlling interest even if this results in a debit balance.

viii. **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. This change in accounting policy reduced capital stock and increased opening retained earnings by $746 at both January 1, 2010 and September 30, 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 and $2,399 at September 30, 2010 compared with that previously reported under Canadian GAAP.

(c) **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 and nine month periods ended September 30, 2010.

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Comprehensive loss as reported under previous Canadian GAAP	$ (34,233)	$ (54,842)
Differences increasing (decreasing) reported comprehensive loss:		
Differences in net income	196	484
Comprehensive loss as reported under IFRS	$ (34,037)	$ (54,358)

i. **Differences in Net Income**

Reflects the differences in net income between Canadian GAAP and IFRS as described above (Note 24(b)).

(d) **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 September 30, 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. EVENTS AFTER THE REPORTING PERIOD

The Bank amended the minimum EBITDA financial covenant under the Senior Credit Facility for the year-to-date period ended September 30, 2011, such that the Company remains in compliance with such covenant as at September 30, 2011 (see Note 10).

On December 10, 2010, Bécancour Silicon and Dow Corning loaned $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. Québec Silicon repaid the April 1, 2011 notes on schedule, in the aggregate amount of $2,539 (Bécancour Silicon received $1,295). Subsequent to the end of the quarter, all three parties agreed to an early repayment of the March 30, 2012 notes, in the fourth quarter of 2011.

Québec Silicon has a Loan Agreement with Dow Corning dated October 1, 2010 (the "Loan Agreement") that provides for a revolving credit facility to fund Québec Silicon's working capital requirements. Subsequent to the end of the third quarter, Dow Corning and Québec Silicon agreed to amend the Loan Agreement to increase the commitment thereunder from $10,000 to $15,000, with interest at Canadian prime plus 2%, so as to provide greater flexibility for Quebec Silicon in offering enhanced payment terms for silicon metal purchases by its two customers, Bécancour Silicon and Dow Corning.

The Company concluded pricing negotiations for 2012 with a long-standing silicon metal customer under the existing long-term supply contract, resulting in a commitment to supply the contracted quantities of silicon metal at the upper limit of the price range for negotiations for 2012.

TIMMINCO

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements of Timminco Limited ("Timminco" and, collectively, with its consolidated subsidiaries, the "Company") and the notes thereto for the quarter ended September 30, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A covers the quarter and nine months ended September 30, 2011 ("Q3-11" and "YTD-11", respectively) with comparisons to results for the quarter and nine months ended September 30, 2010 ("Q3-10" and "YTD-10", respectively) restated from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS. All amounts are in Canadian dollars unless otherwise noted. This MD&A is prepared as of November 8, 2011.

OVERVIEW

The following are the highlights of results for Q3-11, as well as of events occurring subsequent to Q3-11, which are described in more detail elsewhere in this MD&A:

- Sales for Q3-11 were $28.6 million, compared to $36.9 million in Q3-10. Q3-11 sales include $5.5 million of previously deferred revenues. In Q3-10, the Company owned 100% of the silicon metal production operations in Bécancour.

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") for Q3-11 were negative $0.2 million, compared to negative EBITDA of $26.7 million in Q3-10.

- Net loss for Q3-11 was $2.4 million or $0.01 per share, compared to a loss of $34.0 million or $0.17 per share for Q3-10.

- The Company announced a number of changes to its executive management team, including the appointment of Mr. Douglas A. Fastuca as the Chief Executive Officer, Mr. Peter A.M. Kalins as President, and Mr. Gregory A. Donaldson as Vice President, Finance and Controller of Timminco, in August. The Company also concluded alternative arrangements with former officers who had resigned in the quarter, for settling post-employment contractual obligations, including cash payments, issuance of convertible notes, extension of options, and other terms and agreements.

- The Company received a net pre-payment of approximately €3.5 million from a related party customer in September, towards future deliveries of silicon metal in the third quarter of 2012.

- The Company and Bank of America have agreed to revised financial covenants under the Senior Credit Agreement, including new minimum EBITDA levels for the year-to-date period ending September 30, 2011, that result in the Company's compliance with such covenants as at Q3-11.

- The Company received cash proceeds of US$1.1 million from recovery efforts relating to the liquidation of Applied Magnesium's U.S. operations and other magnesium inventories.

- The Company concluded pricing negotiations for 2012 with a long-standing silicon metal customer under the existing long-term supply contract, resulting in a commitment to supply the contracted quantities of silicon metal at the upper limit of the price range for negotiations for 2012.

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 note 2 to the Q3-11 unaudited interim condensed consolidated financial statements of the Company).

The amounts in this MD&A, including both current periods and comparative periods in 2010, reflect the Company's adoption of IFRS, with effect from January 1, 2010. Note 23 of the Q3-11 unaudited

interim condensed consolidated financial statements contains a detailed description of the Company's conversion to IFRS, including reconciliations of net income and comprehensive income previously prepared under Canadian GAAP to IFRS for Q3-10 and YTD-10, and for the balance sheets and equity as at September 30, 2010.

The Company has one segment, the "Silicon Group", which is operated through the Company's wholly-owned subsidiary, Bécancour Silicon Inc. ("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 Limited Partnership ("Québec Silicon"), a 51%-owned production partnership, 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 Canadian GAAP. However, starting October 1, 2010, Québec Silicon's results are not consolidated with the Company under IFRS.

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.

Silicon Metal

Bécancour Silicon procures substantially all of its silicon metal supply through its allocation of Québec Silicon's silicon metal production, which it purchases on a cost-plus basis for resale to its long-standing customers in the chemical (silicones), aluminum and polysilicon (for electronics and solar products) industries. As the 51% owner of Québec Silicon (Dow Corning Corporation owning the other 49%), Bécancour Silicon has significant influence over the strategy and operations of this entity. In particular, through its representation on Québec Silicon's board of directors and operational committee, Bécancour Silicon is ensuring that Québec Silicon scrutinizes all aspects of its operations in order to improve its cost structure and maximize its capacity. As Québec Silicon reduces its costs, Bécancour Silicon will pay less for its silicon metal.

Bécancour Silicon has sold the vast majority of its forecasted silicon metal allocation from Québec Silicon through 2015, to its long-standing customers in the chemical (silicones), aluminum and electronic/solar industries. See "Summary of Operations – Silicon Metal Commitments." Moreover, silicon metal consumers are expected to drive increased demand for production from the Western World, as they seek secure, long-term sources of material outside of China. Accordingly, Bécancour Silicon is exploring opportunities, in conjunction with its joint venture partner Dow Corning, to expand the silicon metal capacity of Québec Silicon at the existing facility. In addition to satisfying expected demand, such an expansion is expected to lower Québec Silicon's cost structure.

The Company intends to focus its business development activities in respect of silicon metal capacity expansion on opportunities that are expected to yield significant net financial benefit for the Company and its stakeholders. Based on management's assessment of the Company's currently available financial and other resources, the Company has determined to focus efforts on opportunities other than ongoing pursuit of a potential new silicon metal production facility in Iceland, and has, therefore, recently divested its equity ownership in the Icelandic entity established to pursue the project. However, the Company has retained opportunities to provide technical support and licensing for the Icelandic project and to become a potential investor or customer in the future, should the project materialize under its new management. See "Summary of Operations – Corporate and Other - Management Changes."

Solar Grade Silicon

Timminco Solar, a division of Bécancour Silicon, continues to leverage its silicon metal expertise in its ongoing enhancement of its proprietary metallurgical-based purification and solidification processes for the production of solar grade silicon for the solar photovoltaic ("PV") industry.

The solar PV industry, which has undergone dramatic changes in the past two years, driven by changes in government subsidies, a new abundance of polysilicon, and a recent decline in module prices, has recently shifted from supply constrained to demand-driven with the downward pricing trend in 2011 expected to fuel demand in order for solar energy to cost effectively compete with other sources of energy (achieve grid parity). Timminco Solar continues to develop and optimize the processes and controls to produce its solar grade silicon using its proprietary purification and solidification processes. A rigorous testing program has been implemented and will continue through the rest of 2011. During the internal product testing phase, Timminco Solar has interacted with existing and potential customers to educate them on the capabilities of the product and gain valuable market feedback on the product opportunities and ways to improve its performance. Through a complementary selling program, Timminco Solar has shipped in YTD-11, 152 metric tons of solar grade silicon from inventory in the form of chunks and bricks.

Based on the Company's market development activities, results of the technology development and testing program efforts to date, the Company plans to re-launch Timminco Solar's production activities on a commercial scale during the first half of 2012, subject to both the market environment at the time and realization of customer commitments that achieve a sustainable positive cash operating margin for Timminco Solar.

Corporate

In addition to providing overall strategic direction and managing access to the public capital markets for debt and equity financing of the Company's operations and future growth, the Company's corporate function provides financial, legal, managerial, and other support to Bécancour Silicon, Timminco Solar and Québec Silicon, as well as the Company's discontinued non-silicon operations and assets. Management is focused on reducing corporate costs, while ensuring that the corporate function is able to efficiently and effectively respond to the needs of the Company's on-going operating activities and future growth opportunities.

SUMMARY OF OPERATIONS

($000's, except per share amounts)				
	Third Quarter		Nine months	
	2011	2010[2]	2011	2010[2]
Sales	28,645	36,916	73,609	102,022
Gross Margin/(Loss)	59	(25,366)	(1,961)	(33,805)
Gross Margin/(Loss) Percentage	0.2%	(68.7%)	(2.7%)	(33.1%)
Net Loss				
Silicon	(720)	(28,306)	(3,477)	(37,771)
Corporate/Other	(1,646)	(5,731)	(12,276)	(16,587)
Total	(2,366)	(34,037)	(15,753)	(54,358)
EBITDA[1]				
Silicon	296	(23,895)	646	(25,599)
Corporate/Other	(528)	(2,797)	(4,978)	(8,035)
Total	(232)	(26,692)	(4,332)	(33,634)
Adjusted (Loss) [1]				
Silicon	(1,204)	(27,814)	(3,862)	(37,264)
Corporate/Other	(996)	(5,763)	(9,493)	(17,091)
Total	(2,200)	(33,577)	(13,355)	(54,355)
Loss per common share, basic and diluted	(0.01)	(0.17)	(0.08)	(0.30)
Weighted average number of common shares outstanding, basic and diluted (000's)	198,545	195,735	196,692	180,269

(1) See "Non-GAAP Accounting Definitions".
(2) 2010 amounts have been re-stated based on the application of IFRS.

Silicon Group

During Q3-11, market conditions for silicon metal remained stable, with demand for chemical and regular grade silicon at traditional levels and spot market prices essentially unchanged from Q2-11. Foreign currency exchange rates, particularly the Euro/Canadian dollar and the Canadian dollar/US dollar exchange rates were less favourable to the Company (as compared with Q3-10) lowering the revenues realized by the Silicon Group in Canadian dollars in YTD-11 as a whole (as compared to YTD-10) since the Company sells silicon metal 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 executed 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.

In YTD-11, solar grade silicon generated revenues of approximately $11.2 million, primarily from the shipment to customers and the recognition of deferred revenues of 159 metric tons of solar grade silicon inventory, some of which was further processed at the ingoting facility in Bécancour, Québec.

Of the 159 metric tons of solar grade silicon inventory, 140 metric tons relate to recognition in Q3-11 of previously deferred revenues in respect of sales of solar grade silicon inventories to AMG Conversion Ltd. ("AMG Conversion") in 2009 (see "Related Party Transactions - AMG Conversion"). Such recognition of previously deferred revenues comprised the bulk of the approximately $5.9 million in revenues generated by solar grade silicon in Q3-11.

Silicon Metal Supply Commitments

Bécancour Silicon has a long-term silicon metal supply contract with one of its long-standing silicon metal customers, for two silicon metal products, for the years 2011 to 2015. The base quantity under the 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.

The volumes under this contract represent substantially all of Bécancour Silicon's anticipated allocation of silicon metal from Québec Silicon (see "Related Party Transactions - Québec Silicon"). In addition, based on the volumes delivered to this customer YTD-11, and on Québec Silicon's anticipated production volumes to be allocated to Bécancour Silicon for the remainder of 2011, the Company expects a shortfall in its deliveries relative to the base quantity for 2011 under the contract. The customer has agreed to defer substantially all of such expected shortfall to 2013 and 2014.

