



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements of Timminco Limited ("Timminco" or the "Company") and the notes thereto for the year ended December 31, 2006 and the unaudited Consolidated Financial Statements of Timminco for the three months ended September 30, 2007, which were prepared in accordance with Canadian generally accepted accounting principles. All amounts are in Canadian dollars unless otherwise noted. This MD&A is prepared as of November 8, 2007.

OVERVIEW

The Company is divided into two segments: the Silicon Group and the Magnesium Group. The Silicon Group reported positive net income before amortization, interest and taxes ("EBITDA") for both the third quarter and the nine months ending September 30, 2007. The Magnesium Group reported a loss at the EBITDA level for both the third quarter and year to date. Continued challenges in operations in both businesses and in Fundo Wheels resulted in a net loss for both the quarter and year to date.

THIRD QUARTER HIGHLIGHTS

- On September 27, 2007, the Company raised \$86.3 million in gross proceeds upon the completion of a public offering, by way of a bought deal financing, and a concurrent private placement to AMG Advanced Metallurgical Group N.V. ("AMG"), the Company's controlling shareholder. Net proceeds will be used for additional production capacity expansion for solar grade silicon and to further the Company's objective of increasing the purity of its solar grade silicon production, repay bank debt and for general corporate purposes. Subsequent to the closing of the financing, the Company repaid its outstanding term debt of US\$3.5 million and paid down its revolving line of credit. In October 2007 the Company extended its credit agreement with Bank of America, N.A. to March 31, 2010.
- The Company's Senior lender, Bank of America, N.A., (the "Bank") agreed to amend certain covenants within the Company's credit agreement. The Company to was in compliance with such amended covenants as at September 30, 2007.
- For the third quarter, the net loss was \$4.6 million or \$0.05 per share, compared with a net loss of \$3.1 million or \$0.04 per share in the third quarter of 2006. For the nine month period ended September 30, 2007, the net loss was \$9.2 million or \$0.11 per share, compared with a net loss of \$7.5 million or \$0.10 per share for the nine months ended September 30, 2006.
- Sales for the third quarter of 2007 were \$43.0 million, a decrease of \$1.1 million compared to sales of \$44.1 million for the third quarter of 2006.
- The Company shipped 30 metric tons of solar grade silicon in the third quarter bringing cumulative year to date shipments to 56 metric tons. Construction of the new 3,600 metric ton solar grade silicon manufacturing facility is on schedule with commissioning of the first 1,200 metric ton line anticipated to be in December 2007 as planned.

RESULTS OF OPERATIONS

QUARTERLY INFORMATION

(000's except per share data)

	Three Months ended (unaudited)		Nine Months ended (unaudited)	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Sales	43,033	44,065	125,930	130,202
Gross profit	3,095	4,119	9,094	10,799
Gross profit percentage	7.2%	9.3%	7.2%	8.3%
Net income (loss)	(4,579)	(3,105)	(9,200)	(7,500)
Earnings (loss) per common share, basic and diluted	(0.05)	(0.04)	(0.11)	(0.10)
Working capital (excluding cash items)	23,681	36,547	23,681	36,547
Total assets	186,865	149,760	186,865	149,760
Bank debt	327	33,268	327	33,268
Total long term liabilities excluding bank debt	22,673	23,282	22,673	23,282
Cash flow from operations	(4,218)	(6,219)	(5,047)	(6,008)
Weighted average number of common shares outstanding, basic and diluted	93,932	75,133	85,396	75,133

For the quarter ended September 30, 2007, the net loss was \$4.6 million or \$0.05 per share compared with a loss of \$3.1 million or \$0.04 per share in the third quarter of 2006. For the nine months ended September 30, 2007, the net loss was \$9.2 million or \$0.11 per share compared with a loss of \$7.5 million or \$0.10 per share in the same period in 2006.

Sales for the third quarter of 2007 were \$43.0 million, a decrease of \$1.1 million compared to sales of \$44.1 million for the third quarter of 2006. For the nine months ended September 30, 2007, sales were \$125.9 million compared with \$130.2 million in the first nine months of 2006.

Silicon Group

In the Silicon Group, sales for the third quarter of 2007 were \$28.6 million compared with \$28.1 million in the third quarter of 2006, an increase of \$0.5 million. For the nine months ended September 30, 2007, sales in the Silicon Group were \$76.1 million compared with \$72.0 million for the first nine months of 2006. In the third quarter and on a year to date basis, there has been an increase in the sales of silicon metal compared to the same periods in 2006. Sales of ferrosilicon and by-products decreased when compared to the third quarter of 2006. Sales of solar grade silicon from the Company's prototype facility were 30 metric tons in the third quarter of 2007 and 56 metric tons year to date.

For the quarter ended September 30, 2007, the Silicon Group had a gross margin of \$0.6 million or 2.1% of sales compared with \$1.7 million or 6.1% of sales in the third quarter of 2006. For the nine months ended September 30, 2007, gross margin was \$2.6 million or 3.5% of sales compared with \$1.7 million or 2.4% of sales in the first nine months of 2006. For the quarter, gross margin was impacted by the strength of the Canadian dollar when compared to the US dollar. Compared to the third quarter of 2006, the strength of the Canadian dollar had an unfavourable impact of approximately \$1.4 million on sales. The increase in gross margin for the nine months ended September 30, 2007, is related to higher selling prices for materials, predominantly silicon metal, negotiated for the 2007 fiscal year.

Magnesium Group

Sales for the Magnesium Group for the third quarter of 2007 were \$14.4 million compared to \$16.0 million in the third quarter of 2006. For the nine months ended September 30, 2007, sales were \$49.8 million compared to \$58.2 million in the first nine months of 2006. The strength of the Canadian dollar when compared to the US dollar was responsible for approximately 40% of the sales decrease for the quarter ended September 30, 2007 when compared to the same quarter in the prior year, as the majority of the Group's sales are made in US dollars. Comparing the third quarter and the nine months ended September 30, 2007 with the respective periods in the prior year, sales of anodes and concrete

tools were lower in 2007. Actual tonnes of magnesium sold increased 3.2% in the third quarter of 2007 compared to the same quarter in 2006 and were up 1.1% on a year to date basis when compared to the prior year.

Gross margin in the Magnesium Group was \$2.2 million or 14.9% of sales in the third quarter of 2007 compared to \$2.1 million or 12.9% of sales in the third quarter of 2006. For the nine months ended September 30, 2007, gross margin was \$5.5 million or 11.0% of sales compared to \$8.1 million or 13.9% of sales during the first nine months of 2006. In the third quarter of 2007, the increase in gross margin percentage was due to lower manufacturing variances and overheads and a slightly more favourable product mix. For the nine months ended September 30, 2007, the decrease in gross margin percentage when compared to the same period in 2006 is due to higher manufacturing variances, which predominantly occurred in the first quarter, offset by lower overhead costs.

Amortization of capital assets in the third quarter of 2007 was \$0.1 million, down from \$0.9 million in the third quarter of 2006. The decrease in amortization was caused by the lower level of property, plant and equipment in the Magnesium Group, an outcome of the asset impairment charge of \$31.2 million taken in December 2006.

Selling and Administration Expenses of the Company

Selling and administration expenses were \$4.7 million for quarter ended September 30, 2007, an increase of \$1.5 million compared with the same quarter in 2006. For the nine months ended September 30, 2007, selling and administration expenses were \$12.0 million compared to \$10.1 million for the first nine months of 2006. Non recurring compensation expenses were responsible for the majority of the increase in both the quarter and the year to date figures.

Aluminium Products Investments

Fundo Wheels AS ("Fundo"), located in Hoyanger, Norway, is an original equipment manufacturer of cast aluminium wheels for high end European car manufacturers. In March 2007, the Company acquired an additional 453 shares of Fundo from treasury for \$1.8 million. The Community of Hoyanger, which owns 53% of Fundo, also invested in Fundo such that the Company's ownership interest remained at 47%. The acquisition of the interest did not create any purchase discrepancy.

On September 10, 2007, the Company loaned Fundo \$2.0 million to assist Fundo with its working capital requirements. The loan is due December 31, 2010, bears interest at three month NIBOR plus 4% and is to be repaid in instalments commencing September 30, 2009. The loan is secured by a charge against Fundo's land, buildings and equipment and is subordinate to Fundo's bank debt. The loan is convertible into shares of Fundo at the Company's option at Fundo's book value on the date the loan was granted or on the date of conversion at the Company's option. The conversion of the loan is restricted such that the Company cannot exceed ownership of 49.9% of Fundo through the conversion of this loan.

For the quarter ending September 30, 2007 Fundo continued to sustain operating losses. The third quarter is seasonally impacted by the summer vacation shut down.

LIQUIDITY AND CAPITAL RESOURCES

On April 30, 2007, the Company completed a public offering of 11,500,000 common shares at a price of \$2.60 per share, resulting in gross proceeds of \$29.9 million. Net proceeds of the offering, which were \$27.8 million, are being used primarily for the construction of the new solar grade silicon production facility in Bécancour, Québec, and for general corporate purposes.

