



TIMMINCO LIMITED  
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August 23, 2004

### CORRECTION TO MANAGEMENT PROXY CIRCULAR

Dear Timminco Shareholder:

It has come to our attention that there is a typographical error in the Timminco Limited Management Proxy Circular (the "Circular") dated August 9, 2004 previously delivered to you. The information provided below corrects and restates the information which was provided in the Circular.

1. In the "Summary of Proxy Circular – Selected Unaudited Proforma Financial Information of the Corporation", on page 5 of the Circular, the amounts in the "Net Income (loss)" line in the "Corporation" and "Total" columns for the six months ended June 30, 2004 were losses and should have been shown in parentheses.
2. The Net Income (loss) line should read as follows:

	<u>For the six months ended June 30, 2004</u>			
	<u>Corporation</u>	<u>Silbec</u>	<u>Proforma</u> <u>Adjustments</u>	<u>Total</u>
			(unaudited, in thousands, except per share amount)	
Net Income (loss).....	\$(2,601)	\$518	\$413	\$(1,670)

3. Please note, the information presented in the table on page 5 is excerpted from Appendix "C" and is also presented on Page 16 of the Circular. On page 16 and in Appendix "C", the information is presented correctly.

We apologize for any inconvenience which this error may have caused.

Sincerely,

KEITH S. D'SOUZA  
Vice President and Secretary

**TIMMINCO LIMITED**  
**NOTICE OF ANNUAL GENERAL AND**  
**SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual General and Special Meeting of Common Shareholders of TIMMINCO LIMITED (the "Corporation") will be held on Thursday, May 26, 2005 at the Metro Toronto Convention Centre, North Building, Room 206D, 255 Front Street West, Toronto, Ontario, Canada, M5V 2W6 at 1:00 p.m. (local time) for the following purposes:

- (1) to receive the consolidated financial statements of the Corporation as at and for the year ended December 31, 2004, together with the auditors' report thereon;
- (2) to elect directors of the Corporation;
- (3) to appoint auditors of the Corporation and to authorize the directors to fix their remuneration;
- (4) to confirm By-law No. 6 of the Corporation to conform certain provisions of By-law No. 1 of the Corporation relating to Canadian residency requirements for directors of the Corporation to the current requirements of the *Canada Business Corporations Act*;
- (5) to consider a resolution reserving an additional 3,028,250 Common Shares for the granting of stock options under the Corporation's Share Option Plan; and
- (6) to transact such further and other business as may properly come before the meeting or any adjournment thereof.

The Management Information Circular accompanying this notice of meeting contains more information on these matters. The 2004 Annual Report of the Corporation, which includes the consolidated financial statements of the Corporation as at and for the year ended December 31, 2004, together with the auditors' report thereon, also accompanies this notice of meeting.

Shareholders are entitled to vote at the meeting either in person or by proxy. **Shareholders who are unable to attend the meeting in person are requested to complete, date, sign and return the enclosed form of proxy to Computershare Trust Company of Canada at the address shown on the enclosed envelope at least 48 hours, excluding Saturdays and holidays, prior to the meeting or any adjournment thereof.**

DATED at Toronto, Ontario, this 15th day of April, 2005.

BY ORDER OF THE BOARD OF DIRECTORS



KEITH S. D'SOUZA  
Vice President and Secretary

**TIMMINCO LIMITED**  
**MANAGEMENT PROXY CIRCULAR**  
**PROXY INFORMATION**

**Solicitation of Proxies**

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation by the management of Timminco Limited (the “Corporation”) of proxies to be used at the annual general and special meeting (the “Meeting”) of the holders of Common Shares of the Corporation (the “Shareholders”) to be held on Thursday, May 26, 2005 at 1:00 p.m. (local time) at the Metro Toronto Convention Centre, North Building, Room 206D, 255 Front Street West, Toronto, Ontario, Canada, and any adjournment thereof, for the purposes set forth in the notice of meeting accompanying this Circular (the “Notice”). While it is expected that the solicitation of proxies will be primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Corporation. The cost of this solicitation will be borne by the Corporation.

**Appointment and Revocation of Proxies**

The persons named in the accompanying form of proxy are the Chairman and Chief Executive Officer of the Corporation and the President and Chief Operating Officer of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons named in the accompanying form of proxy to represent the Shareholder at the Meeting. The Shareholder may exercise this right either by inserting such person’s name in the blank space provided in the form of proxy and striking out the other names or by completing another proper form of proxy.** A form of proxy will not be valid unless it is deposited with Computershare Trust Company of Canada at the address shown on the enclosed envelope at least 48 hours, excluding Saturdays and holidays, prior to the Meeting or any adjournment thereof.

Non-registered shareholders or shareholders that hold their shares in the name of a “nominee” such as a bank, trust company, securities broker or other financial institution, must seek instructions as to how to complete their form of proxy and vote their shares from their nominee. Non-registered shareholders will have received this Circular in a mailing from their nominee, together with a form of proxy or voting instruction form. It is important that non-registered shareholders adhere to the voting instructions provided to them by their nominee. Since the Corporation’s registrar and transfer agent, Computershare Trust Company of Canada, does not have a record of the names of the Corporation’s non-registered shareholders, Computershare Trust Company of Canada will have no knowledge of a non-registered shareholder’s right to vote, unless the nominee has appointed the non-registered shareholder as proxyholder. Non-registered shareholders that wish to vote in person at the Meeting must insert their name in the space provided on the form of proxy or voting instruction form, and adhere to the signing and return instructions provided by their nominee. By doing so, non-registered shareholders are instructing their nominee to appoint them as proxyholder.

Proxies given by Shareholders for use at the Meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the Shareholder or his or her attorney authorized in writing, or, where the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, at the registered office of the Corporation, Sun Life Financial Tower, 150 King Street West, Suite 2401, Toronto, Ontario, M5H 1J9, Canada, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked.

**Voting and Discretion of Proxies**

On any ballot that may be called for, the Common Shares represented by the proxies which are hereby solicited will be voted for or against, or voted for or withheld from voting on, the matters identified in the form of proxy, in each case in accordance with the instructions of the Shareholder. **Unless instructed otherwise, the officers of the Corporation named in the accompanying form of proxy intend to vote the Common Shares represented by proxies FOR the matter to be acted on at the Meeting. The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters set out in the Notice and with respect to other matters that may properly come before the Meeting or any adjournment**

**thereof.** As at the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters that may properly come before the Meeting other than the matters referred to in the Notice, but if any such amendments, variations or other matters are properly brought before the Meeting, the persons named in the accompanying form of proxy will vote thereon in accordance with their best judgement.

### VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The Record Date for the determination of Shareholders entitled to receive the Notice and to vote at the Meeting has been fixed at April 20, 2005. As at the date of this Circular, the authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 69,382,614 are issued and outstanding, and an unlimited number of Class A and Class B Preference Shares, none of which have been issued. Each Common Share will carry one vote per share at the Meeting.

As at the date of this Circular, to the knowledge of the directors and officers of the Corporation, the only persons who beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the votes attached to the Common Shares are as follows:

<u>Shareholder</u>	<u>Approximate Number of Common Shares</u>	<u>Percentage of Issued Common Shares</u>
Timmins Investments Limited <sup>(1)(3)</sup> . . . . .	9,349,487	13.5%
Becancour L.P. <sup>(2)(3)</sup> . . . . .	40,909,092	59.0%

Notes

- (1) Timmins Investments Limited (“TIL”) is controlled by J. Thomas Timmins.
- (2) Safeguard International Fund, L.P. (“Safeguard”), a limited partner of Becancour L.P. (“BLP”), directly holds a 99% interest in BLP, and holds the remaining 1% indirectly through a wholly owned subsidiary, Becancour GP, Inc., the General Partner of BLP.
- (3) BLP and TIL entered into a voting trust agreement dated April 2, 2003 (the “Voting Trust Agreement”) pursuant to which BLP obtained voting control over all of the Common Shares owned by TIL. The Voting Trust Agreement expired on April 2, 2005.

