

16 March 2007

COMPANY ANNOUNCEMENT

PLANT

WFL takes strategic stake in Ethtec Technologies

Willmott Forests Limited today announced that it had acquired an interest in Ethtec Technologies Limited ("Ethtec") representing 51% of the paid up capital in the company for a total cost of \$2.75m.

MANAGE

Ethtec has a world-wide exclusive licence from Apace Research Limited ("Apace Research") to further develop and commercialise technologies developed by and under the direction of Apace Research for the production of ethanol from lignocellulosic material such as wood, bagasse (waste from sugar production), crop stubble and municipal green waste. This is generally referred to as "cellulosic ethanol". Ethtec has been raising funds to build a pilot plant, designed by Apace Research, to demonstrate the commercial application of these technologies.

HARVEST

Willmott Forests sees enormous potential for cellulosic ethanol technology to be used in the timber industry, and intends to seek further non-shareholder funding to assist in commercialising the technology via active participation in the development of the pilot plant and representation on the Boards of both Ethtec and Apace Research.

PROCESS

The Ethtec pilot plant project will span over three years by which time the value of these new technologies should be realised.

Willmott Forests sees this as a real opportunity to add value to the traditionally lower value wood products from both the forest floor and at the sawmill, such as mill residues, wood waste, woodchip and potentially pulpwood logs. The company has access to abundant feedstock to assist in the commercialisation of the pilot plant which, if this technology is proven, will bring benefits in the form of additional revenue to both our forest operations and our timber processing operations.

SUPPLY

Marcus Derham, Willmott Forests CEO, said...*"We have recently completed an extensive due diligence process on this project, and whilst it is not without its risks, they are risks that we understand. When it is all said and done, this is an exciting project that has the potential to change the structure and pricing of pulp, chip and mill residue markets across the whole forest industry, and we are pleased to be involved."*

"It is not inconceivable that in the future, a place like Bombala could have a sustainable plantation resource feeding both the traditional downstream timber processing market, along with an ethanol plant producing renewable fuels." Marcus Derham said.

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About Ethanol Technologies Limited

Over the past 25 years Apace Research has received a number of Federal Government grants to develop new technologies for the production of ethanol from lignocellulosic material. In collaboration with the University of Southern Mississippi, the Tennessee Valley Authority and the University of New South Wales, Apace has developed and demonstrated this technology at laboratory and mini-pilot plant scale.

Ethtec is about to construct a pilot plant to value-add to wood residues (including pine), bagasse and other lignocellulosic materials. The pilot plant project is a four phase project to further develop and commercialise the Apace Research technology.

The individual new technology processes and the associated phases of the pilot plant project are:

- hydrolysis of lignocellulosics (phase one);
- alternative sugars and lignin production (phase two);
- fermentation (phase three); and
- simultaneous ethanol recovery and liquid effluent treatment (phase four)

Phase one of the pilot plant project involves a new hydrolysis process that converts the hemicellulose and cellulose components of the fibre to sugars at a significantly lower cost than competing methods. These sugars have a ready market in the production of renewable chemicals and bioplastics, and as an alternative in some traditional sucrose markets.

Phase four of the pilot plant project can be undertaken at the same time as phase one, and involves a new process of simultaneous ethanol recovery and liquid waste treatment. If successful, this new process will eliminate the liquid waste stream and thereby significantly reduce the environmental impact of ethanol distilleries. Furthermore, by using 'induced phase separation', the ethanol recovery essentially eliminates the need for the conventional distillation technology, thus dramatically improving the energy balance of ethanol production, with accompanying reduction in greenhouse gas emissions.

This new process is expected to have immediate application world-wide in all new and existing ethanol distilleries that utilise traditional sugar, corn or starch feedstocks. There are more than 300 of these plants worldwide, either in operation or in the final stages of construction. The current annual global production of ethanol using traditional methods is approximately 50 billion litres.

Cellulosic ethanol production has a key advantage over traditional methods of ethanol production that currently use food (eg. corn) as the feedstock for sugar production. Cellulosic material is not used as a food source and is generally considered a waste or surplus material; it is also in abundant supply. Using cellulosic feedstock does not involve competition for arable land or food resources, thus solving the emerging 'fuel-versus-food' dilemma. Hence significant worldwide substitution of fossil transport fuels by ethanol can only occur if cellulosic ethanol production is commercialised.

The need to use biomass as a source of energy has been widely acknowledged. US President George W. Bush, in his January 2006 'State of the Union' address stated, "*America must get rid of its addiction to oil*"¹. Sir Richard Branson announced a new

venture called “Virgin Fuel”, through which he plans to build or acquire ethanol plants to develop “cellulosic ethanol”². Mr Bill Gates, chairman of Microsoft, has committed approximately \$US80 million to the ethanol biomass industry. Shell, Volkswagen and Iogen have announced plans to conduct studies into the economic feasibility of cellulosic ethanol production³.

The September 2005 Report of the Australian Prime Minister’s Biofuels Taskforce concluded:

“The Taskforce notes the potential for lignocellulosic ethanol to impact materially on the economics of the ethanol industry in the coming decade. Policy intervention based on current industry technologies and feedstocks should be limited without further assessment of the impact of the lignocellulosic technology.”

In February 2007, the Australian Senate Rural and Regional Affairs and Transport Committee reported on its inquiry into Australia’s future oil supply and alternative transport fuels. The Committee concluded:

“Lignocellulosic ethanol production is the only realistic way that the [ethanol] industry can become more than a niche player. If large scale production of ethanol using feedstock that is available in volume becomes commercially feasible in the medium term, ... it could make a worthwhile contribution to Australia’s transport fuel requirements.”

The Committee recommended:

“...that the Government examine the adequacy of funding for lignocellulosic ethanol research and demonstration facilities in Australia, and increase funding where appropriate.”

About Willmott Forests

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

A Quality Endorsed Company, with total assets in excess of \$220 million Willmott Forests manages 30,000 hectares of commercial softwood plantations on behalf of more than 3,400 individual growers. The majority of these plantations are located in south-east New South Wales and north-east Victoria.

For further information please contact:

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1. Office of the Press Secretary, President George W Bush 2006 State of the Union address 30 January 2006.
2. Fortune Magazine Interview by Nelson D Schwartz on 30 January 2006.
3. IOGEN Corporation press release, Detroit, 8 January 2006.