

McMAHON CLARKE LEGAL

QUEENSLAND PAULOWNIA FORESTS LIMITED ACN 071 625 477

CONVERTIBLE NOTE TRUST DEED

DATE

AP
THIRD

This Deed is made this ~~second~~ day of December 2003.

PARTIES

Queensland Paulownia Forests Limited ACN 071 625 477 of Level 5, Gateway Building, 50 Appel Street, Surfers Paradise, Queensland

(the Borrower)

And

The Public Trustee of Queensland of Level 10, 444 Queen Street, Brisbane, Queensland

(the Trustee)

And

Quality Land Holdings Pty Ltd ACN 105 716 998 of Level 5, Gateway Building, 50 Appel Street, Surfers Paradise, Queensland

(the Guarantor)

INTRODUCTION

- A. The Borrower has the legal capacity and powers of an individual and all the powers of a body corporate, including the power to issue convertible notes.
- B. The Borrower intends to make an offer of convertible notes which will need disclosure under the Law. Before doing so, the Borrower must enter into a trust deed which complies with the Law and appoint a trustee who complies with the Law.
- C. The Directors have resolved that the Borrower will create and issue the Convertible Notes.
- D. The Borrower will use funds raised under the Convertible Notes in accordance with this Deed and the terms of the Prospectus.
- E. The Trustee has agreed on the terms and conditions contained in this Deed to act as trustee of this Deed for the benefit of the Noteholders.

F. The Guarantor has agreed to provide security for the payment of interest and the repayment of capital to Noteholders.

G. The terms of this Deed follow.

SCHEDULES

The following Schedules form part of this Deed:

- A. Schedule 1 – Dictionary
- B. Schedule 2 – Rules for interpretation
- C. Schedule 3 – Terms
- D. Schedule 4 – Limitation of liability clause
- E. Schedule 5 – Conversion notice

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OPERATIVE PROVISIONS

1. Declaration of trust

1.1 Declaration of trust

- (a) The Trustee is appointed by the Borrower to act as trustee for the Noteholders pursuant to the terms and conditions of this Deed.
- (b) The trust was established by the Borrower with \$10 which the Trustee declares it holds on Trust for the benefit of the Noteholders.

1.2 Term of the trust

The trust commences on the date of this Deed and, unless terminated pursuant to this Deed, continues until the expiry of the period of 80 years from the commencement of this Deed.

1.3 Name of the trust

The trust established pursuant to this Deed will be known as the Queensland Paulownia Forests Limited Convertible Note Trust. However, the Borrower may designate another name at any time in its complete discretion.

2. Terms and conditions of issue of Convertible Notes

2.1 Borrower to issue Convertible Notes

- (a) Subject to clause 2.2, the Borrower may at any time issue Convertible Notes under this Deed with an aggregate principal amount not exceeding \$9 million in accordance with the terms and conditions of this Deed.
- (b) The Convertible Notes are issued subject to this Deed and upon the conditions and the terms set out in the Prospectus.

2.2 Further issues of Convertible Notes

- (a) Notwithstanding anything else contained in this Deed, and subject to the Law, the Borrower may at any time create and issue further Convertible Notes for any reason.
- (b) The Borrower will only issue further Convertible Notes pursuant to this clause 2.2 in the following circumstances:

- (i) The Borrower reasonably believes the issue of further Convertible Notes will not materially prejudice any security included in or created by the Convertible Notes or this Deed or the interests of Noteholders.
- (ii) The Trustee consents to the issue of further Convertible Notes. Such consent may not be unreasonably withheld.
- (c) Further Convertible Notes created and issued under this clause 2.2 may be of the same class or of a different class to those already on issue.
- (d) If additional Convertible Notes are created under this clause 2.2, then the Borrower may offer the additional Convertible Notes to existing Noteholders in priority to any other applicant.

2.3 Convertible Notes issued under this Deed to rank equally

Each Convertible Note issued under this Deed will rank equally with each other Convertible Note issued under this Deed.

2.4 Beneficial ownership of Convertible Notes

- (a) The Noteholders are deemed to be the beneficial owners of the Convertible Notes registered in their names.
- (b) Noteholders hold the Convertible Notes subject to and with the benefit of this Deed.

2.5 Borrower may pay commission

The Borrower may in its discretion, pay a commission, brokerage or other fee to any person in relation to the issue or purchase of Convertible Notes.

2.6 Borrower may purchase Convertible Notes

The Borrower may at any time in accordance with the terms of this Deed —

- (a) purchase issued Convertible Notes
- (b) cancel issued Convertible Notes, or
- (c) reissue any Convertible Notes.

2.7 Redemption of Convertible Notes

Each Convertible Note will mature on the Maturity Date.

2.8 Convertible Notes valid despite contravention of clause 2

Convertible Notes will be deemed to have been validly issued even if at the time of the issue the Borrower was in contravention of this clause 2.

2.9 Early redemption

Noteholders have no right to require the Borrower to redeem their Convertible Notes before the Maturity Date.

2.10 Cancellation of unissued Convertible Notes

The Borrower may at any time cancel any Convertible Notes it has not issued.

3. Conversion**3.1 Conversion by Noteholder**

Subject to this clause 3, a Noteholder may require the conversion of either all or some of their Notes on the date the Borrower lists on a recognised exchange by a conversion notice in the form set out in Schedule 5 being given or having been given to the Borrower within 30 days after the Borrower advises its application for listing on a recognised exchange has been accepted.