### MATTERS FOR CONSIDERATION AT THE MEETING

#### Presentation of Financial Statements

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2004, together with the auditors’ report thereon, which are included in the 2004 Annual Report, will be placed before the Meeting.

#### Election of Directors

The articles of the Corporation provide that the number of directors shall consist of a minimum of three and a maximum of sixteen, to be elected annually. At the present time, the Board consist of eight directors. The individuals nominated for election as directors are set out below. If elected, each individual will serve until the next annual general meeting of Shareholders or until his or her successor is duly elected or appointed.

**Unless instructed otherwise, the officers of the Corporation named in the accompanying form of proxy intend to vote the Common Shares represented by proxies FOR the election of the nominees whose names are set out below. If, prior to the Meeting, any of the proposed nominees whose names are set out below should for some reason become unavailable to serve as a director, the persons named in the accompanying form of proxy shall be entitled to vote for any other individual as a director in their discretion.** As at the date of this Circular, management of the Corporation is not aware that any of the proposed nominees will be unavailable to serve as a director.

The following table and the notes thereto state the names of the persons proposed to be nominated for election as directors, their principal occupations and periods of service as directors of the Corporation and the approximate number of Common Shares beneficially owned or controlled by each of them as of the date of this Circular.

<u>Name and Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Common Shares beneficially owned or controlled directly or indirectly as of April 15, 2005<sup>(1)</sup></u>
JAY KELLERMAN . . . . . Ontario, Canada	Partner, Stikeman Elliott LLP (law firm)	New	Nil
RICHARD L. LISTER . . . . . Ontario, Canada	Corporate Director and Consultant	New	Nil
JACK L. MESSMAN . . . . . Massachusetts, United States	Chairman, President and Chief Executive Officer, Novell, Inc. (publicly-traded software company)	2003	25,000 <sup>(2)(10)</sup>
HEINZ SCHIMMELBUSCH . . . . . Pennsylvania, United States	Managing Director of Safeguard (private equity fund) and Chairman and Chief Executive Officer of the Corporation	2003	140,000 <sup>(3)(4)(11)</sup>
ARTHUR R. SPECTOR . . . . . Pennsylvania, United States	Managing Director of Safeguard (private equity fund) and Vice Chairman of the Corporation	2003	Nil <sup>(3)(5)(11)</sup>
J. THOMAS TIMMINS . . . . . Ontario, Canada	President, Timmins Investments Limited (investment holding company)	1957 <sup>(6)</sup>	9,349,537 <sup>(7)(11)</sup>
MICHAEL D. WINFIELD . . . . . Illinois, United States	Director of Metallurg, Inc. (metals manufacturer)	New	Nil
MICKEY M. YAKSICH . . . . . Ontario, Canada	Partner, McMillan Binch LLP (law firm)	1998	Nil <sup>(8)(9)</sup>

Notes:

- (1) The information as to Common Shares beneficially owned or controlled is not within the knowledge of management and has been furnished by the respective nominees.
- (2) On March 26, 2004, Mr. Messman was granted 50,000 options under the Share Option Plan; vested options will be exercisable at a price of \$0.96 and shall expire if not exercised by March 26, 2011.
- (3) Dr. Schimmelbusch and Mr. Spector are both Managing Directors of Safeguard which, through its ownership of BLP indirectly owns 59.0% of the Common Shares.
- (4) On March 26, 2004, Dr. Schimmelbusch was granted 480,000 options under the Share Option Plan; vested options will be exercisable at a price of \$0.96 and shall expire if not exercised by March 26, 2011.
- (5) On March 26, 2004, Mr. Spector was granted 430,000 options under the Share Option Plan; vested options will be exercisable at a price of \$0.96 and shall expire if not exercised by March 26, 2011.
- (6) Period of service as a director includes service as a director of the Corporation and predecessor corporations.
- (7) Mr. Timmins owns 50 Common Shares directly and is an officer and director of, and exercises control over, TIL, which owns an additional 9,349,487 Common Shares. On March 26, 2004, Mr. Timmins was granted 50,000 options under the Share Option Plan; vested options will be exercisable at a price of \$0.96 and shall expire if not exercised by March 26, 2011.
- (8) On August 27, 1998, Mr. Yaksich was granted 15,000 options under the Old Stock Option Plan for Directors; the options granted are exercisable at a price of \$2.90 and expire August 26, 2005. On March 26, 2004, Mr. Yaksich was granted 50,000 options under the Share Option Plan; vested options will be exercisable at a price of \$0.96 and shall expire if not exercised by March 26, 2011.
- (9) Member of the Audit Committee.
- (10) Member of the Corporate Governance and Nominating Committee; chaired by Mr. Messman.
- (11) Member of the Strategic Committee; chaired by Dr. Schimmelbusch.

Each person proposed to be nominated for election as a director of the Corporation has held the principal occupations identified above, or another executive position with the same company or firm, for not less than five years, with the exception of:

- Mr. Lister, who was President and Chief Executive Officer of Zemex Corporation from 1991 to 2002, was a director of Metech Corporation and Normiski Inc. from 2002 through 2004, and currently serves as a director for several private companies and non-profit organizations;

- Mr. Messman, who prior to August 1999 was Chairman and Chief Executive Officer of Union Pacific Resources Group Inc.;
- Dr. Schimmelbusch, who became Chief Executive Officer of the Corporation on April 2, 2003 and Chairman of the Board on April 22, 2003;
- Mr. Spector, who was appointed Vice Chairman of the Corporation on March 26, 2004 and Interim Chief Financial Officer of the Corporation on October 18, 2004;
- Mr. Timmins, who retired from the position of Chief Executive Officer of the Corporation in 2001 and as Chairman of the Board on April 2, 2003; and
- Mr. Winfield, who became a director of Metallurg, Inc. in 2001, retired from the position of President and Chief Executive Officer of UOP, LLC in 2001 but continues to serve on its Board of Managers and as a Senior Advisor, and currently also serves as Chairman of Landauer Corp.

### **Appointment of Auditors**

Shareholders will be asked to approve the re-appointment of KPMG LLP as the auditors of the Corporation to hold office until the close of the next annual general meeting of the Shareholders at a remuneration to be fixed by the Board.

**Unless instructed otherwise, the officers of the Corporation named in the accompanying form of proxy intend to vote the Common Shares represented by proxies FOR the reappointment of the present auditors, KPMG LLP, as auditors of the Corporation until the next annual general meeting of the Shareholders and to authorize the directors to fix their remuneration.**

### **Confirmation of By-Law No. 6**

On April 25, 2005, the Board of Directors adopted By-law No. 6, being a by-law to conform the provisions of By-law No. 1 relating to Canadian residency requirements for directors of the Corporation to the current requirements of the *Canada Business Corporations Act*. By-law No. 6, which took effect on the date of its adoption by the Board of Directors, is subject to confirmation by the shareholders at the Meeting, failing which it will cease to be effective. The form of resolution to confirm By-law No. 6, and the full text of By-law No. 6, is set out at Appendix "A" to this Circular.

