



TIMMINCO LIMITED

AUDIT COMMITTEE CHARTER

I. PURPOSE

The Board of Directors of Timminco Limited (the “Corporation”) has established the Audit Committee (the “Committee”) to augment and improve financial disclosure and ensure legal compliance by the Corporation with respect to financial reporting and related matters. The Committee shall assist the Board of Directors in fulfilling its corporate governance and oversight responsibilities with respect to accounting and financial reporting processes, internal financial controls, financial risk management systems and internal and external audit functions. In general, the Committee will:

- (i) review quarterly and annual financial statements, prior to their review and approval by the Board of Directors, and satisfy itself with the fairness and consistency of the auditing practices used;
- (ii) review and approve the annual financial statements of the pension funds of the Corporation and its material subsidiaries;
- (iii) recommend to the Board of Directors the selection of the Corporation’s external auditors (which must be in good standing with the Canadian Public Accountability Board) to be nominated for appointment by the shareholders, as well as any external auditor required to perform other audit, review or attest services, and the compensation of all such auditors;
- (iv) ensure the integrity of the audit process, including monitoring audits to ensure sufficient managerial independence and reporting as well as the external auditor’s qualifications and independence;
- (v) pre-approve all audit services and permitted non-audit services to be provided to the Corporation by its external auditors;
- (vi) serve as liaison between the external auditors and the Corporation;
- (vii) obtain assurances from management with respect to relationships with regulators, and the accuracy and timeliness of filings with regulatory authorities; and
- (viii) perform any other duty as may be assigned by the Board from time to time or as may be required by the *Canada Business Corporations Act*, the *Securities Act* (Ontario) and all regulations, policies, rules and instruments under applicable securities laws, and any other applicable legislation.

II. RESPONSIBILITIES

The Committee has the following specific responsibilities:

1. Financial Reporting - General

The Committee shall periodically review and discuss with management and the external auditor, as appropriate, the following:

- (a) the Corporation's financial disclosure control policies and procedures as well as any impact these may have on the internal control over financial reporting;
- (b) the Corporation's internal financial control system at least annually to ensure that it is current and effective;
- (c) significant financial reporting issues;
- (d) any correspondence with regulators or published reports which raise material issues that may have a significant effect on the Corporation's financial statements;
- (e) any reports prepared by the external auditors and provided to the Committee relating to significant financial reporting issues including the Corporation's selection, application and disclosure of accounting principles and the effects, if any, on the Corporation's financial statements;
- (f) any recommendation made by the external auditors in the course of reviewing the Corporation's financial reporting or accounting processes;
- (g) changes in accounting policies, audit plan and control systems;
- (h) practices and procedures adopted by management to ensure continuing compliance with financial disclosure, audit and filing requirements; and
- (i) any other matter pertaining to auditing standards, laws or regulations the Committee determines necessary for discussion or review.

2. Preparation and Release of Financial Information

With respect to preparing and releasing financial information, the specific responsibilities of the Committee include:

- (a) reviewing the selection of accounting policies and audit plan for effectiveness;
- (b) reviewing and understanding the results of the external, independent audit;
- (c) satisfying itself as to the fairness, consistency and timeliness of the annual and periodic financial statements;
- (d) reviewing, from time to time, with the Chief Executive Officer and Chief Financial Officer of the Corporation their certificates under Multilateral Instrument 52-109 or any other applicable regulatory requirement;

- (e) presenting the approved financial statements to the Board of Directors for final approval;
- (f) reviewing and recommending to the Board of Directors for approval prior to public disclosure: the Corporation's annual and quarterly financial statements (whether stand alone or included in a prospectus or other offering document) and any related management's discussion and analysis (MD&A); and all earnings press releases
- (g) reviewing portions of the Corporation's annual information form (AIF) and management information circular for any annual or special meeting of shareholders containing information within the Committee's mandate;
- (h) reviewing all other press releases and public disclosures that contain material financial information or future earnings guidance regarding the Corporation, including the type and presentation of information to be included in such press releases or other disclosures (in particular, the use of "pro forma" or "adjusted" non-GAAP information); and
- (i) reviewing all material forward-looking financial information and future-oriented financial information publicly disclosed by the Corporation in filings with regulatory authorities, and the Corporation's policy for updating such information.

3. Internal Audit

The Committee, in consultation with the Corporation's management, has the authority to engage, or shall delegate the authority to management to engage, the services of an accountant or accounting firm, other than the Corporation's external auditors, to perform supplemental reviews, special projects or other internal audit functions as necessary from time to time.