3.2 Conversion notices

- (a) A notice indicating an intention to have Notes converted given by a Noteholder under clause 3.1 is irrevocable.
- (b) A notice given by a Noteholder under clause 3.1 must be accompanied by the Note certificates (if any) for the relevant Notes or such other evidence of title to the Notes acceptable to the Borrower.

3.3 Entitlement to Ordinary Shares on conversion

- (a) On conversion of any Notes held by a Noteholder—
 - (i) the Borrower will redeem each of those Notes for \$1.20 per Note, and
 - (ii) the relevant Noteholder irrevocably and unconditionally—
 - consents to be a member of the Borrower and agrees to be bound by the constitution of the Borrower, and
 - directs the Borrower to apply the whole of the principal money payable to that Noteholder on

redemption in subscribing on behalf of the Noteholder for the number of Ordinary Shares calculated in accordance with clause 3.3(b).

- (b) Subject to the Law and any Listing Rules or other laws to which the Borrower is subject, a Noteholder is entitled upon conversion to the number of Shares determined in accordance with the following formula (Conversion Formula):

$$N = \frac{B}{C}$$

Where:

N = the number of fully paid ordinary shares to be issued and allotted to the Noteholder pursuant to this clause 3.3

B = \$1.20, and

C = the listing price of Shares quoted on the ASX or other equivalent exchange.

- (c) If upon application of this clause 3.3 it would include a fractional part of a share, then that fractional part will be rounded up to the nearest whole share.

3.4 Ordinary Shares issued on conversion

- (a) The Ordinary Shares to which a Noteholder is entitled on conversion of any of their Notes must be issued within 15 Business Days after the relevant conversion date and any such issue will have effect on and from, and be deemed to have been made on, that conversion date.
- (b) Each Ordinary Share issued on conversion of any Notes will rank equally in all respects and form one class with the Ordinary Shares on issue at the time the Shares are issued.

3.5 Cancellation of Notes

All Notes redeemed by the Borrower pursuant to clause 3.3 will, upon such redemption, be cancelled and may not be reissued.

4. Conditions

The terms and conditions of this Deed are binding on the Borrower, the Trustee, the Guarantor, each Noteholder and all persons claiming through them respectively as if those persons were a party to this Deed.

5. Acknowledgment of indebtedness

5.1 Acknowledgment of debt by Borrower

The Borrower acknowledges its indebtedness to the Trustee in respect of the Principal Amount and interest payable on the Convertible Notes from time to time under this Deed.

5.2 Principal

The Borrower covenants with the Trustee that it will make payment of the Principal Amount, interest and the Redemption Premium (if any) in respect of the Convertible Notes as and when due in accordance with the provisions of this Deed.

5.3 Payments may be made direct to Noteholders

- (a) The Borrower will make all payments of principal and interest directly to the Noteholders and will redeem the Notes from the Noteholders (net of any withholding or other Taxes required to be deducted) unless—
 - (i) the Trustee consents to the payments being made to another entity, or
 - (ii) the Convertible Notes are redeemed in accordance with clause 2.9.
- (b) Any payment or redemption by the Borrower in accordance with clause 5.3(a) will, to the extent of the payment made, satisfy the Borrower's obligations under clauses 5.1 and 5.2.
- (c) If the Trustee receives any Secured Money pursuant to the terms of this Deed, the Trustee must hold the Secured Money on Trust for the Noteholders and must distribute the Secured Money to Noteholders in respect of the Convertible Notes.

5.4 Amount is unable to be paid

- (a) Any amount payable to a Noteholder under this Deed except in the case of Secured Money collected under Events of Default which the Trustee

is unable to pay to the relevant Noteholder within six months of the payment being due will, upon expiration of six months, be—

- (i) returned by the Trustee to the Borrower, or
 - (ii) if not yet paid to the Trustee, then be retained by the Borrower.
- (b) The Borrower remains liable to pay any amount unpaid pursuant to clause 5.4(a) for a period of up to six years following the due date for payment.

6. Covenants by Borrower

6.1 General covenants

The Borrower makes each of the following covenants for the benefit of the Noteholders:

- (a) The Borrower will at all times comply with the Law and the provisions of this Deed.
- (b) The Borrower will execute and do all things reasonably necessary to give effect to this Deed and confer the full benefit of this Deed upon Noteholders.
- (c) The Borrower will not permit more than 9 million Convertible Notes to be issued under this Deed.
- (d) The Borrower will at all times conduct the business of the Borrower in a proper and efficient manner.
- (e) The Borrower will give to the Trustee any information it may reasonably require for the purposes of this Deed.
- (f) The Borrower will make copies of this Deed available to Noteholders on request.
- (g) Within five (5) Business Days of becoming aware of the happening of an Event of Default, the Borrower will provide the Trustee with written notice of the Event of Default and the action proposed to be taken by the Borrower to remedy it.

- (h) The Borrower will at all times observe and perform all the relevant covenants, obligations and conditions contained in any Security Interest.
- (i) The Borrower will notify the Trustee within 21 days of any material default by the Borrower under any Security Interest.
- (j) The Borrower will insure and cause all subsidiary companies to insure with a reputable insurer—
 - (i) all insurable property against fire and other risks as is customary in similar businesses, for the full insurable value (unless the Trustee consents to the holding of insurance at a lesser value)
 - (ii) against liability for worker's compensation, public risk and other risks as is customary in similar businesses, and
 - (iii) the Borrower will pay or cause to be paid the premiums for the insurance obtained in accordance with clause 6.1(j) as and when they fall due

6.2 Principal and interest

Within 21 days of each due date for payment of interest on the Convertible Notes the Borrower will provide the Trustee with a report signed by two Directors stating—

- (a) whether or not the interest due on the Convertible Notes has been paid, and
- (b) the Principal Amount of the Convertible Notes outstanding at the date of the report.

