

TIMMINCO LIMITED

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2006**

March 31, 2007

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FORWARD-LOOKING INFORMATION

The annual information form contains forward-looking statements concerning the Corporation's business and operations. The Corporation cautions that, by their nature, forward-looking statements involve risk and uncertainty and the Corporation's actual results could differ materially from those expressed or implied in such statements.

There are financial and operational risks inherent in the business, which include, but are not limited to: liquidity risk, commodity prices, currency exchange, interest rate, capital, credit, regulatory, political, operational and environmental risks. The Corporation takes specific measures to manage these risks, and any forward-looking statements in this annual information form are based on the assumption of no significant changes or trends with respect such risk factors. Although the Corporation maintains insurance against risks that are typical in its industry, such insurance may not provide adequate coverage under all circumstances. Reference should be made to the most recent management discussions and analyses for a description of the major risk factors.

The Corporation cautions that the foregoing list of important factors that may affect future results is not exhaustive. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. THE CORPORATION

Timminco Limited (TSX: TIM) ("Timminco" or the "Corporation") was formed under the name Chromasco Limited pursuant to articles of amalgamation issued on June 1, 1974 under the *Business Corporations Act* (Ontario) amalgamating Chromasco Corporation Limited, Chromium Mining & Smelting Corporation, Limited and Light Alloys Corporation Limited. The Corporation was continued under the *Canada Business Corporations Act* on July 23, 1980 and amended its articles on: (i) May 26, 1983 to create its senior preference shares; (ii) January 20, 1984 to change its name to Timminco Limited and to change its then issued and outstanding Class A and Class B preference shares into common shares; (iii) June 9, 1995 to create an unlimited number of Class A preference shares and to redesignate its senior preference shares as Class B preference shares; (iv) May 15, 1996 to amend and restate the rights, privileges, conditions and restrictions attached to the Class A preference shares and Class B preference shares, to redesignate the Class A preference shares and Class B preference shares as Class B preference shares and Class C preference shares, respectively, and to create two new classes of shares, designated Class A preference shares and Class D preference shares, respectively; and (v) May 5, 1997 to remove and delete the rights, privileges, restrictions and conditions attached to the Class B preference shares and the Class C preference shares, to redesignate the Class D preference shares as Class B preference shares and to amend and restate the rights, privileges, restrictions and conditions attached to the Class A preference shares and Class B preference shares as redesignated. The Corporation's common shares are the only class of shares which carry a general right to vote. In the event of the liquidation, dissolution or winding up of the Corporation the Class A preference shares are entitled to priority over the Class B preference shares and the common shares in the payment of dividends, the return of capital or the distribution of assets; similarly, the Class B preference shares are entitled to priority in payment over the common shares.

The head and principal office of the Corporation is located at Sun Life Financial Tower, 150 King Street West, Suite 2401, Toronto, Ontario, Canada, M5H 1J9.

On April 2, 2003, Timminco issued 6 million common shares from treasury for a cash price of \$1.10 per common share to Becancour, LP ("BLP"). BLP is an affiliate of Safeguard International Fund, L.P. ("Safeguard"), which is a cross-Atlantic private equity fund primarily engaged in leveraged acquisitions as well as a wide range of other private equity investments, including growth equity financings, recapitalizations,

and acquisition-oriented financing transactions. Based in suburban Philadelphia, Pennsylvania with European operations centered in Frankfurt, Germany, Safeguard manages US \$370 million of equity capital.

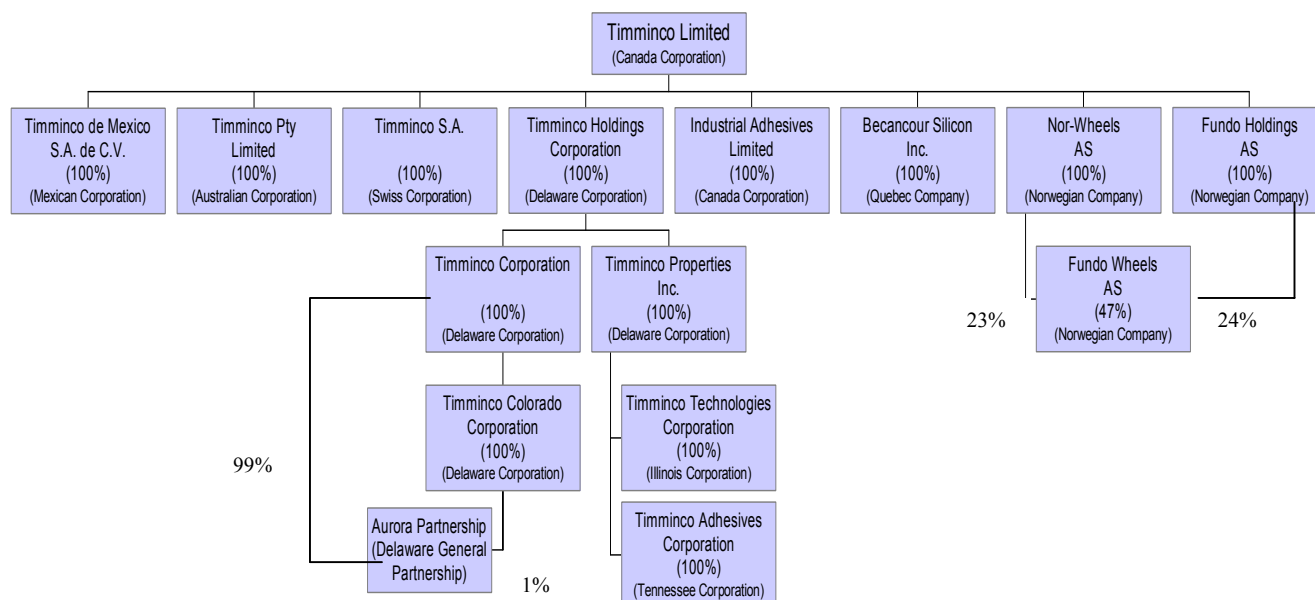
On April 28, 2003, BLP made an offer (the “Offer”) on a pro-rata basis to all of Timminco’s shareholders to purchase up to 4 million additional common shares in the capital of Timminco at a price of \$1.10 per common share. Pursuant to an agreement dated April 2, 2003 between TIL and BLP, TIL agreed to tender up to 4 million of its common shares in the capital of the Corporation to the Offer made by BLP, which were taken up on a pro-rata basis with other shareholders who tendered their shares to the Offer.

On March 12, 2004, the Corporation completed a private placement (the “Private Placement”), the proceeds of which were primarily used by the Corporation to finance its investment in Fundo Wheels AS (“Fundo Wheels”), an aluminium wheels manufacturer based in Høyanger, Norway, and for general corporate purposes – see below under the heading “The Fundo Wheels Acquisition”. The Corporation issued 6,750,000 units (the “Units” or, individually, a “Unit) at a price of \$1.00 per Unit, resulting in aggregate gross proceeds to the Corporation of \$6,750,000. Each Unit consisted of one common share in the capital of the Corporation and one half of one common share purchase warrant. Each whole warrant was exercisable into one common share at a price of \$1.50 per share for a period of 24 months from the date of purchase. Under the terms of an option granted to the agent for the offering, the Corporation issued an additional 1,105,000 units on March 31, 2004 on the same terms and conditions as the initial sale of Units, taking the gross proceeds of the Private Placement to \$7,855,000. Gross proceeds were reduced by \$0.8 million of expenses associated with the Private Placement. Certain officers and directors of the Corporation participated in the Private Placement. Collectively these officers and directors purchased 400,000 Units on the same terms and conditions as the other participants of the Private Placement.

On September 30, 2004 an additional 30,909,091 common shares were issued by the Corporation in connection with the Corporation’s acquisition of Bécancour Silicon Inc. (“Becancour”) – see below under the heading “Development of the Business of the Corporation”. The acquisition was made from entities, and the common shares of the Corporation were issued to entities, which are directly or indirectly owned or controlled by Safeguard, a party which is related to the Corporation.

As at December 31, 2006 there were 75,132,614 common shares issued and outstanding and no Class A or Class B preference shares issued and outstanding.

The chart below illustrates the corporate structure of the Corporation, its material subsidiaries and their jurisdictions of organization or incorporation (all such subsidiaries are wholly-owned, directly or indirectly, by the Corporation unless otherwise specified).



*Percentages represent voting shares of interest held

ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS OF THE CORPORATION

The Corporation now has two primary lines of business, being the magnesium and silicon metals businesses. The magnesium business, which includes the sale of specialty calcium and strontium alloys (the “Magnesium Business”) is carried out directly by the Corporation, and the silicon business (the “Silicon Business”) is carried out by Becancour, a wholly-owned subsidiary of the Corporation.

Revenues by product category that accounted for greater than 15% of consolidated revenues:

	<u>Consolidated Revenues 2006</u>	<u>Consolidated Revenues 2005</u>
Magnesium Anode Rod	\$34.3 million	\$37.5 million
Silicon Metal	\$87.2 million	\$87.4 million

Development of the Business of the Corporation

The Corporation is a world leader in magnesium, calcium and strontium metallurgy as well as magnesium extrusion and fabrication technology.

Through a strong technical development program, the Corporation has historically strengthened and maintained its leadership position in niche markets for specialty non-ferrous metal products and magnesium extrusions. Consistent with its evolving concentration on light metal magnesium products, the Corporation

will apply similar principles to achieve organic growth in these markets as it restores its technical development capabilities that were reduced by cost cutting necessity over the past few years.

The Corporation has developed, and continues to develop, new specialty metal products for sale to industrial markets worldwide. Development efforts in the Magnesium Business have historically focused on, and will continue to focus on: (i) developing new products, (ii) creating new applications for existing products, (iii) developing and improving production processes, and (iv) expanding the breadth of its light metals offering to materials such as aluminum.

