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New generation timber group Lignor has raised more than \$200 million in a convertible note issue ahead of a float which is expected to tap the market for \$130 million.

The equity raising will give the WA-based company an expected market capitalisation of more than \$200 million on listing.

With nearly 30 million existing shares on issue, Lignor has a stable of around 17 founding shareholders, including managing director Glyn Denison, wealthy Albany farmer William Harvey and Queensland-based agribusiness consultant Peter Burton .

Lignor plans to develop a big hardwood timber processing plant and chalked up a major milestone yesterday, revealing that it had conducted a \$210 million convertible bond issue through ABN AMRO in Hong Kong.

It is understood that seven institutions from Australia and overseas, including investment fund groups DE Shaw, Polygon, Citadel and Challenger, took part, receiving an 8 per cent coupon.

The convertible bond issue is subject to the completion of the Lignor float .

There are high hopes for the group's as yet untested earnings potential, with company sources suggesting the group would record earnings before interest, tax and depreciation and amortisation in 2010 of more than \$100 million.

Lignor plans to establish a \$300 million-plus timber plant in Albany to convert eucalyptus woodchips into engineered building products using technology developed by German engineering group Siempelkamp. The technology has previously been used overseas to process softwood timbers but Lignor will be the first company to process hardwoods.

The products will be suitable for use as building and construction materials, flooring, decking and outdoor furniture and are touted to be termite and fungal resistant as well as weatherproof.

In the past 12 months Lignor has lined up agreements with Futuris Corporation's plantation arm, Integrated Tree Cropping, rival plantation syndicate Great Southern and the Forest Products Commission to supply a combined 500,000 logs a year from 2009. It is understood that the plant is due to be commissioned in late 2008 and output will reach 240,000m³ a year

by 2011.

Lignor's timber processing plant concept has won some \$16 million in grants from Federal and State governments as well as attracting the likes of packaging billionaire Dick Pratt, media mogul Kerry Stokes and the Wyllie family into its \$16.5 million convertible note issue late last year.

Mr Denison said demand for the convertible bonds had been very high and the company was pleased to have attracted a strong group of top tier international institutions.

Azure Capital is corporate adviser to Lignor, while the IPO is to be managed by Macquarie Equities and Patersons Securities.

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