



10 August 2006

BSX Announcements Office
Bendigo Stock Exchange Limited
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Dear Sirs

**QUEENSLAND PAULOWNIA FORESTS LIMITED
PROJECTS 1,2 AND 3.**

This announcement is further to QPFL's announcement of 30 June 2006.

As outlined in the announcement of 30 June QPFL is assessing the effect of the continuing drought and site conditions on all of its Queensland plantations.

In late October 2003 QPFL called a meeting of growers noting that the tree growth at that time had reduced by 50% from the previous year and that productivity had been seriously affected by exposure to natural events.

Since late 2003 drought conditions have continued to exist in Queensland to the extent that the Government suggests this is the worst drought on record.

QPFL's foresters have recently conducted measurements in relation to the trees in Projects 1, 2 and 3 following the cessation of the Paulownia growing season.

The standing timber in Projects 4 and 5 was destroyed by a hail storm in 2003 and has been coppiced and is still too young to be measured. As previously advised this loss is the subject of a claim against the insurer that is currently before the Supreme Court. Projects 6 and onwards are too young to be measured to assess merchantable timber volumes.

The measurements relating to Projects 1, 2 and 3 indicate that the current volumes of merchantable timber in each Project are significantly lower than would have been anticipated by this time. The current standing volumes of merchantable timber (i.e. only the trees meeting merchantable measurements at this time) are:

Project 1 current merchantable timber volume in the order of 4500m³ compared to a targeted volume at the end of the Project of 19140m³

Project 2 current merchantable timber volume in the order of 800m³ compared to a targeted volume at the end of the Project of 50576m³

Project 3 current merchantable timber volume in the order of 1550m³ compared to a targeted volume at the end of the Project of 92032m³

Current estimates are that these volumes will not improve considerably.

QPFL is also assessing whether any other issues including site selection, having regard to the available technology at the time of these early projects, have contributed to the lower than targeted current merchantable timber volumes.

QPFL will, in light of these matters, consider Projects located at its Austin Downs property (4, 5, 6, 7 and the Queensland Forestry Trust) and when able to draw any conclusions, if needed, will make further disclosure.

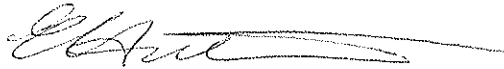
In addition to initiatives already undertaken by the company QPFL is considering what further options it can provide to growers in these Projects to maximise returns to them. QPFL is presently pursuing the following:-

- External expert nutritional analysis and strategies to assess the effect of additional or alternative nutrition,
- New genetic technology in relation to drought resistant Paulownia,

Once QPFL considers possible options it will communicate these to growers in these Projects.

Yours faithfully

QUEENSLAND PAULOWNIA FORESTS LIMITED

A handwritten signature in black ink, appearing to read 'Elizabeth Hutchinson', with a long horizontal flourish extending to the right.

Elizabeth Hutchinson

DIRECTOR COMPLIANCE AND ADMINISTRATION