The prices under the contract are fixed for 2011, and are subject to negotiation within a defined price range for each of the remaining four years. All pricing is in Euros and, for the years 2011 to 2014, is subject to a currency adjustment clause that 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.

The contract contains annual call and put options in respect of the supply commitments for each of the two silicon metal products, with pricing at the upper and lower limits of the defined price ranges for annual negotiations. If Bécancour Silicon and the customer are unable to mutually agree on prices for deliveries of silicon product by October 31st of the preceding year, the customer will have the option to buy the annual base quantity and any additional quantity for that year from Bécancour Silicon at the upper limit of the price range and Bécancour Silicon will have the option to sell those quantities to the customer at the lower limit of the price range. Notice of exercise of either the call or put option must be delivered to the other party by no later than November 15th of the preceding year.

The annual base quantity under the contract is subject to volume adjustments up to approximately 20% per year, at the customer's option. However, if either the call right or the put option is exercised for any year, these adjustments do not apply in such year.

In Q3-11, Bécancour Silicon and its customer amended their long-term silicon metal contract to reduce the base quantity for 2012 by an agreed volume which instead will be supplied by Bécancour Silicon to a related party customer, Sudamin Holding S.P.R.L., which has committed to sell such volume to Bécancour Silicon's customer, in the third quarter of 2012 (see "Related Party Transactions - Sudamin"). Bécancour Silicon received a net pre-payment of approximately €3.5 million ($4.8 million) in Q3-11 for such future deliveries in 2012 (see "Liquidity and Capital Resources - Trade Finance").

Subsequent to the end of the quarter, following annual pricing negotiations, the customer exercised its call option for the full volumes of both silicon metal products in 2012. Accordingly, all such deliveries will be at the upper limit of the price range for negotiations for 2012, which is lower than the current fixed price for 2011, and none of the customer's volume adjustment options will apply.

In addition to the supply contract referenced above, Bécancour Silicon has other commitments to supply volumes of silicon metal to other customers.

Results of Operations

For Q3-11 and YTD-11, Silicon Group sales were $28.6 million and $73.6 million, compared to $36.9 million and $102.0 million for the comparable periods of 2010.

Analysis of Silicon Group Sales								
	Third Quarter				Nine months			
	2011		2010		2011		2010	
	Metric tons	$000's	Metric tons	$000's	Metric tons	$000's	Metric tons	$000's
Silicon metal	7,316	20,515	11,501	30,763	20,591	58,003	37,008	91,979
By-products	9,841	2,221	23,286	5,918	16,685	4,442	39,078	9,757
Silicon metal product lines	17,157	22,736	34,787	36,681	37,276	62,445	76,086	101,736
Solar grade silicon	151	5,909	5	235	310	11,164	6	286
Total Silicon Group sales	**17,308**	**28,645**	**34,792**	**36,916**	**37,586**	**73,609**	**76,092**	**102,022**

Sales of silicon metal were $20.5 million in Q3-11, compared to $30.8 million for Q3-10 (YTD-11 - $58.0 million and YTD-10 - $92.0 million). 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 2011, compared with 2010. However, the Company has been able to realize higher unit selling prices for silicon metal in 2011, reflecting improved prices compared to 2010. The volume of silicon metal sold by Bécancour Silicon in YTD-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 YTD-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 on a commission basis. Consequently, these by-product sales are no longer included in the Silicon Group's sales and Bécancour Silicon now records as sales the commission earned. 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. During Q3-11, $2.2 million of silica fumes were extracted and sold.

Solar grade silicon net revenues in Q3-11 were $5.9 million (YTD-11 – $11.2 million), compared to $0.2 million in Q3-10 (YTD-10 - $0.3 million). A substantial portion of this revenue relates to recognition of previously deferred revenues in respect of sales of approximately 140 metric tons of solar grade silicon inventories in 2009 to AMG Conversion. In Q3-11, AMG Conversion determined that it would no longer pursue sales of its inventory of solar grade silicon solely in the form of ingots, bricks and wafers, and ceased processing of its solar grade silicon chunks, into ingots and bricks, at the Bécancour ingoting facility. On the basis that AMG Conversion has determined to sell all of its remaining solar grade silicon inventories purchased from Bécancour Silicon in 2009 in its current form, and that AMG Conversion no longer requires or demands any further performance by or from Bécancour Silicon in respect of such inventory to facilitate such sales, management has determined that all relevant revenue recognition criteria have been satisfied in respect of such sales to AMG Conversion in 2009 (see "Related Party Transactions – AMG Conversion"). None of the YTD-11 reported sales of solar grade silicon represent new production using the enhanced purification and solidification processes that are currently under development and testing.

Gross margin (loss) for Q3-11 and YTD-11 were $0.1 million (0.21% of sales) and $(2.0) million (2.7% of sales), respectively, compared with $(25.4) million (68.7% of sales) in Q3-10 and $(33.8) million

(33.1% of sales) in YTD-10, which 2010 amounts included inventory net realizable value provisions related to solar grade silicon products and by-product inventories of $25.0 million. Silicon Group gross margins in YTD-11 were unfavourably impacted by $1.4 million, compared to YTD-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 has entered into forward contracts to convert a portion of anticipated Euro inflows into Canadian dollars.

Gross margin related to silicon metal sales was $3.0 million for Q3-11 and $5.4 million for YTD-11 compared with $2.8 million in Q3-10 and $2.0 million in YTD-10. During Q3-11, silicon metal unit production costs of Québec Silicon decreased as compared to Q2-11 production costs which were negatively impacted by unabsorbed overheads incurred during planned maintenance shutdowns. Utilities and labour represent a majority of Québec Silicon's silicon metal production costs. The gross margin also reflects higher average selling prices for silicon metal as a result of changes in customer mix compared to Q2-11.

Gross margin related to solar grade silicon products was negative $2.9 million in Q3-11 and negative $7.3 million in YTD-11. During Q3-11 the Company realized $1.3 million in gross margin from product sales of solar grade silicon as a result of the recognition in Q3-11 of deferred revenue from sales in 2009 to AMG Conversion (see "Related Party Transactions – AMG Conversion"). This was offset by development costs and other overhead costs related to the solar grade silicon facilities, depreciation and amortization amounting to $4.2 million. During YTD-11 the Company earned $3.9 million in gross margin from product sales of solar grade silicon, offset by development costs and other overhead costs related to the solar grade silicon facilities, depreciation and amortization amounting to $11.2 million.

The Silicon Group generated positive EBITDA in Q3-11 of $0.3 million ($0.6 million in YTD-11) compared to negative $23.9 million in Q3-10 (negative $25.6 million in YTD-10). Q3-10 and YTD-10 included solar grade silicon inventory and by-product net realizable provisions of $25.0 million and a $1.9 million provision with respect to solar equipment supplier claims. Excluding these provisions, normalized Q3-10 and YTD-10 EBITDA would be positive $3.0 million and positive $1.3 million, respectively. The lower EBITDA in YTD-11, compared to normalized YTD-10, reflects the higher production costs for silicon metal due to, (i) the use of a new transfer price calculation from Québec Silicon, which includes expenses not reflected in EBITDA in 2010 such as depreciation and amortization, interest, and a transfer price margin, after the Company entered into the production partnership (see "Related Party Transactions - Québec Silicon"), and (ii) the unabsorbed costs relating to the operation of the ingoting facility for inventory production, development costs and other overhead costs relating to the solar grade silicon production facilities and costs relating to continuous process improvements. These higher costs were offset by positive gross margin earned from sales of solar grade silicon, the recognition of deferred revenue from sales in 2009 to AMG Conversion (see "Related Party Transactions – AMG Conversion") and increased silicon metal selling prices.

The Silicon Group generated net losses for Q3-11 and YTD-11 of $0.7 million and $3.5 million, respectively, compared with net losses of $28.3 million and $37.8 million for the same periods in 2010 which 2010 amounts included solar grade silicon inventory net realizable value provisions of $25.0 million and supplier claim provisions of $1.9 million. The net loss for YTD-11 includes recognition of deferred revenue from sales in 2009 to AMG Conversion and reflects increased silicon metal production costs and solar grade silicon market development costs.

Corporate and Other

Corporate and Other expenses primarily represent selling and administration expenses, environmental remediation provision adjustments, termination benefit provisions, and foreign exchange translation gains and losses included in administrative expenses in the statement of operations. YTD-11 includes professional fees of $0.3 million related to the split of pension and post-retirement benefit plans and expenditures of $0.3 million for evaluating the feasibility of a silicon metal facility in Iceland. Excluding the split of the pension and post-retirement benefit plans and Iceland expenditures, Corporate and Other expenses were $4.5 million in YTD-11 and $6.2 million in YTD-10. In Q3-11 and YTD-11, the Company updated estimates of termination benefit provisions by $3.0 million and $4.7 million,

respectively, including $3.0 million in termination benefits provisions in Q3-11 relating to the resignation of former officers (see "Summary of Operations – Corporate and Other - Management Changes").

Finance Costs

Finance Costs are comprised of interest expense and income, fair value loss (gain) on financial instruments at fair value through profit and loss and gain on Thorsil Bond conversion. Net interest expense is predominantly determined by the interest charges on the Investissement Québec Term Loan and borrowings from the Senior Credit Facility (Q3-11 - $1.4 million; YTD-11 - $4.2 million). The fair value loss (gain) on financial instruments at fair value through profit and loss reflects changes in the fair value of the conversion option of the AMG Note (Q3-11 - $1.4 million gain; YTD-11 - $1.3 million gain). As a result of the conversion of the US$1.0 million Thorsil Bond on June 30, 2011, a gain of $0.1 million has been recognized in Q2-11 and YTD-11.

Management Changes

On August 9, 2011, Mr. Douglas A. Fastuca was appointed Chief Executive Officer of Timminco, concurrently with Dr. Heinz C. Schimmelbusch relinquishing this position. Dr. Schimmelbusch will remain Chairman of the Board of Timminco (see "Related Parties – Executive Management").

Subsequently, Mr. Peter A.M. Kalins was appointed as President of Timminco, in addition to his position as General Counsel and Corporate Secretary, and Mr. Gregory A. Donaldson was appointed Vice President, Finance and Controller of Timminco, with responsibilities as Timminco's most senior financial officer. Also in Q3-11, the Company appointed Mr. Julien Y. Crisnaire General Manager of Timminco Solar, a division of Bécancour Silicon (see "Related Parties – Executive Management"), and made other officer appointments.

In connection with these executive management changes, the following three officers resigned in August 2011: Mr. John Fenger, who was President and Chief Operating Officer of Timminco; Mr. Robert J. Dietrich, who was Executive Vice President, Finance and Chief Financial Officer of Timminco; and Mr. Peter D. Rayner, who was Corporate Controller of Timminco (collectively, the "Former Officers").

The Company has finalized agreements with each of the Former Officers for termination benefits, including on account of severance entitlements, health and other employee benefits, and settlement of share-based compensation awards. Pursuant to such agreements, the Company agreed to make cash payments in Q3-11 and Q4-11 and to continue to provide certain post-employment benefits to the Former Officers for up to two years, which have an aggregate cost of approximately $0.3 million.

The Company also issued non-interest bearing convertible promissory notes in September and October 2011 to each of Mr. Fenger and Mr. Dietrich, in the aggregate principal amount of approximately $1.2 million. (See "Liquidity and Capital Resources – Convertible Notes".)

Pursuant to the agreements with Mr. Fenger, and in connection with the Company's decision not to continue its active pursuit of a potential new silicon metal production facility in Iceland (see "Strategy – Silicon"), the Company has also agreed to sell all of its equity interest in its Icelandic majority-owned subsidiary, Thorsil ehf. ("Thorsil"), to Mr. Fenger, for nominal consideration. Thorsil was the entity established by the Company and Strokkur Energy ehf. ("Strokkur") for pursuing the project in Iceland. At the time of Mr. Fenger's resignation, Thorsil had not yet concluded binding commitments for the project, and substantially all of Thorsil's preliminary funding from the Company and Strokkur had been spent. Mr. Fenger intends to continue pursuing the project with Strokkur and other investors, independently of the Company. However, in connection with the sale of Thorsil to Mr. Fenger, the Company has agreed to provide certain technical support for the project, both during the planning phase and potentially during the construction and operational phases, and Mr. Fenger has agreed to maintain on-going discussions with the Company in respect of potential future involvement as an investor or customer of the Icelandic project. The Company has agreed to provide certain proprietary silicon metal processing technology, subject to the project being realized as currently contemplated,

and personnel support, subject to third party approvals, for the benefit of Thorsil, in consideration for the payment of future royalties for technology licenses and service fees for engineering and other technical personnel, all of which are subject to further negotiation on an arm's length basis. The Company has also agreed to pay certain payables of Thorsil and to waive its claims for reimbursement of certain project-related expenses, in the aggregate amounts of approximately $0.1 million. The sale of Thorsil was completed subsequent to the quarter end.

