



19 September 2006

BSX Announcements Office
Bendigo Stock Exchange Limited
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Dear Sir/Madam

**BSX ANNOUNCEMENT
QUEENSLAND PAULOWNIA FORESTS LIMITED (QPFL)
AUSTRALIAN FINANCIAL SERVICES LICENCE NO 222305**

QPFL, as the Responsible Entity within the QPFL group of companies, is obliged to maintain a Net Tangible Asset (NTA) position which is calculated in accordance with its Australian Financial Services Licence (AFSL) conditions. This calculation does not allow the inclusion of assets held in wholly owned subsidiary companies and some specific assets such as loans owing from growers.

The company's Annexure 3A announcement on 13 September 2006 highlighted reductions in the carrying value of a number of assets on QPFL's balance sheet. While the company had net Equity of \$5.475 million the technical NTA calculation under its AFSL which deducts growers loans and intercompany assets from the calculation, gave a negative NTA result at 30 June 2006. In accordance with the requirements of its AFSL QPFL has informed ASIC of the breach of the NTA condition.

Due to the fact that these asset writedowns were non cash transactions , QPFL is of the view that they do not have the potential to cause any financial loss to any of its clients or prevent the company providing financial services.

However QPFL has instructed its solicitors, McMahon Clarke to commence a restructuring of the QPFL group to resolve this issue. This will allow the Responsible Entity to meet NTA requirements under its AFSL without the possibility of QPFL's corporate structure affecting its required NTA level in the future.

Yours sincerely

QUEENSLAND PAULOWNIA FORESTS LIMITED

**Elizabeth Hutchinson
DIRECTOR OF COMPLIANCE & ADMINISTRATION**