6.3 Assignment of insurance proceeds

Prior to the issue of the Notes, the Borrower will enter into a deed of assignment in favour of the Trustee assigning to it the right to all benefits payable under the current insurance policy (and subsequent policies which must be maintained on the same terms) held by the Borrower with respect to potential damage to paulownia trees it owns.

6.4 Compliance by the Borrower

The Borrower will at all times comply with, observe and perform each of the covenants, obligations and conditions expressly or impliedly contained in this Deed.

7. Representations by the Borrower

- (a) The Borrower represents and warrants to the Trustee that—
- (i) it is duly incorporated and has the capacity to sue or be sued in its own name and to own its property and conduct its business as it is being conducted
 - (ii) this Deed is enforceable in accordance with its terms and is not void or voidable
 - (iii) it has capacity to execute and deliver and perform its obligations under this Deed
 - (iv) the execution of this Deed does not contravene—
 - a law or directive from a relevant government body
 - the constitution of the Borrower
 - an agreement or instrument to which it is a party, or
 - an obligation of the Borrower to any other person, and
 - (v) there is no material litigation commenced or threatened which has not been disclosed to the Trustee.
- (b) Each warranty and representation under clause 7(a) will survive the execution of this Deed and be deemed to be repeated with reference to the facts and circumstances then existing on the date of payment of interest and the Maturity Date of each Convertible Note.

8. Covenants by the Guarantor

The Guarantor makes each of the covenants in this clause 8 for the benefit of the Noteholders:

- (a) The Guarantor agrees it will grant a first ranking Mortgage to the Trustee for the benefit of Noteholders to provide security for the repayment of capital and interest by the Borrower.

- (b) The Guarantor will grant a first ranking fixed and floating charge to the Trustee for the benefit of Noteholders as security for the repayment of capital and interest by the Borrower.
- (c) The Guarantor will at all times comply with the Law.
- (d) The Guarantor will at all times carry on and conduct its business in a proper and efficient manner.

9. Accounts and Borrower's reporting obligations

9.1 Obligation to keep records

The Borrower will keep financial statements which—

- (a) correctly record and explain its transactions and financial position and performance, and
- (b) enable true and fair annual financial accounts to be prepared and audited.

9.2 Provide access to and explanations about records

- (a) The Borrower will make all of the financial statements and other records available for inspection by—
 - (i) the Trustee
 - (ii) the Trustee's authorised officers or employees, and
 - (iii) registered company auditors appointed by the Trustee to carry out an inspection the Borrower's financial and other records.
- (b) The Borrower will provide any person referred to in clause 9.2(a) with any reasonable assistance the person requires about matters relating to the Borrower's financial and other records.

9.3 Reports to be given in accordance with the Law

The Borrower will duly comply with all requirements of the Law and any other statutory requirements with respect to the filing of reports and statements and registration of any Security Interest.

10. Application for Convertible Notes

10.1 Form of application

An application for Convertible Notes must be in the form the Trustee and the Borrower may for the time being require or approve.

10.2 Application payment

Each Applicant must, at the time of lodging an application for Convertible Notes or at such later time as the Borrower allows, pay to the Trustee their Application Money.

10.3 Holding Application Money

All Application Money must be held by the Trustee on trust for the Applicants.

10.4 Borrower may refuse application form

- (a) The Borrower may, in its absolute discretion, accept or refuse any application for Convertible Notes in whole or in part, and it is not bound to give any reasons for such refusal.
- (b) If any application form is refused, then the Borrower must direct the Trustee to refund any money paid by that Applicant to the Applicant (less Taxes and bank charges payable) within five Business Days after the refusal.

10.5 Investment of the Application Money

The Application Money may, pending its application in accordance with the terms of this Deed, be invested by the Trustee in investments authorised by the law relating to the investment of trust funds.

10.6 Minimum application

- (a) The Borrower may set minimum application amounts or minimum holdings for the trust (including in respect of different classes), and alter those amounts at any time.
- (b) If a minimum application is set, then the Borrower will not issue any Convertible Notes if the minimum application under the Prospectus is not achieved within four months after the date of the Prospectus, unless a longer period is permitted by or pursuant to the Law or ASIC.

- (c) If an Application is made and Notes are not issued to Applicants because the minimum application level has not been achieved within four months after the date of the Prospectus (or such longer period permitted by or pursuant to the Law or ASIC), then –
 - (i) the Borrower must refund each Applicant's Application Money
 - (ii) the money to be refunded must be paid to each Applicant within seven days after the date which is four months after the date of the Prospectus.

10.7 Trustee to refund Application Money

If Application Money is paid and Notes are not issued to the Applicant who made the payment within 13 months after the date of the application, then the Application Money must be refunded to the Applicant, unless the Applicant expressly permits the Trustee to hold the Application Money for a longer time.

10.8 Date Convertible Notes issued

Convertible Notes are issued on the day which is the later of-

- (a) the day the Borrower accepts the application, or
- (b) the day the Trustee receives the Application Money in clear funds.

10.9 Number of Notes issued

The number of Notes issued to an Applicant is calculated as follows:

$$\frac{\text{Application Money received}}{\text{Application price of a Note}}$$

10.10 No issue can be made thirteen months after Prospectus

No Notes will be issued by the Borrower later than 13 months after the date of issue of the Prospectus pursuant to which the Applications were made, unless a longer period is permitted by or pursuant to the Law or ASIC.