The resolution to confirm By-law No. 6 must be passed, with or without amendment, by not less than a simple majority of the votes cast by shareholders who vote in respect thereof. **The Board of Directors believes that the resolution is in the best interests of Shareholders and therefore unanimously recommends that Shareholders vote FOR the resolution. Unless instructed otherwise, the officers of the Corporation named in the accompanying form of proxy intend to vote the Common Shares represented by proxies FOR the resolution to confirm By-law No. 6.**

### **Increase in the Number of Common Shares Available Upon Exercise of Stock Options**

The Corporation grants options under the Corporation's Share Option Plan (the "Share Option Plan") to promote a proprietary interest in the Corporation among employees and outside directors, to attract and retain employees and outside directors and to provide an incentive to employees and outside directors who are in a position to contribute to the long-term growth and success of the Corporation. Options are granted at the discretion of the Board of Directors to certain employees and outside directors. A summary of the Share Option Plan is contained under "Security Based Compensation Arrangements".

On April 25, 2005, the Board of Directors approved an amendment to the Share Option Plan, subject to approval of the Shareholders as required under the rules of the Toronto Stock Exchange ("TSX"), to increase the maximum number of Common Shares issuable under the Share Option Plan by an additional 3,028,250 Common Shares. Approximately 10% of the outstanding Common Shares of the Corporation will be subject to outstanding options or will be available for future option grants after the proposed amendment. The proposal to increase the number of Common Shares available under the Share Option Plan is to ensure that the Corporation can continue to provide competitive long-term incentive awards.

The following table specifies the number of Common Shares of the Corporation that may be subject to option grants before and after the proposed increase, as at the date of this Circular:

	<u>Common Shares Subject to Outstanding Options</u>	<u>Common Shares Available for Future Option Grants</u>	<u>Maximum Common Shares Subject to Option Grants</u>
Currently Approved .....	2,145,000 <sup>(1)</sup>	1,765,000	3,910,000
Proposed Increase .....	—	3,028,250	3,028,250
Total .....	2,145,000	4,793,250	6,938,250
% of Common Shares .....	3.09%	6.91%	9.99%

Note:

- (1) 1,985,000 of these Common Shares relate to options granted under the Share Option Plan and 160,000 of these Common Shares relate to options issuable under the Old Stock Option Plan for Key Employees and the Old Stock Option Plan for Directors. On March 26, 2004 the Board of Directors resolved that no further options would be issued under the Old Stock Option Plan for Key Employees and the Old Stock Option Plan for Directors. See “Security Based Compensation Arrangements.”

The form of resolution to approve the proposed amendment to the Share Option Plan is set out below as follows:

**RESOLVED that:**

1. the number of Common Shares of the Corporation issuable under the Share Option Plan of the Corporation dated as of March 26, 2004 be increased by an additional 3,028,250 Common Shares, so that the maximum number of Common Shares issuable thereunder shall be 6,938,250 Common Shares;
2. any officer of the Corporation be and is hereby authorized to execute and deliver for and on behalf of the Corporation all such documents and to do such other acts as such officer may determine necessary or advisable to give effect to the foregoing, such determination to be conclusively evidenced by execution and delivery of any such documents or instruments and the taking of any such actions.

The resolution to approve the proposed amendment must be passed, with or without amendment, by not less than a simple majority of the votes cast by shareholders who vote in respect thereof. **The Board of Directors believes that the resolution is in the best interests of Shareholders and therefore unanimously recommends that Shareholders vote FOR the resolution. Unless instructed otherwise, the officers of the Corporation named in the accompanying form of proxy intend to vote the Common Shares represented by proxies FOR the resolution to approve the proposed amendment to the Share Option Plan.**

**SECURITY BASED COMPENSATION ARRANGEMENTS**

*Share Option Plan*

The principal purposes of the Share Option Plan are to promote a proprietary interest in the Corporation among employees and outside directors, to attract and retain employees and outside directors and to provide an incentive to employees and outside directors who are in a position to contribute to the long-term growth and success of the Corporation. Options are granted at the discretion of the Board of Directors to certain employees and outside directors.

The Corporation’s Share Option Plan provides that the subscription price for any option granted shall be an amount determined by the directors when the option is granted, which shall not be less than the Fair Market Value of the Common Shares on the date of the grant. Fair Market Value on any date means:

- (a) the closing board lot sale price per share of Common Shares on the TSX on the trading day prior to such date;
- (b) if there was not a board lot sale thereon on such day, then the immediately preceding board lot sale price per share on the TSX; or
- (c) if there has not been a board lot sale on the TSX within a period of two trading days prior thereto, then the average of the mean between the bid and ask prices per share for the Common Shares on such Exchange on each of the five trading days prior to such date.

The Share Option Plan provides that options are exercisable only to the extent that they have vested. Options vest on the first, second, third and fourth anniversary of the date of grant, with one-quarter of the Common Shares comprising the option exercisable at each anniversary.

For employees, upon termination of employment for any reason other than death, retirement or for cause, options that are not exercisable at that time, or will not vest within any additional exercise period, are terminated, unless the directors determine otherwise. In the case of death, any unexercised options that were exercisable at the date of death may be exercised by the legal personal representatives of the recipient during the period ending on the first anniversary of the date of the recipient's death. In the case of normal retirement, any unexercised options that were exercisable at the date of retirement may be exercised by the recipient during the period ending on the third anniversary of the date of the recipient's retirement. Should the recipient die during this time period, then the right to exercise shall end on the earlier of the third anniversary of the recipient's retirement or the first anniversary of the date of the recipient's death. If the recipient was terminated for cause, all options terminate immediately on cessation of employment.

For outside directors, upon ceasing to be a member of the Board of Directors for any reason other than death, the recipient will be entitled to exercise options during the period ending on the third anniversary of the date on which the recipient ceased to be a member of the Board of Directors, at which time the option will terminate. In the case of death, any unexercised options that were exercisable at the date of death may be exercised by the legal personal representatives of the outside director during the period ending on the first anniversary of the date of the outside director's death. Should the recipient die after ceasing to be a member of the Board of Directors, then the right to exercise shall end on the earlier of the third anniversary of the departure from the Board or the first anniversary of the date of the recipient's death.

The Share Option Plan limits the awards granted such that at any time the aggregate number of Common Shares in respect of which options have been granted and remain outstanding shall not: (i) in the case of any one person, exceed 5% of the number of issued and outstanding Common Shares at that time; (ii) when taken together with all of the Corporation's share compensation arrangements, exceed 10% of the issued and outstanding Common Shares at that time; and (iii) when taken together with all of the Corporation's share compensation arrangements, result, within a one-year period, in the issuance (a) to insiders of a number of Common Shares exceeding 10%; (b) to any one insider and such insider's associates of a number of Common Shares exceeding 5%; and (c) of a number of Common Shares exceeding 10%, of a number of issued and outstanding Common Shares as at the commencement of such one-year period.

A recipient may, with the consent of the Board of Directors and the TSX, request that all of the recipient's options be held by a corporation over which the recipient has sole control. Awards under the Share Option Plan are not otherwise assignable, negotiable or transferable.

The Share Option Plan contains provisions for appropriate adjustments in the event of a corporate reorganization. In addition, subject to regulatory approval, the Board of Directors may amend or discontinue the Share Option Plan at any time but no such amendment may: increase the aggregate maximum number of Common Shares to which the options are outstanding under the Share Option Plan; change the manner of determining the option price; extend the term of any option beyond seven years; or impair any option previously granted to a recipient without consent of the recipient. Under the rules of the TSX, shareholder approval is required for a reduction in the exercise price, or an extension of the term, under a security based compensation arrangement benefiting an insider.

