

21 June 2006

COMPANY ANNOUNCEMENT**Loan book sale cuts company debt**

Willmott Forests Limited (ASX: WFL) is pleased to announce the sale of part of its loan book to the Commonwealth Bank of Australia (CBA). Willmott Forests has sold \$66 million in loans, which were originated from Woodlot sales under Willmott Forests' managed investment schemes over the past 5 years.

The key features of the transaction are:

- Willmott Forests receives \$64.1 million in cash;
- The associated loans will no longer be on Willmott Forests' balance sheet;
- CBA takes on the future risks and rewards of the loan portfolio, including responsibility for any bad debts;
- There will be no noticeable changes from a grower perspective, as Willmott Forests will remain the primary interface with the growers; and
- Willmott Forests retains \$57 million of other grower loans that are not being sold to the CBA.

The transaction is part of the capital management strategy being implemented by the Board to increase returns to shareholders, provide adequate cash for growth and manage risk more effectively. The loan book sale frees up substantial funds from Willmott Forests' previous Woodlot financing activities. A portion of the funds from the sale will be applied to reduce the company's existing senior debt down to approximately \$25 million.

This is consistent with the Company's policy for new Woodlot sales where CBA will act as 'Preferred Financier' providing a competitive finance facility for Willmott Forests' Woodlot growers.

"Willmott Forests is now in its strongest ever position," said Mr Marcus Derham, the CEO of Willmott Forests. "This loan sale, when combined with the two other recently announced initiatives with the Commonwealth Bank and Hancock Victorian Plantations, means that Willmott Forests is uniquely placed in the Australian forest products sector. We have virtually no net debt, guaranteed access to sufficient land for our near term Woodlot sales and we have secured competitive financing arrangements for our Woodlot growers."

The sale was conducted through a competitive tender and is anticipated to settle in mid July 2006.

As previously announced, the Board will shortly consider its dividend payout policy to determine whether any sustainable increase is warranted in light of the recent positive changes in capital management.

PLANT

MANAGE

HARVEST

PROCESS

SUPPLY

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About Willmott Forests

Willmott Forests Limited is an integrated softwood forestry company that produces a wide range of landscape and structural timber products from its timber processing operations in Bombala, NSW.

A Quality Endorsed Company, with total assets in excess of \$275 million Willmott Forests manages over 24,000 hectares of commercial softwood plantations on behalf of more than 2,500 individual growers. The majority of these plantations are located in south-east New South Wales and north-east Victoria.

Over the last 10 years Willmott Forests has delivered sustained growth in excess of 15% per annum in the key areas of Woodlot sales, plantation resources, assets and profit.

For further information please contact:

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