11. Issue procedure

11.1 Notice to Trustee

To issue a Convertible Note, the Borrower must give the Trustee a written notice—

- (a) specifying the number of Convertible Notes the Borrower proposes to issue
- (b) confirming the Borrower believes the issue of Notes will not materially prejudice any security included in or created by the Convertible Notes, or this Deed or the interests of the Noteholders, and
- (c) confirming the Borrower will only use the money raised through the issue of Convertible Notes for one of the purposes specified in clause 11.6.

11.2 Trustee's notification of approval

- (a) The Trustee will, within seven days after receipt of a notice given by the Borrower under clause 11.1, give the Borrower a written notice specifying the number of Convertible Notes the Borrower may issue.
- (b) The number of Notes the Borrower may issue, as specified in a notice given by the Trustee under clause 11.2(a), will be the lesser of—
 - (i) the number of Notes the Borrower proposes to issue under clause 11.1, or
 - (ii) the number of Convertible Notes the Trustee reasonably believes the Borrower can issue without materially prejudicing the interests of the Noteholders.

11.3 Modification or cancellation of Trustee's approval

- (a) The Trustee may modify or cancel an approval given under clause 11.2 if—
 - (i) the Trustee reasonably believes the issue of Convertible Notes in accordance with the approval given under clause 11.2 will materially prejudice the interests of the Noteholders, and
 - (ii) the Trustee gives the Borrower a notice certifying the Trustee's belief and the number of Convertible Notes the Trustee reasonably believes the Borrower can issue without materially prejudicing the interests of the Noteholders .
- (b) If a notice modifying or cancelling an approval under clause 11.2 is given to the Borrower, then the Borrower must comply with the notice and not issue Convertible Notes in excess of the number specified in the notice given under clause 11.3(a).

11.4 Issue of Convertible Notes

- (a) The Borrower may issue Convertible Notes within six months after receiving the Trustee's written notice under clause 11.2.
- (b) Once the Borrower issues Convertible Notes to an Applicant under clause 11.4(a), the Applicant becomes a Noteholder.

11.5 Issue of Convertible Note certificate

- (a) The Borrower may issue a Convertible Note certificate, in a form which is acceptable to the Borrower and the Trustee, to each Noteholder within two months after the Convertible Notes are issued.
- (b) Despite any breach of or non-compliance with this Deed, all Convertible Notes in respect of which a Convertible Note certificate has issued will be deemed to be validly issued under this Deed as between the relevant Noteholder and each of the Borrower, the Guarantor, the Trustee and all other Noteholders.

11.6 Purposes for which the Borrower may use the Principal Amounts

Despite anything else in this Deed, the Borrower may apply the money raised through the issue of Convertible Notes for the following purposes:

- (i) In payment of any commission, procuration fee or brokerage the Borrower may pay in accordance with clause 2.5 and the terms of the Prospectus.
- (ii) To finance the purchase of real property which is suitable for growing paulownia timber and then the development and enhancement of such property or other purpose disclosed in the Prospectus.
- (iii) Any other purpose approved in writing by the Trustee.

12. Duties of the Trustee**12.1 General obligations**

The Trustee covenants to do the following:

- (a) Exercise reasonable diligence to ascertain whether the property of the Borrower and the Guarantor that is or should be available (whether by way of security or otherwise) will be sufficient to repay the amount deposited or lent when it becomes due.

- (b) Exercise reasonable diligence to ascertain whether the Borrower has committed any breach of the Law or this Deed.
- (c) Do everything in its power to ensure the Borrower remedies any breach known to the Trustee of the Law or this Deed unless the Trustee is satisfied any such breach does not materially prejudice the Noteholders' interests or any security for the Notes.
- (d) Notify ASIC and the Borrower as soon as practicable if the Trustee discovers it cannot be trustee of this Deed under section 283AC of the Law.
- (e) Give the Noteholders a statement explaining the effect of any proposal the Borrower submits to the Noteholders before any meeting that—
 - (i) a court calls in relation to a scheme under subsection 411(1) or 411(1A), or
 - (ii) the Trustee calls in the event the Borrower fails to remedy a breach of this Deed or the Law when required by the Trustee under subsection 283EB(1).
- (f) Comply with any directions given to it at a Noteholders' meeting referred to in section 283EA, 283EB or 283EC unless—
 - (i) the Trustee is of the opinion that the direction is inconsistent with the terms of the Convertible Notes or the provisions of this Deed or the Law or is otherwise objectionable, and
 - (ii) has either obtained, or is in the process of obtaining, an order from a court under section 283HA setting aside or varying the direction.
- (g) Apply to a court for an order under section 283HB if the Borrower requests it to do so.

12.2 Bank accounts

The Trustee must, at the Borrower's expense, open and maintain in its name such bank accounts as the Borrower directs which are necessary to fulfill its obligations under this Deed, including an Application Fund into which all Application Money must be banked.

13. Liability and discretion of Trustee

13.1 Liability of Trustee

All parties agree and acknowledge the Trustee enters into this Deed as trustee of the trust created by this Deed and in no other capacity, and does so on the basis set out in schedule 4 to this Deed.

13.2 Inclusion of limited liability provision

The parties to this Deed agree that any document which the Trustee must sign in relation to the trust created by this Deed or the Convertible Notes and/or the Secured Money and/or the Secured Property must contain the provisions of the Trustee's limited liability as appearing in Schedule 4.

