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WEST Australian forestry group Lignor has secured market funding for a proposed \$300 million timber engineering project that will use wood from blue gum plantations.

Lignor has completed a \$16.5 million capital raising through a convertible note issue to Australian corporate and institutional investors.

"We went for \$10 million and got \$16 million," said managing director Glyn Denison. The full cost of the project is \$300 million, which will be funded by a mixture of debt and equity.

Lignor is developing Australia's first stranded timber plant that will produce engineered wood products made from local hardwood eucalypts.

The products will be used in housing and construction. Great Southern Plantations has an agreement to supply 200,000 tonnes of timber a year to Lignor.

The plant, to be built at Albany, will process eucalypts eight to 10 years old, mainly from plantations in southern WA, together with native forest residues. Mr Denison said the high-strength timber would compete against steel.

The plant is to be commissioned by late next year. Output is expected to reach 240,000 cubic metres a year by 2011.

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