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SOLAR ENERGY

Contract upgrade, report boost Timminco shares

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Timminco Ltd., which has faced skepticism about the viability of its process to produce solar-grade silicon, hit back at critics yesterday, announcing a contract upgrade and a report it had commissioned suggesting its method has the potential to transform the solar industry.

The Toronto-based company's shares rose nearly 5 per cent yesterday and have jumped 21 per cent in the past week. The stock had previously been battered by mounting concerns it may not be able to deliver solar-grade silicon to customers at cost projections and also on reports of timely option grants and stock buying by company insiders.

Timminco yesterday said Pittsburgh's Solar Power Industries Inc. (SPI) has committed to purchase an additional 3,000 tonnes of solar grade silicon from Timminco a year from 2010 to 2015. The initial deal, announced March 15, 2007, to supply 4,000 tonnes of silicon over five years, was Timminco's first contract announcement. At the time, SPI was not identified as the buyer.

That first contract was the early catalyst sending Timminco shares rocketing higher in 2007, from 40 cents to nearly \$22 at the end of the year.

Timminco claims it has developed a "breakthrough" process to upgrade metallurgical silicon for use in solar cells at much lower costs than competitors.

Critics and short sellers have questioned whether Timminco can economically produce large amounts of solar-grade silicon, when rivals such as Elkem AS are spending more than twice as much to produce less material.

Yesterday, Timminco said it had commissioned a report by Photon Consulting to review its process. "Operations and process have potential for massive growth and, possibly, for reshaping the silicon industry," Photon's managing director Michael Rogol said in a statement.

Mr. Rogol and other Photon officials were given a one-day tour of Timminco facilities in Bécancour, Que., in early May. "The equipment is very impressive, very low-cost," Mr. Rogol

added. Officials from Photon and Mr. Rogol's firm Rogol Energy Consulting declined further comment.

David Dunnison, the head of business development at Mississauga's 6N Silicon Inc., which is also developing a process to upgrade metallurgical silicon for use in solar cells, said Mr. Rogol is the solar industry's top analyst and is both highly respected and exceedingly bullish on the sector's growth potential.

However, "when it comes to technology and process specifics, no offence, he probably wouldn't be my first choice. He tells you what is going on the market. He doesn't talk technology," Mr. Dunnison said.

On a conference call, Timminco CEO Heinz Schimmelbusch said the company chose Photon to audit its process instead of an established engineering firm in order to safeguard the company's proprietary process.

"We felt that the integrity and the reputation of Photon would shield us against the outflow of competitive information while giving us a comfortable statement here," Mr. Schimmelbusch said.

Timminco also yesterday reported a first-quarter loss of \$556,000 or 1 cent per share compared to a \$3.1-million loss or 4 cents last year. Revenue was \$47.6-million, up 11 per cent from last year.