13.3 Trustee's discretion

The Trustee has absolute discretion in relation to the exercise of its duties and powers and provided it has not committed an act of fraud, gross negligence or breach of trust in the performance of the Trustee's duties (at law or under this Deed), is in no way responsible for any loss, costs, damages, expenses, or inconvenience which may result from the exercise or non-exercise of its duties and powers.

13.4 Confidentiality

The Trustee will take all reasonable and proper steps to ensure information which is confidential and not otherwise in the public domain, or is required by law to be disclosed to or obtained by it in respect of the administration of this Deed is kept confidential.

14. Authorised Investments

14.1 Making and realising Authorised Investments

- (a) Subject to the Law and at the direction of the Borrower, the Trustee may do the following:
 - (i) Invest any money held by it pursuant to this Deed in Authorised Investments in the name of the Trustee.
 - (ii) Make or acquire all Authorised Investments by means of or as a result of a purchase contract, subscription, option to purchase, put option, underwriting agreement, or in such other manner as the Borrower and the Trustee may agree.

- (iii) At any time vary an investment made under this clause 14.1 or convert an Authorised Investment into another Authorised Investment or realise an Authorised Investment.
- (b) Subject to the Law, the Borrower is responsible for all decisions relating to the investment or reinvestment of any money held pursuant to this Deed and the realisation of any Authorised Investments.
- (c) The Trustee is not responsible for the investment or reinvestment of any money (except to ensure it is an Authorised Investment) or liable for any loss or depreciation in value of an Authorised Investment made, varied, converted or realised in accordance with this clause 14.1.

14.2 Trustee to act in relation to Authorised Investments

Subject to this Deed and the Law, the Trustee must upon a request which is reasonable and made in writing with reasonable notice by the Borrower—

- (a) do all acts and things to deal with any Authorised Investment
- (b) pay all money payable in respect of an Authorised Investment, and
- (c) sign all documents required by the Borrower to enable the Borrower to exercise its powers under this Deed.

14.3 Expenses of acquisition and realisation

The Borrower must pay the costs and expenses of or in connection with—

- (a) the investigation of or negotiation for the acquisition of any Authorised Investments, whether or not it is in fact acquired, and
- (b) any dealing with any Authorised Investment.

14.4 Realisation of Authorised Investments

- (a) If the Trustee is required to make any payment under this Deed, then the Borrower must ensure funds are available to the Trustee, either in cash or by directing the Trustee to realise Authorised Investments.
- (b) If the Borrower fails in its duty under clause 14.4(a), then the Trustee may realise sufficient Authorised Investments to enable the Trustee to make the payment. The Trustee may then apply the proceeds of the realisation to make the payment.

15. Events of Default

15.1 When money becomes due

All or any part of the Secured Money will, at the option of the Trustee, become immediately due and payable on written demand by the Trustee to the Borrower upon the happening of any of the following Events of Default:

- (a) The Borrower fails to make payment of any Secured Money in respect of the Notes when due and such failure continues for a period of 21 days after the demand for that Secured Money is made by the Trustee or relevant Noteholder.
- (b) Where, except for the purposes of a solvent reconstruction or amalgamation—

 - (i) an application to a court is made (other than a frivolous or vexatious application or an application which is withdrawn within 21 days or such period as the Trustee may allow) or an order is made, or a resolution is passed for—

 - the winding up, dissolution or administration of the Borrower or the Guarantor
 - the Borrower or the Guarantor to enter into any arrangement, compromise or composition with or assignment for the benefit of any creditors of the Borrower or the Guarantor (as the case may be), or
 - the Borrower or the Guarantor ceases or suspends the conduct of all of its business or disposes of all of its assets or it threatens to do so
 - (ii) with respect to any substantial part of the assets of the Borrower or the Guarantor—

 - a Controller or similar officer is appointed, or
 - any distress, attachment or execution is levied or enforced against the Secured Property and is not satisfied within 21 days or such longer period as the Trustee may allow, or
 - (iii) the Borrower stops payment of its debts generally.

- (c) The Borrower is in default of any of its obligations under this Deed (other than an obligation to pay money) or the terms of the Note issue and such default is not remedied within 21 days after the Trustee gives the Borrower written notice specifying the default and requiring it to be remedied.
- (d) Circumstances exist in respect of the Borrower which would oblige a court to presume the Borrower is insolvent within the meaning of section 459C of the Law.

15.2 Trustee's powers on default

- (a) If all or any of the Secured Money becomes immediately due and payable in accordance with clause 15.1, then the Trustee may at its discretion and without further notice institute such proceedings as it thinks fit in order to secure the repayment of all Secured Money.
- (b) Without limiting the Trustee's power under clause 15.2(a) the Trustee may do any of the following:
 - (i) Without appointing a Controller but upon 21 days notice to the Borrower and the Guarantor, enter upon or take possession of the Secured Property, and if the Trustee thinks fit, carry on the business of the Borrower with all the power of an absolute owner including the power to—
 - appoint or remove on any terms as to salary or any other matters managers, agents, employees, controllers, accountants, workmen and servants
 - acquire by purchase or lease or otherwise any further property or rights, accept surrenders of or determine any leases and tenancies now existing or which may be created
 - make new contracts or modify or vary existing contracts
 - have and give effect to the powers which a Controller would have at law including the Law.
 - (ii) Either with or without taking possession under clause 15.2(b)(i), exercise its powers under the Mortgage and sell, call in or convert into money the Secured Property in such manner and on such terms as the Trustee considers appropriate.

