



Publication: Lignor Ltd - Update
Article Title: Lignor defers Mirambeena capital raising, postpones plant constructions
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Lignor Limited has postponed plans to develop a major engineered timber plant at Albany in Western Australia.

The postponement is the result of difficulties in securing funding for the project on an acceptable basis as a result of current volatility in global debt and equity markets.

Lignor has deferred the planned \$350 million fund raising for the project for at least 12 months.

Instead, the Company will concentrate its efforts in the short term on exploring joint venture opportunities in China using Lignor's patented technology.

Lignor will also streamline its cost base and substantially wind down its current operations in WA, with Managing Director Glyn Denison stepping down from the position, effective 20 December.

Graeme Black, a non-executive director of Lignor and representing the Company's biggest shareholder, will become Acting Executive Director.

Lignor came close to finalising funding for the project in July 2007. It obtained commitments for \$210 million from investors in convertible bonds, conditional on a further \$130 million in equity being raised in an Initial Public Offering (IPO).

Tightening of global credit markets in July created unease in equity markets and resulted in Lignor being unable to complete its planned IPO.

Lignor attempted to fund the project development through alternative means but encountered significant difficulties in the current market environment.

Mr Black said Lignor remained optimistic that the Albany plant would be developed once conditions and financial markets improve.

"In the meantime, we will explore opportunities to use Lignor's technology in other markets, particularly China, with joint venture partners."

For the past two months, Lignor has been in confidential discussions with an international group with significant commercial forestry operations in China, including major plantations in a number of provinces.

The opportunity under consideration is the use of Lignor's technology in an Engineered Strand Board ("ESB®") plant, tapping into China's domestic resources of wood, resin, wax and labour. However, this is not the only opportunity that has been presented to Lignor.

A feasibility study on the market and project possibilities will be completed by Lignor for the international group during the March 2008 quarter.

Lignor intends to undertake a rights issue to existing shareholders early in 2008 to raise \$5 million to fund the Chinese feasibility study and for general working capital.

Part of the proceeds from the rights issue will be used to continue with Lignor's option to acquire for \$1.4 million the 30.8 hectare site at Mirambeena north of Albany which is the designated site for the WA plant.

End.