On September 27, 2007, the Company completed a public offering of 5,014,334 common shares at a price of \$8.50 per share, resulting in gross proceeds of \$42.6 million. Concurrently with the public offering, the Company completed a private placement of 5,136,140 common shares to AMG, the Company's controlling shareholder, resulting in gross proceeds of \$43.7 million. Net proceeds of the public offering and private placement, which were \$83.6 million, will be used primarily for additional production capacity expansion for solar grade silicon at the facility in Bécancour and to further the Company's objective to increase the purity of its solar grade silicon production beyond the 99.999% material presently produced. The balance of the net proceeds were used for repayment of bank debt and for general corporate purposes.

The Company used a portion of the net proceeds from the public offering and private placement that closed on September 27, 2007 to repay outstanding term debt of US\$3.5 million and US\$17.0 million of its revolving line of credit. Under the Company's credit agreement with the Bank (the "Credit Agreement"), the revolving credit facility is available for further borrowing, although the term facility is not.

The Bank agreed to amend certain financial covenants in the Credit Agreement. The Company was in compliance with such amended covenants as at each of March 31, June 30 and September 30, 2007.

The Company has exercised its option to extend the maturity date of the credit facilities under the Credit Agreement, from November 30, 2007 to March 31, 2010.

The Company, through its wholly-owned subsidiary Bécancour Silicon Inc. ("Bécancour"), borrowed the following amounts on the following dates from Safeguard International Fund, L.P. ("Safeguard") and ALD International L.L.C., a wholly-owned subsidiary of Safeguard ("ALD International"). Such borrowings were made pursuant to the terms and conditions of certain promissory notes, as are described below under "Related Party Transactions – Convertible Notes and Loans".

Lender	Amount Borrowed	Date of Note	Current amount outstanding
ALD International	US\$2.0 million	March 7, 2006	US\$0
Safeguard	US\$3.0 million	August 31, 2006	US\$2.65 million
ALD International	Cdn4.5 million	March 1, 2007	Cdn\$4.5 million

The Company's operations consumed cash flow of \$4.2 million in the third quarter of 2007 compared to consuming operating cash flow of \$6.2 million in the third quarter of 2006. For the third quarter, the improvement in cash flow was due to lower working capital offset by an increase in pension plan contributions of \$0.5 million. For the first nine months of 2007, the Company consumed operating cash flows of \$5.0 million compared to consuming operating cash flows of \$6.0 million in the first nine months of 2006. For the nine months ended September 30, 2007, the largest consumption of cash flow was the net loss, pension contributions and severance payments relating primarily to layoffs effected in 2006 of personnel at its Haley, Ontario magnesium production facility.

Accounts receivable increased \$4.0 million due to higher sales in September 2007, when compared to December 2006. Throughout the quarter, receivables were generally collected within credit terms and bad debts were minimal. Inventories decreased \$4.3 million when compared to December 31, 2006. In the Magnesium Group, inventory management was a key focus. In the Silicon Group, inventory decreased marginally due to the timing of shipments around quarter end. At September 30, 2007, approximately \$1.9 million of inventory was held under consignment agreements for customers.

Deferred financing costs decreased \$0.5 million to nil due to the adoption of a new accounting policy as required under Canadian GAAP. Henceforward, transaction costs related to credit agreements will be expensed rather than deferred and amortized.

The Company has a cash balance of \$60.9 million as at September 30, 2007 and expect that this will provide sufficient liquidity to pursue capital projects for solar silicon and to fund working capital and any operating losses through 2008.

Contractual Obligations as at September 30, 2007 (000's of CAD\$)

	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Bank debt	\$327	\$327	-	-	-
Operating leases	\$1,588	\$832	\$753	\$3	-
Due to affiliates	\$7,639	\$7,639	-	-	-
Capital asset purchase commitments	\$7,200	\$7,200	-	-	-
Other long term obligations	\$211	\$40	\$171	-	-
Total Contractual Obligations	\$16,965	\$16,038	\$924	\$3	-

In addition to the contractual obligations noted above, the Company's bank debt, composed of a revolving loan, bears interest at prime plus 1.25%.

Foreign Exchange and Foreign Currency Contracts

On an annualized basis, approximately 83% of the Company's sales are denominated in US dollars or Euros. For reporting purposes all foreign currency sales and expenses are converted to the Canadian Dollar equivalent at the exchange rate applicable at the time of the transaction. While the Company has historically been exposed to swings in commodity prices and foreign exchange rates, and will continue to be exposed to some extent, it is increasingly endeavouring to reduce these risks through hedging or long term contracts. As at September 30, 2007, the Company had no outstanding exchange contracts to sell foreign currencies.

Capital Expenditures

The Company operates in a capital-intensive manufacturing industry. Capital expenditures are incurred to expand capacity for new product lines, maintain capacity, comply with safety and environmental regulations, support cost reductions and foster growth. The Company is constructing a new manufacturing facility at its Bécancour location to produce solar grade silicon. Construction of the facility is on schedule. Capital expenditures in the third quarter of 2007 of \$8.0 million were for the maintenance of facilities at Bécancour and purchases related to the new manufacturing facility for solar grade silicon. Year to date capital expenditures related to the solar grade silicon project are \$11.8 million. Capital expenditures for 2007 are projected to be \$26.6 million principally to continue the construction of the solar grade silicon manufacturing facility. The new facility will consist of three separate production lines, each expected to yield at least 1,200 metric tons of annual capacity, for a total capacity of 3,600 metric tons per year. In line with previous estimates, the first of the three lines is anticipated to be commissioned in the fourth quarter of 2007 and the second and third lines are anticipated to be coming on stream in the first quarter of 2008. It is anticipated full production capacity will be reached by the end of the first quarter of 2008. Operating cash flows and the funds raised in April 2007 from the sale of common shares are forecasted to provide the funding for the future portion of these capital expenditures. Net proceeds of the September 2007 public offering and private placement, which were \$83.6 million, will be used primarily for additional production capacity expansion for solar grade silicon at the facility in Bécancour and to further the Company's objective to increase the purity of its solar grade silicon production beyond the 99.999% material presently produced. The balance of the net proceeds was used for repayment of bank debt and for general corporate purposes.

RELATED PARTY TRANSACTIONS

Prior to March 29, 2007, Safeguard held all of its common shares of the Company indirectly through Bécancour, LP ("BLP"). Safeguard, a limited partner of BLP, directly owned 99% of BLP, and owned the remaining 1% indirectly through another wholly-owned subsidiary, Bécancour GP, Inc., the general partner of BLP. On March 29, 2007, Safeguard reorganized its indirect holdings of the Company. As a result of and immediately following this reorganization, AMG directly owned 40,909,093 common shares of the Company, and Safeguard owned 91.8% of AMG. On June 26, 2007, ALD International entered into

a transaction with AMG, the result of which was that AMG directly owned an additional 5,601,000 common shares of the Company. Immediately following such transaction, AMG directly held a total of 46,510,093 common shares of the Company, representing 50.4% of the outstanding share capital.

On July 11, 2007, AMG completed its initial public offering, with a listing of its common shares on the Amsterdam Euronext stock exchange. In connection with such offering, Safeguard sold a portion of its shares of AMG. Immediately following such offering Safeguard held approximately 40.2% of the outstanding share capital of AMG. AMG's ownership interest in the Company was not changed by such offering.

On September 27, 2007, the Company completed its public offering and concurrent private placement of common shares. Immediately following such transactions, AMG owned 52,559,733 common shares of the Company, representing 50.4% of the outstanding share capital.

On October 17, 2007, AMG announced that Safeguard had sold a portion of its shares of AMG, such that Safeguard's ownership interest in AMG had reduced to approximately 26.6% of the outstanding share capital of AMG.

Convertible Notes and Loans

On April 26, 2007, Safeguard exercised its right to convert the entire principal amount outstanding under the US\$2.0 million convertible promissory note issued March 7, 2006 to an affiliate of Safeguard into 5,601,000 common shares of the Company at a conversion rate of Cdn\$0.40 per common share. The Canadian dollar equivalent of the United States dollars comprised in the principal amount of the note was \$2.24 million.

On August 31, 2006, the Company and Safeguard entered into a promissory note pursuant to which Safeguard loaned US\$3 million to the Company (the "August 2006 Note"). The loan may be settled, at the lender's option, in cash or shares at \$0.40 per share, or a combination of cash and shares. On July 23, 2007, AMG increased its ownership position in Timminco to 50.6% by exercising its call option to acquire 913,500 Timminco common shares from Safeguard. Safeguard received the shares through the conversion of US\$350,000 principal amount of the August 2006 Note.

