Court File No. CV-12-9539-00CL

Timminco Limited
Bécancour Silicon Inc.

SECOND REPORT OF THE MONITOR

January 11, 2012

FTI CONSULTING

Court File No. CV-12-9539-00CL

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 BÉCANCOUR SILICON INC.

SECOND REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR

INTRODUCTION

1. On January 3, 2011, Timminco Limited ("**Timminco**") and Bécancour Silicon Inc. ("**Bécancour**", together with Timminco, the "**Timminco Entities**") made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") and an initial order (the "**Initial Order**") was made by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), granting, *inter alia*, a stay of proceedings against the Applicants until February 2, 2012, (the "**Stay Period**") and appointing FTI Consulting Canada Inc. as monitor of the Applicants (the "**Monitor**"). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. The purpose of this, the Monitor's Second Report, is to inform the Court on the following:

    (a) The activities of the Timminco Entities and the Monitor since the commencement of the CCAA Proceedings;

(b) The receipts and disbursements of the Timminco Entities for the period from the start of the CCAA Proceedings to January 6, 2012; and

(c) The Timminco Entities' revised and extended cash flow forecast for the period January 7 to February 17, 2012 (the "**January 10 Forecast**").

3. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor or in the Initial Order.

THE ACTIVITIES OF THE TIMMINCO ENTITIES AND THE MONITOR

5. To date, the Timminco Entities and their management and staff have provided the Monitor with their full co-operation and unrestricted access to the Timminco Entities' premises, books and records. The Monitor has implemented procedures for the monitoring of operations, receipts and disbursements and is assisting the Timminco Entities in their dealings with employees, suppliers, creditors, potential lenders and other interested parties.

6. The Monitor has established a website at http://cfcanada.fticonsulting.com/timminco (the "**Monitor's Website**") on which regular updates on the CCAA Proceedings are being posted, together with all Court materials filed in the CCAA Proceedings. In addition, the Monitor has established contact numbers (416-649-8125 or 1-855-244-0020) and an email address (timminco@fticonsulting.com) to allow stakeholders to communicate directly with the Monitor in order to address any questions or concerns in respect of the CCAA Proceedings.

7. Pursuant to paragraph 44 of the Initial Order the Monitor:

(a) On January 9, 2012, published the initial notice containing the information prescribed under the CCAA in the Globe and Mail (National Edition) and La Presse. The second run of the notice is scheduled to be published on January 16, 2012;

(b) On January 3, 2012, made the Initial Order publicly available by posting it on the Monitor's Website;

(c) On January 6, 2012, with the assistance of the Timminco Entities, sent a notice in the prescribed manner to every known creditor with a claim against the Timminco Entities of more than $1,000.00; and

(d) On January 6, 2011, posted a list of creditors, other than the names or addresses of individuals who are creditors, on the Monitor's Website.

8. As described in more detail below, since the start of the CCAA Proceedings the Timminco Entities and the Monitor have had numerous meetings and discussions with suppliers and other creditors, major customers, the joint venture partner, potential lenders and parties potentially interested in acquiring some or all of the Timminco Entities' business. To date, there has been little disruption to operations.

9. In addition to communications with suppliers and customers, the Timminco Entities and the Monitor have endeavoured to ensure that there is open and ongoing communication with employees. Following the granting of the Initial Order, meetings were held for both the Bécancour staff and the head office staff. A “Frequently Asked Questions” document in English and French addressing common questions arising in respect of a CCAA proceeding was made available to employees and posted on the Monitor’s Website. Employees were also informed of the Monitor’s Website, hotline and mailbox in order that they could obtain additional information on the CCAA Proceedings and contact the Monitor directly with any questions or concerns.

10. The Monitor and the Timminco Entities are in discussions with several parties with respect to the provision of DIP Financing and a number of non-disclosure agreements have been executed with potential DIP Lenders. To date, no firm DIP Financing commitment has been obtained.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO JANUARY 6, 2012

11. The Timminco Entities’ actual cash flow on a consolidated basis for the period from the start of the CCAA Proceedings to January 6, 2012, was approximately \$2.4 million better than the January 2 Forecast filed as Exhibit N to the January 2 Affidavit, as summarized below:

	Forecast $000	Actual $000	Variance $000
Receipts:			
Sales and receivables	803	1,081	278
Government receivables	0	0	0
Total Receipts	**803**	**1,081**	**278**
Disbursements:			
Materials	944	0	944
QSLP Obligation	0	0	0
Operating Expenses	696	67	629
Restructuring Expenses	349	0	349
Total Disbursements	**1,989**	**67**	**1,922**
Net Cash Flow	**(1,186)**	**1,014**	**2,200**
Opening Cash	**2,358**	**2,518**	**160**
Net Cash Flow	(1,186)	1,014	2,200
Closing Cash	**1,172**	**3,532**	**2,360**