During the 1980s and early 1990s, the Corporation accelerated its strategy to reduce its dependence on sales of commodity products and concentrated its efforts on developing markets for its specialty magnesium, calcium and strontium products. During this period, the Corporation rationalized operations by:

- (i) discontinuing its commodity ferrous metals operations where the Corporation, and many other North American producers, could no longer effectively differentiate on a value-added basis and the Corporation was not able to effectively compete against other commodity-grade suppliers;
- (ii) selling its adhesives businesses which would have required significant research and development expenditures in addition to other investments to remain competitive; and
- (iii) restructuring its specialty metals business to increase productivity.

In July 1998, the Corporation concluded an agreement with The Dow Chemical Company (“Dow”) to purchase Dow’s fabricated metals business located in Aurora, Colorado (the “Aurora Acquisition”). The fabricated metals business consists of three magnesium extrusion presses and related fabrication and material handling equipment located in a leased plant of approximately 10,688 square metres (115,000 square feet). At the time of purchase, Dow was the leading producer of extruded magnesium metal products in the world, with over 50 years of extrusion production experience. The cost of the Aurora Acquisition was approximately Cdn.\$30 million, which was financed with a bank credit facility.

In April, 2004, the Corporation discontinued the manufacture of strontium and calcium products at its Westmeath, Ontario plant due to production underutilization. The manufacture of these products was moved to the Corporation’s Haley, Ontario facility. A \$400,000 charge was taken in 2004 in connection with the cost of closing the Westmeath facility. The Westmeath facility was sold in February 2007.

On April 15, 2005, the Corporation entered into a Credit Agreement (the “Agreement”) with Bank of America, N.A. The Agreement provides for maximum credit lines of US\$32.8 million in a revolving loan (the “Revolver”) and a US\$5.75 million term loan. The Revolver bears interest at the U.S. prime rate plus 0.5% to 1.25% and does not require minimum repayments. The term loan bears interest at the U.S. prime rate plus 1.5% to 2.25% and requires quarterly repayments of US\$0.3 million. The Agreement expires on November 30, 2007 and, at the option of the Corporation and subject to meeting certain requirements, may be extended to April 30, 2010. The loans are secured by the assets of the Corporation.

As at December 31, 2005, Bank of America, N.A. amended the Agreement to adjust the fixed charge ratio covenant (“FCR covenant”) and for the fiscal year of 2006 to permit the Corporation to maintain its compliance with the banking covenants. The FCR covenant measures the ratio of adjusted cash flow from net income less capital expenditures and taxes divided by the cash flow related to interest and principal repayments. For the twelve months ended December 31, 2005, the FCR covenant was amended such that the Corporation met the requirements of the agreement.

For 2006, the amended Agreement required the Corporation to maintain minimum levels of earnings before interest, taxes, depreciation and amortization (“EBITDA”) as defined by the Agreement and limits the

amount of capital expenditures. Both the EBITDA and capital expenditure requirements were to be measured at March 31, June 30 and September 30, 2006. For the twelve months ending December 31, 2006, the Corporation must return to the original FCR covenant of 1.1 to 1. Furthermore, the bank has amended the Agreement for 2006 to expand the Corporation's borrowing base by a maximum of US\$1.3 million through the inclusion of receivables from certain countries outside of North America previously considered ineligible by the bank. This increase in borrowing base is a temporary relief for a period of one year.

As at June 30, 2006 the bank further amended the agreement by adjusting the minimum level of EBITDA and capital expenditures to be met for the quarters ending June 30, September 30, and December 31, 2006 and March 31, 2007. For the twelve months ending June 30, 2007 the Corporation must return to the original FCR covenant of 1.1 to 1.

As at December 31, 2006, the bank further amended the Agreement and waived certain covenants to permit the Corporation to maintain its compliance with the banking covenants. For 2007, the amended Agreement requires the Corporation to maintain minimum levels of EBITDA and limits the amount of capital expenditures. Both the EBITDA and capital expenditure requirements will be measured on a cumulative year to date basis at March 31, June 30 and September 30, and December 31, 2006. For the twelve months ending March 31, 2008 the Corporation must return to the original FCR covenant of 1.1 to 1. Furthermore, the bank has renewed for a one year period the expansion of the Corporation's borrowing base by a maximum of US\$1.3 million through the inclusion of receivables from certain countries outside of North America previously considered ineligible by the bank.

On March 7, 2006, Becancour Silicon Inc. ("Becancour"), a wholly-owned subsidiary of the Corporation, issued a US\$2,000,000 demand promissory note (the "Note") in favour of ALD International LLC (the "Lender"), an affiliate of Safeguard International Fund L.P. The Note bears interest at the U.S. prime rate plus 1%. The loan and related security is subordinate to the indebtedness and the security under a credit agreement with the Corporation's senior lender, Bank of America, N.A. The whole or any part of the principal amount of the Note may be converted by the Lender at its option, at any time, into common shares of the Corporation at a conversion rate of Cdn.\$0.40 per share (with U.S. dollars being converted to Canadian dollars on the date of conversion).

On August 31, 2006, Becancour issued a US\$3,000,000 demand promissory note (the "Second Note") in favour of Safeguard International Fund, L.P. ("Safeguard"). The Second Note bears interest at the U.S. prime rate plus 1%. The loan and related security is subordinate to the indebtedness and the security under a credit agreement with the Corporations senior lender, Bank of America, N.A. and to the subordinated indebtedness and the security provided by Safeguard's affiliate earlier this year. The whole or any part of the principal amount of the Second Note may be converted by the Lender at its option, at any time starting on or after September 15, 2006, into common shares of the Corporation at a conversion rate of Cdn\$0.40 per share (with U.S. dollars being converted to Canadian dollars on the date of conversion).

In early 2004 the Corporation's Mexican subsidiary, Timminco de Mexico S.A. de C.V., commenced the development of a new 3,200 square meters (approximately 32,000 square feet) anode fabrication and assembly facility in Nuevo Laredo, Mexico. The new facility commenced operations in the third quarter of 2004 and represents a capital investment by the Corporation of approximately US\$700,000.

The Fundo Wheels Acquisition

On May 24, 2005, the Corporation increased its investment in Fundo Wheels AS ("Fundo Wheels"), an original equipment manufacturer of cast aluminum wheels for high end European car manufacturers located in Høyanger, Norway, by acquiring an additional 23% equity interest. Under the terms of the share purchase agreement the Corporation acquired the Fundo Wheels shares then held by Aluwheel W.L.L. ("Aluwheel") and Fundo International W.L.L. ("Fundo International"), two shareholders of Fundo Wheels, in exchange for an aggregate 5,750,000 newly issued common shares of the Corporation. Following completion

of the transaction, Aluwheel and Fundo International together hold approximately 7.7% of the issued and outstanding common shares of the Corporation and the Corporation holds a 47% equity interest in Fundo Wheels through the Corporation's wholly-owned subsidiaries, Nor-Wheels AS ("Nor-Wheels"), which owns 23% of Fundo Wheels, and Fundo Holdings AS ("Fundo Holdings"), which owns 24% of Fundo Wheels. The remaining 53% of the equity in Fundo Wheels is held by Høyanger Community.

Investment Agreement

In November 2003, Høyanger Community (the controlling shareholder of Fundo Wheels) entered into an investment and shareholders agreement (the "Investment Agreement") with Allied Resource Corporation ("Allied") which granted Allied the right to make investments in Fundo Wheels and acquire shares of Fundo Wheels from Høyanger Community. In the Investment Agreement, Nor-Wheels was granted an option to purchase Høyanger Community's Fundo Wheels shares before December 31, 2006 for a share price based on the net book value of Fundo Wheels at the time the option is exercised. The option could be exercised upon the satisfaction of the following conditions: (a) Nor-Wheels is the largest shareholder of Fundo Wheels, other than Høyanger Community; (b) Høyanger Community's ownership of Fundo Wheels was below 50%; and (c) the subordinate loans of Fundo Wheels had been repaid.

Pursuant to the Investment Agreement, as amended, between January 1, 2008 and December 31, 2008, Høyanger Community may exercise an option requiring Nor-Wheels to acquire Høyanger Community's shares of Fundo Wheels for a share price based on the net book value of Fundo Wheels at the time the option is exercised. The option may be exercised by Høyanger Community upon satisfaction of the following conditions: (a) Nor-Wheels is the largest shareholder of Fundo Wheels, other than Høyanger Community, and (b) Høyanger Community's ownership of Fundo Wheels is below 50%.

In addition, the Corporation may in the future be required to pay to Allied up to an additional U.S. \$1.4 million contingent on: (a) the financial performance of Fundo Wheels, and (b) any future acquisitions of Fundo Wheels shares by the Corporation.

The Investment Agreement also provides that the consent of Nor-Wheels is required for: (a) the issuance of new shares or equity instruments or other changes in the share capital of Fundo Wheels, (b) the liquidation, merger or de-merger of Fundo Wheels, and (c) changes to the articles of association of Fundo Wheels. In addition, in the event that Høyanger Community or Nor-Wheels wishes to sell any of its shares in Fundo Wheels, the other party to the Investment Agreement will have the right to participate in the sale of Fundo Wheels shares at the same price on the same terms. If the third party is not willing to acquire all the shares that the other party to the Investment Agreement wishes to sell, each of Høyanger Community and Nor-Wheels will have the right to participate in the sale of Fundo Wheels shares with a proportionate share of the total number of Fundo Wheels shares held by each of them.

On December 18, 2006, ALD International LLC granted a loan to the Corporation in the amount of €700,000 to fund an equity investment in Fundo Holdings AS (the "Fundo Loan"). The Fundo Loan bears interest at rate of 11% per annum. The Fundo Loan is subordinate to the indebtedness and the security under a credit agreement with the Corporation's senior lender, Bank of American, N.A. and to the subordinated indebtedness and the security provided by Safeguard and its affiliate earlier this year. The Fundo Loan is due on December 31, 2007.