In addition, the Company has entered into a consulting agreement (the "Consulting Agreement") with Mr. Fenger, whereby he would provide certain advisory services in respect of silicon metal projects, at the request of the Company. The Consulting Agreement, which expires on September 30, 2012, provides for the payment of minimum consulting fees of US$0.1 million.

The Company has also agreed to amend the terms of selected options to purchase common shares of Timminco that were previously granted to the Former Officers in 2009, 2010 and 2011 under the Timminco Share Option Plan dated as of March 26, 2004, as amended (the "Option Plan"). In particular, the vesting and exercisability of such selected options were extended beyond the applicable post-termination exercise period, in some cases up to five years from the original date of grant, which is the maximum extension for exercisability as permitted under the Option Plan. Such extended options have original exercise prices in the range of $0.40 to $2.57 per share, none of which has been amended. Approximately 2.2 million common shares of Timminco are subject to such extended options.

The arrangements described above represent full and final settlement of all claims or entitlements of the Former Officers relating to the termination of their employment with the Company, including claims arising under employment agreements, in respect of share-based compensation awards, and proposed supplemental retirement benefits. With respect to Mr. Fenger and Mr. Dietrich, such agreements, awards and retirement benefits are described in Timminco's Management Information Circular dated March 25, 2011, for the year ended December 31, 2010.

Also, as a result of the foregoing arrangements, the Company has reversed accruals of approximately $0.5 million as at Q3-11 relating to potential bonuses and funding of supplemental retirement benefits for the Former Officers, which are no longer payable.

Investment in Applied Magnesium

During Q3-09, the Company completed the divestiture of its magnesium business, with the completion of the merger of the Company's remaining magnesium business with the magnesium operations of Winca Tech Limited ("Winca") to form Applied Magnesium. The merger involved the transfer by each party of certain of their subsidiaries, intellectual property rights, equipment, non-cash working capital and other assets to a newly-formed entity, Applied Magnesium International Limited ("AMI"), in which the Company acquired a 19.5% equity interest and which issued promissory notes to the Company, and to AMI's newly-formed US subsidiary, Applied Magnesium USA, Inc. ("AMU"), which also owed other amounts to the Company. In Q4-09, the Company determined that there was substantial doubt regarding the eventual collection of the promissory notes and other receivables from the Applied Magnesium entities, resulting in an impairment charge of approximately $4.1 million, representing all of the amounts due to the Company.

In Q1-11, the Company further impaired its investment in Applied Magnesium relating to its equity in AMI, resulting in an additional charge of approximately $0.2 million, due to uncertainty about the ability of Applied Magnesium continuing as a going concern. In Q2-11, the Company initiated legal proceedings against AMU to recover the value of certain receivables due to the Company and undertook other activities to recover certain magnesium inventories held by AMU.

In Q3-11, AMU informed the Company that it intended to wind up its operations in the United States, and commenced negotiations with the Company and another large creditor regarding wind-up proceedings and settlement of AMU's liabilities. In consideration for the Company and such other creditor not immediately exercising their rights as creditors of AMU, such parties executed a Wind Down, Business Cessation, Creditor Payment and Release Agreement in August 2011 (the "AMU

Liquidation Agreement"), pursuant to which, among other things, AMU's working capital would be liquidated and the net proceeds distributed equally between the Compant and AMU's other large creditor. Also in Q3-11, the Company sold certain magnesium inventory that it had repossessed from AMU. The Company received aggregate cash proceeds of US$0.7 million ($0.7 million) during Q3-11 and US$0.4 million ($0.4 million) during the fourth quarter of 2011 from AMU pursuant to the AMU Liquidation Agreement and from the liquidation of the Company's magnesium inventories. These proceeds have been accounted for as a reversal of the impairment loss by the equivalent amount.

The Company is also contemplating other legal proceedings against certain individuals and financial instututions involved in the management and financing of AMU, as well as legal proceedings for the involuntary liquidation of AMI. However, the likelihood, timing and amount of any recoveries for the Company from such proceedings, whether as creditor or equityholder in AMU or AMI, remains uncertain.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY OF CASH FLOWS ($000's)				
	Third Quarter		Nine months	
	2011	2010(1)	2011	2010(1)
Net loss(2)	(2,366)	(34,037)	(15,753)	(54,358)
Non-cash adjustments(2)	2,116	35,971	9,895	47,845
Expenditures related to benefit plans and various provisions	(1,137)	(1,221)	(4,029)	(3,696)
Cash from (used in) operations before changes in non-cash working capital	(1,387)	713	(9,887)	(10,209)
Non-cash working capital changes	(242)	5,623	743	13,416
Cash from (used in) operating activities	(1,629)	6,336	(9,144)	3,207
Capital expenditures	-	(600)	(50)	(1,506)
Increase (decrease) in bank indebtedness	(700)	(2,707)	-	(11,809)
Issuance of convertible bond	-	-	-	1,043
Issuance of common shares	-	-	-	12,434
Cash from financing activities(3)	(700)	(2,707)	-	1,668
Other investing and financing activities(4)	4,715	(13)	4,509	(42)
Net change in cash during the period	2,386	3,016	(4,685)	3,327
Cash – beginning of period(5)	412	1,481	7,483	1,170
Cash – end of period(5)	2,798	4,497	2,798	4,497

(1) 2010 amounts have been re-stated based on the application of IFRS.
(2) Includes inventory net realizable value reversals: YTD-11 – $NIL; YTD-10: $26.9 million.
(3) "Cash from financing activities" consists of "Issuance of convertible bond" and "Increase/(decrease) in bank indebtedness".
(4) "Other investing and financing activities" consists of "Decrease in long term liabiities", "Increase in loans from related companies" and "Funding from non-controlling interest".
(5) "Cash includes short term interest bearing deposits with original maturities less than 90 days.

Cash From (Used in) Operating Activities

During Q3-11 and YTD-11, the Company used cash of $1.4 million and $9.9 million, respectively, from operations before changes in non-cash working capital, compared to cash from operations in Q3-10 of $0.7 million and YTD-10 cash used in operations of $10.2 million The use of cash in Q3-11 was largely attributable to EBITDA loss of $0.2 million (YTD-11 $4.3 million), interest payments of $1.0 million (YTD-11 $2.9 million), cash expenditures for employee future benefits in excess of amounts expensed of approximately $0.5 million (YTD-11 $2.0 million), and long term provision payments of approximately $0.3 million (YTD-11 $1.0 million). These uses of cash were offset with cash received from Applied Magnesium in Q3-11 of $0.7 million (YTD-11 $0.7 million) (see "Results of Operations – Investment in Applied Magnesium"). Uses of cash in Q3-10 and YTD-10 were largely as a result of losses incurred from the solar grade silicon product line operations which were suspended during 2010. Non-cash working capital changes in Q3-11 of negative $0.2 million (YTD-11 $0.7 million) are due to decreases in inventories, receivables and accounts payable as a result of the reduced volumes of

silicon metal that are purchased by Bécancour Silicon resulting from the creation of the Québec Silicon production partnership (see "Related Party Transactions - Québec Silicon"). Non-cash working capital changes in Q3-10 of $5.6 million were impacted by timing of trade payables prior to the creation of the production partnership of Québec Silicon (see "Related Party Transactions - Québec Silicon") while the increase in YTD-10 non-cash working capital of $13.4 million was additionally impacted by the orderly liquidation of inventories throughout 2010.

Cash from other investing and financing activities in Q3-11 of $4.7 million (YTD-11 $4.5 million) included a net prepayment of $4.8 million received from a related party customer, Sudamin Holding S.P.R.L (see "Liquidity and Capital Resources – Trade Finance"). This financing activity generated the net increase in cash in Q3-11 of $2.4 million (YTD-11 net use of cash of $4.7 million), compared to net increases in cash in Q3-10 of $3.0 million (YTD-10 $3.3 million).

Credit Facilities

Summary of Senior Credit Facility		
($ millions)	September 30, 2011	December 31, 2010
Total facility	20.0	20.0
Borrowing base	7.9	13.0
Facilities available	2.9	7.9
Less: Facilities drawn	NIL	NIL
Undrawn facilities	2.9	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 September 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 Bank has agreed to exclude from EBITDA the non-cash expenses associated with the termination provision incurred in Q3-11. However, notwithstanding this exclusion, the Company did not achieve the minimum required level of EBITDA on a cumulative year-to-date basis as at September 30, 2011 to satisfy the minimum EBITDA covenant in the Senior Credit Agreement. The Company and the Bank have agreed to revise the minimum EBITDA level for the period ending September 30, 2011, resulting in the Company's compliance with such covenant as at Q3-11, and are in discussions regarding further amendments to such covenant for future periods. The Senior Credit Agreement also has a capital expenditure covenant, which currently prohibits the Company from incurring any additional capital expenditures in 2011 beyond existing commitments without the Bank's consent.

Term Loan

Bécancour Silicon has a loan from Investissement Québec ("IQ") in the principal amount of $26.4 million (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 September 30, 2011.

Convertible Notes

AMG Convertible Note

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$3.9 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".

Former Officer Notes

In September and October 2011, Timminco issued non-interest bearing convertible promissory notes to each of Mr. Fenger and Mr. Dietrich, in the aggregate principal amounts of approximately $0.8 million and US$0.4 million (the "Former Officer Notes"). The Former Officer Notes are payable, over a period of up to two years from the issuance dates, in monthly instalments in cash or, at the sole option of the Company, in freely tradable common shares of Timminco issued at a conversion price that is 95% of the 5-day weighted average trading price per share on the Toronto Stock Exchange ("TSX") on the date of equity settlement notice, which may be delivered no less than 10 days before each monthly payment date. However, the Company will not be entitled to exercise the equity settlement options until at least February and March 2012, respectively, which is four months from the date of the issuance of the Former Officer Notes. Approximately $0.1 million in monthly cash payments are due under the Former Officer Notes, before the Company is able to exercise its equity settlement options. Based on the Company's currently liquidity position, the Company expects to fully exercise its equity settlement options.

The Former Officer Notes do not contain cross-default provisions, nor any financial reporting covenants or negative debt covenants. However, if the Company fails to pay any amount payable under the Former Officer Notes, the entire principal amount outstanding under the Former Officer Notes may be declared due and payable in full, after applicable cure periods.

Trade Finance

In September 2011, Bécancour Silicon received a net prepayment of approximately €3.5 million ($4.8 million) from a related party customer, Sudamin Holding S.P.R.L., for future committed deliveries of a certain volume of silicon metal in the third quarter of 2012 (see "Related Party Transactions – Sudamin"). The amount of the pre-payment has been recorded as a liability and revenue will be recognized when the deliveries are made in the third quarter of 2012.

Pension Deficit Funding

The Company has three defined benefit pension plans. Bécancour Silicon sponsors contributory defined benefit pension plans for its unionized and non-unionized employees (the "Bécancour Silicon Pension Plans"). Timminco is in the process of winding up a retirement pension plan for the former Haley hourly employees of Timminco's former magnesium manufacturing facilities in Haley, Ontario

(the "Haley Pension Plan") with the wind-up deficit being funded over a five-year period ending July 31, 2013.

During Q3-11 there was significant market volatility which adversely impacted the Company's pension plan assets and increased the pension liabilities thereunder. The actual YTD-11 return on pension plan assets was below the anticipated return, thus increasing the Company's deficit position. In addition, there was also a decrease in the discount rates, resulting in increased benefit obligations.

With the assistance of the Company's actuaries, the Bécancour Silicon Pension Plans' financial position has been extrapolated as at September 30, 2011 using the current plan assets and change in discount rates. The discount rate of the Bécancour Silicon Pension Plans decreased from 5.4% as at December 31, 2010 to 4.5% as at September 30, 2011 and the actual YTD-11 plan returns were below expected returns. The estimated cash funding position of the Bécancour Silicon Pension Plans has changed significantly and as of September 30, 2011 the estimated contribution requirements have increased by a total of approximately $4.1 million from $11.8 million to $15.9 million over a funding period of the next five years. The expected return on assets has also decreased from 6.5% to 5.5% in that same period, thus increasing the plan benefit obligations. The funded status on an accounting basis of the Bécancour Silicon Pension Plans has also decreased and the increased deficit will result in higher pension expenses in future periods which will be determined at the annual valuation date of December 31, 2011. There is no impact in the Q3-11 financial statements as a result of these changes in estimates.