On March 1, 2007, the Company borrowed \$4.5 million from an affiliate of Safeguard to expedite product development and to fund its further investment in Fundo Wheels (the "March 2007 Note"). The loan is repayable on demand, and bears interest at the U.S. prime rate plus 1%. The loan and related security are subordinate to the indebtedness and the security provided by the Company's senior lender, Bank of America, N.A. Under the terms of the loan, Safeguard, through its affiliate, has the option to convert the whole or any part of the outstanding principal amount at any time into common shares of the Company at a conversion rate of \$0.42 per common share. The lender's option to settle the debt in shares has been fair valued separately from the debt using the Black-Scholes option pricing model. Accordingly, the transaction was recorded as \$2.8 million Due to an affiliate in current liabilities and \$1.7 million as Equity component of convertible note in shareholders' equity. The following assumptions were used to calculate the fair value of the equity component: expected dividend yield of 0%, expected stock volatility of 65%, risk free rate of 3.96% and expected life of 3.2 years. The expected life of the debt coincides with the maturity of the Bank of America agreement including the optional renewal period, to which the debt is subordinate.

On June 21, 2007, AMG entered into an option agreement with Safeguard and ALD International relating to common shares of the Company (the "AMG Call Option Agreement"). Pursuant to this agreement, each time Safeguard or ALD International exercises in whole or in part its conversion right respectively under the August 2006 Note or the March 2007 Note, AMG has the right, and must use its reasonable endeavours, to exercise an option requiring Safeguard or ALD International, as applicable, to instruct the Company to issue the common shares issuable on the conversion directly to AMG. On any exercise of this option AMG must pay to Safeguard or ALD International, as applicable, a sum of cash equal to the closing market price for the common shares of the Company over which it is exercising the option. Accordingly, the AMG Call Option Agreement offers AMG some protection against dilution of its shareholding in the Company as a result of conversion of the August 2006 Note or the March 2007 Note. However, there is no assurance that AMG will have sufficient cash available to be able to exercise this option when it becomes exercisable.

CAPITAL STRUCTURE

As at November 8, 2007, 103,992,088 common shares of the Company were outstanding, including 10,150,474 common shares of the Company issued in connection with the public offering of common shares of Timminco that closed on September 27, 2007, and 382,250 issued for stock options exercised during the third quarter and in the subsequent 39 days to November 8, 2007.

Of the options to purchase common shares granted under the stock option plan of the Company, 4,261,750 options remain outstanding at exercise prices ranging from Canadian \$0.29 - \$0.96. If exercised, 4,261,750 common shares of the Company would be issued.

Measured at the September 30, 2007 noon exchange rate, as quoted by the Bank of Canada, of \$0.9963 Can\$/US\$, the balance of the August 2006 Note is convertible into 6,600,487 common shares of the Company. The March 2007 Note is convertible into 10,714,286 shares of the Company. See Related Party Transactions.

Description	Number of Shares	Book Value
Common shares	103,992,088	\$199,076,552
Common share options	4,261,750	995,070
Common shares issuable upon conversion of notes payable	17,314,773	2,520,983

RISKS AND UNCERTAINTIES

The Company is subject to significant risks in operating the business which may cause actual results to differ materially from the Company's expectations. Reference is made to the discussion of risk factors in the Company's 2006 annual report and in the 2006 Management's Discussion and Analysis, which is available electronically at www.sedar.com. In addition, the following risk factors could cause the Company's actual results to differ material from expectations:

Customer Concentration

The Company has traditionally had several large customers, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Company. At September 30, 2007, three customers accounted for 14%, 13% and 11% (2006 – 14%, 12% and 12%) of the total sales of the Company, respectively.

Foreign Exchange

The majority of the Company's products are priced in U.S. dollars and European Euros. Consequently, the Company's earnings and cash flows are sensitive to changes in exchange rates. The Company enters into foreign exchange contracts, from time to time, to hedge its foreign currency risk relating to certain cash flow exposures as appropriate. The counterparty to the contracts is a multinational commercial bank. The Company's forward exchange contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset losses and gains on transactions being hedged. However there is no assurance that such foreign exchange contracts will fully protect the Company against foreign exchange risks.

Energy Prices

The Company's operations are energy intensive. The Company addresses its supply of energy with attention to price, risk and security of supply. In the future, it is expected that energy costs will continue to be a major expense. Electricity and natural gas prices are expected to remain volatile and bias upward in cost and could have a material adverse effect on the financial position, results of operations and liquidity of the Company.

Environment

The Company is committed to the principles of an effective environment, safety and health management system. At September 30, 2007, the Company had accrued \$2.2 million for future site restoration and

closure costs related to its magnesium business. In view of the uncertainties concerning future removal and site restorations costs on Company properties, the ultimate costs to the Company could differ from the amounts estimated. The estimate for this future liability is subject to change based on amendments to applicable laws and legislation, the nature of ongoing operations, the timing of future closures and technological innovations. Future changes, if any, due to their nature and unpredictability would be reflected prospectively as a change in an accounting estimate and could have a material adverse effect on the financial position, results of operations and liquidity of the Company.

Magnesium Prices and Competition

The market price of magnesium has a significant impact on cash flows and earnings. In the past few years, foreign competition from China has greatly affected the price of magnesium. As a result, the Company has revised its sales strategy away from commodity magnesium products into magnesium extruded and fabricated products where it has competitive advantage, and margins are generally more stable. The Company purchases a majority of its magnesium feedstock and is subject to pricing cycles dictated by overall supply and demand for magnesium metal. The Company has contracted for the majority of its magnesium supply for 2007 to reduce its exposure to swings in the commodity price of magnesium. However there is no assurance that such supply contracts will fully protect the Company against magnesium supply or pricing risks. The Company purchases magnesium in U.S. dollars, but is subject to pricing adjustments based on the exchange rate between the US dollar and the Chinese Renminbi for a portion of its magnesium purchases.

Silicon Metal Prices and Competition

The Company's silicon metal business, excluding solar grade silicon, is involved in the sale of commodities: ferrosilicon and silicon metal. Revenues, earnings and cash flows from the sale of these products are sensitive to changes in market prices, over which the Company has little or no control. The Company reduces the business cycle risks inherent in its commodity operations through industry diversifications. In order to manage price volatility related to these products, the Company enters into contractual arrangements to fix the prices for fixed periods, generally a calendar year, where possible. To the extent that the Company is unable to reduce its exposure to such commodity price risks, decrease in prices for ferrosilicon and silicon metal would have a material adverse effect on the financial position, results of operations and liquidity of the Company.

With respect to the solar grade silicon produced by the silicon metal business, the Company has entered into three long term contracts that fix the selling price of solar grade silicon to be delivered under these contracts. As the Company expands its solar grade silicon capacity it will enter into price negotiations with additional prospective buyers, which will reflect the market price of solar grade silicon at that point in time. There is a risk that the price of solar grade silicon will decline as more capacity is built by the Company and its competitors, and that such a price decline on incremental volumes could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Coal Prices

The market price of coal is one of the most significant factors influencing cash flows and earnings of the Company. Coal is used by the Company's silicon metal business to produce silicon metal. In the past few years, coal has greatly increased in price. To the extent that the Company is unable to recover the coal price increases from its customers through higher selling prices of silicon metal or to negotiate lower purchase prices such a higher coal price could have a material adverse effect on the Company's financial position, results of operations and liquidity. The Company purchases coal in U.S. dollars to help offset the total exposure of the Company to U.S. dollar revenues.

Expansion of Bécancour Solar Grade Silicon Business

The Company is investing significant resources and efforts in expanding its solar grade silicon business. In order to succeed in the planned expansion activities, the Company will need to devote capital expenditures as well as management time and related resources to the solar grade silicon business. This could disrupt the Company's other existing businesses, affect operating results and distract the management team. Pursuing additional business in the solar grade silicon market is also subject to additional risks, including refining and adapting manufacturing technologies, developing demand for and

market acceptance of products, and establishing and maintaining sufficient internal research and development, sales, production and customer service infrastructures to support these efforts. There is no assurance that the Company will be able to successfully expand its solar grade silicon business.

Expansion of Bécancour Solar Grade Silicon Production Facilities

Bécancour is proceeding with an expansion of its production facilities to raise its capacity to produce solar grade silicon, from 300 metric tons per year to 3,600 metric tons per year. This expansion involves significant risks to the solar grade silicon business, including: potential delays in construction and commissioning of equipment; technology risk related to the scaling up of the capacity from 300 metric tons to 3,600 metric tons per year; delivery risk related to the ability of customers to take contracted volumes in the expected timeframes; and price risk related to the potential for the market price for solar grade silicon not being maintained at current levels due to increased competition or supply.

Long-Term Commercial Contracts for Solar Grade Silicon

Bécancour has executed three long-term commercial contracts with three separate customers for the supply of high purity solar grade silicon. Under these contracts, Bécancour has agreed to supply, and the customers have undertaken to buy, certain volumes of solar grade silicon at agreed fixed prices during the term, which is generally over the next five years. An inability of Bécancour to satisfy the volume requirements under these contracts or a shortfall in the actual volumes purchased by these customers could have a material adverse effect on the financial position, results of operations and liquidity of the Corporation.