ITEM 3. DESCRIPTION OF THE MAGNESIUM BUSINESS

Principal Magnesium Products and Markets

The Magnesium Business produces and markets specialty magnesium, calcium and strontium metals and alloys. It holds significant market share in several high value-added magnesium market niches, such as state of the art extrusions of high performance alloys for consumer, military, electronic and aerospace

components, ultra high purity magnesium ingot/granules/turnings for pharmaceutical and agricultural applications and patented magnesium/calcium alloys for lead batteries. The Corporation also markets specialty calcium and strontium based metal alloys.

The Corporation focuses on manufacturing high-value added magnesium products, which are used in a broad range of specialized applications. Its products are marketed to the water heater, construction, consumer products, sporting goods and container industries amongst others. The Corporation has a dominant market share in many of its magnesium product areas, including a nearly 70% market share in magnesium anodes to the North American water heater industry. The Corporation's extruded and fabricated magnesium products provide customers with superior weight, strength and cost performance in some applications when compared to aluminum and other metal alternatives.

The Corporation's high purity magnesium is used in the fine chemical and pharmaceutical industries. The specialty calcium and strontium metals alloys are primarily used in lead alloying and debismuthizing and aluminum alloying.

Within these categories, the Corporation produces a wide range of industrial niche products.

Specialty Magnesium

Specialty Magnesium Products	
Extrusions	Manufacturing components such as forging stock, tools, sporting goods, luggage frames, storages containers and other specialty applications
Sacrificial anodes	Used for corrosion protection of domestic and industrial water heaters, oil, gas and water pipelines and underground infrastructure
High purity metal	Used to produce Grignard reagents for the production of vitamins, pharmaceuticals and agricultural food supplements Used as a chemical reductant for the production of specialty metals, including, beryllium, titanium and zirconium Used for casting high quality magnesium alloy aerospace components

Magnesium metal is used in a wide variety of applications where its light-weight, excellent machinability and mechanical properties make it a preferred alternative to aluminum and other materials. Internal estimates of 2006 world shipments of magnesium were approximately 450,000 tonnes. The magnesium market is segmented into two broad categories, specialty and commodity. Commodity magnesium (99.8% pure magnesium or less purity magnesium), which represents over 90% of the magnesium market, is generally sold in ingot form and used as an alloy with aluminum in the production of aluminum beverage cans, in the manufacture of die-cast magnesium automotive parts, and for the desulphurization of steel. The Corporation's principal focus with respect to magnesium is the production of higher value added products that are constructed with high purity magnesium. These fabricated products require sophisticated know-how of processing and fabrication techniques. The Corporation's magnesium expertise extends from machining, surface engineering, painting and heat-treating to forging, welding, bending and rolling.

The sale of magnesium products accounts for approximately 84% of the Magnesium Business' total sales, with wrought magnesium products accounting for approximately 96% of these magnesium sales.

Calcium and Strontium Metals and Alloys

<i>Calcium and Strontium Metals and Alloys</i>	
Calcium metal and alloys	Used in the refining of lead Used for the production of calcium/lead alloys Used as a reductant for the production of rare earth metals including samarium and neodymium metals used in high energy magnets
MAG-CAL ^{TM1}	A patented alloy used to remove bismuth from lead
CAL-AL ^{TM1}	Used in the production of calcium/lead alloys for the production of maintenance-free automotive batteries
Calcium particulate and granules	Used to remove impurities in the production of high quality, continuously cast steel
Strontium metals and alloys	Used to enhance the mechanical properties of aluminum-silicon casting alloys for manufacture of automotive wheels and engine components Used to improve extrusion speed and surface finish of aluminum extrusions Used to improve properties of ferrous castings Used to reduce porosity and improve pressure tightness of aluminum die-castings

The Corporation estimates that the current western world consumption of calcium is approximately 3,000 tonnes per year. Similar to magnesium, the calcium market is also divided into higher priced specialty metal and alloys (on which the Corporation focuses) and a lower priced commodity metal, in which the Corporation chooses not to participate.

The Corporation estimates that approximately 1,000 - 1,500 tonnes of strontium metal are consumed globally per year. Strontium metals and alloys are used by primary and secondary aluminum smelters and foundries to modify aluminum casting alloys. The addition of strontium to aluminum castings provides beneficial properties such as increased strength and ductility to aluminum wheels, enhanced cooling capacity to cylinder heads, improved pressure tightness to intake manifolds, and shrinkage control in the casting of aluminum engine blocks.

The Corporation's specialty calcium business is built around its proprietary and specialized alloys, MAG-CALTM and CAL-ALTM, and particulated calcium metal. MAG-CALTM is a patented product developed by the Corporation's Research and Development Centre at Haley, Ontario and is used as a substitute for magnesium and calcium metals in the lead refining process. Because it has certain economic, technical, safety and environmental advantages over both magnesium and calcium metals used individually, MAG-CALTM commands a premium price relative to its constituent elements, and is being used by a significant number of major lead producers to remove bismuth from lead. CAL-ALTM is used as a substitute for calcium metal and aluminum and, like MAG-CALTM, commands a premium price because of its economic and technical advantages over each of these metals used individually. It is used in the production of lead alloys and for the production of maintenance-free automotive batteries.

In addition to MAG-CALTM and CAL-ALTM, the Corporation has developed unique granulated and particulated calcium products for use in the metal reduction, lead and steel industries. In the steel industry, these products are used as a component in calcium-cored wire in the continuous casting of steel and in the lead industry they can be used for battery alloy production.

¹ Trademark of Timminco Limited

Technology and Development

The Magnesium Business maintains technology and development expertise in Haley, Ontario, with the capability of induction melting, alloying and casting equipment, mechanical and metallurgical testing equipment and other specialized equipment. The Aurora facility is the center for extrusion and fabricated product development. Development is also carried out from time to time in collaboration with industry, university and customer partners. As such, the Magnesium Business is capable of developing and producing products from bench scale to commercial scale which results in the introduction of products to market more quickly with significantly less risk.

The Magnesium Business is directing its development efforts primarily towards wrought magnesium applications directed at DC casting and extrusion and fabrication of magnesium alloys.

Sales and Marketing

The Corporation markets its magnesium, calcium and strontium products directly through a multilingual sales force of experienced sales and marketing personnel with technical, engineering and/or metallurgical backgrounds from sales offices in Canada, the United States, Europe, Australia and Japan. The direct sales force is minimally augmented by agents and distributors in selected markets where current volumes do not justify a sales office or in markets where the use of an agent or distributor facilitates sales and service to customers.

The Magnesium Business' customer base is widely diversified, both in terms of numbers of customers and geographic regions. In 2006, the largest five customers accounted for 53% (48% in 2005) of the Corporation's total Magnesium Business sales with the single largest customer accounting for 26% (21% in 2005) of sales. In 2006, approximately 87% (89% in 2005) of the Magnesium Business' sales were made outside Canada. Of the Magnesium Business' 2006 sales, approximately 78% (78% in 2005) were made in North America, 65% (58% in 2005) in the United States, approximately 7% (15% in 2004) were made in Europe, approximately 7% (10% in 2005) were made in Australia, Japan and other Pacific Rim countries and 8% were made in Mexico and South America.

Sales and marketing personnel are contributors to product research and development teams and their activities are coordinated to ensure that product development is focused on market requirements.

Competition

Magnesium

The Corporation believes that there are currently less than five producers of magnesium in the western world. Most of these producers focus primarily on the higher volume, lower margin market for commodity grade magnesium, where they are best able to exploit economies of scale. Norsk Hydro which announced that it would cease production of magnesium in March, 2007, Dead Sea Magnesium and U.S. Magnesium (formerly, Magnesium Corporation of America) dominate this segment of the industry. Commodity grade magnesium is also produced and exported by producers in Russia and China. Chinese and Russian suppliers continued making market share gains in 2006 and held over 70% of the world market according to the International Magnesium Association. The influx of Chinese and Russian magnesium into the western world market continued to pressure magnesium prices downward over the past 10 years. In early 2004, one of the Corporation's U.S. competitors filed a petition with the U.S. Commerce Department, alleging that it has been harmed by the dumping of Chinese and Russian magnesium in the United States. The United States government found that harm had been done and levied anti-dumping duties against Chinese and Russian magnesium imports. As a result, the world market now has a 2-tiered pricing structure, with prices in the United States being higher than the rest of the world as a result of the duties on Chinese and Russian magnesium.

The Corporation was subject to a United States Department of Commerce scope inquiry to determine whether Timminco's product exported from Canada was covered by anti-dumping orders on magnesium from China and Russia. The Corporation believed the claim was without merit and, at significant legal expense, vigorously defended its position. On November 9, 2006 the Department of Commerce issued a final ruling confirming that Timminco was not in violation of anti-dumping orders. As a large percentage of the Corporation's products use Chinese or Russian magnesium, any duties levied by the U.S. Commerce Department on Timminco would have significantly increased the cost of those products in the U.S. market.

The magnesium market is segmented into two categories: Commodity magnesium (99.8% or less purity magnesium) represents over 90% of the market, while the balance is represented by value-added niche products. For the production of its high value-added extruded products, the Corporation buys commodity grade magnesium ingots, which it then processes into a variety of value added magnesium extrusion alloys at its Haley, Ontario site.

The Corporation is the largest producer in the world of value-added magnesium extruded and fabricated products. Current data indicates that there are approximately ten extruders of magnesium in the world, the majority of which are in China. When compared to the Corporation they are believed to be small to medium in size. Many of these extruders focus on a limited range of less technologically advanced products. The Corporation's most significant competitors are located in China.

The Corporation faces additional competition from other light metal fabricators, primarily aluminum. The Corporation has extended its extrusion capabilities to enable it to produce aluminum extrusions. By extending our product offering to include both magnesium and aluminum we are better able to serve our customers. The customer's decision to use magnesium versus aluminum is based on a number of criteria, including desired end product properties and the cost-benefit analysis of using magnesium over aluminum. In many applications magnesium provides improved characteristics to the end product compared to aluminum.