The Haley Pension Plan is winding up effective August 1, 2008 with the wind-up deficit being funded through July 31, 2013. With the assistance of the Company's actuaries, the Haley Pension Plan financial position has been extrapolated as at September 30, 2011 using the current plan assets and change in discount rates. The discount rate of the Haley Pension Plan decreased from 4.57% as at December 31, 2010 to 4.00% as at September 30, 2011 and the actual YTD-11 plan returns were below expected returns. The estimated cash funding position of the Haley Pension Plan has been negatively impacted and as of September 30, 2011 the estimated contribution requirements have increased by a total of approximately $1.6 million from $2.6 million to $4.2 million over a funding period of the next two years. The funded status on an accounting basis of the Haley Pension Plan has decreased and the increased deficit will result in higher pension expenses in future periods. There is no impact in the Q3-11 financial statements as a result of these changes in estimates.

Québec Silicon sponsors contributory defined benefit pension plans for its unionized and non-unionized employees (the "Québec Silicon Pension Plans"). Although the Company accounts for its ownership in Québec Silicon on an equity basis and, accordingly, does not consolidate Québec Silicon's results of operations since the transition to IFRS (see "Related Party Transactions - Québec Silicon"), the impact of the market volatility on the Québec Silicon Pension Plans could increase future funding requirements to Québec Silicon from the Company, to the extent that Québec Silicon is unable to fund deficits from its own cash flows.

The Québec Silicon Pension Plans are in an increased deficit position and have increased funding requirements as a result of the change in current plan assets and change in discount rates. Québec Silicon Pension Plans' financial position has been extrapolated as at September 30, 2011 with the assistance of their actuaries, using the current plan assets and change in discount rates. The discount rate of the Québec Silicon Pension Plans decreased from 5.9% as at December 31, 2010 to 4.75% as at September 30, 2011. The expected return on assets has also decreased from 6.5% to 5.5% in that same period, thus increasing the plan benefit obligations. The estimated cash funding position of the Québec Silicon Pension Plans has changed significantly and as of September 30, 2011 the estimated contribution requirements have increased by a total of approximately $4.9 million from $9.9 million to $14.8 million over a funding period of the next five years. The funded status on an accounting basis of the Québec Silicon Pension Plans has also decreased and the increased deficit will result in higher pension expenses in future periods which will be determined at the annual valuation date of December 31, 2011.

Expenditures related to Former Haley Employee 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 closure:

Cost element ($000's)	Cash expenditures 2008 to 2010	Cash expenditures YTD-11	Anticipated cash expenditures for Q4-11	Anticipated cash expenditures beyond fiscal 2011
Employment termination costs	1,934	110	43	1,007
Pension	4,239	885	-	3,220
Site closure and remediation costs	2,406	415	587	3,811
Total	**8,579**	**1,410**	**630**	**8,038**

The future closure costs over time are expected to be approximately $8.7 million.

The Company's anticipated pension funding obligation expenditures beyond 2011 in respect of the Haley Pension Plan reflect the contribution requirement for the period August 1, 2011 to July 31, 2013 updated as of August 1, 2011 including actual plan member data, updated discount rates and current market conditions (see "Liquidity and Capital Resources – Pension Deficit Funding").

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

Capitalization

Total Capitalization ($000's)	September 30, 2011	December 31, 2010
Convertible note (AMG)	3,961	4,652
Convertible notes (Former Officers)	1,218	-
Bank indebtedness (Bank of America)	-	-
Term loan (Investissement Québec)	26,328	26,318
Shareholders' equity	37,111	50,447
Total capitalization	68,406	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 Q3-11, the Company invested nominal amounts in solar grade silicon capital assets.

The Company will need to incur capital expenditures in the future in pursuit of its strategic objectives. The financial covenants in the Senior Credit Agreement restrict the Company's ability to incur any new capital expenditures (see "Liquidity and Capital Resources – Credit Facilities").

Contractual Obligations

($000's)		Total		Less than 1 Year		1 to 3 Years		4 to 5 Years		Thereafter
Term debt	$	45,154	$	3,529	$	14,589	$	4,365	$	22,671
Operating leases		1,826		285		703		197		641
AMG Convertible Note		6,931		700		6,231		-		-
Post-retirement benefit indemnification		5,000		39		433		571		3,957
Employee future benefit funding obligations		15,384		3,715		8,969		2,484		216
Reorganization obligations		1,253		691		76		30		456
Environmental obligations		7,686		2,234		2,536		188		2,728
Contract termination obligations		4,843		1,443		3,400		-		-
Former Officer termination benefits		1,539		866		673		-		-
Total contractual obligations	$	88,076	$	12,637	$	36,936	$	7,835	$	30,669

The amounts in the table above reflect undiscounted obligations on the dates discussed below.

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 September 30, 2011. See "Liquidity and Capital Resources – Term Loan".

Operating leases

"Operating leases" represent corporate office facility commitments as at March 31, 2011.

AMG Convertible Note

"AMG Convertible Note" represents obligations under the convertible promissory note (see "Liquidity and Capital Resources – Convertible Notes").

Post-retirement benefit indemnification

"Post-retirement benefit indemnification" represents obligations of Bécancour Silicon as at September 30, 2011 to reimburse Québec Silicon for expenditures with respect to post-retirement benefit obligations of certain employees who retire on or before September 30, 2016.

Employee future benefit funding obligations

"Employee future benefits funding obligations" reflect statutory funding requirements of the post-employment defined benefits pension plans and the estimated future funding requirements for post-retirement benefits of Bécancour Silicon as at December 31, 2010, and of Timminco as of August 1, 2011 derived from the annual Addendum Report to the Report on the Wind-Up Actuarial Valuation as at August 1, 2008. 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 (see "Liquidity and Capital Resources – Pension Deficit Funding").

Reorganization and environmental obligations

"Reorganization" and "environmental obligations" are commitments of the Company as at March 31, 2011 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 $0.3 million related to Québec Silicon environmental undertakings for which the Company is contractually responsible.

Contract termination obligations

"Contract termination obligations" 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 as at March 31, 2011.

Former Officers termination benefits

"Former Officers termination benefits" represent commitments of the Company related to Former Officer termination benefits, including on account of severance entitlements, health and other employee benefits, and settlement of share-based compensation awards (see "Summary of Operations - Corporate and Other - Management Changes").

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.

RELATED PARTY TRANSACTIONS

AMG Advanced Metallurgical Group

AMG is a significant shareholder of Timminco. As at September 30, 2011, AMG held 83,146,007 common shares of Timminco, representing approximately 41.9% 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

Since March 2009, when Bécancour Silicon sold ingoting equipment at the Bécancour ingoting facility to AMG Conversion Ltd. ("AMG Conversion"), a wholly-owned subsidiary of AMG, and concurrently executed agreements in respect of joint ingot and brick production at that facility and in respect of joint product and process development activities, Bécancour Silicon and AMG Conversion had been co-ordinating their efforts to develop their respective markets in the solar photovoltaic industry and to optimize their respective processes for the purification of solar grade silicon and the production of

ingots and bricks. In the context of this relationship, Bécancour Silicon sold approximately 153 metric tons of its solar grade silicon to AMG Conversion in 2009. At the time of such sales, the parties had agreed that Bécancour Silicon would continue its focus on producing solar grade silicon while AMG Conversion would use solar grade silicon purchased from Bécancour Silicon to produce ingots and bricks for the solar wafer market. Accordingly, the solar grade silicon purchased by AMG Conversion would require further processing into ingots and bricks and the agreements between the parties were amended to provide for an interim tolling arrangement allowing AMG Conversion to produce ingots and bricks at the Bécancour ingoting facility for its own account, using its equipment and solar grade silicon, and Bécancour Silicon's employees.

In Q3-11, Bécancour Silicon and AMG Conversion started to increase their collaboration in developing sales for all solar grade silicon, whether in the form of chunks, ingot, bricks and wafers. As a result, the distinction between AMG Conversion's and Bécancour Silicon's previously disparate marketing efforts towards their respective solar market segments set out in their agreements was diminishing. Additionally, Bécancour Silicon's continuous optimization of its process for the purification of solar grade silicon, which yielded an end product of solar grade silicon in the form of raw material bricks and not chunks, further diminished such market and product segmentation. Thus, in Q3-11, AMG Conversion determined that it would no longer pursue sales of its inventory of solar grade silicon solely in the form of ingots, bricks and wafers, and ceased processing of its solar grade silicon chunks, into ingots and bricks, at the Bécancour ingoting facility. Rather, AMG Conversion has determined to sell all of its remaining solar grade silicon inventories purchased from Bécancour Silicon in 2009 in its current form, and that it will no longer require or demand any further performance by or from Bécancour in respect of such inventory to facilitate such sales. Bécancour Silicon is supportive of this change in strategy and effective Q3-11, the parties have amended the agreements between them to allow for the sale of AMG Conversion's solar grade silicon inventory in its current form, without any further performance by Bécancour Silicon.

In addition, effective Q3-11, AMG Conversion and Timminco Solar, a division of Bécancour Silicon, entered into a sales agency agreement whereby AMG Conversion would act as Timminco Solar's non-exclusive agent for the sale of Timminco Solar's existing solar grade silicon inventory. The sales agency agreement with AMG Conversion provides Timminco Solar with additional resources for the purposes of selling its current solar grade silicon inventory without incurring the overheads associated with hiring additional sales staff. Under the terms of the agreement, Timminco Solar is to pay AMG Conversion a commission equal to 5% of the gross invoice price. The sales agency agreement with AMG Conversion only applies with respect to sales of Timminco Solar's existing inventory of solar grade silicon and not in respect of any new material that is produced as a result of a restart of solar operations.

In Q3-11, 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 Bécancour Silicon's solar grade silicon, and invoiced a tolling fee of approximately $0.3 million (YTD-11 - $1.0million). AMG Conversion also produced ingots and bricks at the Bécancour ingoting facility for its own account during this period, using its equipment and solar grade silicon and Bécancour Silicon's employees, and Bécancour Silicon invoiced AMG Conversion a tolling fee of approximately $0.1 million (YTD-11 $0.7 million).

Sudamin

In September 2011, Sudamin Holding S.P.R.L. ("Sudamin"), a wholly-owned subsidiary of AMG, agreed to buy from Bécancour Silicon a certain volume of silicon metal with delivery dates in the third quarter of 2012, which volume Sudamin has committed to sell and deliver to one of Bécancour Silicon's traditional long-term silicon metal customers (see "Summary of Operations – Silicon Metal Supply Commitments"). Bécancour Silicon received a pre-payment of approximately €3.5 million from Sudamin for such future deliveries, net of a fee of approximately €0.4 million. The amount received from Sudamin has been recorded as a liability with revenue to be recognized when the deliveries are made. See "Summary of Operations – Silicon Metal Supply Commitments."

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 since the transition to IFRS. The following is a summary of 100% of certain Q3-11 and YTD-11 financial information of Québec Silicon not included in the Company's unaudited interim condensed consolidated financial statements:

Summary of Québec Silicon Financial Information	Q3-11	YTD-11
Revenue	31,611	90,384
EBITDA[1]	2,996	8,563
Net Income	739	935
Cash flow from operations	3,704	11,318
Capital expenditures	(1,219)	(3,660)
Net cash flow before financing and other activities	2,485	7,658
		As at September 30, 2011
Interest bearing debt		11,500
Equity		85,484
Total capitalization		96,984
(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, YTD-11, Bécancour Silicon received from Québec Silicon approximately 4,500 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. 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 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 $0.4 million that are expected to be incurred during Q4-11.

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.

Québec Silicon has a Loan Agreement with Dow Corning dated October 1, 2010 (the "Loan Agreement") that provides for a revolving credit facility to fund Québec Silicon's working capital requirements. Subsequent to Q3-11, Québec Silicon and Dow Corning agreed to amend the Loan Agreement to increase the commitment thereunder from $10.0 million to $15.0 million, with interest at Canadian prime plus 2%, so as to provide greater flexibility for Québec Silicon in offering enhanced payment terms for silicon metal purchases by its two customers, Bécancour Silicon and Dow Corning.

