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Regina Leader-Post > News > Business Friday, January 19, 2007

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Terra Grain starts building new plant

Bruce Johnstone, The Leader-Post

Published: Wednesday, October 25, 2006

Construction is under way at Terra Grain Fuels' 150-million-litre-a-year ethanol plant at Belle Plaine, according to the chairman of the Regina-based company.

"There's been a lot of site work done," said Gary Drummond, founder and major shareholder of Terra Grain Fuels, referring to the 40-acre site north of the Saskferco fertilizer plant.

"We're trying to get the foundation work to a certain point by hard freeze-up and I think we're just going to get there," said Drummond, a former Regina lawyer.

But Drummond conceded the plant will cost about \$140 million to build, rather than the estimated \$115 million to \$130 million when it was announced in June.

"The estimated cost would be -- with interest during construction and soft costs -- upwards of \$140 million," Drummond said.

Delays in getting the project design and pricing completed have increased the cost of the project. "We should be in pretty good shape because we have a guaranteed fixed price contract," he added. "We can sleep at night."


Delta-T Corp. of Williamsburg, Va. is the technology design and equipment procurement contractor, while EllisDon Corp. of Toronto and VCM Contractors & Engineers of Saskatoon are joint venturing on the engineering, procurement and construction contract.

Site preparation began in September, with project completion scheduled in the fourth quarter of 2007. During construction, the project will create



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Construction has started on the Terra Grain Fuels plant site northwest of Belle Plaine.

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Drummond admitted that the 12-to-18 month construction timelines are "relatively ambitious. But we're still hopeful we'll be in full production by the end of '07."

More details of the financing of the project were also announced Tuesday. When the project was announced in June, Terra Grain Fuels said the project would be financed by \$50 million in senior debt from Conexus Credit Union.

Conexus is now leading a syndicate of lenders that includes Concentra Financial Services and Farm Credit Canada. Conexus Insurance is insuring the project during the construction phase and providing liability insurance coverage.

Another \$40 million in subordinated debt is being provided by a syndicate led by Investment Saskatchewan Inc. and PFM Capital, which includes Golden Opportunities Fund, SaskWorks Venture Fund and Prairie Ventures Fund.

"Our capital structure is now \$50 million of senior debt, \$40 million of subordinated debt," which can be converted to 10 per cent of the project's equity, Drummond said.

"Our equity investors have (put up) \$50 million. If and when the (subordinated debt holders) convert, our (Terra Grain Fuels) equity investors will be at 90 per cent (of the total equity)."

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