Calcium and Strontium Metals and Alloys

The commodity grade calcium industry is highly competitive. The Corporation is subject to competition from one western world producer and producers located in Russia and China. In the Corporation's chosen market of specialty calcium products and related alloys, it faces competition from a United States producer.

The Corporation ceased production of pure calcium in the late 90's and pure strontium in April 2004. Through most of 2006 the Corporation purchased pure strontium and calcium from Russian and Chinese producers for conversion to value-added products. All calcium and strontium products are now purchased via an exclusive supply agreement with a leading Chinese producer.

The Corporation is facing increasing competition, particularly from producers in China, in the calcium and strontium metals markets as these markets grow and develop. Accordingly, the Corporation will continue to differentiate itself by focusing on the marketing of new value-added products and processes.

Competitive Strengths

The Magnesium Business has a number of significant strengths which enable it to compete effectively.

The Corporation is able to produce magnesium metal products of the very highest purity. The standard level of purity in the magnesium industry is 99.8%. The Corporation and several of its competitors can achieve 99.95% purity, a level that is better than the industry standard which is important to the metal reduction, extrusion and chemical industries. As a result, the Corporation is able to enjoy sole supplier status with a number of its principal magnesium metal customers.

The Corporation also enjoys the following strengths in magnesium wrought products:

- cost efficient and high quality global supply flexibility
- wrought processing expertise (commercial and manufacturing);
- wide range of products from diverse manufacturing capabilities; and
- superior quality and reliability.

The Corporation's competitive advantage in calcium is its strength in developing specially designed products that add value to the customer. The development of MAG-CAL™, a patented product, CAL-AL™ and calcium particulate are examples of products designed to meet customer needs.

In addition to other quality awards, the Corporation is a Q1 certified supplier to the Casting Division of Ford Motor Company and received ISO 9002 certification from the Quality Management Institute in 1995 for certain products. In addition, both the Aurora, Colorado and Nuevo Laredo, Mexico facilities are ISO 9001:2000 certified. The ability to consistently produce to exacting standards is an important competitive advantage.

Production Facilities

The following summarizes the Corporation's worldwide Magnesium Business production facilities.

Magnesium Production

Canada

The Corporation owns a silicothermic reduction facility at Haley, Ontario, located approximately 100 kilometres west of Ottawa, Ontario. The casthouse and related warehouse area occupy approximately 3,300 square metres (approximately 35,400 square feet).

Management of the Corporation believes that the casthouse is capable of producing more than the Corporation's current and future needs for extrusion billet. During 2003, enhancements were made to enable the production of additional products for future growth markets. While filling this capacity remains an objective of the Corporation, based on changes in market structure, particularly the ability to buy semi-finished extrusions at reduced costs, the value of the casthouse has been written down to reflect reduced future projected operating rates.

The Haley plant site incorporates a dolomitic limestone quarry and facilities for calcination, feed preparation, reduction, refining and casting of ingots and billets. Secondary processing facilities include an extrusion and anode fabrication and assembly plant, magnesium billet and slab processing facilities and an array of specialized equipment to produce specialty magnesium metal and alloys to specific shapes and sizes. Until early 2007, the facility produced MAG-CAL™, one of the Corporation's principal specialty products. This product, along with other calcium and strontium based products are now manufactured for the Corporation under an exclusive agreement with a highly qualified Chinese producer. Production and ancillary buildings at Haley occupy approximately 27,000 square metres (292,000 square feet).

In 2004 and 2005 the Corporation undertook an extensive review of its operations at Haley which resulted in changes to increase efficiency. These changes resulted in the elimination of 45 full-time positions and a \$3.6 million charge which was accrued in the Corporation's financial statements for the year ended December 31, 2005. Continuing these efforts in 2006 and early 2007, the Corporation further reduced magnesium operations resulting in the elimination of approximately 45 additional positions and a \$2.3 million

charge and an asset impairment charge of \$31.2 million, both of which were accrued in the Corporation's financial statements for year end 2006.

United States

The Corporation operates a 10,688 square metre (115,000 square foot) extrusion and fabrication facility in Aurora, Colorado. These facilities are located in leased buildings. The Aurora facility processes magnesium billet using three extrusion presses varying in size from 500 to 4,200 tons. Additionally, the facility is equipped with extensive fabrication equipment. The plant's current production focus is on five primary applications: (i) sacrificial anodes for the appliance market, (ii) cathodic protection anodes for steel structures, (iii) tools where light weight and ergonomics are important factors, and (v) specification grade niche market applications. The facility is ISO 9001:2000 certified. During 2006 the Magnesium Business outsourced some of its basic extrusion production to reduce costs and free up much needed extrusion time on certain of its Aurora-based extrusion presses for higher value added products. The Magnesium Business also outsourced some of its fabrication operations to be nearer to the customer as a means to improve customer service. Personnel at the Aurora site coordinate activities with the contract manufacturer. As a result of outsourcing some semi-fabricated extrusions, the transfer of several fabrication operations to the Corporation's Mexico facility and the contract outsourced fabrication operation, headcount in Aurora was reduced by 10 during 2006. These changes resulted in restructuring charges of CAD\$248,000 and an asset impairment charge of \$6.1 million, both of which were accrued in the Corporation's 2006 year end financial statements.

Australia

The Corporation has a leased facility at Baulkham Hills near Sydney, New South Wales, which occupies approximately 1,274 square metres (13,713 square feet). The facility was commissioned in 1991 by Timminco Pty. Limited, the Corporation's wholly-owned Australian subsidiary, for the fabrication and assembly of sacrificial anodes for domestic water heating systems. The facility supplies sacrificial anodes and acts as a warehouse for sales of other products to customers located in the South Pacific region.

Mexico

In early 2004 the Corporation's Mexican subsidiary Timminco de Mexico S.A. de C.V. commissioned the development of a new leased facility in Nuevo Laredo, Mexico, which fabricates and assembles anodes. The facility occupies approximately 3,200 square metres (approximately 32,000 square feet) and will also provide warehouse space for other Timminco products. The facility commenced operations in the third quarter of 2004 and is ISO 9001:2000 certified. Since its inception, the number of employees at the facility has grown by over 150%, reflecting the Corporation's satisfaction with the overall performance of the operation.

Employees

Canada

The Haley facility, which operates seven days a week, employed at December 31, 2006, approximately 28 salaried and 60 hourly employees. The hourly employees are governed by a collective agreement with the United Steelworkers of America which expires on May 31, 2007.

United States

The Aurora facility in Colorado employed at December 31, 2006, approximately 70 non-unionized full-time salaried employees. There were also approximately 25 contract workers hired by an independent agency who work at the facility.

Australia

The Corporation's Australian subsidiary employed 10 non-unionized full-time employees at December 31, 2006.

Mexico

The Corporation's Mexican subsidiary employed approximately 38 hourly and 3 full-time salaried employees at December 31, 2006. The hourly employees are governed by a collective agreement with the local union of the Export Assembly Industry of Nuevo Laredo, Tamaulipas.

Raw Materials

The Magnesium Business has experienced a stable supply of its essential raw materials and supplies. In May of 2006 the Corporation entered into a 20 month magnesium supply contract which will allow the Corporation to purchase in excess of 50% of its annual magnesium requirements during the term of the contract. The Corporation has alternative sources of supply for its key raw materials and does not expect any supply shortages in the foreseeable future.

In addition to the above cited supply contract, the Corporation buys the remainder of its magnesium on the open market from Russian and Chinese suppliers via a combination of annual and quarterly commitments. At this point in time, economics favour purchasing magnesium versus internal production. The price of purchased magnesium increased substantially in 2004; however, from the fourth quarter 2004 to the fourth quarter of 2005, pure magnesium prices weakened by more than 15%. Versus the fourth quarter 2005, 2006 prices have increased by approximately 25% as a result of removal of Chinese export tax incentives and the impact of the Chinese Rmb/USD exchange rate. As a result of these raw material price increases, the Corporation effected price increases to the majority of its customers worldwide. In addition, for those customers whose products are comprised of purchased magnesium, the Corporation has implemented price adjustment clauses when negotiating new contracts or renegotiating existing contracts with these customers. A price adjustment clause allows the Corporation to increase or decrease its product prices to customers based on changes in raw material prices.

The Corporation purchased strontium and calcium metal on the open market from a limited number of suppliers for most of 2006. All strontium and calcium based products are now purchased under an exclusive supply agreement with a Chinese supplier.

As a result of decreased production levels at its Haley operations, the Corporation is much less vulnerable to energy price increases. Nonetheless, hedging is used to minimize natural gas price vulnerability as market conditions warrant.

ITEM 4. DESCRIPTION OF THE SILICON BUSINESS

Overview of the Silicon Business

Becancour operates the Corporation's Silicon Business and is one of North America's largest producers of silicon metal and ferrosilicon with production capacity of 50,000 metric tonnes per year. Its products are used mainly in the chemical, electronics, aluminum, iron and steel industries. Silicon metal and ferrosilicon are produced from quartz using similar smelting processes. They can each be produced in different grades, primarily depending on the percentage of silicon in the product. Silicon metal generally has a silicon concentration of 98% or higher, while ferrosilicon generally has lower silicon concentrations and a higher iron content.

Becancour also sells silica fumes and dross, each of which are non-hazardous by-products from its manufacturing process. Silica fumes are extracted from dust collection systems from the emissions from the

electric arc furnaces. Dross is generally collected from cleaning out the ladles from the manufacturing process.