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. Québec Silicon repaid the April 1, 2011 notes on schedule, in the aggregate amount of $2.5 million (Bécancour Silicon received $1.3 million). Subsequent to Q3-11, all three parties agreed to an early repayment of the March 30, 2012 notes, in the fourth quarter of 2011.

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. Based on the performance of Québec Silicon during the 12-month period ending September 30, 2011, Bécancour Silicon has determined not to invoke its right to receive any payment on account of the earn out at this time. Bécancour Silicon will continue to exercise its influence over the strategy and operations of Québec Silicon in order to improve Québec Silicon's cost structure and maximize its production capacity (see "Strategy - Silicon"). The extent to which such improvements can be implemented, and the time periods within which any cost reductions and capacity increases are achieved in the future, will have a material impact on the Company's decision regarding the timing for taking advantage of the earn out.

Executive Management

On August 9, 2011, the Company announced that its board of directors had appointed Mr. Douglas A. Fastuca as the Chief Executive Officer of Timminco. Dr. Heinz C. Schimmelbusch concurrently relinquished his position as Chief Executive Officer of Timminco, which position he had held since August 2007. Dr. Schimmelbusch will remain in his position as Chairman of the Board of Timminco which he has held since April 2003. Dr. Schimmelbusch is also a member of the executive committee of the general partner of Safeguard International Fund, L.P., which was a shareholder of Timminco until the fourth quarter of 2010 and is a shareholder of AMG. Mr. Fastuca was previously Senior Vice President, Corporate Development of AMG.

In Q3-11, the Company also appointed Mr. Julien Y. Crisnaire as General Manager of Timminco Solar, a division of Bécancour Silicon. Prior to his appointment, Mr. Crisnaire worked in various roles within Corporate Development at AMG, and also as Operations Director of AMG Conversion.

Timminco pays the full cost of remuneration of Mr. Fastuca and Mr. Crisnaire through an indirect wholly-owned subsidiary of AMG.

CAPITAL STRUCTURE

As at September 30, 2011, the common shares issued and reserved were as follows:

Description	Number of Shares
Common shares issued	198,545,216
Common shares issuable upon the exercise of options	14,500,350
Common shares issuable upon conversion of notes	26,747,535
Common shares on a fully diluted basis	239,793,101

The Company has agreed to amend the terms of selected options to purchase common shares of Timminco that were previously granted to the Former Officers in 2009, 2010 and 2011 under the Option Plan. See "Summary of Operations - Corporate and Other - Management Changes."

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 $15.8 million for YTD-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 September 30, 2011, the Company had negative working capital of $4.8 million, was holding cash of approximately $2.8 million and had undrawn availability under the Senior Credit Facility of approximately $2.9 million.

Both the Senior Credit Agreement and the Term Loan contain financial covenants and cross-default provisions. The Company may not be able to achieve the minimum EBITDA levels for the purpose of the financial covenants in the Senior Credit Agreement for periods after Q3-11. In the event that the Company is unable to achieve such financial results or to obtain a waiver, 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 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 restrict the Company's ability to incur capital expenditures, 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.

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 interim condensed 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 interim condensed consolidated financial statements.

Pricing and Availability of Raw Material

Coal is a significant raw material in the production of silicon metal, and the supply, quality and market price of coal is an important factor influencing Québec Silicon's costs and thus the Company's cash flows and earnings. Coal is sourced from a limited number of suppliers in the United Sates and Colombia mostly under short-term fixed price contracts and purchase orders. Coal must be of a special grade and must be washed and screened to Québec Silicon's specification to ensure high quality silicon metal. 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 the production of silicon metal. The quartz is mined, washed and screened to Québec Silicon's specifications pursuant to a long-term contract with a third party. However, alternate suppliers may offer superior quality quartz required for the production of certain grades of silicon metal, in which case Québec Silicon may procure more of its quartz from such third party suppliers.

In order to obtain such raw materials in a cost efficient and timely manner, Québec Silicon depends on certain suppliers of these raw materials, their labour union relationships, mining regulations and output and general local economic conditions. An increase in costs of raw materials or transportation, or a decrease in their production, availability or deliverability in a timely fashion, or other disruptions in production, could result in increased costs to Québec Silicon and lower productivity levels. Québec Silicon may not be able to obtain adequate supplies of raw materials from alternative sources on terms as favourable as its current arrangements or at all. Any increases in the price or shortfall in the production and delivery of raw materials, could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Silicon Metal Supply Commitments

Bécancour Silicon has a long-term silicon metal supply contract with one of its long-standing silicon metal customers for the years 2011 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. The volume under this contract represents substantially all of, and in some circumstances potentially more than, Bécancour Silicon's anticipated allocation of silicon metal from Québec Silicon for at least the next two years. In addition, Bécancour Silicon has other commitments to supply volumes of silicon metal to other customers. The pricing for such committed volumes is fixed or to be negotiated within pre-defined price ranges (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, 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.

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. A one percent change in the estimate return on plan assets would have a material effect on future year expenses. 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 the discount rate would have a material impact on the pension liabilities. During Q3-11, there was significant market volatility which adversely affected the Company's pension plan assets and increased the pension liabilities thereunder (see "Liquidity and Capital Resources - Pension Deficit Funding"). Ongoing volatility in the global financial markets or a substantial change in actuarial assumptions could further 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."

Capital Expenditures

The Company may require capital expenditures for any proposed 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, and the Company may need to incur capital expenditures in pursuit of its strategic objectives relating to silicon metal and solar grade silicon (see "Strategy" and "Liquidity and Capital Resources - Capital Expenditures"). However, the Company is currently unable to fund its requirements for capital expenditures from operating cash flows or under existing credit facilities, including as a result of restrictions in respect of financial covenants under the Senior Credit Agreement (see "Liquidity and Capital Resources - Credit Facilities"). Alternative sources of financing for capital expenditures, such as common equity or additional term debt, may not be available to the Company when required in the amounts needed or on acceptable terms. The Senior Credit Agreement, the Term Loan and the AMG Convertible Note 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. Any restriction or inability of the Company to generate financing for capital expenditures may limit or prevent the Company from pursuing production capacity expansions, acquisitions, mergers, business combinations, joint ventures, or strategic business alliances or partnerships, and may limit the ability of Bécancour Silicon to restart its solar grade silicon operations or to provide any required funding to Québec Silicon, which could have a material adverse effect on the Company's results of operation and liquidity.

Resumption of Solar Grade Silicon Production

In the beginning of 2009, the Company had seven purification lines installed at its two solar purification facilities in Bécancour, Québec. Those purification facilities have been idle since the beginning of 2010 when the Company's solar operations were temporarily suspended due to difficult market conditions and reduced demand for the Company's solar grade silicon. The Company intends to restart its solar grade silicon purification operations once there is sufficient evidence of sustained profitable demand from customers who have successfully conducted trials and produced solar wafers or cells using sample material produced through the Company's enhanced purification process. A resumption of the Company's solar operations 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. Additionally, even when production of solar grade silicon resumes, the Company will be in a ramp-up stage until demand supports operating all purification lines and acceptable operating performance has been achieved. The number of purification lines and the purification process of the Company will depend substantially on the scope and nature, including specific purity levels, of future customer demand for the Company's solar grade silicon. Failure to restart the Company's solar operations 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's unaudited interim condensed 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 interim condensed 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 at each reporting date. If impairment indicators exist in respect of an asset, the Company estimates the recoverable amount of the asset and, if the carrying value exceeds the recoverable amount, the Company recognizes a charge to reduce the carrying value to the recoverable amount. For the purposes of its impairment testing, the Company has determined that its long lived assets are divided into 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 recoverable amount of the three cash generating units to determine if it has been impaired. The Company has assessed its long lived assets for impairment in Q3-11 and determined that there were impairment indicators for the HP1 long lived assets. However, the Company determined that the recoverable amount of such assets, based on probability weighted cash flow projection scenerios, covered the carrying value of such assets, and, accordingly, has not recognized any further impairment in Q3-11. The timing and amount of any recovery in respect of previously recognized impairment in the carrying value of the HP1 and HP2 long lived assets, including solar grade silicon purification facilities and intangible assets related to solar silicon production, will depend upon the success of the Company's product and market development activities, a restart of solar grade production, and sufficient profitable future production volumes. Should this not materialize as planned, or if there are future impairment indicators and revisions to the forecast scenarios that may cause the recoverable amount of the HP1 long lived assets to decline, then additional material long-lived asset impairments 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 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 inventory of solar grade silicon is classified as a long-term asset. Sales of this inventory are recognized as revenue and inventory is expensed at its net carrying cost.

Moreover, 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. The Company adjusts 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 all of its solar grade silicon inventory as long-term inventory.

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 the estimated return on plan assets would have a material impact on future pension expense, and a one percent change in the 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. This could have a material adverse effect on the Company's liquidity and results of operations (see "Liquidity and Capital Resources – Pension Deficit Funding").

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 less cost to sell, where applicable. The value of the properties is adversely affected 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 March 31, 2011 unaudited interim condensed consolidated financial statements. Note 23 to the unaudited interim condensed consolidated financial statements also includes a reconciliation of equity, operations and comprehensive loss as reported under Canadian GAAP and IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

The chief executive officer ("CEO") and chief financial officer, which office is currently held by the Vice President, Finance and Corporate Controller, ("CFO") of the Company 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 Canadian GAAP 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 Canadian GAAP to IFRS to identify all material differences.

In Q3-11, Timminco's Executive Vice President, Finance and Chief Financial Officer, and Corporate Controller resigned as part of certain management changes. The office of the CFO is currently held by the Vice President, Finance and Corporate Controller, which is currently the Company's most senior financial officer. See "Summary of Operations – Corporate and Other - Management Changes." As a

result of these management changes, the Company revised certain internal authorizations and approval procedures relating to cash disbursements for its corporate function.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

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 July 1, 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 January 1, 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 and financial liabilities 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 hedge accounting, derecognition and amortized cost and impairment. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and financial liabilities. 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, joint controls or have significant influence over 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)

	Q3-11	Q2-11	Q1-11	Q3-10	Q2-10[1]	Q1-10[1]
Sales						
Silicon	28,645	21,046	23,918	36,916	34,309	30,797
Gross Profit (Loss)						
Silicon	59	(2,791)	771	(25,366)	(2,325)	(6,114)
Gross Profit (Loss) Percentage						
Silicon	0.21%	(13.3%)	3.2%	(68.7%)	(6.8%)	(19.9%)
Net Income (Loss)						
Silicon	(720)	(3,206)	449	(28,306)	(3,337)	(6,128)
Corporate / Other	(1,646)	(2,100)	(8,530)	(5,731)	(6,348)	(4,508)
Total	(2,366)	(5,306)	(8,081)	(34,037)	(9,685)	(10,636)
Earnings (loss) per common share, basic and diluted	(0.01)	(0.03)	(0.04)	(0.17)	(0.05)	(0.07)
Weighted average number of common shares outstanding, basic and diluted (000's)[3]	198,545	193,615	195,735	195,735	184,215	160,470
EBITDA[2]						
Silicon	296	(1,585)	1,935	(23,895)	552	(2,256)
Corporate / Other	(528)	(1,967)	(2,483)	(2,797)	(3,616)	(1,622)
Total	(232)	(3,552)	(548)	(26,692)	(3,064)	(3,878)
Adjusted Income (Loss) [2]						
Silicon	(1,204)	(3,087)	429	(27,814)	(3,322)	(6,128)
Corporate / Other	(996)	(3,858)	(4,639)	(5,763)	(6,349)	(4,979)
Total	(2,200)	(6,945)	(4,210)	(33,577)	(9,671)	(11,107)
Working Capital (excluding available cash items and interest bearing debt)						
Silicon	(1,625)	3,493	8,558	17,538	25,669	22,765
Corporate / Other	(3,786)	(4,904)	(4,786)	(10,065)	(4,753)	(5,552)
Total	(5,411)	(1,411)	3,772	7,473	20,916	17,213
Total assets						
Silicon	122,826	129,703	137,546	210,048	259,267	264,200
Corporate / Other	3,149	2,606	2,473	25,415	3,048	3,316
Total	125,975	132, 309	140,019	235,463	262,315	267,516
Total bank debt	-	700	-	28,506	31,213	36,226
Total long term liabilities	63,834	64,470	62,493	43,243	43,295	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)	Q3-11	Q2-11	Q1-11	Q3-10	Q2-10	Q1-10
Net loss	(2,366)	(5,306)	(8,081)	(34,037)	(9,685)	(10,636)
Add back(subtract):						
Income Taxes	-	-	-	19	-	-
Impairment of Applied Magnesium	(1,104)	-	222	-	-	-
Loss (gain) on the sale of property, plant and equipment	-	-	-	(78)	14	-
Interest	1,507	1,211	1,409	2,014	1,844	2,348
Amortization of intangible assets	575	568	581	706	707	707
Amortization of property, plant and equipment	937	945	930	3,219	3,172	3,171
Reorganization costs	2,969	413	1,341	-	-	-
Environmental remediation costs	405	74	(14)	519	-	-
Stock-based compensation	(1,051)	669	742	946	884	1,003
Fair value loss (gain) on financial instruments at fair value	(1,427)	(2,208)	2,292	-	-	(471)
Share of net loss of a jointly controlled entity	(677)	82	30	-	-	-
EBITDA	(232)	(3,552)	(548)	(26,692)	(3,064)	(3,878)

