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Lignor, the company behind a proposed \$300 million-plus innovative timber processing project in WA's Great Southern, has taken another step to secure its log supply ahead of a possible listing in the next few months.

Lignor announced yesterday it had signed an agreement with Futuris Corporation's plantation management arm, Integrated Tree Cropping, to supply 100,000 tonnes of bluegum logs a year from 2009.

The latest deal comes a little over six months after it signed a deal with rival plantation investment manager Great Southern to take up to 200,000 tonnes of logs a year from 2009.

As well as shoring up the bulk of Lignor's supply needs, the agreements will provide ITC and Great Southern with a useful alternative niche buyer to the Japanese woodchip market for around 10 per cent of their growing bluegum harvests in the region.

Lignor, headed by former ERG senior executive Glyn Denison, is proposing to build Australia's first big stranded timber plant on a site just north of Albany, and the first in the world to use eucalypts, a process for which it has applied for patent protection.

It will use relatively immature bluegums, the same 8 to 10 year-old trees that are harvested for woodchips, in tandem with jarrah and karri forest residues, to produce engineered lumber that Lignor claims has the strength to compete against steel in construction.

Mr Denison said Lignor remained on track to commission the plant in late 2008 with output expected to reach 240,000 cubic metres by 2011, subject to it locking away a \$300 million-plus debt and equity financing package by the middle of this year.

Around \$260 million of that will be to build the plant, for which it has just chosen a supplier, German manufacturer Siempelkamp.

Mr Denison said he was unable to confirm further details but there was widespread speculation Lignor is pursuing a public listing as part of the capital raising process.

It raised \$16.5 million through a convertible note issue last month to a range of corporate and institutional investors believed to include packaging billionaire Dick Pratt.

The issue was managed by Macquarie Bank and Patersons Securities who have also been appointed joint lead managers for the impending bigger equity raising while a pair of

undisclosed banks are pursuing the debt component.

One of Lignor's biggest existing shareholders, with a 36 per cent stake, is Black Group, owner of east coast timber wholesaler Simmonds Lumber which is expected to distribute its stranded lumber. Mr Denison said further details of offtake and distribution agreements should be announced in the next week or so.

He said the price to be paid under the ITC and Great Southern log contracts would be at a slight premium to the benchmark export woodchip price.

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