4. External Audits - Appointment and Authorization of Services

The Committee has the authority to retain and oversee the activities of the external auditors, including the resolution of disagreements between the Corporation's management and the external auditor with respect to financial reporting. The Committee is authorized to determine the compensation, fees and all other terms of the external auditor's engagement, and to terminate the services of the external auditors, as the Committee may deem necessary or appropriate.

All external auditors shall report directly to the Committee.

At least annually, the Committee shall review and pre-approve the performance of all audit and lawfully permitted non-audit services, as well as the fees for such services. The Committee may delegate this function to the Committee's Chair so that, in the event of an issue arising between meetings of the Committee, such issues may be handled appropriately; provided, however, that the Chair shall fully report all action taken pursuant to this delegated authority at the next ensuing Committee meeting. The Committee need not approve in advance any non-audit services where:

- (a) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than 5% of the total amount of revenues paid by the Corporation to the external auditor during the fiscal year in which the non-audit services are provided;
- (b) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (c) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee shall meet with external auditors prior to the audit to confirm the planning and staffing of the audit.

5. Oversight of Independence and Qualifications of External Auditors

In order to ensure the independence of the external auditors, at least annually the Committee shall review the relationship between the auditors and the Corporation. Additionally, the Committee shall review all professional services provided by the external auditors to the Corporation for propriety. The Committee shall provide a report of its findings to the Board of Directors, including recommendations for action to ensure the continued independence of the external auditors.

As part of the review process, the Committee shall obtain a report by the external auditors describing:

- (a) the firm's internal quality control procedures; and
- (b) any material issues raised by the most recent internal quality-control review or the audit firm or by any other governmental or professional authorities or any private sector regulatory board within the preceding five years.

The Committee is responsible for ensuring compliance by the external auditors with independence requirements and shall obtain, at least annually, from the external auditors their certificate as to their independence from the Corporation.

III. OTHER POWERS AND RESPONSIBILITIES

1. Complaint Procedures

The Committee is responsible for establishing and administering adequate procedures by which any concerns or complaints about any internal accounting and controls or any internal or external auditing issues or disagreements are received and resolved. These procedures must allow for confidential and anonymous submissions by employees of the Corporation of concerns regarding questionable auditing or accounting matters.

The Committee shall ensure that all documents and records related to any complaint and investigation (where applicable) are retained for a period of five years, and that no person

shall destroy any corporate or audit related records that may be subject to or related to an investigation by the Corporation or any federal, state or regulatory body.

The Committee shall annually assess the adequacy of these procedures.

2. Charter and Committee Review

The Committee shall review and assess the adequacy of the Committee Charter annually and report to the Board of Directors the results of such assessment. Any recommendations are to be put before the Board of Directors for approval.

The Committee shall also perform an annual review of the Committee's performance and report to the Board of Directors on the results of such evaluation.

3. Examinations and Investigations

The Committee may conduct such examinations, investigations or inquiries, and/or engage special accounting, legal or other advisors the Committee deems necessary.

4. Hiring Policies

The Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the current and former external auditors.

5. Access

In discharging its responsibilities, the Committee shall have full and direct access to all books, records, facilities and personnel of the Corporation.

IV. MEMBERSHIP AND ORGANIZATION OF COMMITTEE

1. Qualifications

The Committee is to be comprised of not less than three members, each of whom must be a director of the Corporation, and:

- (a) independent; and
- (b) financially literate (i.e., have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation),,

in each case as determined in accordance with, and subject to available exemptions under, applicable laws.

2. Chair

The Board of Directors shall appoint one Committee member to serve as the Chair of the Committee.

V. CONDUCT OF MEETINGS**1. Frequency**

The Committee shall meet at least four times per year, and at least once per calendar quarter. Additional meetings shall be scheduled as required or as requested by the Corporation.

2. Quorum

A majority of the Committee members, present in person or by video or telephone conference facilities, shall constitute quorum for the transaction of business.

3. Notice

The auditors are entitled to receive notice of every meeting of the Committee and submit agenda items as well as attend any meeting should they so choose.

4. Non Committee Member Attendees

The Committee may request that any director, officer or employee of the Corporation, or any other person from whom the Committee would like advice or counsel, attend any meeting to provide such information or guidance.

5. Minutes

A Committee member or the Corporate Secretary of the Corporation shall keep written minutes of the Committee meetings. The minutes are to be maintained with the books and records of the Corporation.

6. Delegation of Authority

The Committee has the authority to delegate to one or more of its members where appropriate except where otherwise prohibited by law or regulation.

Approved by the Board of Directors on March 17, 2008.