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)	Q3-11	Q2-11	Q1-11	Q3-10	Q2-10	Q1-10
Net loss	(2,366)	(5,306)	(8,081)	(34,037)	(9,685)	(10,636)
Add back(subtract):						
Income Taxes	-	-	-	19	-	-
Impairment of Applied Magnesium	(1,104)	-	222	-	-	-
Loss (gain) on the sale of property, plant and equipment	-	-	-	(78)	14	-
Reorganization costs	2,969	413	1,341	-	-	-
Environmental remediation costs	405	74	(14)	519	-	-
Fair value loss (gain) on financial instruments at fair value	(1,427)	(2,208)	2,292	-	-	(471)
Share of net loss of a jointly controlled entity	(677)	82	30	-	-	-
Adjusted Income (Loss)	(2,200)	(6,945)	(4,210)	(33,577)	(9,671)	(11,107)

EXHIBIT "N"

This is Exhibit "N"
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.

Court File No. ___________

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TIMMINCO LIMITED AND BĒCANCOUR SILICON INC.

(the "**Applicants**")

REPORT ON CASH FLOW STATEMENT
(paragraph 10.2(b) of the CCAA)

The management of Timminco Limited and Bécancour Silicon Inc. ("Timminco" or the "Companies") has developed the assumptions and prepared the attached statement of projected cash flow of the Companies as of the 2nd day of January 2012, consisting of a 5 week cash flow for the period January 3, 2012 to February 3, 2012 (the "January 3 Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the cash flow, and the probable assumptions are suitably supported and consistent with the plans of the Companies and provide a reasonable basis for the January 3 Cash Flow. All such assumptions are disclosed in Notes 2 to 8.

Since the January 3 Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The January 3 Cash Flow has been prepared solely for the purpose outlined in Note 1, using the probable and hypothetical assumptions set out in Notes 2 to 8. Consequently, readers are cautioned that the January 3 Cash Flow may not be appropriate for other purposes.

Dated at Toronto this 2nd day of January 2012.

Timminco Limited and
Bécancour Silicon Inc.

Peter A.M. Kalins
President, General Counsel and
Corporate Secretary

Timminco Limited
CASH & LIQUIDITY FORECAST THROUGH FEBRUARY 3, 2012
CAN
in 000s

	Week 1	Week 2	Week 3	Week 4	Week 5	
Week Ending on Friday	6-Jan	13-Jan	20-Jan	27-Jan	3-Feb	Total
Beginning Cash Position	**2,358**	**1,173**	**486**	**256**	**522**	**2,358**
Receipts						
Sales and receivables	803	1,016	1,265	1,228	1,143	5,454
Government receivables	-	-	-	-	-	-
Total Receipts	803	1,016	1,265	1,228	1,143	5,454
Disbursements						
Materials	(944)	(1,124)	(1,124)	(482)	(945)	(4,619)
QSLP/DCC obligation	-	-	-	-	-	-
Operating Expenses	(696)	(478)	(320)	(330)	(418)	(2,243)
Restructuring Expenses	(349)	(100)	(50)	(150)	(145)	(794)
Total Disbursements	(1,988)	(1,702)	(1,495)	(962)	(1,508)	(7,655)
Net Cash Flows	(1,185)	(687)	(230)	266	(365)	(2,201)
Ending Cash Position	**1,173**	**486**	**256**	**522**	**157**	**157**

Notes:

1) The purpose of this cash flow projection is to determine the liquidity requirements of Timminco during the forecast period.
2) Receipts from operations have been forecast based on current payment terms, historical trends in collections, and the sales forecast. The sales forecast for the period has been determined based on scheduled orders from BSI customers, taking into consideration the QSLP production schedules and the anticipated allocation of such production to each of QSLP's customers
3) Materials purchases are based on QSLP production schedules and the anticipated allocation of such production to each of QSLP's customers.
4) Operating Expenses in respect of BSI have been forecast based on costs to support shipment of materials, solar related expenses, shared service support costs, and overhead and insurance costs.
5) Payroll and benefits costs included in Operating Expenses are based on actual payroll funding in the period leading up to the forecast period and include adjustments for increased sourced deductions beginning in 2012.
6) Corporate costs included in Operating Expenses have been forecast based on known recurring historical costs and expected future costs.
7) The cash flow does not include interest charges for amounts owing under Timminco's and BSI's current debt obligations.
8) Restructuring Expenses include legal and professional fees based on estimates provided by the current legal and financial advisors.

TAB 3

Court File No. 12-CL-____________

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	TUESDAY, THE 3RD
	)	
JUSTICE MORAWETZ	)	DAY OF JANUARY, 2012

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TIMMINCO LIMITED AND BÉCANCOUR SILICON INC.

Applicants

INITIAL ORDER

THIS APPLICATION, made by Timminco Limited ("**Timminco**") and Bécancour Silicon Inc. ("**BSI**" and, together with Timminco, the "**Timminco Entities**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Peter A.M. Kalins sworn January 2, 2012 and the Exhibits attached thereto (the "**Kalins Affidavit**"), and on being advised that Investissement Québec ("**IQ**") was given notice of this application, and on hearing the submissions of counsel for the Timminco Entities and FTI Consulting Canada Inc. and on reading the consent of FTI Consulting Canada Inc. to act as the Monitor (the "**Monitor**"),

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Timminco Entities are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that one or both of the Timminco Entities shall have the authority to file and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Timminco Entities shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Timminco Entities shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Timminco Entities shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, the "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Timminco Entities shall be entitled to continue to utilize the central cash management system currently in place as described in the

Kalins Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Timminco Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Timminco Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that, notwithstanding anything to the contrary contained herein, the Timminco Entities are authorized and empowered to continue to negotiate discounts on their invoices with customers in exchange for early payment at discount rates consistent with rates previously provided by the Timminco Entities or as approved by the Monitor or the Court and is authorized and empowered to continue to accept such discounted amounts in full satisfaction of the associated gross amount owing by such customer.

7. **THIS COURT ORDERS** that the Timminco Entities shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses, and similar amounts owed to any Assistants, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

b) the fees and disbursements of any Assistants retained or employed by the Timminco Entities in respect of these proceedings, at their standard rates and charges.

8. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Timminco Entities shall be entitled but not required to pay all reasonable expenses incurred by the Timminco Entities in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

b) payment for goods or services actually supplied to the Timminco Entities following the date of this Order.

9. **THIS COURT ORDERS** that the Timminco Entities shall remit, in accordance with legal requirements, or pay:

a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Québec Pension Plan, and (iv) income taxes;

b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Timminco Entities in connection with the sale of goods and services by the Timminco Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the

date of this Order but not required to be remitted until on or after the date of this Order, and

c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Timminco Entities.

10. **THIS COURT ORDERS** that until a real property lease or a lease with respect to use of a portable structure is assigned, disclaimed or resiliated in accordance with the CCAA, the Timminco Entities shall pay all amounts constituting rent or payable as rent under real property leases or a lease with respect to use of portable structure (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Timminco Entities and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Timminco Entities are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Timminco Entities to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

12. **THIS COURT ORDERS** that Québec Silicon Limited Partnership ("**QSLP**") and Québec Silicon General Partner Inc. ("**QSGP**") shall provide access to the Timminco Entities or permit the Timminco Entities to make, retain and take away copies of books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of QSLP, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**QSLP Records**") and grant to the Timminco Entities unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 12 or in paragraph 14 of this Order shall require the delivery of QSLP Records, or the granting of access to QSLP Records, which may not be disclosed or provided to the Timminco Entities due to privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

13. **THIS COURT ORDERS** that QSLP and QSGP shall provide access to the Timminco Entities or permit the Timminco Entities to make, retain and take away copies of books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of BSI, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**BSI Records**") and grant to the Timminco Entities unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 13 or in paragraph 14 of this Order shall require the delivery of BSI Records, or the granting of access to BSI Records, which may not be disclosed or provided to the Timminco Entities due to privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

14. **THIS COURT ORDERS** that if any QSLP Records or BSI Records are stored or otherwise contained on a computer or other electronic system of information storage,

whether by independent service provider or otherwise, all individuals, firms, corporations, or any other entities in possession or control of such QSLP Records or BSI Records shall forthwith give unfettered access to the Timminco Entities for the purpose of allowing the Timminco Entities to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Timminco Entities deem expedient, and shall not alter, erase or destroy any QSLP Records or BSI Records without the prior written consent of the Timminco Entities. Further, for the purposes of this paragraph, all Persons shall provide the Timminco Entities with all such assistance in gaining immediate access to the information in the records as the Timminco Entities may require including providing the Timminco Entities with instructions on the use of any computer or other system and providing the Timminco Entities with any and all access codes, account names and account numbers that may be required to gain access to the information.

RESTRUCTURING

15. **THIS COURT ORDERS** that the Timminco Entities shall, subject to such requirements as are imposed by the CCAA, have the right to:

a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $1,000,000 in the aggregate,

b) terminate the employment of such of its employees or Assistants or temporarily lay off such of its employees or Assistants as it deems appropriate, and

c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

d) all of the foregoing to permit the Timminco Entities to proceed with an orderly restructuring of the Business (the "**Restructuring**").

16. **THIS COURT ORDERS** that the Timminco Entities shall provide each of the relevant landlords with notice of the Timminco Entities' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Timminco Entities' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Timminco Entities, or by further Order of this Court upon application by the Timminco Entities on at least two (2) days' notice to such landlord and any such secured creditors. If the Timminco Entities disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Timminco Entities' claim to the fixtures in dispute.

17. **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Timminco Entities and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Timminco Entities in respect of such lease or leased premises and such landlord shall be entitled to notify the Timminco Entities of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers

advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE TIMMINCO ENTITIES OR THE PROPERTY

18. **THIS COURT ORDERS** that until and including February 2, 2012, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Timminco Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the Timminco Entities and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Timminco Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Timminco Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Timminco Entities and the Monitor, or leave of this Court, provided that nothing in this Order shall (a) empower the Timminco Entities to carry on any business which the Timminco Entities are not lawfully entitled to carry on, (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest, or (d) prevent the registration of a claim for lien.

20. **THIS COURT ORDERS** that, without limiting anything contained in paragraphs 19 and 21 hereof, any and all rights, remedies, modifications of existing rights and events deemed to occur pursuant to the QSLP Agreements (as defined in the paragraph 23 of the Kalins Affidavit) upon or as a result of (a) an Act of Insolvency (as

that term is used in the Kalins Affidavit) occurring with respect to BSI, (b) any default or non-performance by the Timminco Entities, (c) the making or filing of these proceedings, or (d) any allegation, admission or evidence in these proceedings, are hereby stayed and suspended except with the written consent of the Timminco Entities and the Monitor, or leave of this Court. Without limiting the foregoing, the operation of any provision of any QSLP Agreement that purports to (y) effect or cause a cessation of any rights of the Timminco Entities, or (z) to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend or modify such agreement or arrangement as a result of any default or non-performance by or the insolvency of the Timminco Entities, the making or filing of these proceedings, or any allegation, admission or evidence in these proceedings, is hereby stayed and restrained and any steps or actions purported to be taken by any counterparty to any of the QSLP Agreements and any event that is deemed to have occurred in respect of the QSLP Agreements shall be null and void and of no effect.

