

5 July 2010

COMPANY ANNOUNCEMENT**Willmott Forests Limited (ASX: WFL) takes immediate action**

Australia is facing a major shortfall in future sawlog (long rotation) timber supply for our existing domestic wood industries. Public investment in plantations is declining rapidly. Continuous private investment is essential to maintain the industry by securing plantation expansion and to maintain second rotation plantings.

Willmott Forests (“the Company”) is therefore committed to continuing its integrated strategy of investing in long rotation plantations for sawlogs; sawmill development for regional value-adding, energy crops for renewable electricity, and carbon trading to meet Australian industry’s greenhouse gas reduction challenge.

The retail investment market for forestry based agricultural products has severely contracted from the FY2009 levels. Nevertheless, it is encouraging that investment in long rotation timber plantations has received continued support through Willmott Forests’ Premium Forestry Blend – 2010 Project which achieved a share of approximately 25% of this diminished market.

Corporate review

The Board and management of Willmott Forests are undertaking immediate actions to address current challenges for the Company, arising from the lower than expected level of FY2010 sales. These actions include:-

- undertaking a detailed review of the Company to ensure it continues to meet its important strategic goals
- aligning the Company’s cost base with the current levels of sales activity
- developing a detailed capital management plan which may include divestment of non-core assets and significant debt reduction; and
- seeking our financiers’ consent to the revised capital management plan.

The Company has the early support of key stakeholders who will be engaged in this process. Given the nature of the process, the Company has requested and been granted a suspension of its securities from official quotation by the Australian Securities Exchange. This will allow the Company time to complete the review and then be in a position to inform shareholders of the results and likely impacts of this process on the Company.

FY2010 results and dividend guidance

Final results for the year ended 30 June 2010 will be reported in August 2010.

In light of reduced sales in FY2010 and the Company's income recognition policy it is likely that both FY2010 and FY2011 results may be materially lower than the recent trading performance of the company.

The Directors will consider a final dividend from the profits of FY2010 in August 2010. Due to current market conditions it is likely that a final dividend (ASX: WFL) will not be paid. It is also likely that the next semi annual dividend on Perpetual Income Exchangeable Securities (PINES) (ASX: WFLPA) due on 30 September 2010 will not be paid.

Operations update

The Company's previous advice to the market on 26 May 2010 (www.asx.com.au) continues to apply:-

- All in-field plantation management activities continue to be undertaken in line with Willmott Forests' management plan
- All site preparation and planting works are on schedule for completion within regulatory requirements
- Willmott Forests has maintained a land bank towards 2010 Forestry Interest sales
- All plantation insurances are in place and current; and
- Willmott Forests' 50:50 joint venture with Dongwha to redevelop its timber processing plant in Bombala, NSW is awaiting final planning approvals in order for it to move to financial closure and commencement of construction.

About Willmott Forests

Willmott Forests is an integrated forestry company established in 1979 that plants, manages, harvests, processes and supplies plantation timber products for domestic and export markets. Willmott Forests manages 53,000 hectares of commercial plantations throughout New South Wales, Victoria and Queensland on behalf of more than 6,000 growers with forestry funds under management exceeding \$400m.

Willmott Forests' timber processing facility in Bombala, NSW is operated under a 50:50 Joint Venture with Dongwha, a global manufacturer of wood materials. A wide range of timber products are manufactured from plantation softwood at the Bombala site which - underpinned by a 20 year wood supply agreement with the NSW Government - is being redeveloped. The new complex is anticipated to be commissioned in 2011 with full production achieved by 2012.

Willmott Energy, a division of Willmott Forests, is focused on expanding into value added forest products in an environmentally positive way. Its' current interests include converting wood fibre to 'cellulosic' ethanol, the use of biomass in renewable fuel markets and the development of carbon sequestration opportunities.