

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

**Timminco Limited
Bécancour Silicon Inc.**

SIXTH REPORT OF THE MONITOR

April 25, 2012

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
TIMMINCO LIMITED AND BÉCANCOUR SILICON INC.

Applicants

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

INTRODUCTION

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

2. Pursuant to the Order of the Honourable Mr. Justice Morawetz dated January 16, 2012, the Administration Charge, the KERP Charge and the D&O Charge were granted priority over all Encumbrances including, without limitation, any deemed trust created by the Ontario *Pension Benefits Act* or the Quebec *Supplemental Pension Plans Act* (the “**January 16 Order**”).
3. Pursuant to the Order of the Honourable Mr. Justice Morawetz dated January 27, 2012, the Stay Period was extended to April 30, 2012.
4. Pursuant to the Order of the Honourable Mr. Justice Morawetz dated February 8, 2012, the DIP Facility of US\$4,250,000 pursuant to the DIP Agreement and the DIP Lender’s Charge were approved (the “**February 8 Order**”).
5. Pursuant to the Order of the Honourable Mr. Justice Morawetz dated March 9, 2012 (the “**Bidding Procedures Order**”), the Timminco Entities were authorized to enter into the Stalking Horse Agreement and the Bidding Procedures were approved, each as defined in the Fourth Report of the Monitor dated March 7, 2012 (the “**Monitor’s Fourth Report**”).
6. To date, the Monitor has filed reports on various matters relating to the CCAA Proceedings. The purpose of this, the Monitor’s Sixth Report, is to inform the Court on the following:
 - (a) The receipts and disbursements of the Timminco Entities for the period from March 3 to April 20, 2012;
 - (b) The Timminco Entities’ revised cash flow forecast for the period April 21 to June 29, 2012 (the “**April 25 Forecast**”);
 - (c) The status of the marketing process being carried out pursuant to the provisions of the Bidding Procedures Order; and
 - (d) The Timminco Entities’ request for an extension of the Stay Period to June 20, 2012 and the Monitor’s recommendation thereon.

7. In preparing this report, the Monitor has relied upon unaudited financial information of the Timminco Entities, the Timminco Entities' books and records, certain financial information prepared by the Timminco Entities and discussions with the Timminco Entities' management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor, the Bidding Procedures Order or in the Initial Order.

RECEIPTS & DISBURSEMENTS FOR THE PERIOD TO APRIL 20, 2012

9. The Timminco Entities' actual cash flow on a consolidated basis for the period from March 3 to April 20, 2012, was approximately \$0.4 million better than the March 5 Forecast attached as Appendix A to the Monitor's Fourth Report, as summarized below:

	Forecast	Actual	Variance
	\$000	\$000	\$000
Receipts:			
Sales and receivables	7,384	6,199	(1,185)
Government receivables	700	89	(611)
Total Receipts	8,084	6,288	(1,796)
Disbursements:			
Materials	7,627	8,057	(430)
QSLP Obligation	0	0	0
Operating Expenses	1,864	1,066	798
DIP Interest and Fees	15	61	(46)
Other	0	0	0
Restructuring Expenses	1,008	744	264
Total Disbursements	10,514	9,928	586
Net Cash Flow	(2,430)	(3,640)	(1,210)
Opening Cash	1,787	1,787	0
Net Cash Flow	(2,430)	(3,640)	(1,210)
DIP Borrowings	1,100	2,700	1,600
Closing Cash	457	847	390

10. Explanations for the key variances in actual receipts and disbursements as compared to the March 5 Forecast are as follows:
- (a) The negative variance in sales and receivables is a permanent difference relating to lower than forecast sales during the period;
 - (b) The negative variance in government receivables is a timing difference resulting from the delay in the collection of GST receivables, which are expected to be collected in the week of April 27, 2012;
 - (c) The negative variance in materials results from higher than budget volumes of materials purchased during the period as a result of changes in mix of production by QSLP;
 - (d) The positive variance in operating expenses is comprised of permanent variances totalling approximately \$378,000 in respect of costs that were either lower than forecast or not incurred and approximately \$420,000 in timing differences that are expected to reverse in future periods;