Becancour's facility, located approximately 125 km southwest of Québec City, in Bécancour, Québec, is a state-of-the-art 60 acre facility with three electric arc furnaces for the production of silicon metal and ferrosilicon. The Bécancour facility commenced operations in 1976 and is the newest greenfield facility for the production of silicon metal and ferrosilicon in North America. Management believes that this facility has been maintained to the highest standards in the industry and is one of the low-cost producers in North America. One of the silicon metal furnaces at the facility uses a compound electrode process patented by Becancour, which permits the production of silicon metal and ferrosilicon at a lower cost than with conventional electrodes used by other producers. The other two furnaces also use a proprietary compound electrode process licensed to Becancour which also provides a cost advantage on silicon metal dedicated furnaces. The Bécancour facility also uses a proprietary water granulation technology that creates greater uniformity in the product and improves product yield.

Overview of the Silicon Metal and Associated Products Industry

Market

There are two principal markets for silicon metal: (i) the chemical and electronics industries and (ii) the aluminum industry.

Silicon metal, as purchased by the chemical and electronics industries, is used in the manufacture of silicones and polysilicon. Silicones cover more than 3,000 different products, including lubricants, synthetic rubbers, water repellent fluids, building sealants, glues, high voltage insulators and permanent seals between glass and metals. They are also contained in cosmetics, shampoos, and other personal care products. This group of products is expected to grow consistent with the gross domestic product.

Polysilicon is obtained from metallurgical grade silicon and is further transformed for semi-conductors, silicon wafers and solar cells. Becancour management anticipates rapid market growth in this sector based on further penetration of electronic devices and controls.

Silicon metal purchased by the aluminum industry is used in the production of aluminum alloys. Aluminum containing silicon metal can be found in a variety of automobile components, including cast aluminum wheels, engine pistons and housings. The addition of silicon metal to the aluminum in the casting process improves castability and minimizes shrinkage and cracking. In finished aluminum products, silicon metal increases corrosion resistance, hardness, tensile strength and wear resistance. Consistent with the need for continued light weighting of vehicles, and thus increased use of aluminum, Becancour management anticipates growth of approximately 5% per year for these applications for the foreseeable future.

Silica fumes, an inert by-product of the manufacturing process, are sold to the construction industry for use in cement for marine structures or bridge foundations or as a thermal insulator.

Dross is generally collected as a residue of the manufacturing process. This material is sold to the iron foundry and steel industries who recover the silicon content for use in certain types of iron. Due to the competitive cost of this material, demand is expected to exceed supply for the foreseeable future.

Demand and Outlook

Demand for silicon metal in the western world increased by approximately 23% from an estimated 1,152,000 metric tonnes in 2003 to an estimated 1,348,000 metric tonnes in 2006. Meanwhile, production of silicon metal in the western world increased by approximately 6% also from an estimated 761,000 metric tonnes in 2003 to an estimated 803,000 metric tonnes in 2006.

Due to a higher usage of aluminum parts in automobiles and in the chemical sector as described above, it is expected the market for silicon metal will grow from an estimated 1,348,000 metric tonnes in 2006 to an estimated 1,415,000 metric tonnes in 2008.

Products and Markets

The following table summarizes total net sales of Becancour's specialty products in the last three fiscal years:

<u>Product</u>	<u>2004</u>	<u>%</u>	<u>Amounts</u>		<u>2006</u>	<u>%</u>
			<u>2005</u>	<u>%</u>		
			(\$ in millions)			
Silicon metal						
Chemical and electronics grade	\$66.4	64.7%	\$63.1	63.5%	\$69.1	67.5%
Aluminum grade	\$23.3	22.7%	\$24.3	24.5%	\$18.1	17.7%
Ferrosilicon	\$3.0	2.9%	\$1.9	1.9%	\$1.9	1.9%
Silica fumes and dross	<u>\$10.0</u>	<u>9.7%</u>	<u>\$10.0</u>	<u>10.1%</u>	<u>\$13.2</u>	<u>12.9%</u>
Total	<u>\$102.7</u>	<u>100.0%</u>	<u>\$99.3</u>	<u>100.0%</u>	<u>\$102.3</u>	<u>100.0%</u>

The following table summarizes Becancour's principal products, the principal industries to which it markets such products and examples of applications in which such products are used:

Product	Industry Customer	Application of End-Use
<u>SILICON METAL</u>		
Silicon metal (chemical grade) (> 99% purity)	Chemical/silicones	More than 3,000 different consumer products (sealants, rubber, fluids, lubricants, textiles, cosmetics)
Silicon metal (electronics grade) (98% purity)	Electronics/chlorosilanes	Electronics (computer chip wafers, semi-conductors, solar cells, fiber optic cables), high purity fumed silica (pharmaceutical substrates, tires)
Silicon metal (aluminum grade) (≥ 98.5% purity)	Aluminum/light metals	Alloying agent in aluminum mainly used for automobile components (engine pistons, housing, cast aluminum rims, wheel suspensions, engine blocks, cylinder heads, intake manifolds, oil pans)
<u>FERROSILICON</u>		
90% ferrosilicon	Iron foundries/steel	Specialty foundry alloys
85% ferrosilicon	Magnesium metal reduction	Pidgeon process magnesium
75% ferrosilicon (high purity)	Iron foundries/steel	Steel sheets for transformers
<u>OTHER PRODUCTS</u>		
Silica fumes	Construction	Ingredient in cement for marine structures

Dross and silicon-containing slags	Iron foundries/Steel	or bridge foundations; thermal insulator Manufacture of briquettes used to increase silicon content in certain kinds of iron
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Becancour warrants to its customers that its products will meet their specifications and provides a certificate of analysis with each shipment. The certified analysis is based on samples taken during the process at key control points with real time analysis using in-house high precision equipment and trained operators. The Bécancour facility uses statistical process controls to monitor and regulate each step in the production process. Product samples are routinely checked using X-ray spectrometry and various other techniques to analyze product chemistry. Final operations are carefully monitored relative to sizing specifications.

Becancour has been qualified to serve as a preferred supplier to certain of its customers by meeting rigorous qualification tests. Although each customer has established its own testing requirements, qualification processes are generally designed to test for low variability of critical chemical elements as well as reliable and predictable chemical reactivity.

Manufacturing Process

Silicon metal and ferrosilicon are manufactured using essentially the same process. Silicon metal is produced by smelting quartz (SiO_2) with carbon substances (typically low ash coal and/or charcoal) and woodchips. Woodchips provide porosity to the raw material mix to aid the reaction. In the production of ferrosilicon, the raw materials introduced into the furnace also include steel scrap and iron ore pellets. Computerized process controls accurately measure the mixture of raw materials. The mixture is fed into the top of a submerged electric arc furnace by automatic conveyors. Electric power is delivered to the furnaces by carbon electrodes. The electrodes act as conductors of electricity in each furnace, generating heat in excess of 3,000 degrees Celsius. At this temperature, the carbon, acting as a reducing agent, combines with the oxygen in the mixture to free the molten silicon metal or ferrosilicon.

The molten silicon metal or ferrosilicon is periodically tapped out of the furnaces into ladles, where it may be refined by injecting oxygen, other gas mixtures or other ingredients to meet specific customer requirements.

The emissions from the electric arc furnaces are collected by dust collecting hoods and passed through a dust collection system in which silica dust is filtered out of the process gases. The resulting by-product is silica fumes. Another by-product is dross collected from the ladles.

All of Becancour's manufacturing activities are carried out at the Bécancour facility, which is ISO 9002 certified. The facility is staffed by 55 salaried and 134 hourly employees. The hourly workers are represented by the Communication, Energy and Paper Union under a collective bargaining agreement effective through April 30, 2008. Management believes that relations with Becancour's employees are good.

Sales and Marketing

The Silicon Business' customers in North America represented approximately 61% of 2006 net sales, with Western Europe accounting for approximately 38%. The largest customer represented approximately 25% of the Silicon Business' sales in 2006, while the largest five customers accounted for approximately 71% of sales and the largest ten customers accounted for approximately 78% of sales. Sales to the chemical industry represented approximately 48% of sales, while the aluminum industry was the next largest at approximately 18% of sales. This profile has not changed materially over the past three years.

Becancour Sales

Becancour differentiates itself from other North American producers of silicon metal by devoting particular attention to developing the Western European market for specialty silicon metal. Becancour supplies specialty silicon metal to each of the five producers of silicones, polysilicon and fumed silica in Western Europe. In order to minimize any disadvantage resulting from its overseas location, Becancour has focused on a commitment to customer service, including stringent quality control and reliable delivery and material handling. Becancour also supplies European customers with specialty products for automotive castings where consistent quality is important.

Becancour sells its silicon metal and ferrosilicon under predominantly annual agreements. The sales and marketing efforts are led by Becancour's senior management. Among Becancour's principal customers are multi billion dollar global companies that are leaders in their respective industries.

The sale of silica fumes will be adversely affected in approximately five years by the depletion of stockpiles of silica fumes produced and accumulated in the years before a market existed. In 2006, \$2.8 million of sales were from silica fumes extracted from this stockpile.

Research and Development

Becancour focuses its research and development efforts primarily on the development of process technology and production efficiency to reduce costs and enable it to make better finished products. Becancour has developed a water granulation process which creates uniformity in the product and improves product yield. Most recently, Becancour has developed, in conjunction with a European company, and brought into operation a thin casting machine for silicon metal and ferrosilicon that will reduce substantially the amount of lower value product obtained in the conventional casting and crushing process. Major ferroalloy and silicon metal producers have contacted Becancour to explore possibilities of licensing this technology. Continued development of customer-specific silicon metal formulations designed to optimize performance in the chemical industry are part of Becancour's commitment to be a world leader in the field of specialty silicon metal.

Competitive Strengths

Management believes that Becancour's business and operations capitalize on the following competitive strengths:

Leading North American Producer

Becancour is one of North America's largest producers of silicon metal and ferrosilicon products. Becancour operates three electric arc furnaces: two dedicated to the production of silicon metal and one furnace that has flexible technology that is easily converted to the production of either silicon metal or ferrosilicon. Becancour is a leading supplier of silicon metal to the chemical and electronics industries, two growing markets, and is also a leading supplier of ferrosilicon product to certain niche markets.