#### ***Old Stock Option Plan for Key Employees***

The Corporation also maintains a stock option plan for key employees (the "Old Stock Option Plan for Key Employees") to encourage and reward eligible plan participants. Under the current terms of the Old Stock Option Plan for Key Employees, which is administered by the Board, options were granted at the discretion of the Board at an exercise price equal to the closing price of the Common Shares on the TSX on the last trading day preceding the day of grant.

No options were granted under the Old Stock Option Plan for Key Employees during 2004 or to date in 2005. As at the date of this Circular, a total of 130,000 options have been issued to two senior officers and three other key employees under the Old Stock Option Plan for Key Employees which are currently outstanding as unexercised. All of these outstanding options expire on August 26, 2005.

On March 26, 2004, the Board of Directors approved the Share Option Plan which supersedes the Old Stock Option Plan for Key Employees. The Board further resolved not to grant any further options under the Old Stock Option Plan for Key Employees.

**Old Stock Option Plan for Directors**

The Corporation also maintains a stock option plan for directors of the Corporation (the “Old Stock Option Plan for Directors”) to provide an incentive to directors to achieve the long term objectives of the Corporation and to attract and retain persons of experience and ability. Under the current terms of the Old Stock Option Plan for Directors, options were granted by the Board of Directors of the Corporation at an exercise price equal to the closing sale price for board lots of the Corporation’s Common Shares on the TSX on the last trading day preceding the day of grant.

No options were granted under the Old Stock Option Plan for Directors during 2004 or to date in 2005. As at the date of this Circular, a total of 30,000 options have been issued to two directors of the Corporation under the Old Stock Option Plan for Directors which are currently outstanding as unexercised. All of these outstanding options expire on August 26, 2005.

On March 26, 2004, the Board of Directors approved the Share Option Plan which supersedes the Old Stock Option Plan for Directors. The Board further resolved not to grant any further options under the Old Stock Option Plan for Directors.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table discloses the equity compensation plan information as of the end of the Corporation’s most recently completed financial year.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</u>
Equity compensation plans approved by securityholders .....	160,000 <sup>(1)</sup>	\$2.93	—
	1,985,000 <sup>(2)</sup>	\$0.96	1,765,000
Equity compensation plans not approved by securityholders .....	—	—	—
<u>Total .....</u>	<u>2,145,000</u>	<u>—</u>	<u>1,765,000</u>

Notes:

- (1) These securities relate to options issued under the Old Stock Option Plan for Key Employees and the Old Stock Option Plan for Directors. On March 26, 2004 the Board of Directors resolved that no further options would be issued under these plans. See “Security Based Compensation Arrangements.”
- (2) These securities relates to options issued under the Share Option Plan.

## EXECUTIVE COMPENSATION

### Compensation of Officers

The following table sets forth a summary of compensation earned during each of the Corporation's last three completed financial years by the Corporation's Chairman and Chief Executive Officer, Interim Chief Financial Officer, former Chief Financial Officer and the other three executive officers who were its most highly compensated executive officers during 2004 (the "Named Executive Officers").

**Summary Compensation Table**

Name and Principal Position <sup>(1)</sup>	Year	Annual Compensation			Long-Term Compensation	All Other Compensation (\$) <sup>(5)</sup>
		Salary (\$)	Bonus (\$) <sup>(4)</sup>	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	
HEINZ SCHIMMELBUSCH . . . . . Chairman and Chief Executive Officer – appointed on April 2, 2003	2004	—	—	—	480,000	25,184
	2003	—	—	—	—	10,319
	2002	—	—	—	—	—
ARTHUR SPECTOR . . . . . appointed Vice Chairman on March 26, 2004 and appointed Interim Chief Financial Officer on October 18, 2004	2004	—	—	—	430,000	19,760
	2003	—	—	—	—	11,463
	2002	—	—	—	—	—
HALINA B. MCGREGOR <sup>(2)</sup> . . . . . Vice President – Finance and Chief Financial Officer – appointed on November 6, 2003 and resigned on October 18, 2004	2004	206,730	—	—	75,000	193,781
	2003	41,781	—	—	—	3,047
	2002	—	—	—	—	—
TIM R. PRETZER <sup>(3)</sup> . . . . . President and Chief Operating Officer – appointed on April 2, 2003 – previously acted as Vice President Sales and Manufacturing . . . . .	2004	433,000	—	—	350,000	65,535
	2003	329,665	77,700	—	—	112,683
	2002	279,902	84,394	—	—	32,771
LUTZ HÄRTEL . . . . . Chairman of the Board, Becancour Silicon Inc.	2004	300,000	—	—	—	—
	2003	150,000	—	—	—	—
	2002	150,000	—	—	—	—
RITCHIE LEES <sup>(3)</sup> . . . . . Vice President – Fabricated and Extruded Products – appointed on May 11, 2004	2004	181,321	—	—	150,000	15,355
	2003	—	—	—	—	—
	2002	—	—	—	—	—

Notes:

- (1) Mr. Pretzer's compensation for 2002 and for the period January 1, 2003 to September 30, 2003, and Mr. Lees entire 2004 compensation, were paid by Timminco Corporation, an indirect, wholly owned subsidiary of the Corporation. Mr. Härtel's compensation for 2004, 2003 and 2002 was paid by Becancour Silicon, Inc., a wholly owned subsidiary of the Corporation. The compensation of all other Named Executive Officers was paid by the Corporation. No additional compensation was paid to any of these officers for their services as officers or directors of the Corporation's subsidiaries.
- (2) Ms. McGregor commenced employment as Vice President-Finance and Chief Financial Officer effective November 6, 2003 and she resigned from the Corporation on October 18, 2004 and was paid a severance payment of \$165,666.31.
- (3) The figures in the Salary column for Mr. Pretzer for the period January 1 to September 30, 2003, and for Mr. Lees for 2004, have been converted from U.S. dollars to Canadian dollars using the average rate of exchange for the appropriate calendar year. The amounts reflected in the bonus column have been converted from U.S. dollars to Canadian dollars using the exchange rate as at each respective year-end.
- (4) No bonuses were paid in 2004.
- (5) The amounts in this column relate to annual contributions by the Corporation to:
  - (i) in the case of Mr. Pretzer, the Corporation's Pension Savings Plan and its Base Group RRSP;
  - (ii) insurance premiums paid by the Corporation and/or a U.S. subsidiary with respect to term life insurance for the benefit of the Named Executive Officers;
  - (iii) with respect to Mr. Pretzer for 2003 and 2002 and Mr. Lees for 2004 contributions to the 401(k) Savings Plan;
  - (iv) in the case of Mr. Pretzer, payment in lieu of post retirement benefits; and
  - (v) in the case of Dr. Schimmelbusch and Mr. Spector, the amount represents the directors' fee.

Life insurance premiums, contributions to the 401(k) Savings Plan, payment in lieu of retirement, health benefits and the Supplemental Retirement Benefit, for Messrs Pretzer and Lees have been converted from U.S. dollars to Canadian dollars using the average rate of exchange for the year.

