



## **Timminco Weighed Down By Debate Over Production Process4-21-08 6:09 PM EDT |**

TORONTO -(Dow Jones)- Shares of Timminco Ltd. (TIM.T) are down 18% since Thursday's close, as some company watchers raise questions about the firm's method for upgrading metallurgical silicon to solar-grade level.

An article in Barron's Saturday also raised questions about Timminco's production process and may have contributed to pressure on the stock Monday.

Timminco, its largest shareholder, and its largest customer, all defended the company's process.

In Toronto Monday, Timminco ended down 80 Canadian cents, or 3.4%, to C\$22.15. The stock was one of the best performers on the Toronto Stock Exchange in 2007, soaring from 30 Canadian cents at the start of the year to C\$21.95 by year-end.

The impetus for the huge move last year were several supply-contract announcements for Timminco's solar-grade metallurgical silicon. The announcements generated interest because polysilicon, the most common form of silicon used to make solar cells, is in short supply and far more expensive to produce than solar-grade-metallurgical silicon.

On March 27, Timminco's stock surged 23% after the company announced a supply contract with Q-Cells AG (QCE.XE), the world's largest solar-cell manufacturer. That announcement came about a month after Timminco announced an expansion to its production facility in Becancour, Que.

In an interview Monday, Q-Cells spokesman Frank Struempfel said Q-Cells officials have visited the Becancour facility and the company is confident in the production process and the quality of Timminco's silicon. "Yes, definitely, otherwise we wouldn't have decided to...work with them, over the next three to five years," Struempfel said.

### **Asensio Questions Process**

Despite the endorsement from Timminco's largest customer, doubts about the production method have persisted. Critics note that Elkem, a unit of Orkla ASA ( ORKLY), spent far more money than Timminco did, US\$700 million versus about US\$ 90 million, on a plant to upgrade metallurgical silicon to solar-grade level, yet Timminco's silicon costs less than Elkem's.

According to Barron's, Elkem can make solar-grade silicon for US\$20 per kilogram. Timminco's costs are believed to be about US\$10-US\$15 per kilogram.

Manuel Asensio, chief executive of Mill Rock LLC, a New York money-management firm, is among the doubters. "Timminco is claiming that they have solved one of the world's biggest problems, which is removing the boron and the phosphorous from naturally occurring silicon economically," he said.

Asensio said Timminco hasn't publicly disclosed much data about its production process and the firm hasn't allowed independent experts into the Becancour facility to evaluate the process.

Asensio also questioned Timminco's effort to patent its technology, alleging the firm's patent application failed to disclose other existing patents and documentation which "speaks about their process." He said rival silicon producer, Dow Corning, attempted to use similar technology and found it ineffective.

Asensio declined to say if Mill Rock holds a short position in Timminco's stock. Short sellers make money when a stock declines in value.

According to an article in Monday's National Post newspaper, which cited Bloomberg, 4.616 million shares of Timminco were held short at the end of March in the U.S., up from 831,292 at the end of 2007.

#### Company Can't Keep Up With Demand For Product

Timminco chief executive Rene Boisvert said the company can't keep up with demand for its solar-grade silicon. He said the company, which is 50.5% owned by Advanced Metallurgical Group N.V., (AMG).AE), has five contracts in hand and 30 other companies have tested its material. "The material that we've shipped since the beginning of the year (has been) very well received in the market," he said.

Boisvert said the public availability of the firm's patent application means more is known about Timminco's production process than those of other companies that claim to be able to produce solar-grade-metallurgical silicon. He said 20 of 23 claims in its application have been approved by a patent examiner with the U.S. Patent and Trademark Office. The remaining three claims need to be reworked for the patent to be approved, he said.

Because Timminco has disclosed a lot of information about its production process in the patent application, the company is reluctant to allow analysts and other outsiders to witness the process, which he described as relatively simple.

The process involves the use of a rotary furnace, an oxy-fuel burner and an electro-magnetic stirrer. Impure silicon is melted in the furnace and the stirrer separates boron and phosphorous from the silicon, purifying it to solar-grade levels.

Boisvert said Swiss-engineering firm [ABB Ltd.](#) (ABB) supplied equipment to Timminco. ABB has used the equipment with other metals for 30 years and indicated to Timminco that no other company has ever thought of using a special stirrer for just silicon.

Helmut Hackl, vice-president of metallurgy at ABB, confirmed that ABB has worked with Timminco for the past two years. "We have good reason to believe that this is a viable process and we have confidence in the evaluation made by ( Timminco's) various customers....," Hackl told Dow Jones.

Hackl, who owns a small number of Timminco shares, said he visited the Becancour plant last month and witnessed the process. He said he didn't measure silicon-purity levels obtained by Timminco, though he has no reason to doubt Timminco's measurements. Solar grade silicon requires 99.999% purity levels.

Mill Rock's Asensio said everything known about oxidating silicon at high temperatures and then stirring it has shown that the process is "uneconomic."

David Tomljenovic, analyst at Sprott Asset Management, Timminco's largest shareholder with a 17.7% stake in the company, said there seems to be a reluctance on the part of some Timminco watchers to acknowledge the company has found an alternative, and less expensive, method for producing solar-grade silicon.

Tomljenovic said Sprott hasn't sold any Timminco shares since the sell-off began on Friday.

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