Technologically Advanced Production for High Quality Products

The Becancour facility is one of the industry's most technologically advanced. It is ISO 9002 certified and is the only North American facility to use compound electrode technology for silicon metal production, a proprietary and patented technology developed and used exclusively by Becancour for various specialty silicon metals that substantially reduces electrode costs. Becancour also gains cost and quality advantages via special water granulation technology and via the most recent development, a fast-chill rotating thin slab caster, developed jointly with a European company. These special casting processes yield a product that enables enhanced conversion rates in the chemical industry and substantially less off-grade material for the aluminum industry.

The production facilities allow Becancour to produce various grades of silicon metal and ferrosilicon products for applications with demanding product specifications. Becancour's quality control procedures range from the selection of raw materials to ensure consistency in product characteristics, to the testing of its final products for particular chemistries and properties. Because of these quality control procedures, Becancour consistently meets its customers' rigorous demands.

Competitive Cost Position

Becancour is the only North American producer of silicon metal and ferrosilicon to use compound electrodes and the advanced casting techniques previously mentioned, which reduce the cost of production. Furthermore, the Bécancour facility is located near major transportation centres, allowing for flexibility in both schedule and method of product delivery. Specifically, the Bécancour facility, located on the edge of the St. Lawrence River, provides year-round access to the Montréal container harbour. This location allows distribution of Becancour's products to Europe and other overseas locations and provides Becancour with access to competitively priced raw materials from diverse sources.

Long-Term Relationships with Market-Leading Customers

Becancour's largest customers are multi billion dollar global companies that are the leading companies in their respective industries. Many of these customers have been customers of Becancour since operations at the facility commenced in 1976. Becancour primarily sells its silicon metal and ferrosilicon products under annual agreements. Its principal silicon metal customers are leading producers of silicones for the chemical, aluminum and electronics industries. Avoiding the commodity grade ferrosilicon markets, Becancour sells its ferrosilicon products into niche applications such as specialty steel products where the product characteristics and technical support provided by Becancour can be tailored to the customers.

Competitors

Becancour competes primarily on the basis of product quality (particularly in the production of specialty silicon metal products), service and price. In the markets for silicon metal, Becancour competes with producers from the United States, European Union and Brazil, including Elkem ASA, Fesil ASA, Ferroatlantica S.L. and Companhia Brasileira Carbureto de Calcio. Other competitors in both the silicon metal and ferrosilicon markets include Simcala, Inc. and Globe Metallurgical, Inc. Foreign competition is more important in the markets for ferrosilicon. In 2000, approximately 250,000 metric tonnes of material produced in China entered Western markets, growing to more than 600,000 metric tonnes in 2006. This represents a large percentage of the silicon products used in the western world. Chinese based producers have historically supplied no high-value ferrosilicon or silicon metal products, the markets that Becancour emphasizes; however, with recent improvements in the quality of these products produced in China, this may change in the future.

Raw Materials and Access to Transportation

The principal cost components in the production of silicon metal are electricity, quartz, coal, woodchips and electrodes. Becancour's facility in Bécancour, Québec, is located in close proximity to sources of high quality and competitively priced electricity and raw materials. The Bécancour facility's electrical power is supplied by Hydro-Québec at a rate comparable to other large power users in Québec, one of the lowest in North America. Contracted power is sufficient to meet the current and anticipated power requirements

Becancour obtains a portion of its quartz from a mine located approximately 135 km northeast of Québec City, Québec, in Lac Malbaie, Québec, which Becancour leases from the Québec Natural Resources Department under a lease which expires in 2016 and is renewable for another ten years at Becancour's option provided the mine is in compliance with all environmental requirements. Quartz produced at this mine is

used at the Bécancour facility as the raw material for silicon metal. Becancour has a long standing relationship with SITEC s.e.c. (a Quebec limited partnership) (previously Baskatong Quartz Products Ltd.) for the operation of the mine (extraction and processing) since 1976. The current operating agreement, dated May 31, 2004, is effective up to May 31, 2007. At the current rate of utilization, material from this mine is sufficient to meet Becancour's needs for a minimum of ten to fifteen years. In addition, Becancour purchases quartz from third parties. Quartz is generally available from various sources. Management believes that the quality of Becancour's raw materials is high and that supplies are adequate for its long-term requirements.

Coal is sourced from the United States and Columbia and is of a special grade to ensure a high quality end product. Wood chips and wood blocks are sourced from Québec and the Northeastern region of the United States which have a wide range of suppliers. Electrodes are sourced from Canada, the United States and overseas, meeting the tight quality requirements for Becancour's compound electrodes.

The Bécancour facility is situated on the edge of the St. Lawrence River with access to the Montréal container harbor, allowing for distribution of Becancour's products to Europe and other overseas markets on frequent regular schedules. The Bécancour facility has convenient access to major modes of transportation, including highway, rail and water. The land at the Bécancour facility is owned by Becancour and covers an area of 391,700 m². The plant covers an area of 243,000 m² and thus allows for possible expansion.

ITEM 5. GENERAL BUSINESS MATTERS

Employees

As at December 31, 2006, the Corporation employed 210 employees worldwide in the Magnesium Business and an additional 189 employees in the Silicon Business. The Corporation has historically experienced good labour and personnel relations and has not had a strike or lockout in over 25 years.

Environmental Matters

The Corporation's operations are subject to various laws and regulations relating to the environment, waste disposal and occupational health and safety. The Corporation believes that it has reasonable provisions in its consolidated accounts for its estimate of the most probable costs in the foreseeable future associated with environmental investigation and remediation activity in respect of its current and discontinued businesses, including each of the sites referred to below.

Continuing Operations

In accordance with applicable law, the Corporation filed a Mines Closure Plan with the Ontario Ministry of Northern Development and Mines ("MNDM") with respect to the Haley, Ontario facility together with certain financial assurance covering its obligations pursuant to the plan. The Corporation provided financial assurance of \$1,682,700 payable over a period of 5 years.

In all other respects, management of the Corporation believes that the Corporation's operating facilities are in substantial compliance with all applicable environmental and occupational health and safety requirements.

There are no material environmental claims against the Corporation arising from its continuing operations.

During the course of each year, the Corporation routinely incurs capital expenditures to ensure the ongoing protection of the environment. These expenditures are not expected to have a material adverse impact on the Corporation's financial and competitive position in the foreseeable future.

Discontinued Operations

The Corporation is engaged in environmental assessment and remediation activities at certain properties owned by it or its subsidiaries, which were used in connection with its discontinued ferrous metals and adhesives businesses. These include groundwater remediation activities at its former adhesives plant in Toronto, Ontario and approval of a remediation plan for a former ferrous metals plant in Beauharnois, Quebec which was submitted to the Ministry of the Environment of Quebec (“Ministry”) in the second quarter of 2003. Approval from the Ministry of the Corporation’s remediation plan was received in the third quarter of 2003 and Québec’s Environment Ministry issued a Certificate of Authorization for the site, outlining the Ministry’s required remediation activities. The Certificate of Authorization was based on documents which the Corporation submitted with the application, which indicated a ten-year timeline to completion. The cost to complete the work has been estimated at approximately \$1,700,000. In 2004 the Corporation entered into an agreement with a third party to sell the Beauharnois, Quebec property. Pursuant to the terms of the purchase and sale agreement the purchaser has agreed to complete the remediation activities and has paid a non-refundable deposit for the property. Title to the property cannot be transferred to the purchaser, and the sale cannot be completed, until the Ministry is satisfied that the terms and conditions of the Certificate of Authorization have been satisfied.

ITEM 6. DIRECTORS AND OFFICERS

The names, province or state of residence, principal occupations, periods of service as directors and the number of common shares and options to purchase common shares of the Corporation owned by each director as at December 31, 2006 are set out below. All directors serve until the next annual meeting or until their successors are elected or appointed.

Name and Residence Number of common shares beneficially owned or controlled directly or indirectly	Principal Occupation	Director and Committee Members since
<p>Heinz Schimmelbusch Residency: Pennsylvania, USA Common Shareholdings: Current: 211,000 directly owned Indirectly owned see below*</p> <p>Stock Options: Current: 500,000</p> <p>*Dr. Schimmelbusch and Mr. Spector are both Managing Directors of Safeguard which, through its ownership of BLP indirectly owns 40,909,092 common shares</p>	<p>Heinz Schimmelbusch is Chairman of the Board and Chief Executive Officer of the Corporation since April 22, 2003. He resigned as Chief Executive Officer of the Corporation on September 1, 2005. He is also Managing Director of Safeguard International Fund, LLP (private equity fund)</p>	<p>Timminco director since 2003 Member of:</p> <ul style="list-style-type: none"> - Strategic Committee (chair) - Human Resources Committee (chair)
<p>Arthur Spector Residency: Pennsylvania, USA Common Shareholdings: * Stock Options: Current: 450,000</p> <p>*Dr. Schimmelbusch and Mr. Spector are both Managing Directors of Safeguard which, through its ownership of BLP indirectly owns 40,909,092</p>	<p>Arthur Spector is the Vice Chairman of the Corporation since March 26, 2004. He was appointed Interim Chief Financial Officer for the period October 18, 2004 to April 3, 2005. He is also Managing Director of Safeguard International Fund, LLP (private equity fund)</p>	<p>Timminco director since 2003 Member of:</p> <ul style="list-style-type: none"> - Strategic Committee