- (iii) Give any security or enter into any form of financial accommodation (including giving any guarantee) on such terms as the Trustee considers appropriate.

15.3 Trustee may appoint a Controller

After all or any of the Secured Money becomes immediately due and payable in accordance with clause 15.1 the Trustee may by writing appoint or remove a Controller who will have all of the powers and rights conferred upon controllers under the Law the following provisions will (to the full extent permitted by law) have effect.

15.4 Withdrawal of appointment of Controller

The Trustee may at any time withdraw the appointment of or remove any Controller without appointing a substitute and with or without entering into possession of the Secured Property in accordance with this Deed. However, such withdrawal or removal will not prejudice or affect any rights of the Trustee subsequently to enter into and to take possession of the Secured Property or to appoint any other Controller of the Secured Property in accordance with this Deed.

15.5 Proof of default

If the Trustee institutes any proceedings for the winding up of the Borrower, then such action constitutes a default has occurred in relation to the payment of any principal and/or interest due and payable pursuant to the Convertible Notes.

15.6 Indemnification of Trustee upon enforcement

The Trustee is not bound to institute proceedings for the winding up of the Borrower in accordance with this Deed unless—

- (a) it is so requested by an Ordinary Resolution or in writing by the holders of at least one-fifth of the nominal amount of Convertible Notes Outstanding, and
- (b) it is indemnified to its complete satisfaction against all liabilities, proceedings, claims and demands to which the Trustee may become liable and all costs, charges and expenses which may be incurred by the Trustee in connection with such action.

16. Application of money received by the Trustee

16.1 Money from the Secured Property

- (a) Subject to the satisfaction of secured creditors ranking in priority to the Noteholders and the Trustee, the Trustee will apply any money it receives from a Controller appointed by the Trustee or from any sale, management of or otherwise from or out of the Secured Property as follows:
 - (i) Firstly, in payment of all costs, charges and expenses properly incurred by the Trustee in the exercise of any powers contained in this Deed or otherwise in the execution of the trusts of this Deed and any interest payable on those costs.
 - (ii) Secondly, in payment of all Principal Amounts owing in respect of the Convertible Notes.
 - (iii) Thirdly, in payment of all interest owing or accrued in respect of the Convertible Notes whether such interest has or has not then become payable.
 - (iv) Finally, any balance money will be applied in accordance with clause 16.2.
- (b) The Trustee may, before making any payment in accordance with clause 16.1(a) retain any money the Trustee requires to manage the business of the Borrower or undertaking its duties under this Deed.

16.2 Other money

- (a) Subject to the satisfaction of all creditors ranking in priority to the claims of the Noteholders and the Trustee, all money received by the Trustee other than from the Secured Property is to be held by the Trustee upon trust to apply in the following order:
 - (i) Firstly, in payment of the amounts specified in clause 16.1.
 - (ii) Secondly in payment of any fee or expense due and payable under clause 20.
 - (iii) Thirdly in payment of all principal amounts owing in respect of the Convertible Notes.

- (iv) Fourthly in payment of all interest owing or accrued in respect of the Convertible Notes whether such interest has or has not then become payable.
- (v) Finally, the balance (if any) is to be paid to the Borrower without prejudice to the provisions of this clause 16.
- (b) The Trustee will, after the Borrower has repaid all Secured Money in accordance with the terms of this Deed, pay any money remaining to, or at the direction of, the Borrower.

16.3 Trustee's discretion to make payments

The Trustee may make payments to Noteholders under this clause 16 in such manner as the Trustee in its discretion considers appropriate having regard to the best interests of the Noteholders.

16.4 Accumulation and investment

- (a) If at any time the amount of money available for distribution under this clause 16 is less than 10% of the Secured Money (or such other amount the Trustee considers is uneconomic to distribute), then the Trustee may, in its discretion, do the following:
 - (i) Invest any money held by it pursuant to this Deed in Authorised Investments in the name of the Trustee.
 - (ii) Make or acquire all Authorised Investments by means of or as a result of a purchase contract, subscription, option to purchase, put option, underwriting agreement, or in such other manner as the Trustee considers appropriate.
 - (iii) At any time, vary an investment made under this clause 16.4 or convert an Authorised Investment into another Authorised Investment or realise an Authorised Investment.
- (b) The Trustee will not be liable for any loss or depreciation in value of an Authorised Investment made, varied, converted or realised in accordance with this clause 16.4.
- (c) The Trustee may invest any money available for distribution under this clause 16.4 until it considers it holds an amount equal to 10% of the Secured Money or such other amount the Trustee considers is economic to distribute in accordance with this clause 16.

17. Payment to Noteholders

Any payment to be made in respect of the Notes by the Borrower or the Trustee may be made in the manner provided in the Terms and any payment so made is a good discharge to the Borrower or to the Trustee, as the case may be. Any payment in full of interest made in respect of a Convertible Note extinguishes any claim of a Noteholder which arises directly or indirectly in respect of such interest.

