INVESTMENT OPPORTUNITY: SILICON METAL

Company Overview

Bécancour Silicon Inc (“Bécancour Silicon”), a wholly-owned subsidiary of Timminco Limited (collectively, the “Company”) is a producer of silicon metal for the chemicals industry (used in silicones, as well as in polysilicon for electronics and solar energy) and the aluminum industry through its majority-owned production partnership with Dow Corning Corporation (“Dow Corning”), known as Québec Silicon Limited Partnership (“Québec Silicon”). Bécancour Silicon is also a producer of solar grade silicon through its Timminco Solar division (see Timminco Solar Teaser for further information).

On October 1, 2010, Bécancour Silicon established a production partnership with Dow Corning in respect of the silicon metal production facilities in Bécancour, Québec. Dow Corning has a 49% equity interest in Québec Silicon, the production partnership entity that owns the silicon metal operations, and Bécancour Silicon has the remaining 51% equity interest.

Québec Silicon’s production output is subject to an output and supply agreement among Québec Silicon, Bécancour Silicon and Dow Corning. The agreement splits all of the production output of Québec Silicon between Bécancour Silicon and Dow Corning, proportional to their equity interests in Québec Silicon. Bécancour Silicon resells its silicon metal allocation to its customers.

Québec Silicon operates three electric arc furnaces (furnace #2 with 60 MVA, and furnaces #3 and #4 with 43 MVA each) with a total nominal production capacity of about 47,000 metric tons of silicon metal.

Silicon metal is produced from quartz and other materials using smelting processes. It can be produced in different grades, primarily depending on the percentage of silicon in the product. Silicon metal generally has a silicon concentration of 98% or higher. The principal markets for silicon metal are the chemicals (used in silicones, as well as in polysilicon) and aluminum industries.

Bécancour Silicon’s and Québec Silicon’s operations are located in the Parc Industriel de Bécancour in Bécancour, Québec, Canada, which is approximately 150 km northeast of Montreal. The site is situated on the edge of the St. Lawrence River with access to major modes of transportation, including highway, rail and water.

Demand for silicon metal is expected to grow at an annual growth rate of 8-10% in the next two to three years driven by demand from the photovoltaic and aluminum industries.

Transaction

On January 3, 2012, the Company commenced proceedings under the Companies’ Creditors Arrangement Act (“CCAA”). In connection with this filing, the Company is seeking an investor to sponsor a plan of reorganization or a purchaser of substantially all the assets of Bécancour Silicon, which include, among other things:

- 51% equity interest in Québec Silicon
- The Output and Supply Agreement and other related contracts between Bécancour Silicon and Québec Silicon
- Bécancour Silicon’s customer contracts

FTI Consulting Canada Inc. has been appointed as monitor in the CCAA proceedings. Should you have any questions related to this opportunity, please contact:

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