## Options

The following table sets forth details of individual grants of options to purchase or acquire securities of the Corporation or any of its subsidiaries made during the financial year ended December 31, 2004:

### Option Grants During the Most Recently Completed Year

<u>Name</u>	<u>Securities Under Options Granted (#)</u>	<u>% of Total Options Granted to Employees in Financial Year</u>	<u>Exercise or Base Price (\$/Security)</u>	<u>Market Value of Securities Underlying Options on the Date of Grant (\$/Security)</u>	<u>Expiration Date</u>
HEINZ SCHIMMELBUSCH . . .	480,000	24%	.96	.96	March 26, 2011
ARTHUR SPECTOR . . . . .	430,000	22%	.96	.96	March 26, 2011
HALINA B. MCGREGOR . . .	75,000	4%	.96	.96	March 26, 2011
TIM R. PRETZER . . . . .	350,000	18%	.96	.96	March 26, 2011
LUTZ HÄRTEL . . . . .	—	—	—	—	—
RITCHIE LEES . . . . .	150,000	8%	.96	.96	March 26, 2011

The following table sets forth, on an aggregate basis, details of each exercise of stock options during the financial year ended December 31, 2004 by the Named Executive Officers and the number and value of unexercised options as at December 31, 2004:

### Aggregated Options Exercised During the Most Recent Financial Year and Financial Year-End Option Values

<u>Name</u>	<u>Shares Acquired on Exercise (#)</u>	<u>Aggregate Value Realized (\$)</u>	<u>Unexercised Options/SARs at Financial Year-End (#) Exercisable/Unexercisable<sup>(2)</sup></u>	<u>Value of Unexercised in-the-Money Options at Financial Year-End (\$)<sup>(1)</sup> Exercisable/Unexercisable</u>
HEINZ SCHIMMELBUSCH . . . . .	—	—	—/480,000 (options)	—/—
ARTHUR SPECTOR . . . . .	—	—	—/430,000 (options)	—/—
HALINA B. MCGREGOR . . . . .	—	—	—/75,000 (options)	—/—
TIM R. PRETZER . . . . .	—	—	—/350,000 (options)	—/—
LUTZ HÄRTEL . . . . .	—	—	—/— (options)	—/—
RITCHIE LEES . . . . .	—	—	—/150,000 (options)	—/—

Notes:

- (1) An option is “in-the-money” at December 31, 2004 if the market price of the Corporation’s Common Shares on that date exceeds the exercise price of the option. The value of unexercised options at December 31, 2004 is equal to the difference between the market value of the Common Shares at December 31, 2004. The market value for this purpose is \$0.87, the closing price of the Common Shares on the TSX on December 31, 2004.
- (2) Options to purchase Common Shares of the Corporation granted in 2004 at an exercise price of \$0.96, the market value of a Common Share on the day prior to March 26, 2004, the date of grant. All unexercised options expire on March 26, 2011.

## Pension Arrangements

Since October 2003, Mr. Tim Pretzer (the “Canadian Executive”) has participated in a Base Group RRSP and the Corporation’s Pension Savings Plan. Under the Base Group RRSP, the Corporation contributes 5% of the Canadian Executive’s compensation to the Base Group RRSP. The Corporation’s Pension Savings Plan (the “Savings Plan”) is comprised of a registered retirement savings plan and a non-registered savings plan. Under the Savings Plan, the Canadian Executive may contribute up to 10% of his compensation and the Corporation then makes a matching contribution of 80% of the contribution to a maximum of 4% of his compensation to the Savings Plan. The contributions are directed to the registered retirement savings plan of the Canadian Executive up to the allowed Canada

Revenue Agency annual maximum for the individual. The Canadian Executive may direct any contributions that exceed his Canada Revenue Agency allowed annual maximum to be paid to the non-registered savings plan. Compensation, for the purpose of this paragraph, includes only the compensation in the columns under the headings "Salary" in the "Summary Compensation Table".

In the case of Ms. McGregor, due to Base Group RRSP and Savings Plan enrolment restrictions in the first year of employment, the Corporation included an additional 7% of salary to her compensation.

Mr. Pretzer and Mr. Lees, since July 1998 and January, 2004, respectively, have participated in a 401(k) Savings Plan in the United States. Under the 401(k) Savings Plan, subsidiaries of the Corporation contribute 10% of Mr. Pretzer's and 3% of Mr. Lees' compensation. For this purpose, compensation includes only the compensation in the column under the heading "Salary" in the "Summary Compensation Table." In the case of Mr. Pretzer, participation in the Corporation's 401(k) Saving Plan was discontinued effective October 2003 as he commenced participation in the Corporation's Base Group RRSP and Savings Plan as discussed above.

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

On August 1, 2003, the Corporation entered into an employment agreement with Mr. Tim Pretzer for a term ending on the earlier of April 1, 2008 and a date on which one of a list of certain specified events, the latter referred to as a "Termination Prior to the Term of the Agreement", occurs. The agreement provides that Mr. Pretzer will receive a base salary of \$433,000 per annum during the term of the agreement subject to adjustment on a yearly basis by the Human Resources Committee. The agreement provides that the employment of Mr. Pretzer may be terminated at any time for cause. If Mr. Pretzer's employment is terminated without cause or in the event of a change of control, Mr. Pretzer will be entitled to receive a lump sum payment equivalent to twelve months base salary less statutory deductions. All benefits, with the exception of life insurance, accidental death and dismemberment and disability benefits, will continue for a period of twelve months. The agreement contains covenants regarding confidentiality and non-competition.

Since Mr. Pretzer agreed to relocate from the United States to Canada, the agreement provides for an interest-free loan to a maximum of \$500,000 repayable in equal monthly instalments based on a 25-year amortization. Upon termination of this employment agreement, the outstanding balance is to be repaid in full within 90 days. Mr. Pretzer is also entitled to the relocation of his household goods back to the United States and for compensation for any loss on the re-sale of his Toronto residence, unless he resigns from his employment or is terminated for cause. Although Mr. Pretzer was also eligible to receive an annual incentive bonus for the fiscal year 2004 in an amount up to 50% of his annual base salary based upon certain financial performance objectives and personal objectives set by the Corporation and Mr. Pretzer, as the Corporation did not achieve its financial targets, no incentive bonuses were paid out.

On May 28, 2001, Mr. J. Thomas Timmins retired from the position of Chairman and Chief Executive Officer of the Corporation. The Post Employment and Life Insurance Agreement relating to Mr. Timmins, which was previously agreed to by the Human Resources Committee of the Board of Directors was amended by (i) fixing the amount of the monthly consulting fee at \$20,833, (ii) ceasing to pay all premiums relating to an insurance policy with an initial face value of \$1.66 million on the life of Mr. Timmins, and (iii) transferring the key-man life insurance policy to Mr. Timmins.

### **Composition of the Compensation Committee**

The entire Board of Directors is responsible for assessing the performance of the Chief Executive Officer against predetermined goals and criteria (including corporate performance), reviewing and making recommendations on the compensation of the Chief Executive Officer and reviewing and approving the compensation of officers reporting to the Chief Executive Officer. The Board of Directors also reviews and makes recommendations with respect to the Corporation's Old Stock Option Plan for Key Employees and the successor plan, the Share Option Plan, and reviews and approves any significant changes to employee benefits.

Dr. Heinz Schimmelbusch, the Chairman and Chief Executive Officer of the Corporation, and Mr. Arthur Spector, the Vice Chairman and Interim Chief Financial Officer of the Corporation, were each officers of the Corporation and members of the Board of Directors during the year ended December 31, 2004. None of the other members of the Board

of Directors were officers or employees of the Corporation or any of its subsidiaries during the year ended December 31, 2004.

## **Report on Executive Compensation**

### ***Strategy***

The Corporation's executive compensation policies have been structured to accomplish the following goals:

- (a) Retain the services of proven executives; their experience and expertise are an important foundation upon which future profit and shareholder value will be built.
- (b) Reward individuals for their contribution to the overall success of the Corporation, and for successfully achieving objectives in their own area of responsibility.
- (c) Connect the long-term interests of each executive with the shareholders' desire to achieve a superior level of investment return.
- (d) Attract outstanding executive candidates to the Corporation who are able to deliver superior management skills.

