

Notice of Annual General Meeting

Queensland Paulownia Forests Limited ACN 071 625 477

NOTICE IS GIVEN that a meeting of shareholders of Queensland Paulownia Forests Limited ACN 071 625 477 will be held at the time, date and place detailed below.

Date and time of meeting: 2pm on Thursday, 30 November 2006

Place of meeting: Atlantis 3 Room, Hotel Watermark
3032 Gold Coast Highway
Surfers Paradise QLD 4217

The accompanying Explanatory Memorandum and Proxy Form form part of this Notice of Meeting.

Business of the Meeting

- (a) Opening of meeting and apologies
- (b) Confirm the Minutes of the 2005 Annual General Meeting.
- (c) Chairman's Address.
- (d) Consideration of the following resolutions:

- (i) **Resolution 1—Adoption of statutory financial statements and reports**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That the Statement of Financial Performance, Statement of Financial Position, Directors' Report, Directors' Declaration and Auditor's Report for Queensland Paulownia Forests Limited for the year ended 30 June 2006 be adopted.”

- (ii) **Resolution 2—Directors' fees**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That the meeting approve that the total annual Directors' fees for the 2006/2007 financial year be limited to an amount of \$200,000.”

- (iii) **Resolution 3—Remuneration Report**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given to the adoption of the Remuneration Report as contained in the company's financial report for the year ended 30 June 2006.”

(iv) **Resolution 4—Appointment of Auditor**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“To re-appoint KPMG of Corporate Centre One, Cnr Bundall Road and Slayter Ave, Bundall, Gold Coast, QLD 4217, as Auditor of QPFL for the ensuing year.

(v) **Resolution 5—Remuneration of Auditor**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“To authorise the Directors to fix the remuneration of the Auditor for the ensuing year.”

(vi) **Resolution 6—Declaration of final dividend**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“The Directors recommend that no final dividend be declared for the year ended 30 June 2006.”

(vii) **Resolution 7—Selective buy-back of shares held by Radicle Projects Pty Limited**

To consider, and if thought fit, pass the following resolution as a special resolution:

“That, for the purposes of section 257D(1) of the Corporations Act 2001, and for all other purposes, it is resolved:

(a) *Queensland Paulownia Forests Limited be authorised to buy-back from Radicle Projects Pty Limited 1,166,667 ordinary shares in the company, and*

(b) *the terms of the buy-back agreement between Queensland Paulownia Forests Limited and Radicle Projects Pty Limited as detailed in the Explanatory Memorandum to the Notice of Annual General Meeting dated 31 October 2006 be approved.”*

General business

To consider and vote on any business which may be transacted at an Annual General Meeting.

Voting

The Directors have determined, in accordance with regulation 7.11.47 of the *Corporations Regulations 2001*, that the holders of shares recorded in the Company's register of members at 5pm (EST) on Tuesday 28 November 2006 will be the persons eligible to vote at the Annual General Meeting.

On a show of hands, each shareholder present in person or by proxy is entitled to one vote. On a poll each shareholder present in person or by proxy is entitled to one vote for each share held.

Voting Exclusion Statement

Queensland Paulownia Forests Limited (QPFL) will disregard any votes cast on Resolution 7 by Radicle Projects Pty Limited or its associates.

However, QPFL need not disregard a vote on the resolution if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with a voting specification on the proxy appointment in relation to the resolution; or
- (b) it is cast by the Chairman of the meeting as a proxy for a person who is entitled to vote, if their appointment as proxy did not specify the way they are to vote on the resolution.

Proxies

A member can vote by attending the meeting or appointing a proxy using the attached proxy form. The proxy need not be a member of QPFL.

The completed proxy form must be received at Queensland Paulownia Forests Limited, Level 16, 50 Cavill Avenue, Surfers Paradise, QLD 4217 or on facsimile number (61) (07) 5531 6185 by no later than 2.00pm (EST) on Tuesday, 28 November 2006.

A member who is entitled to cast two votes or more may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

By order of the Board of Queensland Paulownia Forests Limited

Dated this 31st day of October 2006.



Elizabeth Hutchinson
Secretary
Queensland Paulownia Forests Limited

Explanatory Memorandum

This explanatory memorandum is provided to shareholders of Queensland Paulownia Forests Limited (QPFL) to explain the resolutions to be put to shareholders at the Annual General Meeting to be held at Atlantis 3 Room, Hotel Watermark, 3032 Gold Coast Highway, Surfers Paradise, QLD 4217 on Thursday 30 November 2006 at 2.00 pm (EST).

The Directors recommend all members of QPFL read this Explanatory Memorandum before determining whether to support the resolution or otherwise. If members are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Resolutions 1, 2, 3, 4, 5 and 6 are standard for an Annual General Meeting and, save as set out below, QPFL does not propose to make any further comment in relation to those Resolutions in this Explanatory Memorandum.