Name and Residence Number of common shares beneficially owned or controlled directly or indirectly	Principal Occupation	Director and Committee Members since
common shares		
Jay Kellerman Residency: Ontario, Canada Common Shareholdings: Current: 9,000 Stock Options: Current: 100,000	Jay Kellerman is a Partner of Stikeman Elliott LLP (law firm).	Timminco director since 2004 Member of: - Audit Committee (resigned on Aug. 8, 2006) - Human Resources Committee
Richard L. Lister Residency: Ontario, Canada Common Shareholdings: Current: 800,500 Stock Options: Current: 50,000	Richard Lister was President and Chief Executive Officer of Zemex Corporation from 1993 to 2002 and Vice Chairman of Zemex Corporation and Dundee Bank Corporation from 1991 to 1993, a director of MET-TECH Corporation, Normiska Inc. and TIBERON MINERALS INC. from 2002 to 2004 and currently serves as a director for several private companies and non-profit organizations.	Timminco director since 2004 Member of: - Audit Committee (chair) - Human Resources Committee
Jack L. Messman Residency: Massachusetts, USA Common Shareholdings: Current: 130,000 Stock Options: Current: 75,000	Jack Messman was Chairman, President and Chief Executive Office, of Novell, Inc. (publicly traded software company) since 2001 and resigned as of June 21, 2006. He is currently a company Director.	Timminco director since 2003 Member of: - Corporate Governance & Nominating Committee (chair) - Audit Committee (appointed on Aug. 8, 2006)
J. Thomas Timmins Residency: Ontario, Canada Common Shareholdings: Current: 50 directly owned Indirectly owned see below* Stock Options: Current: 75,000 *Mr. Timmins is an officer and director of, and exercises control over, Timmins Investments Limited which owns an additional 9,349,487 common shares.	J. Thomas Timmins is President, Timmins Investments Limited (investment holding company)	Timminco director since 1957 Member of: - Strategic Committee
Michael Winfield Residency: Illinois, USA Common Shareholdings: Current: 0 Stock Options: Current: 50,000	Michael Winfield is a director of Metallurg, Inc. He 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 is a senior advisor. He also serves as Chairman of Landauer Corp.	Timminco director since 2004 Member of: - Audit Committee - Corporate Governance & Nominating Committee
Mickey Yaksich Residency: Ontario, Canada	Mickey Yaksich is Partner and Chief Operating Officer of McMillan Binch	Timminco director since 1998 Member of:

Name and Residence Number of common shares beneficially owned or controlled directly or indirectly	Principal Occupation	Director and Committee Members since
Common Shareholdings: Current: 0 Stock Options: Current: 75,000	Mendelsohn LLP (law firm)	- Corporate Governance & Nominating Committee
John Walsh Residency: Delaware, USA Common Shareholdings: Current: 0 Stock Options: Current: 500,000	John Walsh was appointed President and Chief Executive Officer of the corporation on December 15, 2006. Prior to that he was President of Ceramic Protection Corporation from September 2004 to November 2006. He was President and Chief Executive Officer of Alanx Wear Solutions, Inc. from 1999 to 2004.	Timminco director since 2006

The following are the officers of the Corporation, their municipalities of residence, position with the Corporation and the number of common shares owned by each officer as at December 31, 2006.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation and Position with the Corporation</u>	<u>Number of Common Shares beneficially owned or controlled directly or indirectly</u>
HEINZ C. SCHIMMELBUSCH Paoli, Pennsylvania	Managing Director, Safeguard International Fund, L.P. and Chairman of the Board of the Corporation	211,000 ⁽¹⁾
ARTHUR R. SPECTOR Bryn Mawr, Pennsylvania	Managing Director, Safeguard International Fund, L.P. and Vice Chairman of the Corporation	Nil ⁽¹⁾
JOHN P. WALSH Wilmington, Delaware	President and Chief Executive Officer	Nil ⁽²⁾
ROBERT J. DIETRICH Toronto, Ontario	Executive Vice President – Finance & Chief Financial Officer	75,000 ⁽²⁾
KEITH S. D'SOUZA Unionville, Ontario	Vice President and Secretary	25,000
MARK G. SWALWELL Mississauga, Ontario	Corporate Controller	Nil

Notes:

- (1) Dr. Schimmelbusch and Mr. Spector are Managing Directors of Safeguard, which indirectly owns 54.4% of the common shares.
- (2) On May 8, 2006 Mr. Dietrich was granted 200,000 options and on December 15, 2006 Mr. Walsh and Mr. Dietrich were granted 500,000 and 200,000 options respectively, under the Corporation's Share Option Plan; vested options will be exercised at a price of \$0.29 for the May grant and shall expire if not exercised by May 8, 2013 and for the December grant vested options will be exercised at a price of \$0.40 and shall expire if not exercised by December 15, 2013.

With the exception of:

- Heinz C. Schimmelbusch, who was appointed Chairman and Chief Executive Officer of the Corporation on April 2, 2003;
- Arthur R. Spector, who was appointed Vice Chairman of the Corporation on March 26, 2004 and Interim Chief Financial Officer on October 18, 2004;
- Mr. John P. Walsh commenced employment as President and Chief Executive Officer effective December 15, 2006;
- Mr. Dietrich commenced employment as Vice President-Finance and Chief Financial Officer effective April 17, 2006 and was promoted to Executive Vice President and Chief Financial Officer on December 15, 2006.

Prior to joining the Corporation Mr. Dietrich was Chief Financial Officer of MKS Inc., a TSX listed enterprise software company;

- Mark G. Swalwell, was appointed Corporate Controller on March 22, 2004. Prior to joining the Corporation, Mr. Swalwell was Vice President Finance of MIST Inc., a Brascan subsidiary, and prior to that was Manager, Assurance & Advisory Services at Deloitte & Touche LLP; and

each of officers 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.

As of December 31, 2006, the directors and officers of the Corporation as a group beneficially own or exercise control over, directly or indirectly, 10,599,987 common shares of the Corporation, representing approximately 14.11% of the issued and outstanding common shares. In addition, Dr. Schimmelbusch and Mr. Spector, each of whom is a director and officer of the Corporation, are both Managing Directors of Safeguard, which indirectly owns 40,909,092 common shares of the Corporation. Directors and officers of the Corporation as a group hold options to purchase an aggregate of 1,375,000 common shares.

ITEM 7. RISK FACTORS

Reference is made to the discussion of risk factors contained in the Corporation's management's discussion and analysis for the year ended December 31, 2006, which is incorporated herein by reference. The Corporation's management's discussion and analysis is available on SEDAR at www.sedar.com.

ITEM 8. DIVIDEND POLICY

Under the terms of the Credit Agreement, the Corporation may not pay cash dividends during the term of the Credit Agreement. In the five-year period ended December 31, 2006, the Corporation did not pay any dividends on any of its shares.

The future payment of dividends will be subject to the discretion of the Board of Directors having regard to consideration of the Corporation's earnings, financial condition and such other factors as deemed relevant by the Board of Directors.

ITEM 9. DESCRIPTION OF CAPITAL STRUCTURE

Details of the Corporation's capital structure are discussed in Note 11 to the Corporation's annual financial statements for the year ended December 31, 2006, which are incorporated herein by reference. The Corporation's annual financial statements are available on SEDAR at www.sedar.com. Reference is also made to the information about the Corporation's securities under the heading, "Item 1 - *The Corporation*" of this annual information form.

As described elsewhere in this annual information form, on March 7, 2006, Becancour Silicon Inc., a wholly-owned subsidiary of the Corporation, issued a US\$2,000,000 demand promissory note (the "Note") in favour of ALD International LLC (the "Lender"), an affiliate of Safeguard. The whole or any part of the principal amount of the Note may be converted by the Lender at its option, at any time, into common shares of the Corporation at a conversion rate of Cdn.\$0.40 per share (with U.S. dollars being converted to Canadian dollars on the date of conversion).

On August 31, 2006, Becancour issued a US\$3,000,000 demand promissory note (the "Second Note") in favour of Safeguard International Fund, L.P. ("Safeguard"). The Second Note bears interest at the U.S. prime rate plus 1%. The loan and related security is subordinate to the indebtedness and the security under a credit agreement with the Corporations senior lender, Bank of America, N.A. and to the subordinated indebtedness and the security provided by Safeguard's affiliate earlier this year. The whole or any part of the principal amount of the Second Note may be converted by the Lender at its option, at any time starting on or after September 15, 2006, into common shares of the Corporation at a conversion rate of Cdn\$0.40 per share (with U.S. dollars being converted to Canadian dollars on the date of conversion).

On December 18, 2006, ALD International LLC granted a loan to the Corporation in the amount of €700,000 to fund an equity investment in Fundo Holdings AS (the "Fundo Loan"). The Fundo Loan bears interest at rate of 11% per annum. The Fundo Loan is subordinate to the indebtedness and the security under a credit agreement with the Corporation's senior lender, Bank of American, N.A. and to the subordinated indebtedness and the security provided by Safeguard and its affiliate earlier this year. The Fundo Loan is due on December 31, 2007.

ITEM 10. MARKET FOR SECURITIES

The Corporation's common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol TIM.

The following table indicates the monthly trading volumes and price ranges for the Corporation's common shares during the 2006 calendar year.

<u>Month</u>	<u>Trading Volume</u>	<u>Closing Price Range</u>
January	339,360	\$0.25 – 0.43
February	76,020	\$0.31 – 0.41
March	84,497	\$0.275 – 0.38
April	1,189,637	\$0.30 – 0.39
May	200,697	\$0.29 – 0.425
June	774,180	\$0.20 – 0.38
July	44,800	\$0.26 – 0.31
August	158,361	\$0.22 – 0.35
September	195,650	\$0.30 – 0.355
October	1,821,465	\$0.24 – 0.35
November	574,666	\$0.23 – 0.35
December	802,300	\$0.23 – 0.37

ITEM 11. CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director of the Corporation is, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except in connection with a definitive management cease trade order which superseded a temporary

management cease trade order dated April 1, 2005 against all the directors and officers of the Corporation in connection with the Corporation's failure to file its audited financial statements for the year ended December 31, 2004 issued by the Ontario Securities Commission on April 14, 2005. These management cease trade orders expired on May 2, 2005.