Executive compensation consists of three primary components: base salary, bonus payments, including payments under the Incentive Compensation Plan and stock options.

### ***Salary***

Base salary is the principal component of executive compensation. These are reviewed and adjusted periodically against survey data and advice from independent compensation consultants, supplemented by other sources of information, to ensure base salary remains competitive with standards prevailing in local employment markets.

### ***Incentive Compensation Plan***

Effective January 1, 2003, the Corporation established an incentive compensation plan for management of the Corporation (the "Incentive Compensation Plan") (excluding the Chairman and Chief Executive Officer, Vice Chairman and Interim CFO and Chairman, Becancour Silicon, Inc. but including other Named Executive Officers) who contribute substantially to the success of the Corporation. Those functions which have a significant and recurring impact on the profitability of the Corporation or division thereof are eligible to participate. Participants are assigned to categories in accordance with their position.

Eligible employees have the opportunity to earn compensation awards in return for achieving pre-established standards of business performance.

The potential amount of the award, and the measures that define performance are dependent upon the category into which each eligible employee is placed.

The Incentive Compensation Plan considers financial, productivity, safety and environmental measures, all of which are customized to the unique expectations of the jobs in each category. Each category includes only those measures pertinent to the participant's jobs in that category. Performance measures are established at the beginning of the year. Each category includes minimum performance standards that must be achieved before any amount of award may be earned, as well as performance standards that limit the maximum award opportunity.

Overriding the award opportunities for each category is a "trigger" condition that states, "all earned incentive awards will be forfeited if actual corporate net profit is not at least fifty percent of its target level".

Payouts under the Incentive Compensation Plan are made in cash as soon as practical following the year-end, and after performance measures have been assessed and the Corporation's financial results have been determined and audited.

For fiscal 2004, no Incentive Compensation Plan awards were paid out.

### Stock Option Grants

The Board of Directors considers grants of stock options from time to time. This component of compensation links executive actions directly to the development of long-term shareholder value. Further, the Old Stock Option Plan for Key Employees and the successor plan, the Share Option Plan, also serve to link the interests of executive and senior officers/managers to one another, thereby rewarding teamwork. The number of options granted, in aggregate, to executive and senior officers/managers reflects the Board's opinion of the degree to which each individual has the capacity to influence profit. Options awarded within a given grant expire after seven years and vest in the interest of each individual based on length of service. No options may be exercised during the first twelve months following the date granted.

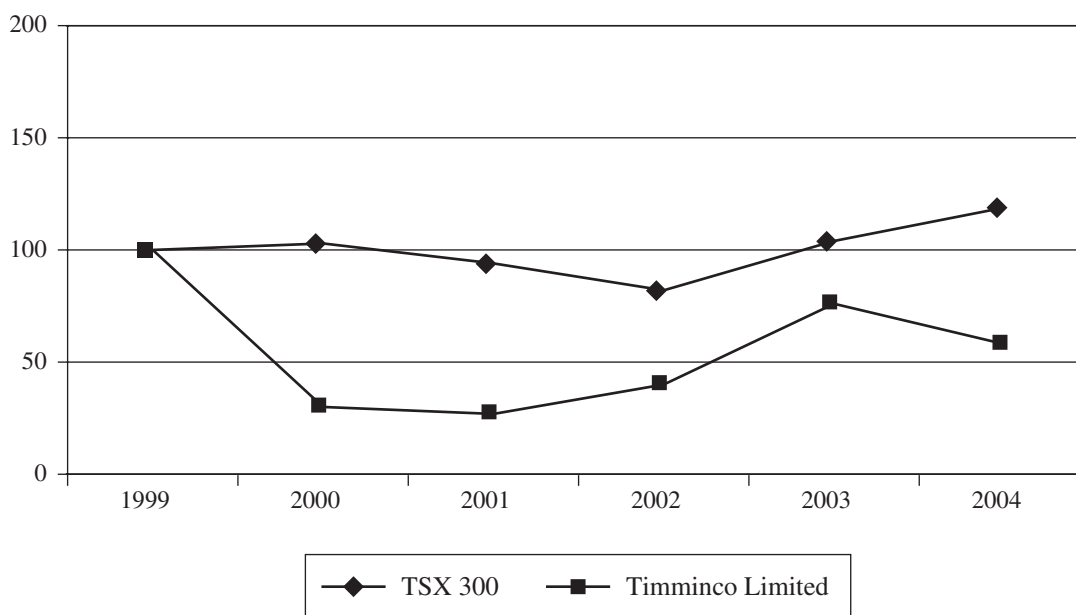
Report Presented By:

The Board of Directors

### Performance Graph

The following graph compares the cumulative return for \$100 invested in the Corporation's Common Shares on December 31, 1999 with the cumulative total return of the TSX 300 over the five year period ended December 31, 2004.

**Timminco Limited  
Five Year Total Shareholder Return Comparison  
December 31, 1999 – December 31, 2004**



	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
TSX 300 Return .....	100	103	94	82	104	119
Timminco Limited Return .....	100	30	27	40	76	58

### Compensation of Directors

#### *Directors' fees and expenses*

Each director of the Corporation or any of its subsidiaries is paid a fixed fee for each financial year of the Corporation and each director of the Corporation who is a member of the Strategic Committee of the Board is paid an additional fixed fee for each financial year of the Corporation. In 2004, the fixed fee for directors was \$6,000 and the fixed fee for Strategic Committee members was \$2,500. In addition, directors also receive a fee of \$850 for each Board or Board Committee meeting attended. Each director is reimbursed for expenses incurred in connection with the attendance of such meetings. Directors who are residents of the United States were paid such amounts in U.S. dollars.

### ***Options to Purchase Securities by Directors***

On March 26, 2004, the following options were granted to directors under the Share Option Plan:

<u>Name</u>	<u>Securities Under Options Granted (#)</u>	<u>Exercise or Base Price (\$/Security)</u>	<u>Market Value of Securities Underlying Options on the Date of Grant (\$/Security)</u>	<u>Expiration Date</u>
JOHN W. CROW .....	50,000	.96	.96	March 26, 2011
VAHAN KOLOLIAN .....	50,000	.96	.96	March 26, 2011
JACK L. MESSMAN .....	50,000	.96	.96	March 26, 2011
HEINZ SCHIMMELBUSCH .....	480,000	.96	.96	March 26, 2011
ARTHUR R. SPECTOR .....	430,000	.96	.96	March 26, 2011
J. THOMAS TIMMINS .....	50,000	.96	.96	March 26, 2011
MICKY M. YAKSICH .....	50,000	.96	.96	March 26, 2011

### **Indebtedness of Directors and Executive Officers**

In January 2004, Mr. Pretzer, the President and Chief Operating Officer, received an interest-free loan from Corporation in the amount of \$500,000, which is repayable in equal monthly instalments and is based on a 25-year amortization.

In April 2004, Mr. Lees, the Vice President-Fabricated & Extruded Products, received an interest-free loan from Timminco Corporation, an indirect, wholly owned subsidiary of the Corporation, in the amount of US\$100,000 which is repayable in equal monthly instalments and is based on 10-year amortization.

<u>Purpose</u>	<u>Aggregate Indebtedness</u>	
	<u>To the Corporation or its Subsidiaries</u>	<u>To Another Entity</u>
Share Purchases .....	—	—
Other .....	CDN\$500,000	—
	US\$ 100,000	—

During the financial year ended December 31, 2004, no director, senior officer, executive officer or any proposed nominee for election as a director of the Corporation, and none of their respective associates was indebted to the Corporation or any of its subsidiaries.

