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FORESTRY group Lignor's proposed \$300 million timber engineering project has moved a step closer with the signing of a big log supply deal with ITC.

Under the contract, ITC will initially supply Lignor with 100,000 tonnes of blue gum logs a year, starting in 2009, for the proposed plant at Albany in Western Australia.

Lignor is developing Australia's first stranded timber mill that will use German technology to produce engineered wood products from local hardwood eucalypts and native forest residues.

The products will be used in housing and construction, and are expected to compete against steel. Plant output is expected to reach 240,000 cubic metres year by 2011.

The contract with ITC will supplement Lignor's existing supply agreements.

Great Southern Plantations also has a contract to supply 200,000 tonnes of timber a year to the company.

Lignor managing director Glyn Denison said these would be complemented by more contracts with log suppliers in the near future to provide the plant's total requirements.

Mr Denison said the contract with ITC represented a big step on the road to production. "Securing the log requirements for the plant from major blue gum resource companies was an important milestone for the company," he said.

As the plant reached capacity, it would receive log intake from multiple suppliers, Mr Denison said. Lignor recently completed a \$16.5 million capital raising through a convertible note issue to Australian corporate and institutional investors.

End.