These long-term commercial contracts also require that the parties agree upon the final specifications for the solar grade silicon to be supplied, based on targeted maximum impurity levels. The contracts also contemplate that Bécancour will attempt to achieve higher purity (lower impurity) levels, and that the parties will negotiate prices for such improved solar grade silicon, if achieved. Bécancour intends to focus its efforts on achieving such higher purity level, thereby allowing Bécancour to negotiate a higher selling price with its customers. However, a failure of Bécancour to reach agreement with any of its customers regarding the exact specifications for the solar grade silicon to be supplied could cause the termination of the contract with such customers. There is no assurance that Bécancour will be able to finalize the specifications with its customers. A termination of any of the long-term commercial contracts could have a material adverse effect of the financial position, results of operations and liquidity of the Company.

Improvements in Purity of Solar Grade Silicon

Bécancour is currently able to produce solar grade silicon at a purity level of 99.999%, or "five nines", which is acceptable to its existing customers. The Company believes that it may be able to achieve a higher purity level, which could enhance the Company's competitive advantage and may allow for increased selling prices and margins for its solar grade silicon business. The Company intends to invest certain resources, including a portion of the net proceeds of the September 2007 offering, in an effort to achieve this objective. However, there is no assurance that the Company will achieve any higher purity level for its solar grade silicon. Any inability of the Company to improve the purity of its solar grade silicon could result in the Company being unable to attract new customers or retain existing customers, which in turn could have a material adverse effect on the financial position, results of operations and liquidity of the Company.

Intellectual Property Risk

The success of the Company's business depends in part on the protection of its intellectual property rights, including proprietary technology, information, processes and know how. Such protection is based on trade secrets and patents, including patents pending in respect of Bécancour's proprietary manufacturing process for the production of solar grade silicon. There is no assurance, however, that the Company has adequately protected or will be able to adequately protect its valuable intellectual property rights, that competitors will not be able to utilize such rights or develop similar technology, processes or know how independently, that the claims allowed with respect to any patents pending or held by the Company will be broad enough to protect its valuable intellectual property rights, or that foreign intellectual property laws will adequately protect such rights.

Policies and Procedures

The Company maintains procedures, which are designed to ensure compliance with its internal policies. The Company's business is in the process of re-evaluating its internal policies and procedures including its disclosure and trading, conflict of interest, and authorization levels policies. There is no assurance that the Company's implementation of these policies and procedures will ensure compliance and the failure to comply with such policies and procedures could have a material adverse affect on the Company's activities.

Controlling Shareholder

AMG, through its 50.6% ownership interest in the Company's common shares, has the ability to influence the strategic direction and policies of the Company, including any merger, consolidation or sale of all or substantially all of its assets, and the election and composition of the board of directors of the Company. Two of the seven members of the current board of directors of the Company are senior executives of AMG, and another one director of the Company is a member of the supervisory board of AMG.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting year. Due to the inherent uncertainty involved with making such estimates, actual results reported in future periods could differ from those estimates. Significant estimates include the following:

Pension Return and Discount Rates

The estimated return and discount rate affect the pension expense and liability. These estimates are made with the assistance of the Company's actuaries to ensure that the estimates are reasonable and consistent with those of other Companies in our industry. The estimated return on plan assets is subject to change on an annual basis based on the anticipated returns of the plan assets, the return of equities and fixed income securities held by the plan and the performance of public securities markets. The discount rate is subject to change based on the age and changes in composition of the plan members and long term bond rates. A one percent change in either rate would have a material impact on the pension liability.

Asset Retirement Obligations

The Company's asset retirement obligations involve various estimates of the cost of a variety of activities often many years in the future. The Company engages independent consultants to assist in the estimation of closure and remediation costs. Furthermore, the asset retirement obligation is a discounted balance. Currently the Company discounts the estimated cash flows at 9%. A 1% change in the discount rate will change the obligation by approximately \$0.1 million.

ADOPTION OF ACCOUNTING STANDARDS

On January 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook: Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation* and Section 3865, *Hedges*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with generally accepted accounting principles. The adoption of these standards resulted in a charge of \$0.4 million to retained earnings to expense deferred financing costs previously being expensed over the life of the banking agreement. Below please find a description of the impact of the new recommendations:

Comprehensive Income

The Company's comprehensive loss is composed of net loss and other comprehensive loss ("OCL"). OCL includes the deferred loss on the foreign exchange forward contracts (see discussion under "Hedges" below) and their reclassification in the statements of operations during the period, as well as the foreign currency loss on the Company's investment in Fundo Wheels AS.

Equity

Accumulated other comprehensive income ("AOCI") is included on the consolidated balance sheet as a separate component of shareholders' equity.

Hedges

Section 3865 of the CICA Handbook specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the hedging relationship ceases to be effective, when the hedging item or hedged item ceases to exist and when the entity terminates its designation of the hedging relationship. The Company does not have any forward contracts accounted for as hedges as at September 30, 2007. As at December 31, 2006, the Company accounted for its forward currency contracts using hedge accounting under Accounting Guideline 13 ("AcG 13"). As at January 1, 2007, the Company discontinued accounting for forward contracts under AcG 13. The deferred loss on the hedging item as at January 1, 2007 was transferred to accumulated other comprehensive loss and reclassified to the statement of operations when the hedged item affected the statement of operations in the period. Future changes in fair value (subsequent to January 1, 2007) of the Company's forward contracts will be recorded in foreign exchange gain/loss on the statement of operations and the forward contracts will be recorded at fair value as a prepaid item. As at September 30, 2007, the fair value loss on currency forward contracts was nil.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has established and maintains disclosure controls and procedures and internal controls over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of September 30, 2007, and have concluded that such controls and procedures are adequate and effective to ensure accurate and complete disclosures in annual and interim filings. To the date of this MD&A, there have not been any changes that materially affect, or are likely to affect, the issuer's internal controls over financial reporting.

OUTLOOK

During the quarter, the Company was able to raise funds for an anticipated expansion of the solar grade silicon production capacity to ensure that the solar grade silicon facility under construction in Bécancour will be able to be built with sufficient capacity to meet growing demand for our solar grade silicon. Furthermore, the Company has been able to retire its bank debt, both revolving and term, which will result in interest expense savings of more than \$1 million dollars when compared to 2006.

Despite these positive events, operations of both the Magnesium Group and the Silicon Group continue to face challenges. For the Silicon Group, the first three quarters of 2007 have been operationally challenging. Furnace efficiency and a strong Canadian dollar have reduced margins significantly. On a positive note, demand for silicon metal and solar grade silicon is robust. Pricing for the Group's traditional silicon metal products in 2008 should see an increase of approximately 20%, while demand for solar grade silicon products remains strong. For the balance of 2007, the Silicon Group has two main priorities: keep the construction of the solar grade silicon facility on schedule and restore profitability to the silicon metal business. Both of these goals are very important to the Company and its stakeholders and are the primary focus of the Group's management.

During the third quarter, the Magnesium Group faced a difficult economic environment with the strong Canadian dollar and a weakening US economy. The weakened housing sector in the US depressed demand for the Magnesium Group's concrete tools and water heater products. The Magnesium Group

continues to pursue cost reduction opportunities throughout its organization in order to deal with the rising cost of magnesium and to improve profitability. The Magnesium Group has a new President and Vice President of Sales and is focused on obtaining a long term, low cost supply of magnesium.

During the quarter the Company extended its financial support of Fundo Wheels through subscription of \$2.0 million of convertible debt. Fundo management continues to focus its attention on increasing the efficiency of its operation in an environment of rising aluminium prices and a weakened auto sector. Fundo has developed and is in prototype production of a unique new hybrid aluminium wheel that has gained attention of European automobile manufacturers as well as competitive wheel suppliers. Fundo's strategy is to convert this interest into meaningful investment by an auto industry participant that will enable Fundo to fully exploit this new technology. The Company is fully supportive of Fundo's strategy to broaden the shareholder and financing base of Fundo.

The Company continues to believe, despite operational issues, that significant long-term value has been created to date in 2007 through the Company's solar grade silicon strategy, including creation of a small scale production facility, establishment of long-term customer relationships, and financing and building a new solar grade silicon manufacturing facility. Management of operations, maintaining high product quality and customer service and execution of the solar grade silicon strategy will be the key to a successful fourth quarter and 2008.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements as defined under applicable securities laws. These forward-looking statements relate to the future financial condition, results of operations or business of the Company. These statements may be current expectations and estimates about the operating, environment, economics and markets in which the Company operates and management's beliefs and assumptions regarding these markets. These statements are subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking statements contained in this MD&A may differ materially from actual results or events. Some of the factors that could cause results or events to differ materially from current expectations are discussed under the section "**Risks and Uncertainties**" and other cautionary factors are outlined elsewhere in this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

QUARTERLY FINANCIAL INFORMATION

(000's except per share data)

	Three Months Ended (unaudited)				Year Ended (audited)
	June 30, 2007	June 30, 2006	September 30, 2007	September 30, 2006	December 31, 2006
Sales	\$41,202	\$41,213	\$43,033	\$44,065	176,238
Gross margin	2,952	2,516	3,095	4,119	12,492
Net income (loss)	(1,502)	(2,524)	(4,579)	(3,105)	(46,233)
Earnings (loss) per common share, basic and diluted	(0.02)	(0.03)	(0.05)	(0.04)	(0.62)
Total assets	115,047	149,127	186,865	149,760	113,002
Total bank debt	9,744	29,268	327	33,268	30,598
Total long term liabilities	22,903	26,744	22,673	23,282	22,754
Weighted average number of common shares outstanding, basic and diluted	86,913	75,133	93,932	75,133	75,133

(000's except per share data)

	Three Months Ended (unaudited)				Year Ended (audited)
	December 31, 2006	December 31, 2005	March 31, 2007	March 31, 2006	December 31, 2005
Sales	46,036	\$42,756	\$41,695	\$44,924	184,348
Gross margin	1,693	3,348	3,047	4,164	17,496
Net income (loss)	(38,733)	(6,572)	(3,119)	(1,871)	(15,795)
Earnings (loss) per common share, basic and diluted	(0.53)	(0.09)	(0.04)	(0.02)	(0.22)
Total assets	113,002	154,188	102,796	151,014	154,188
Total bank debt	30,598	31,851	23,115	30,029	31,851
Total long term liabilities	22,754	26,721	22,838	26,682	26,721
Weighted average number of common shares outstanding, basic and diluted	75,133	75,133	75,133	75,133	72,848

(1) No dividends were paid during 2005, 2006 or 2007.