NO INTERFERENCE WITH RIGHTS

21. **THIS COURT ORDERS** that during the Stay Period, no Person having oral or written agreements with the Timminco Entities shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform or provide any right, renewal right, contract, agreement, licence, permit or access right in favour of or held by the Timminco Entities, including without limitation, access rights held by BSI with respect to the Quebec Silicon Real Property and the Becancour Properties (as these terms are defined in the Kalins Affidavit), except with the written consent of the Timminco Entities and the Monitor, or leave of this Court.

CONTINUATION OF SUPPLY

22. **THIS COURT ORDERS** that during the Stay Period, all Persons, including QSLP and QSGP, having oral or written agreements with the Timminco Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services,

centralized banking services, payroll services, insurance, transportation services, utility, customs clearing or other services to the Business or the Timminco Entities, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Timminco Entities, and that the Timminco Entities shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Timminco Entities in accordance with normal payment practices of the Timminco Entities or such other practices as may be agreed upon by the supplier or service provider and each of the Timminco Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

23. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Timminco Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

24. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Timminco Entities with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Timminco Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or

arrangement in respect of the Timminco Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the Timminco Entities or this Court.

25. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors of QSGP serving as BSI's nominated or appointed representatives on the Board of Directors of QSGP or any of the former, current or future officers of the Timminco Entities also serving as officers of QSGP (collectively, the "**QSGP/BSI Directors**") with respect to any claim against the QSGP/BSI Directors that arose before the date hereof and that relates to any obligations of QSGP or QSLP whereby the QSGP/BSI Directors are alleged under any law to be liable in their capacity as directors or officers of QSGP for the payment or performance of such obligations, until a compromise or arrangement in respect of the Timminco Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the Timminco Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. **THIS COURT ORDERS** that the Timminco Entities shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Timminco Entities after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. **THIS COURT ORDERS** that the directors and officers of the Timminco Entities shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Property, which charge shall not exceed an aggregate amount of $400,000, as security for the indemnity provided in paragraph 26 of this Order. The D&O Charge shall have the priority set out in paragraphs 38 and 40 herein.

28. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Timminco Entities' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

APPOINTMENT OF MONITOR

29. **THIS COURT ORDERS** that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Timminco Entities with the powers and obligations set out in the CCAA or set forth herein and that the Timminco Entities and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Timminco Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

30. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Timminco Entities' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) advise the Timminco Entities in the development of the Plan and any amendments to the Plan;

(d) assist the Timminco Entities, to the extent required by the Timminco Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Timminco Entities, to the extent that is necessary to adequately assess the Timminco Entities' business and financial affairs or to perform its duties arising under this Order;

(f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(g) hold and administer funds in connection with arrangements made among the Timminco Entities, any counter-parties, and the Monitor, or by Order of this Court; and

(h) perform such other duties as are required by this Order or by this Court from time to time.

31. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

32. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or

other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Civil Code of Québec, the Québec *Environment Quality Act*, the Ontario *Mining Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

33. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Timminco Entities with information provided by the Timminco Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Timminco Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Timminco Entities may agree.

34. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Timminco Entities shall be paid their reasonable fees and disbursements, in each

case at their standard rates and charges, by the Timminco Entities as part of the costs of these proceedings. The Timminco Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Timminco Entities on a weekly basis and, in addition, the Timminco Entities are hereby authorized and directed to pay to the Monitor, counsel to the Monitor, and counsel to the Timminco Entities, retainers in the amounts of $75,000, $30,000 and $100,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

36. **THIS COURT ORDERS** that at the request of the Timminco Entities, any party of interest, or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Timminco Entities' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $1 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. **THIS COURT ORDERS** that the priorities of the Administration Charge and the D&O Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – the Administration Charge (to the maximum amount of $1 million); and

Second – the D&O Charge (to the maximum amount of $400,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. **THIS COURT ORDERS** that, the Charges shall constitute a charge on the Property and such Charges shall rank ahead in priority to the existing security interests of IQ, but behind all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, including any deemed trust created under the Ontario *Pension Benefits Act* or the Quebec *Supplemental Pension Plans Act* (collectively, the "**Encumbrances**") in favour of any Persons that have not been served with notice of this application. The Applicants and the beneficiaries of the Charges shall be entitled to seek priority ahead of the Encumbrances on notice to those parties likely to be affected by such priority (it being the intention of the Timminco Entities to seek priority for the Charges ahead of all such Encumbrances at the Comeback Motion (as defined below)).

41. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Timminco Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges unless the Timminco Entities also obtain the prior written consent of the Monitor and the beneficiaries of the D&O Charge and the Administration Charge, or further Order of this Court.

42. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made

herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Timminco Entities, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the Charges shall not create or be deemed to constitute a breach by the Timminco Entities of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and

(c) the payments made by the Timminco Entities pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Timminco Entities' interest in such real property leases.

SERVICE AND NOTICE

44. **THIS COURT ORDERS** that the Monitor shall (a) without delay, publish in *The Globe and Mail*, National Edition, and *La Presse*, in French, once a week for two weeks a notice containing the information prescribed under the CCAA, and (b) within five business days after the date of this Order (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to

every known creditor who has a claim against the Timminco Entities of more than $1,000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the names and addresses of individuals who are creditors publicly available.

45. **THIS COURT ORDERS** that the Timminco Entities and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Timminco Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Timminco Entities and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

46. **THIS COURT ORDERS** that the Timminco Entities, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at http://cfcanada.fticonsulting.com/timminco.

47. **THIS COURT ORDERS** that the Timminco Entities are authorized to serve their court materials with respect to the comeback motion expected to be heard the week of January 9, 2012 (the "**Comeback Motion**") by forwarding a copy of this Order and any additional materials to be filed with respect to the Comeback Motion by electronic transmission, where available, or by courier to the parties likely to be affected by the relief to be sought on the Comeback Motion at such parties' respective addresses as last shown on the records of the Timminco Entities as soon as practicable. The Timminco

Entities shall serve the beneficiaries of the BSI Non-Union Pension Plan, the BSI Union Pension Plan and the Haley Pension Plan by serving in the manner described above the pension plan committees for the BSI Non-Union Pension Plan and the BSI Union Pension Plan, Financial Services Commission of Ontario, and the Régie Des Rentes Du Québec.

GENERAL

48. **THIS COURT ORDERS** that the Timminco Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

49. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Timminco Entities, the Business or the Property.

50. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Timminco Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Timminco Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Timminco Entities and the Monitor and their respective agents in carrying out the terms of this Order.

51. **THIS COURT ORDERS** that each of the Timminco Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within

proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

52. **THIS COURT ORDERS** that any interested party (including the Timminco Entities and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

53. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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TAB 4

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

~~THE HONOURABLE~~	~~)~~	~~DAY, THE~~
	~~)~~	
~~JUSTICE~~	~~)~~	~~DAY OF , 20~~
THE HONOURABLE MR.	)	TUESDAY, THE 3RD
	)	
JUSTICE MORAWETZ	)	DAY OF JANUARY, 2012

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,*
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
~~[APPLICANT'S NAME] (the "Applicant")~~
TIMMINCO LIMITED AND BÉCANCOUR SILICON INC.

Applicants

INITIAL ORDER

THIS APPLICATION, made by ~~the Applicant~~Timminco Limited ("**Timminco**") and Bécancour Silicon Inc. ("**BSI**" and, together with Timminco, the "**Timminco Entities**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~Peter A.M. Kalins sworn ~~[DATE]~~January 2, 2012 and the Exhibits attached thereto (the "**Kalins Affidavit**"), and on being advised that ~~the secured creditors who are likely to be affected by the charges created herein were given notice~~Investissement Québec ("**IQ**") was given notice of this application, and on hearing

the submissions of counsel for ~~[NAMES], no one appearing for [NAME][1] although duly served as appears from the affidavit of service of [NAME] sworn [DATE]~~the Timminco Entities and FTI Consulting Canada Inc. and on reading the consent of ~~[MONITOR'S NAME]~~FTI Consulting Canada Inc. to act as the Monitor (the "**Monitor**"),

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated[2] so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Timminco Entities are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that ~~the Applicant~~one or both of the Timminco Entities shall have the authority to file and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties

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[1] ~~Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

[2] ~~If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.~~

of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "“**Property**"”). Subject to further Order of this Court, the ~~Applicant~~Timminco Entities shall continue to carry on business in a manner consistent with the preservation of ~~its~~their business (the "“**Business**"”) and Property. The ~~Applicant~~Timminco Entities shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively ~~"~~, the “**Assistants**"”) currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as ~~it deems~~they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. ~~[~~**THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall be entitled to continue to utilize the central cash management system[3] currently in place as described in the Kalins Affidavit ~~of [NAME] sworn [DATE]~~ or replace it with another substantially similar central cash management system (the "“**Cash Management System**"”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Timminco Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Timminco Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.~~]~~

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[3] ~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.~~

6. **THIS COURT ORDERS** that, notwithstanding anything to the contrary contained herein, the Timminco Entities are authorized and empowered to continue to negotiate discounts on their invoices with customers in exchange for early payment at discount rates consistent with rates previously provided by the Timminco Entities or as approved by the Monitor or the Court and is authorized and empowered to continue to accept such discounted amounts in full satisfaction of the associated gross amount owing by such customer.

7. ~~6.~~ **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

a) ~~(a)~~ all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses, and similar amounts owed to any Assistants, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

b) ~~(b)~~ the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Timminco Entities in respect of these proceedings, at their standard rates and charges.

8. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Timminco Entities shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Timminco Entities in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

a) ~~(a)~~ all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

b) ~~(b)~~ payment for goods or services actually supplied to the ~~Applicant~~Timminco Entities following the date of this Order.

9. ~~8.~~ **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall remit, in accordance with legal requirements, or pay:

a) ~~(a)~~ any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) ~~Quebec~~ Québec Pension Plan, and (iv) income taxes;

b) ~~(b)~~ all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the ~~Applicant~~Timminco Entities in connection with the sale of goods and services by the ~~Applicant~~Timminco Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

c) ~~(c)~~ any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Timminco Entities.

10. 9. **THIS COURT ORDERS** that until a real property lease isor a lease with respect to use of a portable structure is assigned, disclaimed [or resiliated][4] in accordance with the CCAA, the ApplicantTimminco Entities shall pay all amounts constituting rent or payable as rent under real property leases or a lease with respect to use of portable structure (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ApplicantTimminco Entities and the landlord from time to time ("“**Rent**"”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. 10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant isTimminco Entities are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ApplicantTimminco Entities to any of itstheir creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of itstheir Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

12. **THIS COURT ORDERS** that Québec Silicon Limited Partnership (“**QSLP**”) and Québec Silicon General Partner Inc. (“**QSGP**”) shall provide access to the Timminco Entities or permit the Timminco Entities to make, retain and take away copies of books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of QSLP, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**QSLP**

[4] The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.

Records") and grant to the Timminco Entities unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 12 or in paragraph 14 of this Order shall require the delivery of QSLP Records, or the granting of access to QSLP Records, which may not be disclosed or provided to the Timminco Entities due to privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

13. **THIS COURT ORDERS** that QSLP and QSGP shall provide access to the Timminco Entities or permit the Timminco Entities to make, retain and take away copies of books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of BSI, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**BSI Records**") and grant to the Timminco Entities unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 13 or in paragraph 14 of this Order shall require the delivery of BSI Records, or the granting of access to BSI Records, which may not be disclosed or provided to the Timminco Entities due to privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

14. **THIS COURT ORDERS** that if any QSLP Records or BSI Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all individuals, firms, corporations, or any other entities in possession or control of such QSLP Records or BSI Records shall forthwith give unfettered access to the Timminco Entities for the purpose of allowing the Timminco Entities to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Timminco Entities deem expedient, and shall not alter, erase or destroy any QSLP Records or BSI Records without the prior written consent of the Timminco Entities. Further, for the purposes of this paragraph, all Persons shall provide

the Timminco Entities with all such assistance in gaining immediate access to the information in the records as the Timminco Entities may require including providing the Timminco Entities with instructions on the use of any computer or other system and providing the Timminco Entities with any and all access codes, account names and account numbers that may be required to gain access to the information.