- (e) The negative variance in DIP interest and fees is a permanent difference resulting from earlier borrowings from the DIP facility; and
 - (f) The positive variance in restructuring fees is a permanent difference.
11. The Timminco Entities estimate that as at April 20, 2012, there was approximately \$1.3 million in accrued post-filing liabilities, excluding legal and professional fees, arising primarily from the “true-up” in respect of the QSLP supply agreement and the QSLP shared services, each of which is billed and payable on a quarterly basis. The Timminco Entities expect that these amounts will be paid in the normal course.

REVISED CASH FLOW FORECAST TO JUNE 29, 2012

12. The April 25 Forecast is attached hereto as Appendix A and is summarized below:

	\$000
Receipts:	
Sales and receivables	12,207
Government receivables	2,542
Total Receipts	14,749
Disbursements:	
Materials	10,304
Operating Expenses	3,255
DIP Fees & Interest	218
Restructuring Expenses	1,377
Total Disbursements	15,154
Net Cash Flow	(405)
Opening Cash	847
Net Cash Flow	(405)
DIP Advances	350
Closing Cash	791

DIP Facility	4,250
Actual and Forecast Draws to June 29, 2012	3,800
Undrawn DIP Facility at June 29, 2012	450

13. There are no significant changes in the underlying assumptions in the April 25 Forecast as compared to the March 5 Forecast.

STATUS OF THE MARKETING PROCESS

14. The marketing process is being carried out in accordance with the Bidding Procedures Order as summarized below:
- (a) A list of logical potentially interested parties was compiled by the Timminco Entities with the assistance of the Monitor;

- (b) The acquisition opportunity was advertised in the national edition of the Wall Street Journal on March 8, 10, 13 and 14, 2012, and in two leading industry publications, American Metal Markets and Ryan's Notes. The opportunity was posted on the American Metal Market website for 30 days and was included in Ryan's Notes during the week of March 12, 2012. Parties that contacted the Monitor or the Timminco Entities as a result of the publications were added to the list of potentially interested parties;
- (c) 75 parties were contacted about the opportunity, excluding the Stalking Horse Bidder. 23 parties executed non-disclosure agreements and were provided access to the Timminco Entities' electronic data room;
- (d) 12 Phase I Bids were received by the Phase I Bid Deadline. The Timminco Entities, in consultation with the Monitor, determined that all of the parties that submitted Phase I Bids were Qualified Phase I Bidders;
- (e) Qualified Phase I Bidders were provided the opportunity to visit the BSI and QSLP facilities, meet with management and, under the supervision of the Monitor or its counsel, meet with key stakeholders, including IQ, CEP and DCC;
- (f) Four Qualified Phase I Bidders submitted bids by the Phase II Bid Deadline, as extended to April 19, 2012 with the consent of the Stalking Horse Bidder. The Timminco Entities, in consultation with the Monitor, determined that three of these were Qualified Phase II Bids; and

- (g) As at least one Qualified Phase II Bid was received prior to the Phase II Bid Deadline and the Auction was commenced pursuant to the Bidding Procedures Order on April 24, 2012. The three Qualified Phase II Bidders and the Stalking Horse Bidder attended the Auction. At the time of writing this report, the Auction was continuing.
15. Details of the Successful Bid and the Back-Up Bid will be provided to the Court, together with the Monitor's commentary thereon, in connection with a motion for the granting of the Approval and Vesting Order to be filed by the Timminco Entities subsequent to the conclusion of the Auction.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

16. The Stay Period currently expires on April 30, 2012. Additional time is required for the Timminco Entities to seek approval of the Successful Bid and complete the transactions contemplated thereunder. The continuation of the stay of proceedings is necessary to provide the stability needed during that time. Accordingly, the Timminco Entities now seek an extension of the Stay Period to June 20, 2012.
17. The April 25 Forecast demonstrates that the Timminco Entities have sufficient liquidity to fund operations to June 20, 2012.
18. Based on the information currently available, the Monitor believes that creditors would not be materially prejudiced by an extension of the Stay Period to June 20, 2012.
19. The Monitor also believes that the Timminco Entities have acted, and are acting, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.