OTHER INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available at www.sedar.com.

Timminco Limited

Consolidated Balance Sheets

	September 30 2007 (unaudited)	As at December 31 2006
<i>(in thousands of Canadian dollars)</i>		
ASSETS		
Current Assets		
Cash	\$ 60,926	\$ 804
Accounts receivable	23,885	19,834
Inventories	29,516	33,830
Prepaid expenses and deposits	1,898	2,160
Future income taxes	225	225
	<u>116,450</u>	<u>56,853</u>
Long term receivables	112	135
Convertible note receivable (Note 3)	2,051	-
Property, plant and equipment	30,620	18,280
Investment in Fundo Wheels AS (Note 3)	8,313	9,173
Employee future benefits	2,437	2,034
Deferred financing costs	-	526
Future income taxes	3,549	3,431
Intangible assets (Note 10)	5,025	4,262
Goodwill	18,308	18,308
	<u>\$ 186,865</u>	<u>\$ 113,002</u>
LIABILITIES		
Current Liabilities		
Bank indebtedness (Note 5 and 13)	\$ 327	\$ 26,243
Accounts payable and accrued liabilities	24,642	25,062
Term bank debt (Note 5 and 13)	-	4,355
Due to affiliated companies (Note 4 and 6)	5,118	5,497
Future income taxes	183	-
Current portion of long term provisions (Note 11)	1,900	2,863
	<u>32,170</u>	<u>64,020</u>
Loan - other	171	202
Employee future benefits	17,993	17,508
Future income taxes	1,234	1,324
Long term provisions	3,275	3,720
	<u>54,843</u>	<u>86,774</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	199,089	84,191
Equity component of convertible notes (Note 4 and 6)	2,521	1,693
Contributed surplus	3,177	3,192
Deficit	(72,131)	(62,490)
Accumulated other comprehensive loss (Note 2 and 9)	(634)	(358)
	<u>132,022</u>	<u>26,228</u>
	<u>\$ 186,865</u>	<u>\$ 113,002</u>

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

Timminco Limited
Consolidated Statements of Operations, Comprehensive Loss and Deficit

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
<i>(in thousands of Canadian dollars, except for earnings per share information)</i>				
Sales	\$ 43,033	\$ 44,065	\$ 125,930	\$ 130,202
Expenses				
Cost of goods sold	39,938	39,946	116,836	119,403
Selling and administrative	4,666	3,161	11,990	10,087
Amortization of property, plant and equipment	828	1,502	2,160	4,678
Amortization of intangible assets	138	138	413	413
Amortization of deferred financing costs	-	104	-	311
Interest	546	938	2,111	2,384
Foreign exchange (gain) loss	559	(20)	(884)	(2,485)
Loss before the undernoted	(3,642)	(1,704)	(6,696)	(4,589)
Gain on sale of property, plant and equipment	10	5	41	120
Reorganization costs	-	(51)	(34)	(79)
Equity loss of Fundo Wheels AS	(1,295)	(1,263)	(2,422)	(2,741)
Loss before income taxes	(4,927)	(3,013)	(9,111)	(7,289)
Income taxes				
Current	(24)	6	163	220
Future	(324)	86	(74)	(9)
	(348)	92	89	211
Net loss	\$ (4,579)	\$ (3,105)	\$ (9,200)	\$ (7,500)
Other Comprehensive Loss, net of income taxes				
Loss on foreign exchange forwards realized in the period	-	-	1,086	-
Unrealized gain (loss) on translating financial statement of self-sustaining foreign operation - Fundo Wheels AS	145	(280)	(276)	8
Comprehensive Loss	\$ (4,434)	\$ (3,385)	\$ (8,390)	\$ (7,492)
Loss per common share - basic and diluted	\$ (0.05)	\$ (0.04)	\$ (0.11)	\$ (0.10)
Weighted average number of common shares outstanding - basic and diluted (Note 6 (b))	93,932,352	75,132,614	85,396,245	75,132,614

Consolidated Statements of Deficit

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
<i>(in thousands of Canadian dollars)</i>				
Deficit at beginning of period	\$ (67,552)	\$ (20,652)	\$ (62,490)	\$ (16,257)
Net loss	(4,579)	(3,105)	(9,200)	(7,500)
Adjustment for changes in accounting policy (Note 2)	-	-	(441)	-
Deficit at end of period	\$ (72,131)	\$ (23,757)	\$ (72,131)	\$ (23,757)

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

Timminco Limited

Consolidated Statements of Cash Flows
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
<i>(in thousands of Canadian dollars)</i>				
Cash flows from operating activities				
Net loss	\$ (4,579)	\$ (3,105)	\$ (9,200)	\$ (7,500)
Adjustments for items not requiring cash				
Amortization of property, plant and equipment	828	1,502	2,160	4,678
Amortization of intangible assets	138	138	413	413
Amortization of deferred financing costs	-	104	-	311
Stock based compensation	126	117	360	352
Reorganization costs	-	51	34	79
Benefits plan expense	819	803	2,214	2,297
Gain on disposal of property, plant and equipment	(10)	(5)	(41)	(120)
Future income taxes	(272)	86	60	61
Equity loss of Fundo Wheels AS	1,295	1,263	2,422	2,741
Defined benefit pension plan contributions	(1,010)	(495)	(2,132)	(1,862)
Expenditures charged against provision for reorganization	(297)	(361)	(1,358)	(1,530)
Expenditures charged against other long term provisions	(47)	(3)	(84)	(56)
Change in non-cash working capital items				
(Increase) decrease in accounts receivable	(4,662)	(3,597)	(4,051)	(2,693)
(Increase) decrease in inventories	1,756	483	4,314	(122)
(Increase) decrease in prepaid expenses and deposits	(207)	307	262	237
Increase (decrease) in accounts payable and accrued liabilities	1,904	(3,507)	(420)	(3,294)
	<u>(4,218)</u>	<u>(6,219)</u>	<u>(5,047)</u>	<u>(6,008)</u>
Cash flows from investing activities				
Capital expenditures	(8,021)	(1,214)	(15,211)	(3,376)
Development costs capitalized (Note 10)	-	-	(1,176)	-
Investment in Fundo Wheels AS (Note 3 and 4)	(15)	-	(1,838)	-
Investment in convertible note (Note 3)	(2,051)	-	(2,051)	-
Decrease in long term receivables	8	20	23	65
Proceeds on disposal of property, plant and equipment	10	5	774	120
Other	20	(6)	(22)	(257)
	<u>(10,049)</u>	<u>(1,195)</u>	<u>(19,501)</u>	<u>(3,448)</u>
Cash flows from financing activities				
(Decrease) increase in bank indebtedness	(6,055)	4,337	(25,916)	2,407
Decrease in term bank debt	(3,375)	(337)	(4,386)	(990)
(Decrease) increase in loans from affiliated companies	(78)	3,422	3,054	5,714
Expenditures charged against deferred financing costs	-	(56)	-	(115)
Issuance of capital stock	83,943	-	111,918	-
	<u>74,435</u>	<u>7,366</u>	<u>84,670</u>	<u>7,016</u>
Increase (decrease) in cash	60,168	(48)	60,122	(2,440)
Cash at beginning of period	758	88	804	2,480
Cash at end of period	\$ <u>60,926</u>	\$ <u>40</u>	\$ <u>60,926</u>	\$ <u>40</u>
Supplemental information				
Cash paid during the period:				
Interest	\$ <u>387</u>	\$ <u>808</u>	\$ <u>1,656</u>	\$ <u>2,231</u>
Income taxes	\$ <u>100</u>	\$ <u>78</u>	\$ <u>234</u>	\$ <u>729</u>

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

Timminco Limited
Notes to the Interim Consolidated Financial Statements
For the quarter ended September 30, 2007 and 2006
Unaudited

The notes presented in these interim consolidated financial statements refer to only significant events and transactions since December 31, 2006 and are not fully inclusive of all matters normally disclosed in the Company's annual audited financial statements including the disclosures required by Canadian Generally Accepted Accounting Principles ("GAAP"). Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006.

