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Presented by

Timminco, Ceramic overlap

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Investors in Timminco Ltd. are hoping for a different ending from that experienced by shareholders of Ceramic Protection Corp.

Why relate those two? Here are some connections:

Management Timminco's chairman and chief executive is Heinz Schimmelbusch, the former chief executive of Metallgesellschaft, who was fired in 1993 after the company experienced US\$1.2-billion in trading losses.

Back in September, 2004, Schimmelbusch was the chairman of board of Allied Resource when that company sold Alanx Wear Solutions to Alberta-based Ceramic Protection. Based in Delaware, Alanx was described as "a leading manufacturer of advanced ballistic ceramics and wear management materials." It cost Ceramic about \$35.8-million to purchase Alanx. It paid \$17.5-million in cash and issued 1.5 million shares.

At the time, John Walsh was Alanx's chief executive. As part of the deal, he joined CEP and about eight months later, in May, 2005, Walsh became president at Ceramic. In December, 2006, Walsh moved on to become president and chief executive of Timminco. That appointment was announced by Schimmelbusch, who at the time was Timminco's chairman. In August, 2007, Walsh became president of Timminco's magnesium division. Two weeks ago, Timminco said Walsh "had resigned to pursue other opportunities."

Analysts In December, 2004, or three months after Ceramic purchased Alanx, it did a bought-deal financing at \$22 per share through Clarus Securities. The deal was increased to \$17.25-million from \$15-million. At the time, David Tomljenovic was the analyst at Clarus. In November he had a \$24 target on the stock and one month later he upped it to \$30.50.

Tomljenovic is now with Sprott Asset Management (SAM) and is credited with bringing Timminco to the attention of the money manager. SAM is now the second-largest shareholder in Timminco after AMG Advanced Metallurgical Group, which has a 50.6% stake. Schimmelbusch is also AMG's chairman and chief executive.

The ceramic slide Ceramic's problems started in September, 2006, when Arizona-based ArmorWorks, a customer of Alanx, cancelled a supply agreement. Ceramic filed a lawsuit alleging "breach of contract as a result of wrongful termination and non-payment of monies owing." ArmorWorks then filed a complaint alleging "breach of contract, breach of the implied covenant of good faith and fair dealing, breach of warranty, fraud ... and unfair competition." The suit made a claim for US\$60-million in damages.

Thirteen months later, Ceramic announced it had resolved "all claims and actions in litigation" between itself and ArmorWorks. No financial details were released but Ceramic said a "great burden in terms of expense and management time" had been removed.

During that period, Ceramic's shares traded downwards from a high of \$23.98 the day before the announcement to \$6.50 the day before the resolution was announced. (The shares' record high was \$29.90, reached on Dec. 31, 2004.)

Last month, a few days after it closed its \$4.25-a-share equity financing, Ceramic was hit when ArmorWorks filed a statement of claim against it. The stock plunged 30% and closed yesterday at \$2.35.