

## **MEDIA RELEASE**

### **New era in value-adding for plantation sector**

#### **Great Southern Plantations and Lignor reach agreement for supply of logs**

**Tuesday 22 August 2006**

**Lignor Ltd**, the company developing the Engineered Strand Lumber Plant (ESL) in Albany Western Australia, and **Great Southern Plantations Limited (GSP)** today announced the signing of an Agreement for the supply of up to 200,000 tonnes per year of blue gum logs to Lignor starting in 2009.

This is the first major contract for the supply of logs signed by Lignor for the ESL plant and will be complemented by further contracts with log suppliers in the near future to provide the plant's total requirements.

Lignor is developing the world's first timber stranding plant utilising eucalypt trees for the production of a variety of timber products. Patents covering the use of plantation blue gum and karri/jarrah forest residues have now been lodged around the world for Lignor's process. Stranding involves the shredding of logs into thin strands measuring some 180 mm in length, 25 mm width and 1.5mm thick. These are then aligned and with the addition of suitable resins, are compressed into a large timber billet that is then cut into final sections. The process has been in use in the U.S. and in Europe for many years using primarily softwood species. Importantly, some 75% of the log is used in the final product, over twice the recovery normally found in the timber industry.

The eucalypt hardwood products from the Albany plant will be up to 40% stronger than alternative timber, do not readily absorb moisture so are ideal for external applications and have vastly superior properties that provide significant benefits to the construction industry. A benign termite treatment is also used in the preparation of the PMDI resin used in the manufacturing process.

The plant will be constructed at Mirambeena, some 14 km North of Albany. Lignor has already acquired 30ha of land to develop the project. Logs will be trucked into Mirambeena from the many local blue gum plantations and from Manjimup/Pemberton from forest residues. The final manufactured products will be prepared at the plant and railed to Perth for dispatch to Eastern States markets and exported from Fremantle. Some 30 containers per day will be sent from the plant.

The plant produces no material emissions. Waste is used in the boilers that generate heat for the drying operation.

The company was successful in recently achieving \$2.15m as seed funding from the Forest Industries Structural Adjustment Package, assisting the company to realise its early potential. Lignor has also engaged the services of WorleyParsons to undertake the site planning and CPM, a Canadian Company that is a world expert in the design of stranded lumber plants to provide the necessary design and support for the plant specification and construction.

Lignor recently appointed corporate advisors to secure funding for the plant construction and it is expected that the plant will be commissioned during the final quarter of 2008.

When in full production, the plant will operate on three shifts over a seven day period and will employ directly 145 people. The plant will generate many millions of dollars of revenue to the State and exports over its extended life and provides a high value added function from log residue waste and blue gum trees that would otherwise be chipped.

Said Mr. Glyn Denison, Managing Director of Lignor Ltd: "We are very pleased to start the formal process of securing the log resource and we see this Agreement with Great Southern Plantations being a cornerstone commitment and milestone for the business of Lignor. We are looking forward to working with GSP as we ramp up the project over the next six months. After six years of project development and many millions of dollars in testing the eucalypt species, we are now moving into the capital raising phase and we are particularly pleased that we are able to have Great Southern Plantations as one of our key partners in the project."

Mr. Cameron Rhodes, Director of Great Southern Plantations said: "Great Southern Plantations is delighted to enter into this arrangement with Lignor. Our objective is to deliver the best possible returns to our investors who own the trees in our plantations, and we are therefore very pleased to see the development of the ESL plant in Albany as this is creating additional demand for the timber. The critical factor in getting downstream processing such as this plant off the ground is the establishment of the resource, namely the trees, and with Great Southern recently planting the company's 100 millionth tree we are now well advanced in achieving this objective."

#### **About Lignor Ltd.**

Lignor is a public company with private shareholders. It was established in 2001 with the express purpose of producing Eucalypt stranded timber products. Major shareholders include Simmonds Lumber based in Melbourne that also has a take off agreement with Lignor for a significant portion of the production. The products are expected to take the place of many imported timber products and due to its extremely high strength and other characteristics of eucalypt timber, will compete against many steel applications in construction.

The Lignor plant has the strong support of Federal and State Governments and local businesses and communities and represents a major new industry in the Australian timber markets. The Lignor business will be based in Western Australia and following the successful construction of the Mirambeena plant, the company intends to rapidly expand into other countries internationally that have substantial eucalypt resources. Such locations include several South American countries as well as China, India and South Africa.

#### **About Great Southern Plantations**

Great Southern Plantations is an investment manager, specialising in the agribusiness sector. The group manages funds well in excess of \$1 billion on behalf of more than 35,000 investors. The Great Southern group's interests extend across hardwood plantations, vineyards, organic olives and beef cattle. The company listed on the Australian Stock Exchange in 1999, and it is now part of the S&P / ASX 200 index. For more information visit [www.great-southern.com.au](http://www.great-southern.com.au).

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