1. NATURE OF OPERATIONS

Timminco Limited (the "Company" or "Timminco") is a global supplier of silicon metal for the electronics, chemical and aluminum industries and solar grade silicon for the solar industry. Other businesses include the production and marketing of magnesium, calcium and strontium alloys and magnesium extruded and fabricated products. Timminco's products are used in a broad range of specialized industrial applications and industries. The Company manages its business along two principal business segments, the production and sale of silicon based metals, the Silicon Group and the production and sale of specialty non-ferrous metals, the Magnesium Group. AMG Advanced Metallurgical Group N.V. ("AMG") is the controlling shareholder of the Company.

2. CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING CHANGES

These interim consolidated financial statements have been prepared using the same accounting policies and methods as were used for the consolidated financial statements for the year ended December 31, 2006, except for the following new accounting pronouncements which have been adopted effective January 1, 2007:

On January 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook: Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation* and Section 3865, *Hedges*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of the following five categories: held-for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is derecognized or impaired. As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Foreign forward exchange contracts, included in prepaid expenses and deposits, are classified as held-for-trading. The Company's investment in Fundo Wheels AS is accounted for under the equity method. Unrealized gains and losses from the translation into Canadian dollars of this equity investment are now presented as a separate component of other comprehensive income (loss). In accordance with Section 3251, accumulated other comprehensive income (loss) is presented as a separate component of shareholders' equity in the Consolidated Balance Sheets. Previously, these gains and losses were deferred and included in the foreign currency translation adjustment as part of shareholders' equity. Accounts payable and accruals and short-term debt, including interest payable, are classified as other financial liabilities. The principal changes in the accounting for financial instruments and hedging relationships due to the adoption of these accounting standards are described below.

Comprehensive Income

The Company's comprehensive loss is composed of net loss and other comprehensive loss ("OCL"). OCL includes the deferred loss on the foreign exchange forward contracts (see discussion under "Hedges" below) and their reclassification in the statements of operations during the period, as well as the foreign currency loss on the Company's investment in Fundo Wheels AS.

Equity

Accumulated other comprehensive income ("AOCI") is included on the consolidated balance sheet as a separate component of shareholders' equity.

Derivatives

Derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. Non-financial derivatives are carried at fair value unless exempted from derivative treatment as a normal purchase and sale. The Company has reviewed all significant contractual arrangements and determined there are no material non-financial derivatives that need to be carried at fair value.

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative; and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in interest and other expenses, net. These embedded derivatives are measured at fair value with changes therein recognized in interest and other expenses, net. The Company selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at September 30, 2007, the Company does not have any outstanding contracts or financial instruments with embedded derivatives that require bifurcation. The Company has chosen, as a matter of accounting policy, not to account for embedded foreign currency derivatives in host contracts that are not financial instruments separately from the host contracts when the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment is that currency in which the transaction takes place.

Transaction costs

Transaction costs directly attributable to the issuance of long-term debt are now expensed. Previously, these amounts were deferred and amortized using the straight line method over the term of the debt. During the first quarter, \$0.4 million of transaction costs were recognized as an adjustment of the balance of retained earnings at the beginning of the period due to the adoption of this accounting policy.

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Hedges

Section 3865 of the CICA Handbook specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the hedging relationship ceases to be effective, when the hedging item or hedged item ceases to exist and when the entity terminates its designation of the hedging relationship. The Company does not have any forward contracts accounted for as hedges as at September 30, 2007. As at December 31, 2006, the Company accounted for its forward currency contracts using hedge accounting under Accounting Guideline 13 ("AcG 13"). As at January 1, 2007, the Company discontinued accounting for forward contracts under AcG 13. The deferred loss on the hedging item as at January 1, 2007 was transferred to accumulated other comprehensive loss and reclassified to the statement of operations when the hedged item affected the statement of operations in the period. Future changes in fair value (subsequent to January 1, 2007) of the Company's forward contracts will be recorded in foreign exchange gain/loss on the statement of operations and the forward contracts will be recorded at fair value as a prepaid item. As at September 30, 2007, the fair value loss on currency forward contracts was nil.

Transitional adjustment

Adoption of these standards was on a prospective basis without retroactive restatement of prior periods, except for the restatement of equity balances to reflect the reclassification of "Foreign currency translation adjustments" to "Accumulated other comprehensive income".

ACCOUNTING CHANGES

Effective January 1, 2007, the Company has adopted the new recommendations of the CICA Handbook Section 1506, Accounting Changes. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and or relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but are not yet effective. The impact that the adoption of this section will have on the Company's financial statements will depend on the nature of future accounting changes and the required additional disclosure on Recent Accounting Pronouncements as noted below.

Recent Accounting Pronouncements

Recent accounting pronouncements issued and not yet effective:

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in its financial statements.

Financial Instruments Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures, increases the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact of the adoption of this change on the disclosure in its financial statements.

Financial Instruments Presentation

CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2008. The Company does not expect the adoption of this standard to have a material impact on presentation in its financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for the Company for interim and annual financial statements beginning January 1, 2008. The Company does not expect the adoption of these changes to have an impact on its financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

Inventories

The new Section 3031 "Inventories", was issued in June 2007 and replaces existing Section 3030 of the same title. It provides guidance with respect to the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula. Techniques used for the measurement of cost of inventories, such as the retail method or standard cost method, may be used for convenience if the results approximate cost. The new standard also requires additional disclosures including the accounting policies used in measuring

inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses. This standard is effective for fiscal years beginning on or after January 1, 2008. The difference in the measurement of opening inventory may be applied to the opening inventory for the period, with an adjustment to opening retained earnings with no prior periods restated, or retrospectively with a restatement to prior periods in accordance with Section 1506 "Accounting Changes". The standard is applicable to the Company for the first quarter of 2008. The Company is currently assessing the implications of this standard to identify differences between the current accounting and the new guidance in the standard.

3. INVESTMENT IN FUNDO WHEELS AS AND CONVERTIBLE NOTE

Fundo Wheels AS ("Fundo"), a Norwegian company with operations located in Hoyanger, Norway, is an original equipment manufacturer of cast aluminium wheels for high end European car manufacturers. On March 22, 2004, the Company acquired 100% of the shares of Nor-Wheels AS ("Nor-Wheels"), a Norwegian Company that holds a 24.4% interest in Fundo for \$6,276,000.

Nor-Wheels became a subsidiary of Timminco and assumed the Company's rights and obligations under the Call Option and Fees Agreement and other existing agreements with the controlling shareholder of Fundo, which is the Community of Hoyanger (the "Community"). As at September 30, 2007, the Community owns approximately 53% of Fundo. The Company accounts for the Fundo investment under the equity method. The acquisition of the equity interest did not create any purchase discrepancy.

On May 25, 2005, the Company acquired an additional 726 shares of Fundo from an unrelated third party. The purchase price was satisfied by the issuance of 5,750,000 common shares of the Company from treasury, valued at \$4,393,000. The value was determined using the weighted average share price for the two days before and after the transaction announcement. The acquisition of the equity interest did not create any purchase discrepancy. As a result of the transaction, the Company's ownership interest increased from 24.4% to 47% of Fundo.

In December 2006, the Company acquired an additional 264 shares of Fundo from treasury for \$1,058,000. The Community also invested in Fundo such that the Company's ownership interest remained at 47%. The acquisition of the interest did not create any purchase discrepancy.

In March 2007, the Company acquired an additional 453 shares of Fundo from treasury for \$1,823,000. The Community also invested in Fundo such that the Company's ownership interest remained at 47%. The acquisition of the interest did not create any purchase discrepancy.

On September 10, 2007, the Company loaned Fundo \$2.0 million to assist Fundo with its working capital requirements. The loan is due December 31, 2010, bears interest at three month NIBOR plus 4% and is to be repaid in instalments commencing September 30, 2009. The loan is secured by a charge against Fundo's land, buildings and equipment and is subordinate to Fundo's bank debt. The loan is convertible into shares of Fundo at the Company's option at Fundo's book value on the date the loan was granted or on the date of conversion at the Company's option. The conversion of the loan is restricted such that the Company cannot exceed ownership of 49.9% of Fundo through the conversion of this loan.

Also on September 10, 2007, Fundo's shareholders agreed to terminate the call option that Nor-Wheels had in respect of the Community's shares in Fundo and the put option that the Community had in respect of its shares in Fundo.

4. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2007, Safeguard International Fund, L.P. ("Safeguard") transferred all of its common shares of the Company to AMG. On July 11, 2007, AMG completed its initial public offering, with a secondary offering by Safeguard of a portion of its shares of AMG. The shares of AMG are listed on the Euronext Amsterdam stock exchange.