RESTRUCTURING

15. ~~11.~~ **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

a) ~~(a)~~ permanently or temporarily cease, downsize or shut down any of its business or operations~~, [~~ and to dispose of redundant or non-material assets not exceeding $~~•~~100,000 in any one transaction or $~~•~~1,000,000 in the aggregate~~]~~[5],

b) ~~(b) [~~terminate the employment of such of its employees or Assistants or temporarily lay off such of its employees or Assistants as it deems appropriate~~];~~[6], and

c) ~~(c)~~ pursue all avenues of refinancing of ~~its~~their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

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[5] ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

[6] ~~It is not clear to the Model Order Subcommittee whether the termination of an employee is a "disclaimer or resiliation" of the employment agreement within the meaning of Section 32 of the amended CCAA; since the termination of an employee may not be a matter governed by Section 32 of the amended CCAA (except to the extent~~

d) all of the foregoing to permit the ~~Applicant~~Timminco Entities to proceed with an orderly restructuring of the Business (the "**Restructuring**").

16. ~~12.~~ **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall provide each of the relevant landlords with notice of the ~~Applicant's~~Timminco Entities' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the ~~Applicant's~~Timminco Entities' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the ~~Applicant~~Timminco Entities, or by further Order of this Court upon application by the ~~Applicant~~Timminco Entities on at least two (2) days' notice to such landlord and any such secured creditors. If the ~~Applicant disclaims [or resiliates]~~Timminco Entities disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~[~~or resiliation~~]~~ of the lease shall be without prejudice to the ~~Applicant's~~Timminco Entities' claim to the fixtures in dispute.

17. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer ~~[~~or resiliation~~]~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~[~~or resiliation~~]~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~Timminco Entities and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~[~~or resiliation~~]~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the ~~Applicant~~Timminco Entities in respect of

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~~that collective agreements are exempted from the application of that Section), the Subcommittee has left this provision in the Model Order.~~

such lease or leased premises and such landlord shall be entitled to notify the ~~Applicant~~Timminco Entities of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~TIMMINCO ENTITIES OR THE PROPERTY

18. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE — MAX. 30 DAYS],~~February 2, 2012, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the ~~Applicant~~Timminco Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~Timminco Entities and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Timminco Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the ~~Applicant~~Timminco Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~Timminco Entities and the Monitor, or leave of this Court, provided that nothing in this Order shall (~~i~~a) empower the ~~Applicant~~Timminco Entities to carry on any business which the ~~Applicant is~~Timminco Entities are not lawfully entitled to carry on, (~~ii~~b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (~~iii~~c) prevent the filing of any registration to preserve or perfect a security interest, or (~~iv~~d) prevent the registration of a claim for lien.

20. **THIS COURT ORDERS** that, without limiting anything contained in paragraphs 19 and 21 hereof, any and all rights, remedies, modifications of existing rights and events deemed to occur pursuant to the QSLP Agreements (as defined in the paragraph 23 of the Kalins Affidavit) upon or as a result of (a) an Act of Insolvency (as that term is used in the Kalins Affidavit) occurring with respect to BSI, (b) any default or non-performance by the Timminco Entities, (c) the making or filing of these proceedings, or (d) any allegation, admission or evidence in these proceedings, are hereby stayed and suspended except with the written consent of the Timminco Entities and the Monitor, or leave of this Court. Without limiting the foregoing, the operation of any provision of any QSLP Agreement that purports to (y) effect or cause a cessation of any rights of the Timminco Entities, or (z) to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend or modify such agreement or arrangement as a result of any default or non-performance by or the insolvency of the Timminco Entities, the making or filing of these proceedings, or any allegation, admission or evidence in these proceedings, is hereby stayed and restrained and any steps or actions purported to be taken by any counterparty to any of the QSLP Agreements and any event that is deemed to have occurred in respect of the QSLP Agreements shall be null and void and of no effect.

NO INTERFERENCE WITH RIGHTS

21. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person having oral or written agreements with the Timminco Entities shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform or provide any right, renewal right, contract, agreement, licence ~~or~~, permit or access right in favour of or held by the ~~Applicant~~Timminco Entities, including without limitation, access rights held by BSI with respect to the Quebec Silicon Real Property and the Becancour Properties (as these terms are defined in the Kalins Affidavit), except with the written consent of the ~~Applicant~~Timminco Entities and the Monitor, or leave of this Court.

CONTINUATION OF ~~SERVICES~~SUPPLY

22. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons, including QSLP and QSGP, having oral or written agreements with the ~~Applicant~~Timminco Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, customs clearing or other services to the Business or the ~~Applicant~~Timminco Entities, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Timminco Entities, and that the ~~Applicant~~Timminco Entities shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the ~~Applicant~~Timminco Entities in accordance with normal payment practices of the ~~Applicant~~Timminco Entities or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Timminco Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

23. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the

~~Applicant~~Timminco Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.[7]

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

24. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Timminco Entities with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Timminco Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Timminco Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Timminco Entities or this Court.

25. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors of QSGP serving as BSI's nominated or appointed representatives on the Board of Directors of QSGP or any of the former, current or future officers of the Timminco Entities also serving as officers of QSGP (collectively, the "**QSGP/BSI Directors**") with respect to any claim against the QSGP/BSI Directors that arose before the date hereof and that relates to any obligations of QSGP or QSLP whereby the QSGP/BSI Directors are alleged under any law to be liable in their capacity as directors or officers of QSGP for the payment or performance of such obligations, until a compromise or arrangement in respect of the Timminco Entities,

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[7] ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

if one is filed, is sanctioned by this Court or is refused by the creditors of the Timminco Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities shall indemnify ~~its~~their directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Timminco Entities after the commencement of the within proceedings,[8] except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~Timminco Entities shall be entitled to the benefit of and are hereby granted a charge (the "~~Directors'~~**D&O Charge**")[9] on the Property, which charge shall not exceed an aggregate amount of $~~●,~~400,000, as security for the indemnity provided in paragraph ~~[20]~~26 of this Order. The ~~Directors'~~D&O Charge shall have the priority set out in paragraphs ~~[38]~~ and ~~[40]~~ herein.

28. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the ~~Directors'~~D&O Charge, and (b) the ~~Applicant's~~Timminco Entities' directors and officers shall only be entitled to the benefit of the ~~Directors'~~D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~[20]~~26 of this Order.

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[8] ~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

APPOINTMENT OF MONITOR

29. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Timminco Entities with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Timminco Entities and ~~its~~their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~Timminco Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

30. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the ~~Applicant's~~Timminco Entities' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

~~(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~

~~(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~

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[9] ~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

(c) ~~(e)~~ advise the ~~Applicant~~Timminco Entities in ~~its~~the development of the Plan and any amendments to the Plan;

(d) ~~(f)~~ assist the ~~Applicant~~Timminco Entities, to the extent required by the ~~Applicant~~Timminco Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Timminco Entities, to the extent that is necessary to adequately assess the ~~Applicant's~~Timminco Entities' business and financial affairs or to perform its duties arising under this Order;

(f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(g) hold and administer funds in connection with arrangements made among the Timminco Entities, any counter-parties, and the Monitor, or by Order of this Court; and

(h) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

31. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

32. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be

environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Civil Code of Québec, the Québec *Environment Quality Act*, the Ontario *Mining Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

33. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant and the DIP Lender~~Timminco Entities with information provided by the ~~Applicant~~Timminco Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~Timminco Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Timminco Entities may agree.

34. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

35. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Timminco Entities shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the ~~Applicant~~Timminco Entities as part of the costs of these proceedings. The ~~Applicant is~~Timminco Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant~~Timminco Entities on a ~~[TIME INTERVAL]~~weekly basis and, in addition, the ~~Applicant is~~Timminco Entities are hereby authorized and directed to pay to the Monitor, counsel to the Monitor, and counsel to the ~~Applicant~~Timminco Entities, retainers in the ~~amount[s]~~amounts of ~~$● [,~~75,000, $30,000 and $100,000, respectively,~~]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

36. ~~30.~~ **THIS COURT ORDERS** that at the request of the Timminco Entities, any party of interest, or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the ~~Applicant's~~Timminco Entities' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $~~●~~1 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~[~~38~~]~~ and ~~[~~40~~]~~ hereof.

~~**DIP FINANCING**~~

~~32. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and~~

~~capital expenditures, provided that borrowings under such credit facility shall not exceed $● unless permitted by further Order of this Court.~~

~~33. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

~~35. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs **[38]** and **[40]** hereof.~~

~~36. THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~

~~(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~

~~(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ● days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make~~

~~demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and~~

~~(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.~~

~~37. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.~~

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the~~ Administration Charge and the ~~DIP Lender's~~D&O Charge (collectively, the "**Charges**"), as among them, shall be as follows~~[10]~~:

> First - the Administration Charge (to the maximum amount of $~~●~~1 million); and
>
> Second - ~~DIP Lender's Charge; andThird - Directors'~~the D&O Charge (to the maximum amount of $~~●~~400,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~Charges shall not be required, and that the Charges shall be valid and

~~[10] The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. **THIS COURT ORDERS** that~~ each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~, the Charges shall constitute a charge on the Property and such Charges shall rank ahead in priority to the existing security interests of IQ, but behind all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, including any deemed trust created under the Ontario *Pension Benefits Act* or the Quebec *Supplemental Pension Plans Act* (collectively, "the "**Encumbrances**"~~) in favour of any Person.~~") in favour of any Persons that have not been served with notice of this application. The Applicants and the beneficiaries of the Charges shall be entitled to seek priority ahead of the Encumbrances on notice to those parties likely to be affected by such priority (it being the intention of the Timminco Entities to seek priority for the Charges ahead of all such Encumbrances at the Comeback Motion (as defined below)).

41. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~Timminco Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge,~~Charges unless the ~~Applicant~~Timminco Entities also ~~obtains~~obtain the prior written consent of the Monitor~~, the DIP Lender~~ and the beneficiaries of the ~~Directors'~~D&O Charge and the Administration Charge, or further Order of this Court.

42. **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**")~~ and/or the DIP Lender thereunder~~ shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s)

for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the ~~Applicant~~Timminco Entities, and notwithstanding any provision to the contrary in any Agreement:

(a) ~~neither~~ the creation of the Charges ~~nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~ shall not create or be deemed to constitute a breach by the ~~Applicant~~Timminco Entities of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant entering into the Commitment Letter, the~~ creation of the Charges~~, or the execution, delivery or performance of the Definitive Documents~~; and

(c) the payments made by the ~~Applicant~~Timminco Entities pursuant to this Order~~, the Commitment Letter or the Definitive Documents,~~ and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Timminco Entities' interest in such real property leases.

SERVICE AND NOTICE

44. **THIS COURT ORDERS** that the Monitor shall (~~i~~a) without delay, publish in ~~[newspapers specified by the Court]~~*The Globe and Mail*, National Edition, and *La Presse*, in French, once a week for two weeks a notice containing the information prescribed under the CCAA, and (~~ii~~b) within five business days after the date of this Order~~,~~ (~~A~~i) make this Order publicly available in the manner prescribed under the CCAA, (~~B~~ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Timminco Entities of more than $~~1000,~~1,000, and (~~C~~iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the names and addresses of individuals who are creditors publicly available.

45. **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the ~~Applicant's~~Timminco Entities' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Timminco Entities and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

46. **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at ~~[INSERT WEBSITE ADDRESS]~~http://cfcanada.fticonsulting.com/timminco.

47. **THIS COURT ORDERS** that the Timminco Entities are authorized to serve their court materials with respect to the comeback motion expected to be heard the week of January 9, 2012 (the "**Comeback Motion**") by forwarding a copy of this Order and any additional materials to be filed with respect to the Comeback Motion by electronic transmission, where available, or by courier to the parties likely to be affected by the relief to be sought on the Comeback Motion at such parties' respective addresses as last shown on the records of the Timminco Entities as soon as practicable. The Timminco Entities shall serve the beneficiaries of the BSI Non-Union Pension Plan, the BSI Union Pension Plan and the Haley Pension Plan by serving in the manner described above the pension plan committees for the BSI Non-Union Pension Plan and the BSI Union Pension Plan, Financial Services Commission of Ontario, and the Régie Des Rentes Du Québec.

GENERAL

48. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Timminco Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

49. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Timminco Entities, the Business or the Property.

50. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Timminco Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Timminco Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign

proceeding, or to assist the ~~Applicant~~Timminco Entities and the Monitor and their respective agents in carrying out the terms of this Order.

51. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Timminco Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

52. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Timminco Entities and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

53. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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Legend:	
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Padding cell	

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Moved to	1
Style change	0
Format changed	0
Total changes	550

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Court File No: ______________

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TIMMINCO LIMITED AND BECANCOUR SILICON INC.

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

APPLICATION RECORD

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