18. Provision supplemental to trusts legislation

In addition to the powers conferred on trustees by the prevailing trust legislation in Queensland the following provisions apply:

- (a) The Trustee may in relation to this Deed, act on the opinion or advice of or any information obtained from professional or expert and whether obtained by the Borrower or the Trustee.
- (b) The Trustee is at liberty to accept a certificate given or statement made by any barrister, solicitor, attorney, auditor or officer of the Borrower or the Guarantor, as the case may be, and is not bound to call for further evidence or be responsible for any loss occasioned by failure to do.
- (c) The Trustee is not liable except for the fraud, negligence, wilful default, breach of trust or a default or breach of trust wilfully committed by its employees or officers.
- (d) Without prejudice to the right of indemnity given by law to trustees the Trustee is entitled to be indemnified by the Borrower and the Guarantor in respect of -
 - (i) all liabilities and expenses properly incurred in the execution or purported execution of the trusts constituted by this Deed, and
 - (ii) the exercise or attempted exercise of any powers, authorities and discretions vested in it under this Deed, and
 - (iii) all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted to be done relating to this Deed, other than a claim arising out of fraud, wilful default or wilful breach of trust by the Trustee.

- (e) The Trustee is authorised to retain and pay out of money in its hands all sums necessary to give effect to the indemnities set out in this clause 18.
- (f) The Trustee may, unless it is directed in writing to the contrary by the holders for the time being of at least 10% of the Principal Amount of the Notes and at any time whenever it thinks it expedient in the interests of the Noteholders to do so, waive on such terms and conditions as it deems expedient any breach by the Borrower of any of the covenants, obligations, conditions or agreements contained in this Deed.
- (g) It is in the discretion of the Trustee whether to take any action or proceedings against the Borrower to enforce the observance or performance of any covenant, obligation, condition or provision contained in this Deed or at law unless the Trustee is directed to do so by a Special Resolution of the Noteholders passed in accordance with the provisions of this Deed or unless the Trustee is directed in writing so to do by the holders of at least 10% of the Principal Amount of Convertible Notes Outstanding and if the Trustee is indemnified to its complete satisfaction against all liabilities, proceedings, claims and demands to which the Trustee may become liable and all costs charges and expenses which may be incurred by the Trustee.
- (h) The Trustee is not responsible for acting upon any resolution purporting to have been passed at any meeting of the Noteholders in respect of which minutes have been made and signed even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Noteholders.
- (i) The Trustee does not incur any responsibility in respect of money subscribed by applicants for the Convertible Notes.
- (j) Nothing contained in this clause imposes on the Trustee any obligation to inform any Noteholder of any breach by the Borrower under this Deed.

19. Delegation by Trustee

The Trustee may (whenever it thinks it expedient and in the interest of the Noteholders) do the following:

- (a) Delegate to any person any of the trusts, powers, authorities or discretions vested in the Trustee which cannot conveniently be exercised by it or through its officers or employees upon such terms and conditions and under such regulations (including the giving of power to sub-delegate) as the Trustee may in the interests of the Noteholders think fit.
- (b) Instead of acting personally or in the case of a Borrower through its permanent officers or employees, appoint or employ an agent to carry out any of the trusts established under this Deed or to conduct the business of the Borrower as the case may be, and at the expense of the Borrower as the case may be, and to transact all business and do all acts required to be done under or pursuant to this Deed including the receipt and payment of money.
- (c) Apply to a court for directions in relation to any questions arising either before or after the Secured Money has become payable and assent to and approve of or oppose any application to a court made by or at the instance of any Noteholder.
- (d) At any time after the money owing under this Deed becomes payable, apply to a court for an order that the trusts under this Deed be carried into execution under the direction of a court and for any other order or directions in relation to the administration of the trusts as the Trustee may deem expedient.

20. Trustee's remuneration

20.1 Trustee's acceptance fee

The Borrower will pay the Trustee an acceptance fee of \$4,000, (exclusive of GST) together with the reasonable costs associated with conducting a financial analysis to confirm the Trustee can meet its fiduciary obligations to the Trust and further expenses incurred by the Trustee in relation to the terms of this Deed and associated documentation.

20.2 Trustee's annual fee

- (a) Subject to clause 20.3, the Borrower will pay the Trustee an annual fee of \$8,000 (exclusive of GST) where Convertible Notes are issued for amounts up to but not exceeding \$10 million.

- (b) In addition to the fee payable pursuant to clause 20.2(a), the Trustee will also be entitled to receive an additional \$200 per annum (exclusive of GST) for Convertible Notes issued for each additional \$1 million (or part thereof) over the \$10 million threshold in clause 20.2(a).
- (c) The fees referred to in this clause 20.2 must be paid quarterly in arrears in four equal instalments on the last day of each quarter.

20.3 Adjustment of Annual Fee

On each anniversary of the date of this Deed, the First Annual Payment or Annual Payment will be varied in accordance with the following formula.

$$P = \frac{A \times B}{C}$$

Where:

'P' means the First Annual Payment or the Annual Payment where relevant payable for the following Year;

'A' means the First Annual Payment or the Annual Payment payable where relevant for the Year just ended;

'B' means the Index Number last published before the expiration of the Year just ended; and

'C' means the Index Number last published before the commencement of the Year just ended.

If the Index Number is the quarterly Consumer Price Index Brisbane All Groups number published by the Australian Bureau of Statistics and that Index Number is revised or corrected by the Australian Bureau of Statistics after the Annual Payment has been calculated, then that Annual Payment shall be revised in accordance with the revised or corrected Index Number. If the Annual Payment has been paid, then a cash adjustment shall be made between the parties, within 14 days of the revision or correction, as required.

For the purposes of ascertaining components B and C of the formula set out above, the reference to a quarterly CPI figure means a reference to the CPI figure for that quarter published by the Australian Bureau of Statistics or similar government body reduced by the percentage increase (if any) in that quarterly CPI figure attributable to the imposition of the GST (including the associated abolition or reduction in any other taxes, duties or charges) ('GST adjusted CPI figure').