20. The Monitor therefore respectfully recommends that this Honourable Court grant the Timminco Entities' request for an extension of the Stay Period to June 20, 2012.

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

Dated this 25th day of April, 2012.

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



Nigel D. Meakin
Senior Managing Director



Toni Vanderlaan
Managing Director

Appendix A

The April 25 Forecast

Timminco Limited & Becancour Silicon Inc.
CASH FLOW FORECAST
CAN
in 000s

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Forecast
<u>Week Ending on Friday</u>	27-Apr	4-May	11-May	18-May	25-May	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	Total
Beginning Cash Position	847	596	1,043	723	531	847	1,423	1,114	294	205	847
Receipts											
Sales and receivables	992	1,671	1,171	1,622	1,418	1,596	944	596	970	1,226	12,207
Government and other receivables	400	511	353	578	-	-	-	-	-	700	2,542
Total Receipts	1,392	2,182	1,524	2,200	1,418	1,596	944	596	970	1,926	14,749
Disbursements											
Materials	(1,107)	(772)	(1,567)	(1,434)	(772)	(689)	(987)	(1,434)	(772)	(772)	(10,304)
QSLP/DCC obligation	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	(369)	(560)	(162)	(823)	(215)	(157)	(251)	(117)	(172)	(430)	(3,255)
Restructuring Expenses	(167)	(235)	(115)	(135)	(115)	(150)	(115)	(115)	(115)	(115)	(1,377)
DIP Interest and Fees	-	(169)	-	-	-	(25)	-	-	-	(24)	(218)
Other	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	(1,643)	(1,735)	(1,844)	(2,393)	(1,101)	(1,021)	(1,352)	(1,667)	(1,059)	(1,341)	(15,155)
Net Cash Flows	(251)	447	(319)	(193)	317	575	(409)	(1,070)	(88)	586	(405)
Plus: DIP Facility Borrowings	-	-	-	-	-	-	100	250	-	-	350
Less: DIP Facility Repayment	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Position	596	1,043	723	531	847	1,423	1,114	294	205	791	791
DIP Facility Availability b/f	800	800	800	800	800	800	800	700	450	450	800
Less: Outstanding DIP Facility Borrowings	-	-	-	-	-	-	100	250	-	-	350
DIP Facility (Borrowings)/Repayments	-	-	-	-	-	-	-	-	-	-	-
DIP Facility Availability c/f	800	800	800	800	800	800	700	450	450	450	450

Notes:

- 1) The purpose of this cash flow projection is to determine the liquidity requirements of Timminco during the forecast period.
- 2) Receipts from operations have been forecast based on current payment terms, historical trends in collections, and the sales forecast. The sales forecast for the period has been determined based on scheduled orders from BSI customers, taking into consideration the QSLP production schedules and the anticipated allocation of such production to each of QSLP's customers
- 3) Materials purchases are based on QSLP production schedules and the anticipated allocation of such production to each of QSLP's customers.
- 4) Operating Expenses in respect of BSI have been forecast based on costs to support shipment of materials, solar related expenses, shared service support costs, and overhead and insurance costs.
- 5) Payroll and benefits costs included in Operating Expenses are based on actual payroll funding in the period leading up to the forecast period and include adjustments for increased sourced deductions beginning in 2012.
- 6) Corporate costs included in Operating Expenses have been forecast based on known recurring historical costs and expected future costs.
- 7) The cash flow does not include interest charges for amounts owing under Timminco's and BSI's current debt obligations.
- 8) Restructuring Expenses include legal and professional fees based on estimates provided by the current legal and financial advisors.