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Article Title: Lignor raises \$16.5m for timber plant
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Author: Andrew Hobbs

Subiaco-based Lignor Ltd has raised \$16.5 million through a convertible note issue to support the planned development of a \$250 million engineered lumber plant at Albany.

The company has been working on the project for about seven years and hopes to start construction shortly at the Mirambeena industrial estate, 14 km north of Albany.

The plant is due to be commissioned in late 2008 and reach full output of 240,000 cubic metres of engineered lumber by 2011.

The production process involves shredding bluegum plantation timber and then glueing it back together in either lumber or board form, which the company says can compete against steel for use in housing and construction.

Lignor managing director Glyn Denison said the company was pleased with the strong support for the issue, managed by Macquarie Equities and Patersons Securities, with Azure Capital serving as the company's corporate adviser.

The company continues to negotiate project finding arrangements with its advisers.

The Lignor project has received substantial assistance from federal, state and local governments, with grants worth up to \$16 million.

They have supported the project because it involves adding value to plantation timber, which would otherwise be sold as woodchips, and the project will generate jobs in the Great Southern region.

The project has also benefited from a state government decision last year to spend \$6.2 million on common user infrastructure, including a rail spur and upgraded roads, at Mirambeena industrial estate.

Mirambeena has been earmarked as the preferred site for a second project: Great Southern Bioenergy Holdings Pty Ltd is planning to develop a 45 megawatt power station fuelled by timber residue.

The Lignor project has some similarities to an \$85 million timber processing plant built by Denis Cullity's Wesbeam Holdings Ltd at Neerabup, north of Wanneroo. The Wesbeam plant processes pine into laminated veneer lumber.

Company Announcement

LIGNOR Ltd, the developer of a world-scale timber engineering project at Albany in Western Australia, has completed a \$16.5 million capital raising.

The raising was completed by way of a convertible note issue to a range of Australian corporate and institutional investors .

Lignor's Managing Director Glyn Denison said the Company was very pleased with the strong support for the convertible note issue.

"We are delighted to have attracted the support of a number of tier one corporate and institutional investors," he said.

Lignor is developing Australia's first major stranded timber plant to produce engineered wood products made from locally grown hardwood eucalypts for use in housing and construction by domestic and overseas customers.

The facility will process immature eucalypt trees (8-10 years old) mainly from plantations in south Western Australia together with forest residues to produce high strength lumber that is expected to compete against steel.

The same plant and facilities can also be reconfigured to produce a wide range of timber board products. The plant is due to be commissioned in late 2008.

Plant output is expected to reach 240,000 m³ per annum by 2011. Lignor is presently appointing a number of major distributors locally and overseas to handle the plant's output.

The majority of feedstock for the plant has already been secured through long term supply contracts with major plantation groups.

Mr Denison said the Lignor project would provide a major economic boost to the industry and the region.

"This is a very exciting project that adds enormous value to the plantation timber industry, with the ability to produce high quality, value added products suitable for high strength structural applications that demand durable products," he said.

"These are amongst the highest strength timbers available on the market today and they are expected to compete directly with steel in some applications.

"Customer interest has been outstanding, Australia is the home of eucalypt and people are well aware of the excellent strength and durability characteristics of this specie in the construction industry."

The Lignor process has very high environmental credentials. The production process utilises 70% of the log fibre in production (compared to 35-40% for other forms of timber processing), the bark and waste material is used to generate heat and steam for the production process and the products are environmentally benign.

The Company has applied for patent protection of the use of eucalypt in stranded lumber (timber) and board in targeted countries worldwide. The brand names of the products, ESB

and ESL have also been registered worldwide .

Lignor has received extensive support for the project from both the Federal and State Governments and from the City of Albany and has conducted a major testing program in Germany over the past 6 years to prove up the project's potential.

Azure Capital is corporate adviser to Lignor. The convertible note issue was managed by Macquarie Equities Limited and Patersons Securities.

Lignor is finalising arrangements with its advisers to complete project funding .

About Lignor Ltd

Lignor is an Australian company focused on the manufacturing of Engineered Strand Lumber (ESL) and Engineered Strand Board (ESB) from hardwood eucalypts.

Lignor and independent consultants have conducted extensive product testing, development and market research with results indicating that the products will be extremely competitive with significant market potential.

The stranded lumber process and technology is widely used in North America and Europe. Lignor has registered patents (pending) to use hardwood eucalypts in this process.

The production process is environmentally friendly:

- It uses a sustainable resource at a high log conversion rate of over 70%
- The remaining log (less than 30%) is recycled as biomass fuel for the generation of heat and steam production
- Carbon sequestered for life of product
- Products are environmentally benign.

Log supply and product offtake contracts have been secured and further contracts will be signed as the project moves towards commissioning.

Lignor has been given local, state and national government support with Major Facilitation Status and various government grants for up to \$16 million.

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