

FINANCIAL POST

Friday, May 09, 2008

The Timminco rollercoaster

Review of facility, new deal send shares up

David Pett, **Financial Post** Published: Friday, May 09, 2008



Jose Manuel Ribeiro, Reuters File Photo

Timminco Ltd. (TIM/TSX) seesawed its way to a 5% gain yesterday as the solar-grade silicon maker disclosed glowing results from an operational review of its solar grade silicon business followed by news of a new contract.

Timminco shares were halted at midday, then spiked up 11% on resumption of trading, thanks to a report from PHOTON, an independent consulting firm, which was commissioned by Timminco to support due diligence efforts by the company "for strategic discussions beyond normal supplier-customer relationships that are ongoing with potential partners."

Timminco stock has come under fire in recent weeks, following a Barron's report that questioned the technology behind its production process.

During a one-day facility visit, PHOTON was given full access to Timminco's solar grade silicon production facility in Becancour, Que.

"Operations and processes have potential for massive growth and, possibly, for reshaping the silicon industry," PHOTON managing director Michael Rogol said in a statement. "The equipment is very impressive, very low-cost, beyond poly-scale." He added that "in interviews, several customers have reported cell efficiencies above 14% and some above 15% utilizing 100% (unblended) solar grade silicon from Becancour."

Within the hour of the report's release, shares began to fall, dropping into negative territory. But the retreat proved temporary and soon the stock was back in the black.

The final push came just after 3 p. m. ET, when Timminco announced it has signed a second agreement to supply solar grade silicon to Solar Power Industries Inc., based near Pittsburgh, Penn.

The company said the initial supply agreement anticipated shipments of solar grade silicon in excess of 4,000 metric tonnes over its initial period of five years.

Under this second supply agreement, Solar Power has committed to purchase an additional 3,000 metric tonnes per year from 2010 to 2015. When the dust settled, Timminco shares were up \$1.15, to \$24.85 at market close, with more than nine million shares trading hands.

Yesterday's rollercoaster ride is nothing new for Timminco these past few weeks, given ongoing questions about its production process and its starring role in the Spratt Asset Management initial public offering, expected to be priced any day now in the \$10 range.

During the road show to promote the IPO, Eric Spratt has repeatedly mentioned Timminco as being one of his largest holdings.

After the markets closed, Timminco released results for the first quarter ended March 31 which showed the company earned a loss of \$600,000, compared to \$3.1-million the same quarter last year, while sales had grown 11.2%, to \$47.6-million.

Dr. Heinz Schimmelbusch, Timminco's chairman and CEO, said in a statement that the company met its internal shipment target of 100 metric tonnes of solar grade silicon in the first quarter, "all of which was tested by an independent laboratory and met the specifications set by our customers."

With production output for our existing facility sold out through 2008, Dr. Schimmelbusch said the company expects "the continued ramp up in production to have an increasing positive impact in our financial results with each successive quarter."

dpett@nationalpost.com