### **Directors and Officers Liability Insurance**

A policy is in effect providing executive liability and indemnification insurance, the policy limit being \$15,000,000 per claim or in aggregate for the policy year ending May 1, 2005. The coverage applies to the directors and officers of the Corporation and all subsidiaries.

The policy has a corporate reimbursement section, with a deductible of \$100,000 per claim, which reimburses the Corporation for settled claims and defence costs when covered by the policy, and where the Corporation is permitted by law and under the by-laws of the Corporation to reimburse directors and officers.

The premium applicable to the 2004 fiscal year was approximately \$96,900, which was paid by the Corporation.

On April 2, 2003, due to the change of control resulting from the subscription by BLP (the “Change of Control”), the Corporation purchased additional “run-off” insurance for a period of five years for approximately \$146,000, in which the previous Board of Directors and officers are covered for any wrongful acts that may have occurred prior to the Change in Control but have not been reported.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

The Corporation completed its initial investment in Fundo Wheels AS (“Fundo Wheels”) on March 22, 2004 by acquiring 100% of the shares of a Norwegian company, Nor-Wheels AS (“Nor-Wheels”), which owns 24.4% of the shares of Fundo Wheels (the “FW Interest”).

On January 28, 2004, PFW Beteiligungs-Aktiengesellschaft (“PFW”), an affiliate of Safeguard, purchased Nor-Wheels from Allied Resource Corporation (“Allied”) and acquired Allied’s rights under an investment and shareholder agreement (the “Investment Agreement”) with Høyanger Community, the controlling shareholder of Fundo Wheels. Also on January 28, 2004, the Corporation entered into a Call Option and Fees Agreement (the “Call Option Agreement”) with Allied and PFW.

Under the Call Option Agreement, PFW granted the Corporation an option, expiring on March 15, 2004, to acquire Nor-Wheels and the rights under the Investment Agreement for a purchase price of (i) US\$4.5 million (consisting of US\$3.3 million, being the price paid by PFW for the FW Interest, and fees and expenses of US\$1.2 million paid by PFW to Allied), and (ii) the reimbursement of certain PFW’s fees and reasonable and documented expenses in the amount of US\$0.1 million. The Corporation exercised the option on March 15, 2004 and acquired from PFW all of the shares of Nor-Wheels, which holds the FW Interest. Nor-Wheels also assumed the rights and obligations of Allied under the Investment Agreement.

The transaction between the Corporation and PFW contemplated by the exercise of the option under the Call Option Agreement constituted a related party transaction within the meaning of the Ontario and Québec securities regulation. The Board of the Corporation met on several occasions to review and evaluate the transactions concerning Fundo Wheels and obtained advice from independent financial and legal advisors. The Board unanimously approved the Corporation entering into the transactions, with Dr. Schimmelbusch and Mr. Spector, the two directors on the Board who are also directors of Safeguard, abstaining. The transactions between the Corporation and PFW were exempt from the formal valuation and minority approval requirements under Ontario and Québec securities regulation.

On September 30, 2004 the Corporation completed the acquisition of all of the outstanding shares of Becancour Silicon Inc. (“Becancour”), from BLP and Becancour Holding, Inc. (“BHI”). In exchange for the shares of Becancour, the Corporation issued an aggregate of 30,909,091 of its Common Shares to BLP and BHI and accepted the assignment of a promissory note with a principal amount of \$7,500,000 which was issued by Becancour in favour of BLP.

Since the Corporation, BLP and BHI are directly or indirectly controlled by Safeguard, the transaction constituted a related party transaction within the meaning of the Ontario and Quebec securities regulation. In addition, Dr. Schimmelbusch, who is the Chief Executive Officer and Chairman of the Board of the Corporation, is a Managing Director of Safeguard, is the President and Chairman and a director of BHI, is a director of Becancour, and is the Chairman and a director of Becancour GP, Inc. which is the general partner of BLP. Mr. Spector, who is Vice Chairman and a director of the Corporation, is also a Managing Director of Safeguard, is the Executive Vice President and director of BHI, is a director of Becancour, and is the President and a director of Becancour GP, Inc. As a result, the Board of Directors appointed a committee of directors who were independent of Safeguard, BLP and BHI (the “Independent Committee”) to review and consider the transaction. The Independent Committee and the Board of Directors reviewed the terms of the transaction. The Independent Committee unanimously recommended the transaction to the Board and the Board approved the transaction.

Safeguard, BLP and BHI are located at Wayne, Pennsylvania.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Corporation is required under the By-laws of the TSX to make disclosure of its corporate governance practices with reference to the Corporate Governance Guidelines (the “Guidelines”) adopted by the TSX.

The Board believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The Corporation’s governance practices are subject to periodic review and evaluation through the Board’s Corporate Governance and Nominating Committee to ensure that, as the Corporation’s business develops and grows, changes in structure and process necessary to ensure continued good governance are identified and implemented.

The following statement, which describes the Corporation's current governance practices, has been prepared and approved by the Board.

### **Mandate of the Board**

The Board's responsibility is to supervise the management of the business and affairs of the Corporation and to act with a view to the best interests of the Corporation.

In the discharge of this responsibility, the Board oversees and reviews directly or through its various Committees, the Corporation's results of operations, significant corporate plans and business initiatives, including the development and implementation of the annual business plan, strategic plans, major acquisitions and divestitures, public communications policies, the Corporation's senior management recruitment, assessment and succession processes and the Corporation's internal control and management information systems to identify and manage principal business risks. The Board is also responsible for reviewing its size and the compensation paid to its members, to ensure that the Board can fulfil its duties effectively and that its members are adequately compensated for assuming the risks and carrying out the responsibilities of their positions.

In appropriate circumstances, individual directors have the right to engage an outside advisor, at the expense of the Corporation, to assist the director in dealing with his responsibilities. Such an engagement is subject to approval by the Corporate Governance and Nominating Committee.

The Board meets at least five times a year, or more frequently if required. In 2004, the Board held eleven meetings.

### **Composition of the Board**

The Board currently comprises eight members. The Board believes that five of its current members, Messrs. Crow, Kololian, Messman, Timmins and Yaksich, are "unrelated" within the meaning of the Guidelines, i.e., free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.

In reaching this determination, the Board considered the circumstances, experience and relationships with the Corporation and its affiliates of each of the directors, including in the case of Mr. Yaksich, his position as a partner with the law firm of McMillan Binch LLP, a firm which provides legal advice to the Corporation from time to time.

Mr. Härtel was appointed a director of the Corporation on November 9, 2004 and the Board does not believe that he is "unrelated" within the meaning of the Guidelines. Mr. Härtel is the Chairman of the Board of Becancour Silicon Inc., a Quebec company acquired by the Corporation on September 30, 2004. He is also a member of the boards of other Safeguard controlled companies.

### **Proportionate Representation**

Five of eight current members of the Board are "unrelated" to the Corporation, and no member of the Board owns or exercises control over such number of shares of the Corporation which would allow the member to exercise a majority of the votes for the election of the Board. The Board is therefore satisfied that its composition provides adequate representation of the interests of the minority shareholders of the Corporation.

### **Board Committees**

The Board has three standing committees: the Strategic Committee, the Audit Committee, and the Corporate Governance and Nominating Committee.

The Audit Committee and the Corporate Governance and Nominating Committee are composed only of the Corporation's unrelated, outside directors.

### *Strategic Committee*

The purpose of the Strategic Committee is to receive communications from and offer advice to the Chairman and Chief Executive Officer on management issues. The Strategic Committee will not act on behalf of the Board and will, after the Meeting, be subject to renewal on an annual basis.

