

## Timminco tries to placate investors

**But its stock still sinks after details of its first-quarter silicon shipments failed to quell questions about its processing technology**

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Under siege from skeptics and short sellers, **Timminco Ltd.** yesterday reassured investors about healthy shipments of solar-grade silicon to customers during the first quarter, but the update failed to buoy the company's battered stock, which skidded 17 per cent on unanswered questions about the economics of its "breakthrough" technology.

The Toronto company said its subsidiary, Becancour Silicon Inc., produced and shipped 100 tonnes of solar-grade silicon to customers during the three-month period at "average selling prices in excess of \$60 per kilogram."

Timminco said "each shipment was tested by an independent laboratory and met specifications set by customers."

The news release did not provide information on Timminco's cost of production.

In the past, the company has said it is targeting between \$10 and \$12 per kilogram, less than half the cost of other solar silicon producers.

Robert Dietrich, Timminco's chief financial officer, declined to answer further questions.

In a voice-mail message, he said the company's news release provided "adequate information to understand the company's position."

René Boisvert, Becancour's Quebec-based president and chief executive officer, did not return calls.

Timminco was the top performer on the Toronto Stock Exchange last year, when its share price surged from roughly 40 cents to more than \$20 after the once sleepy company stunned investors by saying it had developed a metallurgical process to purify commodity-grade silicon to levels high enough for use in solar cells, and won supply contracts with several unidentified makers of solar cells.

Last month, Timminco said it had signed a contract with Q-Cells AG, the world's largest solar cell manufacturer, to provide 410 tonnes of solar-grade silicon in 2008 and 3,000 tonnes in 2009 at "fixed prices."

Timminco's stock soon soared above \$28, giving it a market value of more than \$2.5-billion.

Timminco started up its new, 3,600-tonne-a-year solar silicon plant in the first quarter.

It has not provided earnings or revenue guidance for its new solar division.

However, in a recent report, CIBC World Markets analyst Michael Willemse estimated that once the company expands its solar silicon production to a projected 14,400 tonnes in 2010, the solar division could generate revenue of \$652.3-million and post earnings before interest, taxes, depreciation and amortization (EBITDA) of \$514-million.

For 2008, Mr. Willemse is estimating solar division revenue of \$116-million and EBITDA of \$84-million.

He rates the stock a buy with a \$30 target price.

But short sellers and others are raising questions about Timminco's claims it has come up with a process to cheaply produce solar-grade silicon.

Timminco has said its process applies existing metallurgy techniques.

According to a patent application and information released by the company, Timminco heats commodity-grade silicon in a rotary oven powered by natural gas.

It uses chemical slag and stirring to remove impurities such as boron and phosphorous from the silicon.

A source who has done extensive research on Timminco's claims says the key issue is how many times the silicon must pass through the process to achieve the desired purity.

The company has not said what its energy costs are for each pass, how much slag is used or how much commodity-grade silicon is needed to produce one kilogram of solar-grade silicon.

"What's mystifying to me is why the company doesn't come out and say, 'This is going to all be water under the bridge in a couple of quarters, we're going to have fantastic earnings and we'll be vindicated,' " the source said.

Timminco's stock has lost 30 per cent in the past three days.

### **TIMMINCO (TIM)**

Close: \$18.23, down \$3.92