Resolution 2—Directors fees

Directors' fees are only paid to non-executive directors. All executive directors who are involved in the day-to-day provision of services to QPFL are paid separately for these services and do not receive any directors fees.

The proposal to pay no more than \$200,000 per annum allows QPFL flexibility to appoint directors with the necessary skills and experience to the Board and remunerate them accordingly.

Resolution 3—Remuneration Report

The Remuneration Report sets out QPFL's remuneration arrangements for the Directors and senior management of the company, and is contained in the annual Directors' Report.

Section 250R of the *Corporations Act 2001* requires that a resolution to adopt the Remuneration Report be put to the vote at the Annual General meeting. However, members should note that the vote on Resolution 3 is advisory only and is not binding on QPFL or its directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Resolution 6—Final Dividend

As a result of this years' financial performance and the cash requirements for the ensuing year the directors consider it prudent to conserve cash at this time and therefore recommend that no final dividend be paid.

Resolution 7—Selective buy-back of shares held by Radicle Projects Limited

Approval is sought for QPFL to proceed with a selective buy-back of 1,166,667 Shares from Radicle Projects Pty Limited on the terms and in the manner described in this Explanatory Memorandum.

Corporations Act requirements

Section 257D(1) of the Corporations Act requires that before a buy-back agreement is entered into, the terms of the buy-back agreement must be approved by, or the buy-back agreement must be conditional upon, either—

- (a) a special resolution passed at a general meeting of QPFL, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

Section 257D(2) requires that QPFL must provide members with a statement setting out all the information known to QPFL that is material to the decision on how to vote on the resolution. However, QPFL does not have to disclose information if it would be unreasonable to do so because QPFL had previously disclosed the information to its shareholders.

Background

As disclosed in a company announcement dated 6 March 2006, the Directors of QPFL released an underwriter, Radicle Projects PLC, from the obligation to underwrite woodlot sales for the 2005/2006 year and the corresponding underwriting fee is therefore not payable by QPFL.

1. QPFL intends to enter into a Buy-back Agreement with Radicle Projects Pty Limited (an associate of Radicle Projects PLC) for QPFL to buy back 1,166,667 shares, which were issued in respect of this underwriting fee.
2. The Buy-back Agreement will be conditional upon QPFL receiving Shareholder approval of the terms of the buy-back.
3. The shares will be cancelled on transfer to QPFL.

Information about the selective buy-back

In order for QPFL to comply with the requirements of the Corporations Act, QPFL provides the following information to Shareholders in relation to the proposed share buy-back and the Buy-back Agreement.

1. Number of shares on issue

At present there are 24,825,995 ordinary shares on issue, of which 3,500,000 are held by Radicle Projects Pty Limited or its associates.

2. Number and percentage of shares to be bought back

Under the Buy-back Agreement, QPFL will buy back 1,166,667 ordinary shares, being 4.7 % of ordinary shares on issue.

3. Particulars of the terms of the buy-back

The terms of the Buy-back Agreement will include the following:

- (a) The Buy-back Agreement is conditional upon Shareholder approval.

- (b) If Shareholders approve the terms of the buy-back by passing the resolution, then completion of the buy-back will occur 15 business days after satisfaction of each of the conditions precedent specified in the Buy-back Agreement.
- (c) There will be no monetary consideration for the buy-back

4. Reason for the buy-back

The Directors consider a selective share buy-back of the Vendor Shares is, from the perspective of QPFL as a whole, the most appropriate option available to QPFL to facilitate the release granted by QPFL of the 2005/2006 underwriting obligation. Accordingly, the board of Directors has negotiated the Buy-back Agreement with Radicle Projects Limited on terms the Directors consider—

- (a) to be in the best interests of QPFL as a whole, and
- (b) do not prejudice the interests of any class of shareholders which will remain after the buy-back.

5. The interests of any Director who may participate in the buy-back

No Director will be participating in the buy-back or the Buy-back Agreement and none of the Directors have any interest in the buy-back or the Buy-back Agreement.

6. Financial effect of the buy-back on the QPFL.

The Directors believe the buy-back will not materially prejudice QPFL's ability to pay its creditors or otherwise adversely affect the solvency of QPFL as this is not a cash transaction.

The reduction of QPFL's issued share capital will be reflected in QPFL's statement of financial position as follows:

The Issued capital will be reduced by \$641,667 with a corresponding reduction in retained earnings representing the underwriting fees of \$641,667 for the 2005/2006 year. There is therefore a neutral affect on the Financial Position of QPFL.

7. The effect the buy-back will have on control of QPFL

As a result of the buy-back, the proportionate interest of each Shareholder (other than Radicle Projects Pty Limited) in all issued Shares held by them will increase. However, the Directors believe completion of the selective buy-back will not have a material effect on the control of QPFL.

8. Identity of the selling shareholders

The selling shareholder is Radicle Projects Pty Limited.