The Strategic Committee is comprised of three members: Dr. Heinz Schimmelbusch as Chairman and Messrs. Spector and Timmins. The Strategic Committee met two times in 2004.

### *Audit Committee*

The purpose of the Audit Committee is to augment and improve financial disclosure and to ensure the Corporation's compliance with disclosure requirements. The Audit Committee is responsible for overseeing the Corporation's accounting policies, financial reporting procedures, internal controls and management information systems and for reviewing the scope, terms, findings and results of internal and external audits of the Corporation. The Audit Committee maintains direct communications with the Corporation's external auditors and the Corporation's senior officers responsible for accounting and financial matters.

The Audit Committee is comprised of three members: Mr. Vahan Kololian as Chairman, and Messrs. Crow and Yaksich. The Audit Committee met four times in 2004.

### *Corporate Governance and Nominating Committee*

The purpose of the Corporate Governance and Nominating Committee is to fulfil responsibilities relating to all corporate governance matters, including but not limited to establishing, evaluating and maintaining the state of the Corporation's corporate governance practices to ensure that such practices are current, appropriate and effective. The Committee is also responsible for reviewing and reporting to the Board annually on the overall performance and composition of the Board and its Committees, and on any governance practice issues. In addition, the Corporate Governance and Nominating Committee proposes nominations to the Board and appointments to Committees of the Board, and ensures that appropriate orientation programs are in place for new directors.

The Corporate Governance and Nominating Committee is comprised of three members: Mr. Jack L. Messman as Chairman and Messrs. Crow and Kololian. The Corporate Governance and Nominating Committee met on two occasions in 2004.

### *Independent Committee*

The Independent Committee was established on April 14, 2004. The mandate of the Independent Committee is to: (a) consider the proposed acquisition of Becancour Silicon Inc. ("Becancour") from the perspective of the best interests of the Corporation and in particular its shareholders that have no relation to BLP; (b) supervise the preparation of the valuation that will be required in connection with the proposed acquisition; (c) confirm that the proposed acquisition is on commercially reasonable terms; (d) inquire into such matters and take such action as the Independent Committee considers appropriate in connection with the proposed acquisition; and (e) report to the Board as to the conclusions of the Independent Committee.

The Independent Committee was authorized to engage legal counsel and any other consultants that it deems appropriate. The Corporation will pay any reasonable expenses incurred by the Independent Committee, including remuneration to Independent Committee members for their time spent pursuing its mandate.

The Independent Committee is comprised of two members: Mr. Mickey Yaksich as Chairman and Mr. Kololian. The Independent Committee was dissolved on September 30, 2004 upon the completion of the acquisition of Becancour.

### **Independence from Management**

From May 29, 2001 until April 2, 2003, Mr. Crow was Acting Chief Executive Officer of the Corporation, in addition to being a member of the Board of Directors. On April 2, 2003, Dr. Schimmelbusch was appointed Chief Executive Officer of the Corporation and a director of the Corporation. On April 22, 2003, Dr. Schimmelbusch was appointed Chairman of the Board of Directors of the Corporation. On March 26, 2004, Mr. Spector was appointed Vice Chairman of the Corporation and on October 18, 2004 was appointed Interim Chief Financial Officer.

The Board is of the view that Mr. Crow's acting as both Acting Chief Executive Officer and director of the Corporation for the period May 29, 2001 to April 2, 2003, and Dr. Schimmelbusch acting as both Chairman and Chief Executive Officer and director of the Corporation, did not and does not impair the ability of the Board to act independently of management. In reaching this conclusion, the Board took into consideration a number of factors, including: (i) the number and proportion of unrelated, outside members of the Board; (ii) the assignment to the Corporate Governance and Nominating Committee of the responsibility to evaluate and develop the Board's corporate governance practices, such responsibility normally being exercised by a Board Chairman; and (iii) the fact that the independent directors meet separately.

Since April 2, 2003, Mr. Crow is no longer an employee of the Corporation and is therefore considered an unrelated director.

### **Decisions Requiring Board Approval**

In addition to those matters which must, by law, be approved by the Board, the Board oversees and reviews significant corporate plans and initiatives, including the annual business plan, strategic plans, major acquisitions and divestitures and other significant matters of corporate strategy or policy.

### **Shareholder Feedback**

The Board considers, as a general rule, that management should speak for the Corporation in its communications with shareholders and the investment community, in the context of shareholder and investor relations programs reviewed and approved periodically by the Board.

The Corporation conducts a shareholder and investor relations program, under the direction of senior management. The program involves receiving and responding to shareholder inquiries, briefing analysts and fund managers with respect to reported financial results and other announcements by the Corporation, as well as meeting with individual investors and other stakeholders. The Board reviews the Corporation's major communications with shareholders and the public, including financial results, annual reports and management proxy circulars.

### **Expectations of Management**

The Board believes that management is responsible for the development of long-term strategies for the Corporation and that the role of the Board is to review, question, validate and ultimately approve the strategies proposed by management. The Board's expectations of management are developed and communicated during regular Board and Committee meetings, where members of senior management review and advise the Board on the Corporation's progress and on strategic, operational and financial issues facing the Corporation.

## **SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING**

The Corporation must receive proposals from shareholders to include as items in next year's management proxy circular for the Corporation's 2006 annual shareholder meeting by January 14, 2006.

## **AUDIT COMMITTEE CHARTER**

A summary of the Charter of the Audit Committee is found in the Corporation's annual information form under "Audit Committee, Charter and Audit Fees".

## **ADDITIONAL INFORMATION**

**Additional information about the Corporation may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for its year ended December 31, 2004, as contained in the 2004 Annual Report. A copy of this document and other public documents of the Corporation are available upon request to the Corporate Secretary of the Corporation.**

**APPROVAL OF THE BOARD OF DIRECTORS**

The Board of Directors of the Corporation has approved the contents and the sending of this Circular to the Shareholders of the Corporation.



KEITH S. D'SOUZA  
Vice President and Secretary

April 15, 2005

## APPENDIX “A”

**RESOLVED that** By-law No. 6 of the Corporation, in the form made by the Board of Directors and set forth below, is confirmed as follows:

### BY-LAW NO. 6 AMENDMENT TO BY-LAW NO. 1 OF TIMMINCO LIMITED

By-Law No. 1 of the Corporation is hereby amended as follows:

1. By amending the definition of “resident Canadian” contained in section 1.1(j)(iii) thereof by replacing the phrase, “within the meaning of the Immigration Act (Canada)”, with the phrase, “within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act*”.
2. By amending section 4.2 thereof the replacing the sentence: “A majority of directors shall be resident Canadians” with the following sentences: “At least 25% of the directors shall be resident Canadians. However, if the Corporation has less than four directors, at least one director must be a resident Canadian.”
3. By amending section 4.8 thereof by replacing the following provision:

“4.8 *Canadian Majority*. The board shall not transact business at a meeting, other than filling a vacancy in the Board, unless a majority of the directors present are resident Canadians, except where:

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadians would have been present had that director been present at the meeting.”

with the following provision:

“4.8 *Canadian Majority*. The directors shall not transact business at a meeting of directors unless at least 25% of the directors present are resident Canadians or, if the Corporation has less than four directors, at least one of the directors present is a resident Canadian. Despite the foregoing, directors may transact business at a meeting of directors where the requisite number of resident Canadian directors is not present if:

- (a) a resident Canadian director who is unable to be present approves in writing, or by telephonic, electronic or other communication facility, the business transacted at the meeting; and
- (b) the required number of resident Canadian directors would have been present had that director been present at the meeting.”