On March 1, 2007, ALD International L.L.C. ("ALD International"), an affiliate of Safeguard, loaned \$4.5 million to the Company to expedite product development and to fund its further investment in Fundo. The loan, which is in the form of a convertible promissory note and is secured against certain assets of the Company, is repayable on demand, and bears interest at the U.S. prime rate plus 1%. The loan and related security are subordinate to the indebtedness and the security provided by the Company's senior lender, Bank of America, N.A. Under the terms of the loan, ALD International has the option to convert the whole or any part of the outstanding principal amount at any time into common shares of the Company at a conversion rate of \$0.42 per common share.

On April 26, 2007, ALD International exercised its right to convert the entire principal amount outstanding under the US\$2.0 million convertible promissory note issued March 7, 2006 into 5,601,000 common shares of the Company at a conversion rate of Cdn\$0.40 per common share. The Canadian dollar equivalent of the United States dollars comprised in the principal amount of the note was \$2.24 million. ALD International subsequently transferred all such shares to AMG.

On July 23, 2007, Safeguard exercised its right to convert US\$350,000 of the principal amount outstanding under the US\$3.0 million convertible promissory note issued August 31, 2006 into 913,500 common shares of the Company at a conversion rate of Cdn\$0.40 per common share. The Canadian dollar equivalent of the United States dollars converted was \$0.37 million. Pursuant to an agreement among AMG, Safeguard and ALD International, all of the issued shares were issued directly to AMG (See Note 6).

5. BANK DEBT

- (a) Bank debt at September 30, 2007 and December 31, 2006 was comprised as follows:

(000's)	September 30, 2007	December 31, 2006
Bank indebtedness	\$ 327	\$ 26,243
Current portion of long term bank debt	-	4,355
	<u>\$ 327</u>	<u>\$ 30,598</u>

At September 30, 2007, total bank debt denominated in US dollars amounted to US\$0.1 million (December 31, 2006 - US\$27.3 million).

- (b) As at March 31, 2006, the Company was in compliance with its covenants under its credit facility and banking agreement dated April 15, 2005 (the "Credit Agreement") with Bank of America, N.A. (the "Bank"). As at June 30, 2006, the covenants in the Credit Agreement were amended by requiring the Company to maintain minimum levels of earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined by the Credit Agreement and limiting the amount of capital expenditures. Both the EBITDA and capital expenditure requirements were to be measured at June 30, September 30 and December 31, 2006. As at December 31, 2006, such covenants were further amended such that the Company was in compliance. The Bank also amended the covenants for fiscal 2007; for the first three quarters of 2007, the Company was required to meet certain EBITDA levels and submit to certain limits on capital spending. The revised covenants for 2007 were based on the Company's 2007 budget. As at March 31, June 30 and September 30, 2007, such covenants were further amended such that the Company was in compliance with its covenants under the Credit Agreement as at those dates.

Furthermore, the Credit Agreement was amended in 2006 to expand the Company's borrowing base by a maximum of US\$1.3 million through the inclusion of receivables from Australia, Japan and Mexico into the borrowing base formula. These receivables were previously considered ineligible by the Bank. This increase in borrowing base is a temporary relief expiring on November 30, 2007.

6. CAPITAL STOCK

- (a) Authorized: unlimited number of Class A and Class B preference shares, issuable in series and having such rights, privileges, restrictions and conditions as may be approved by the Board of Directors of the Company.

Issued: none

- (b) Authorized: unlimited number of common shares. Holders of common shares are entitled to one vote for each share.

Issued capital is:

	Common Shares	
	No. of Shares	Amount (000's)
Balance as at January 1	75,132,614	\$ 84,191
Common share offering April 30 (Note 6(b))	11,500,000	27,811
Common share offering September 27 (Note 6(b))	10,150,474	83,562
Conversion of notes (Note 4 and 6(b))	6,514,500	2,606
Stock options exercised	622,250	919
Balance as at September 30, 2007	<u>103,919,838</u>	<u>\$ 199,089</u>

During March 2006, the warrants related to the Company's private placement, which occurred during March 2004, expired. The balance of \$1.4 million was added to contributed surplus.

On March 7, 2006, the Company borrowed US\$2 million from an affiliate of Safeguard, the Company's controlling shareholder. On April 26, 2007, Safeguard gave written notice to the Company that it was exercising its right to convert the entire principal amount outstanding under this note into 5,601,000 common shares of the Company at a conversion rate of Cdn\$0.40 per common share. The Canadian dollar equivalent of the United States dollars comprised in the principal amount of the note was \$2.24 million.

On September 5, 2006, (the "August 2006 Note") the Company borrowed US\$3 million from Safeguard (See Note 4). The loan may be settled, at the lender's option, in cash or shares at \$0.40 per share, or a combination of cash and shares. The lender's option to settle the debt in shares has been fair valued separately from the debt using the Black-Scholes option pricing model. Accordingly, the transaction was recorded as \$2.4 million as Due to an affiliate in current liabilities and \$0.9 million as Equity component of convertible note in shareholders' equity. The following assumptions were used to calculate the fair value of the equity component: expected dividend yield of 0%, expected stock volatility of 63%, risk free rate of 4.0% and expected life of 3.6 years. The expected life of the debt coincides with the maturity of the Bank of America agreement including the optional renewal period, to which the debt is subordinate.

On March 1, 2007, (the "March 2007 Note") the Company borrowed \$4.5 million from ALD International (See Note 4). Under the terms of the loan, Safeguard, through its affiliate, has the option to convert the whole or any part of the outstanding principal amount at any time into common shares of the Company at a conversion rate of \$0.42 per common share. The lender's option to settle the debt in shares has been fair valued separately from the debt using the Black-Scholes option pricing model. Accordingly, the transaction was recorded as \$2.8 million as Due to an affiliate in current liabilities and \$1.7 million as Equity component of convertible note in shareholders' equity. The following assumptions were used to calculate the fair value of the equity component: expected dividend yield of 0%, expected stock volatility of 65%, risk free rate of 3.96% and expected life of 3.2 years. The expected life of the debt coincides with the maturity of the Bank of America agreement including the optional renewal period, to which the debt is subordinate.

On April 30, 2007, the Company completed a public offering of 10,000,000 common shares at a price of \$2.60 per common share for gross proceeds of \$26.0 million. The offering was sold on a bought deal basis. The Underwriters also exercised their over-allotment option in full and purchased an additional 1,500,000 common shares at a price of \$2.60 per common share for gross proceeds of \$3.9 million. The total gross proceeds of the Offering was \$29.9 million.

On June 21, 2007, AMG entered into an option agreement with Safeguard and ALD International relating to common shares of the Company (the "AMG Call Option Agreement"). Pursuant to this agreement, each time Safeguard or ALD International exercises in whole or in part its conversion right respectively under the August 2006 Note or the March 2007 Note, AMG has the right, and must use its reasonable endeavours, to exercise an option requiring Safeguard or ALD International, as applicable, to instruct the Company to issue the common shares issuable on the conversion directly to AMG. On any exercise of this option AMG must pay to Safeguard or ALD International, as applicable, a sum of cash equal to the closing market price for the common shares of the Company over which it is exercising the option.

On July 23, 2007, Safeguard exercised its option to acquire 913,500 Timminco common shares through the conversion of US\$350,000 principal amount of its US\$3.0 million Promissory Note dated August 31, 2006. Such shares were issued directly to AMG pursuant to the AMG Call Option Agreement (See Note 4).

On September 27, 2007, the Company completed a public offering of 4,360,291 common shares at a price of \$8.50 per common share for gross proceeds of \$37.1 million. The public offering was sold on a bought deal basis. The Underwriters also exercised their over-allotment option in full and purchased an additional 654,043 common shares at a price of \$8.50 per common share for gross proceeds of \$5.6 million. The total gross proceeds of the offering was \$42.6 million. Concurrently with the public offering, the Company completed a private placement to AMG of 5,136,140 common shares at a price of \$8.50 per common share for gross proceeds of \$43.7 million. Net proceeds from the public offering and private placement will be used primarily for significant production capacity expansion for solar grade silicon at the Company's manufacturing facility located in Bécancour, Québec, and to further the Company's objective to increase the purity of its solar grade silicon production. The balance of the net proceeds was used for repayment of bank debt and general corporate purposes.

- (c) The Company's shares rank in the priority of Class A and Class B preference shares and then common shares with respect to the payment of dividends and the return of capital.
- (d) Stock options have been granted to certain key employees and directors to purchase common shares of the Company subject to various vesting requirements. During 2004, the Company established a Share Option Plan (the "Plan") which supersedes the Stock Option Plan for Directors and Key Employees. Under the Plan, options are granted at the discretion of the Board at an exercise price equal to the closing price of the common shares on the Toronto Stock Exchange on the last trading day preceding the day of grant. The options vest equally over a four year period, with the initial 25% vesting after one year. The options have a life of seven years. On May 31, 2007, the shareholders of Timminco agreed to an increase in the number of

common shares available for issuance of stock options by 1,669,625 common shares. The maximum number of shares available for issuance under the Plan pursuant to stock options is, as at September 30, 2007, 7,825,925 common shares.