No director or executive officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

ITEM 12. LEGAL PROCEEDINGS

Reference is made to the information under the heading "Commitments, Contingencies & Guarantees" at Note 16 of the Corporation's annual financial statements for the year ended December 31, 2006, which are incorporated herein by reference. The Corporation's annual financial statements are available on SEDAR at www.sedar.com. Reference is also made to the information about the United States Department of Commerce scope inquiry under the heading, "Item 3 - *Description of the Magnesium Business - Competition - Magnesium*" of this annual information form.

ITEM 13. CONFLICTS OF INTEREST

To the best of the Corporation's knowledge, other than as disclosed in this annual information form and in the notes to the Corporation's annual financial statements for the year ended December 31, 2006, which are incorporated herein by reference, there are no known existing or potential conflicts of interest between the Corporation and any director or officer of the Corporation. The Corporation's annual financial statements are available on SEDAR at www.sedar.com.

ITEM 14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, other than as disclosed in this annual information form, in the discussion of related party transactions contained in the Corporation's management's discussion and analysis for the year ended December 31, 2006 and in the notes to the Corporation's annual financial statements for the year ended December 31, 2006, since January 1, 2002, no director, executive officer or 10% shareholder of the Corporation or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries. The Corporation's management's discussion and analysis and annual financial statements, which are incorporated herein by reference, are available on SEDAR at www.sedar.com.

ITEM 15. TRANSFER AGENT AND REGISTRAR

The Corporation's registrar and transfer agent is Computershare Investor Services Inc. ("Computershare"). The Corporation's share register is maintained by Computershare at its principal offices in Toronto, Ontario.

ITEM 16. INTEREST OF EXPERTS

The Corporation's auditors are KPMG LLP.

ITEM 17. AUDIT COMMITTEE, CHARTER AND AUDIT FEES

The Audit Committee's Charter

Attached as Schedule A is the charter for the Corporation's Audit Committee.

Composition of the Audit Committee

The Audit Committee is comprised of three members, all of whom are independent: Dr. Richard Lister as Chairman, and Messrs. Kellerman, Winfield and Messman. Mr. Messman was appointed a member of the audit committee on August 8, 2006 following the resignation of Mr. Kellerman. The Audit Committee met four times in 2006. Each of the Audit Committee members is financially literate.

Relevant Education and Experience

Richard L. Lister

Dr. Lister was President and Chief Executive Officer of Zemex Corporation from 1993 to 2002 and Vice Chairman of Zemex Corporation and Dundee Bank Corporation from 1991 to 1993, a director of Metech Corporation and Normiski Inc. from 2002 to 2004 and currently serves as a director of several private companies and non-profit organizations.

Dr. Lister has a Ph.D. in Metallurgical Engineering from the University of Toronto.

Michael Winfield

Mr. Winfield is a director of Metallurg, Inc. He 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 is a senior advisor. He also serves as Chairman of Landauer Corp.

Mr. Winfield earned a BS in Chemical Engineering from Ohio State University where he is a distinguished alumnus and a member of the College of Engineering Advisory Board. He also has an MBA from the Executive Program at the University of Chicago.

Jay Kellerman

Mr. Kellerman is a partner with the law firm of Stikeman Elliott LLP. Mr. Kellerman specializes in the area of Corporate Finance & Securities law.

Mr. Kellerman holds a Bachelor of Laws from the University of Windsor.

Jack L. Messman

Mr. Messman was President and Chief Executive Officer of Novell, Inc. from 2001 until 2006. Mr. Messman holds a Bachelor of Chemical Engineering degree from the University of Delaware and a Masters of Business Administration from Harvard University.

Pre-approved Policies and Procedures

The Audit Committee has the authority to pre-approve all audit services and permitted non-audit services to be provided to the Corporation by its external auditors from time to time.

External Auditor Service Fees

The service fees which were paid by the Corporation to its external auditors during the financial years ended December 31, 2005 and December 31, 2006 are set out in the table below.

Year-Ended December 31, 2005

<u>Auditor</u>	<u>Audit Fees</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
KPMG LLP ⁽¹⁾	303,700	121,700	122,200	124,700

(1) KPMG LLP are the Corporation's principal auditors.

Year-Ended December 31, 2006

<u>Auditor</u>	<u>Audit Fees</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
KPMG LLP ⁽¹⁾	323,564	116,760	101,950	88,936

(1) KPMG LLP are the Corporation's principal auditors.

In connection with the audit of the Corporation's annual financial statements for the year ended December 31, 2006, the auditors confirmed that they are independent within the meaning of the Rules of Professional Conduct of Institute of Chartered Accountants of Ontario.

ITEM 18. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, options to purchase securities and interests of insiders in material transactions is contained in the Corporation's Management Proxy Circular for its most recent annual meeting of shareholders that involved the election of directors (the "Circular"). Additional financial information is provided in the comparative financial statements (the "Comparative Statements") of the Corporation contained in the Annual Report to Shareholders. Copies of: (i) the Annual Information Form, together with one copy of any document, or any document incorporated by reference in the Annual Information Form; (ii) one copy of the Comparative Statements and one copy of the most recent interim financial statements of the Corporation that have been filed; and (iii) one copy of the Circular are available from the Vice President and Secretary of the Corporation at Sun Life Financial Tower, 150 King Street West, Suite 2401, Toronto, Ontario, Canada, M5H 1J9. The information referenced above has been filed by the Corporation on SEDAR and can be obtained at www.sedar.com.

Schedule A
Audit Committee Charter

Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) is to augment and improve financial disclosure by the Corporation and to ensure legal compliance by the Corporation. The Committee shall assist the Board 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. The Committee will:

- (a) review quarterly and annual financial statements prior to Board review and approval and satisfy itself with the fairness and consistency of the auditing practices used;
- (b) review and approve the annual financial statements of the Corporation’s pension funds
- (c) recommend to the Board the selection of the Corporation’s external and independent auditors (must be in good standing with the Canadian Public Accountability Board) to be nominated for appointment by the shareholders;
- (d) 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;
- (e) pre-approve all audit services and permitted non-audit services to be provided to the Corporation by its external auditors;
- (f) serve as liaison between the external auditors and the Corporation;
- (g) prepare or obtain assurances from management with respect to relationships with regulators, and the accuracy and timeliness of filings with regulatory authorities; and
- (h) 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 and any other applicable legislation.

Responsibilities

The Committee has the following responsibilities:

Financial Reporting

General

The Committee shall 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.

Preparation and Release of Financial Information

With respect to preparing and releasing financial information, the 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 their certificates under Multilateral Instrument 52-109;
- (e) presenting the approved financial statements to the Board for final approval; and
- (f) reviewing on a quarterly basis, all financial statements, MD&A and earnings press releases prior to their public release.

Oversight of Audits

Internal Audit

1. Engaging Internal Auditors

- (a) The Committee, in consultation with 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.

External Audits

1. Appointment and Authorization of Services

- (a) The Committee has the sole authority to retain and oversee the activities of the external auditors. As such, the Committee has the necessary authority to determine compensation, fees and retention terms and/or terminate the services of the auditors as deemed necessary.
- (b) All external auditors shall report directly to the Committee.
- (c) 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.
- (d) The Committee will meet with external auditors prior to the audit to confirm the planning and staffing of the audit.

2. Oversight of Independence and Qualifications of External Auditors

- (a) 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 to the Corporation for propriety. Having done so, the Committee will provide a report of its findings to the Board, including recommendations for action to ensure the continued independence of the auditors.
- (b) 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.
- (c) The Committee is responsible for ensuring compliance by external auditors with independence requirements and shall obtain, at least annually, from the external auditors their certificate as to their independence from the Corporation.

Other Powers And Responsibilities

Whistleblowing

The Committee is also responsible for establishing and administering a process 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 by the Committee. This process must allow for confidential employee submissions concerning any auditing or accounting matters.

The process for lodging and responding to a complaint is as follows:

- (a) Any employee who reasonably believes that another employee or person acting on behalf of the Corporation has violated any legal requirement or policy shall immediately report his/her

concern to a senior officer or report to external counsel who should forward such concern to the Chair of Audit Committee.

- (b) The Committee will consider the concern and determine whether there are reasonable grounds for initiating an investigation into the alleged conduct. Where an investigation is warranted, the Committee shall implement a thorough investigation of the allegations.
- (c) Any director, officer or employee who is found to have violated the law or one of the Corporation's rules regarding accounting standards, internal financial controls, disclosure or matters related to internal or external audits may be subject to disciplinary action.
- (d) The Committee will retain all documents and records related to any complaint and investigation (where applicable) for a period of five years.
- (e) 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 should, on an annual basis, communicate this process directly to all employees involved in financial controls, who report directly or indirectly to the CFO.

Charter and Committee Review

The Committee shall review and assess the adequacy of the Committee Charter annually and report to the Board the results of such assessment. Any recommendations are to be put before the Board for approval. Similarly, the Committee shall also perform an annual review of the Committee's performance and report to the Board on the results of such evaluation.

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.

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.

Membership And Organization Of Committee

The Committee is to be comprised of not less than three directors, each of whom must be 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 accounting issues that can reasonably be expected to be raised by the financial statements of the Corporation) and be an outside, independent director.

The Board shall appoint one Committee member to serve as the Chair. The Chair of the Committee should be considered financially sophisticated (i.e., has past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that results in his/her financial sophistication) with an understanding of financial statements and the accounting principles used by the Corporation to prepare its financial statements. No members of the Committee should be holders of more than 20% of the Corporation's issued and outstanding shares.

Conduct Of Meetings

Frequency

The Committee shall meet at least four times a year. Additional meetings shall be scheduled as required or as requested by the Corporation.

Directors may attend any Committee meetings of the Board they choose to, however the right to vote is reserved only to Committee members. At certain meetings, attendance may be limited to Committee members only.

Quorum

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

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.

Non Committee Member Attendees

The Committee may request that any Directors, Officers or employees 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.

Minutes

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

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.