9. Advantages and disadvantages of approving the buy-back

The Directors believe there are no material disadvantages to QPFL as a whole in approving the buy-back.

If Buy-back Agreement is approved by Shareholders, the Directors believe the buy-back—

- (a) will not materially prejudice QPFL's ability to pay its creditors or otherwise adversely affect the solvency of QPFL
- (b) is not likely to adversely affect the interests of Shareholders
- (c) will not adversely affect the operations of the QPFL.

Taxation implications

For QPFL, the buy-back will not result in any adverse tax consequences. Any tax effect is neutral to QPFL.

Directors' statement and recommendation

No Director will be participating in the buy-back or the Buy-back Agreement and none of the Directors have any interest in the buy-back or the Buy-back Agreement.

It is the opinion of all Directors that—the selective buy-back is in the long-term interests of Shareholders and there should be no material adverse consequences to Shareholders should the resolution be passed and the selective buy-back is completed.

Accordingly, each Director recommends Shareholders vote in favour of the share buy-back and approve the circulating resolution.

Further information

If you have any queries, please contact your professional adviser or Elizabeth Hutchinson from Queensland Paulownia Forests Limited ACN 071 625 477 at (61) (7) 55791700.

Shareholders may also want to obtain independent legal or financial advice prior to approving the resolution.

QUEENSLAND PAULOWNIA FORESTS LIMITED

ACN 071 625 477

PROXY

The Secretary
Queensland Paulownia Forests Limited
Level 16
50 Cavill Avenue
Surfers Paradise Qld 4217

I

[PLEASE PRINT NAME]

Of

[PLEASE PRINT ADDRESS]

being a shareholder in Queensland Paulownia Forests Limited (QPFL) ACN 071 625 477 hereby appoint—

1. the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of Queensland Paulownia Forests Limited to be held on Thursday, 30 November 2006 and at any adjournment of that meeting, or

2.*

[NAME OF PROXY]

Of

[ADDRESS OF PROXY]

as my proxy to attend on my behalf at the meeting of shareholders to be held on Thursday, 30 November 2006 and at any adjournment of that meeting.

- * *There is no need to complete any details at item 2 above unless you want a person other than those mentioned in item 1 to be your proxy. That person does not need to be a member of QPFL. If you want the person you have shown in item 2 to be your only proxy, then you must strike out all of item 1. If you do not do this, then the persons named in item 1, if present at the meeting, will hold your proxy.*

The proxy is to vote the shares referred to below (**tick only one box below) in the manner indicated on this proxy form:

All of my shares

☐

The following number of shares

☐

Specify number:

- ** *Please tick only one box and only specify the number of shares if you are appointing the proxy to vote part of your share holding. If neither box is ticked, or if both boxes are ticked, then you appoint the proxy to vote all of your shares. The number of shares you are able to vote will be determined by the register of shareholders as at 2.00pm on 28 November 2006. Any transfers of shares registered after that date will not be taken into account in calculating the number of shares you may vote.*

Resolution 1 - Ordinary Resolution

To adopt the statutory Financial Statements and reports.

FOR* ☐

AGAINST* ☐

ABSTAIN* ☐

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Resolution 2 - Ordinary Resolution

To limit the Directors fees to \$200,000 for the next financial year.

FOR* ☐

AGAINST* ☐

ABSTAIN* ☐

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Resolution 3 - Ordinary Resolution

To adopt the Remuneration Report contained in the financial report.

FOR* ☐

AGAINST* ☐

ABSTAIN* ☐

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Resolution 4 - Ordinary Resolution

To re-appoint KPMG as Auditor for the next financial year.

FOR* ☐

AGAINST* ☐

ABSTAIN* ☐

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Resolution 5 - Ordinary Resolution

To approve the remuneration of the Auditor.

FOR* ☐

AGAINST* ☐

ABSTAIN* ☐

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Resolution 6 - Ordinary Resolution

To declare that no final dividend will be payable for the 2006 financial year.

FOR* ☐

AGAINST* ☐

ABSTAIN* ☐

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Resolution 7 - Special Resolution

To authorise the buyback and the terms of the buy back of 1,166,667 ordinary shares of the company

FOR* 

AGAINST* 

ABSTAIN* 

*

* Indicate with a tick how you want your proxy to vote. Unless otherwise instructed the proxy may vote as the proxy thinks fit.

Signed at _____ by me
[Place of signing]

This _____ day of _____ 2006
[Day] [Month]

Instructions

1. If sole or joint shareholder, then please complete part A below.
2. If corporate shareholder, then please complete part B below.
3. Post or deliver to QPFL at the address on this proxy form or Fax to QPFL at (07) 5531 6185
4. Proxies must be received by QPFL 48 hours prior to the meeting

Part A:

Signature

Signature

Please print name.

Please print name.

Part B:

Place seal here
(if applicable)

Director

Director/ Secretary