On January 31, 2007, 1,200,000 stock options were granted under the Plan. The fair value of the grant, determined using the Black-Scholes option-pricing model, was \$0.19 per option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 76.6%, risk free interest rate of 4.1% and expected option life of 7 years. The share option expense is being amortized, according to the vesting schedule, over a four year period.

On September 11, 2007, 50,000 stock options were granted under the Plan. The fair value of the grant, determined using the Black-Scholes option-pricing model, was \$10.27 per option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 328.9%, risk free interest rate of 4.3% and expected option life of 7 years. The share option expense is being amortized, according to the vesting schedule, over a four year period.

A summary of the status of the Company's stock option plan as of September 30, 2007 and 2006, and changes during the periods ending on those dates is presented below:

	2007		2006	
	Shares (000's)	Weighted Average Exercise Price	Shares (000's)	Weighted Average Exercise Price
Outstanding at January 1	3,844	\$0.71	3,650	\$0.78
Granted	1,250	\$0.79	200	\$0.29
Exercised	(623)	\$0.87	-	-
Forfeited	(137)	\$0.66	(200)	\$0.59
Outstanding at September 30	4,334	\$0.71	3,650	\$0.77

At September 30, 2007, 1,157,750 options were exercisable at a weighted average price of \$0.85, with a weighted average remaining life of 3.9 years.

The exercise of outstanding stock options has not been included in the determination of earnings per share as to do so would have been anti-dilutive.

7. FINANCIAL INSTRUMENTS

The Company enters into foreign currency contracts to hedge foreign currency risk relating to certain cash flow exposures. The Company's forward exchange contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset losses and gains on transactions being hedged. The counterparties to the contracts are a multinational commercial bank and therefore credit risk of counterparty non-performance is remote. As at September 30, 2007, the Company had no outstanding exchange contracts. As at December 31, 2006, the Company had outstanding exchange contracts to sell approximately US\$26.4 million and €3.4 million over a period of 6 months at a weighted average exchange rate of \$1.1213 and \$1.4920, respectively. The Company recorded an unrealized loss of \$1.1 million on these contracts.

The carrying value of current monetary assets and liabilities approximates their fair value due to their relatively short periods to maturity. The fair value of long term debt approximates its carrying amount as the terms and conditions are similar to current market conditions.

8. COMMITMENTS

The Company has committed to purchase \$7.2 million of capital goods over the next three months related to its construction of a solar grade silicon production facility in Bécancour, Québec.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The accumulated other comprehensive loss balances are as follows:

(000's)	For the three months ended		For the nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Balance at beginning of period	(779)	(664)	(358)	(952)
Adjustment for changes in accounting policies				
Deferred unrealized losses on foreign exchange forward contracts	-	-	(1,086)	-
Other Comprehensive (loss) income	\$ 145	\$ (280)	\$ 810	\$ 8
Balance at end of period	\$ (634)	\$ (944)	\$ (634)	\$ (944)

10. INTANGIBLE ASSETS

The Company deferred development costs related to the production of solar grade silicon of \$1.2 million during the quarter ended June 30, 2007. The deferred development costs will be amortized over a period of three years on a straight line basis once production commences.

11. REORGANIZATION RESERVE

During the three months and nine months ended September 30, 2007, cash payments of \$0.3 million and \$1.4 million were charged against the Reorganization reserve, respectively (2006 - \$0.4 million and \$1.5 million).

12. SEGMENTED INFORMATION

The Company manages its business along two principal business segments: the production and sale of specialty non-ferrous metals, the Magnesium Group ("Magnesium"), and silicon based metals, the Silicon Group ("Silicon"). Segmented information on sales and identifiable assets by geographic region is as follows:

(a) Sales:

(000's)	Magnesium	Three months ended September 30			Magnesium	Silicon	Total 2006
		Silicon	Total 2007	Total 2006			
Canada	\$ 789	\$ 5,193	\$ 5,982	\$ 1,380	\$ 6,974	\$ 8,354	
United States	9,099	13,718	22,817	10,471	11,886	22,357	
Mexico	870	-	870	1,394	-	1,394	
Europe	1,126	8,855	9,981	789	8,978	9,767	
Australia	1,054	-	1,054	1,030	-	1,030	
Pacific Rim	1,198	768	1,966	705	69	774	
Other	276	87	363	182	207	389	
	\$ 14,412	\$ 28,621	\$ 43,033	\$ 15,951	\$ 28,114	\$ 44,065	

(000's)	Magnesium	Nine months ended September 30			Magnesium	Silicon	Total 2006
		Silicon	Total 2007	Total 2006			
Canada	\$ 4,104	\$ 12,832	\$ 16,936	\$ 7,102	\$ 12,286	\$ 19,388	
United States	33,973	36,463	70,436	38,112	31,470	69,582	
Mexico	3,054	17	3,071	3,770	-	3,770	
Europe	2,724	25,033	27,757	3,913	27,247	31,160	
Australia	3,018	-	3,018	2,896	-	2,896	
Pacific Rim	1,770	1,582	3,352	1,713	675	2,388	
Other	1,146	214	1,360	713	305	1,018	
	\$ 49,789	\$ 76,141	\$ 125,930	\$ 58,219	\$ 71,983	\$ 130,202	

(b) Net profit (loss):

(000's)	Three months ended September 30, 2007			Total
	Magnesium	Silicon	Other	
Net income (loss) before the following	\$ (686)	\$ 513	\$ (1,957)	\$ (2,130)
Amortization	146	815	5	966
Interest	(81)	627	-	546
Gain on disposal of capital assets	(10)	-	-	(10)
Equity earnings in Fundo Wheels AS	-	-	1,295	1,295
Income tax expense (recovery)	67	(415)	-	(348)
Net profit (loss)	\$ (808)	\$ (514)	\$ (3,257)	\$ (4,579)

(000's)	Three months ended September 30, 2006			Total
	Magnesium	Silicon	Other	
Net income (loss) before the following	\$ 570	\$ 1,280	\$ (872)	\$ 978
Amortization	859	777	4	1,640
Interest	462	476	-	938
Amortization of deferred financing cost	47	57	-	104
Gain on disposal of capital assets	(5)	-	-	(5)
Reorganization	-	51	-	51
Equity earnings of Fundo Wheels AS	-	-	1,263	1,263
Income tax expense	(30)	122	-	92
Net profit (loss)	\$ (763)	\$ (203)	\$ (2,139)	\$ (3,105)

(000's)	Nine months ended September 30, 2007			Total
	Magnesium	Silicon	Other	
Net income (loss) before the following	\$ (939)	\$ 3,198	\$ (4,271)	\$ (2,012)
Amortization	301	2,258	14	2,573
Interest	541	1,570	-	2,111
Gain on disposal of capital assets	(41)	-	-	(41)
Reorganization expense	-	34	-	34
Equity earnings of Fundo Wheels AS	-	-	2,422	2,422
Income tax expense (recovery)	231	(142)	-	89
Net profit (loss)	\$ (1,971)	\$ (522)	\$ (6,707)	\$ (9,200)

(000's)	Nine months ended September 30, 2006			Total
	Magnesium	Silicon	Other	
Net income (loss) before the following	\$ 4,125	\$ 2,176	\$ (3,104)	\$ 3,197
Amortization	2,890	2,188	13	5,091
Interest	1,193	1,191	-	2,384
Amortization of deferred financing cost	149	162	-	311
Gain on disposal of capital assets	(120)	-	-	(120)
Reorganization expense	28	51	-	79
Equity earnings of Fundo Wheels AS	-	-	2,741	2,741
Income tax expense (recovery)	632	(421)	-	211
Net profit (loss)	\$ (647)	\$ (995)	\$ (5,858)	\$ (7,500)

(c) Identifiable assets:

(000's)	Magnesium	Silicon	September 30, 2007
Canada	\$ 69,593	\$ 94,629	\$ 164,222
United States and Other	22,643	-	22,643
	\$ 92,236	\$ 94,629	\$ 186,865
(000's)	Magnesium	Silicon	December 31, 2006
Canada	\$ 12,092	\$ 76,602	\$ 88,694
United States and Other	24,308	-	24,308
	\$ 36,400	\$ 76,602	\$ 113,002

(d) Property, Plant & Equipment:

(000's)	September 30, 2007	December 31, 2006
Magnesium	\$ 3,297	\$ 4,033
Silicon	27,323	14,247
	\$ 30,620	\$ 18,280

(e) Additions to Property, Plant & Equipment:

(000's)	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Magnesium	\$ -	\$ 102	\$ 289	\$ 234
Silicon	8,021	1,112	14,922	3,142
	\$ 8,021	\$ 1,214	\$ 15,211	\$ 3,376

(f) Major customers:

In the first three quarters of 2007, two customers accounted for approximately 28% and 10% (26% and 10% in 2006) of total sales in the Magnesium Group.

In the Silicon Group, three customers accounted for 22%, 22% and 8% (26%, 21% and 15% in 2006) in the first three quarters of 2007.

13. SUBSEQUENT EVENT

On October 24, 2007, the Company extended its Credit Agreement with its Bank to March 31, 2010.