12. Explanations for the key variances in actual receipts and disbursements as compared to the January 2 Forecast are as follows:

(a) The positive variance in sales and receivables is a permanent variance with respect to the January 2 Forecast arising from the early collection of a receivable that had been projected to be received in late February;

(b) The positive variance in materials is a timing difference arising as the invoice for deliveries in the week was not received until January 9, 2012;

(c) A significant portion of the positive variance in Operating expenses is a permanent difference as the Timminco Entities cancelled virtually all outstanding purchase orders and deliveries originally scheduled or anticipated for the week pending negotiation of appropriate payment arrangements with suppliers and confirmation that the goods and services are required. Timing variances arose in respect of daily period costs such as utilities for which invoices are yet to be received. Approximately $250,000 of the charges originally forecast to be paid by January 6 are now expected to be paid in the following week. A variance of $14,000 arose as a result of the debiting by the Bank of America of pre-filing fees from the Applicants' deposit accounts held at the Bank of America. The Applicants have disputed Bank of America's entitlement to debit this amount, given the stay provisions of the Initial Order. Bank of America takes the position that it exercised a valid right of set-off. Bank of America has agreed that no further debits will be made to the Applicants' accounts at Bank of America without first giving the Applicants and the Monitor notice of its intention to do so;

(d) The positive variance in restructuring expenses is a timing difference that is expected to reverse;

(e) A favourable variance of $56,000 arose in the opening cash position from the stopping of cheques that had been issued prior to the commencement of the CCAA Proceedings following the granting of the Initial Order. The balance of the variance in the opening cash position results from the difference between the estimated opening position used in the January 2 Forecast and the reconciled bank position.

13. The Timminco Entities estimate that as at January 6, 2012, there was approximately $1.3 million in accrued post-filing liabilities, excluding legal and professional fees. In addition, BSI has incurred approximately $20,000 in costs on behalf of its joint venture affiliate, QSLP, where supply contracts are in BSI's name but the goods or services are for the benefit of QSLP. BSI and QSLP are in the process of requesting that suppliers transfer such contracts to QSLP's name.

REVISED AND EXTENED CASH FLOW FORECAST TO FEBRUARY 17, 2012

14. The January 10 Forecast is attached hereto as Appendix A and shows a positive ending cash position for each week until the week cash ending February 17, 2012. The January 10 Forecast is summarized below:

	Variance $000
Receipts:	
Sales and receivables	5,965.0
Government receivables	0.0
Total Receipts	**5,965.0**
Disbursements:	
Materials	6,697.0
QSLP Obligation	0.0
Operating Expenses	2,202.0
Restructuring Expenses	1,196.0
Total Disbursements	**10,095.0**
Net Cash Flow	**(4,130.0)**
Opening Cash	**3,532.0**
Net Cash Flow	(4,130.0)
Closing Cash	**(598.0)**

15. There are no significant change in the underlying assumptions in the January 10 Forecast as compared to the January 2 Forecast.

The Monitor respectfully submits to the Court this, its Second Report.

Dated this 11th day of January, 2012.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Timminco Limited and Bécancour Silicon Inc.

Nigel D. Meakin Senior Managing Director	Toni Vanderlaan Managing Director

Appendix A

The January 10 Forecast

Timminco Entities
CASH FORECAST THROUGH FEBRUARY 17, 2012
CAN
in 000s

Week Ending on Friday	Forecast Week 2 13-Jan	Forecast Week 3 20-Jan	Forecast Week 4 27-Jan	Forecast Week 5 3-Feb	Forecast Week 6 10-Feb	Forecast Week 7 17-Feb	Total
Beginning Cash Position	**3,533**	**678**	**587**	**1,163**	**1,689**	**929**	**3,533**
Receipts							
Sales and receivables	1,225	1,274	1,238	1,153	686	389	5,965
Government receivables	-	-	-	-	-	-	-
Total Receipts	1,225	1,274	1,238	1,153	686	389	5,965
Disbursements							
Materials	(2,719)	(929)	(199)	(149)	(1,043)	(1,658)	(6,697)
QSLP/DCC obligation	-	-	-	-	-	-	-
Operating Expenses	(766)	(286)	(338)	(353)	(226)	(233)	(2,202)
Restructuring Expenses	(594)	(150)	(125)	(125)	(178)	(25)	(1,197)
Other	-	-	-	-	-		-
Total Disbursements	(4,079)	(1,365)	(662)	(627)	(1,447)	(1,916)	(10,096)
Net Cash Flows	(2,855)	(91)	575	527	(761)	(1,527)	(4,131)
Ending Cash Position	**678**	**587**	**1,163**	**1,689**	**929**	**(598)**	**(598)**

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 includes directors' fees and legal and professional fees