If the GST adjusted CPI figure is not determined by the Australian Bureau of Statistics or similar government body, the Trustee may apply to the Australian Institute of Arbitrators or its successor body to appoint a person to determine the GST adjusted CPI figure for the purposes of this clause.

The appointed person will act as an expert, not as an arbitrator, and their decision will be final and binding on both the Trustee and the Borrower. The Trustee and the Borrower will bear the costs of appointing a person pursuant to this clause equally.

In this clause 20.3, the following definitions apply:

- (a) **'First Annual Payment and Annual Payment'** means the annual payment specified in clause 20.2(a) as varied from time to time in accordance with this clause 20.3;
- (b) **'GST'** means GST as defined in the GST Act;
- (c) **'GST Act'** means A New Tax System (Goods & Services Tax) Act 1999, as amended;
- (d) **'Index Number'** means:
 - (i) the quarterly Consumer Price Index Brisbane All Groups number published by the Australian Bureau of Statistics;
 - (ii) if the quarterly Consumer Price Index Brisbane All Groups number published by the Australian Bureau of Statistics is suspended or discontinued or the basis of calculating that index is changed substantially, the Queensland Male Basic Wage applicable in the City of Brisbane; or
 - (iii) if the system or practice of the determination of the Queensland Male Basic Wage ceases, the index published at the Commencement Date and at the time of variation of the Annual Payment by the Australian Bureau of Statistics which reflects fluctuations of the cost of living in Brisbane, which shall be;
 - (iv) as agreed by the parties; or
 - (v) if the parties are unable to agree within 14 days after one of the parties proposes an index, as may be determined, at the request of any party, by a suitably qualified person nominated by the President of the Australian Institute of Valuers, whose determination shall be final and binding on the parties (and whose cost shall be shared by the parties equally). In making the determination, the person shall act as an expert and not as an arbitrator.

- (e) 'Year' means each period of 12 months commencing on and from the date of this Deed.

20.4 Expenses

The Trustee is entitled to be reimbursed by the Borrower for all reasonable costs and out of pocket expenses properly incurred by the Trustee in carrying out its duties in this Deed, any deed supplemental to this Deed, ancillary document and the Prospectus. This right to recover expenses includes expenses incurred prior to the Deed being signed. The Borrower must make that reimbursement within five Business Days of receipt by the Borrower of satisfactory evidence that these costs have been incurred. The disbursements and expenses the Trustee may recover include the following:

- (a) Postage for cheques and correspondence contemplated by this Deed.
- (b) Stamp duty on cheques drawn by the Trustee.
- (c) Costs for preparing and printing accounts and any other correspondence or document required to be prepared by the Trustee for dispatch.
- (d) Expenses in connection with the establishment and maintenance of the Register.
- (e) Expenses incurred in calculating payments to Noteholders.
- (f) Expenses incurred in the establishment and maintenance of accounting records and systems for the Convertible Notes.
- (g) Costs of convening and holding meetings of Noteholders.
- (h) If the Trustee has advised the Borrower in writing before making any appointments, then the reasonable fees and expenses of any appointed valuer, solicitor, barrister, accountant or other expert or professional consultant considered reasonably necessary by the Trustee to be instructed under the terms of this Deed.
- (i) Disbursements in connection with any dealing with an Authorised Investment.
- (j) Costs and expenses incidental to the vesting of property in a new trustee except where the new trustee is appointed as a result of the Trustee being compulsorily removed as Trustee.

20.5 Service fee

- (a) The Trustee is entitled to a service fee at the Trustee's prevailing hourly rate for every hour spent by an officer of the Trustee -
- (i) in attending, or otherwise in connection with, calling or holding meetings of Noteholders and the implementation of any resolutions passed
 - (ii) for the conduct of any litigation or arbitration
 - (iii) for the preparation and negotiation of any deed supplemental to this Deed or any other legal document relating to the Convertible Notes and any reconstruction, reconstitution or rearrangement of this Deed
 - (iv) enforcement of any provision of this Deed by reason of failure or breach of covenant, or
 - (v) reasonable costs associated with conducting a financial analysis to confirm that the Trustee can meet its fiduciary obligations as Trustee.
- (b) If any fee is payable pursuant to this clause 20.5, then the Trustee must provide the Borrower with a written statement setting out details of the fees to which the statement relates and the Borrower must pay the fees within five Business Days after receipt of the statement.

20.6 Trustee's right to set off amounts owing

If, for any reason, the Trustee has not been paid its fees or reimbursable amounts by the Borrower, then the Trustee may deduct the unpaid fees or other amounts from any amount that would otherwise be payable by the Trustee to the Borrower under this Deed.

20.7 Liability for GST

If any supply made by the Trustee under this Deed or any variation to it is a taxable supply for the purposes of the GST Act, then the following will apply:

- (a) In addition to any amount or consideration expressed as payable to the Trustee elsewhere in this Deed, but subject to issuing a valid tax invoice, the Trustee will be entitled to recover from the Borrower an additional amount on account of GST. This additional amount must be equal to the amount of the Trustee's GST remittance liability in respect

of each supply and will be recoverable at the same time as the amount of consideration is payable for each supply.

- (b) The Trustee and the Borrower acknowledge and agree each supply made by the Trustee under this Deed is made –
 - (i) on a progressive or periodic basis
 - (ii) such that the consideration is to be provided on a progressive or periodic basis, and
 - (iii) such that each progressive or periodic component of the supply is to be treated as a separate supply.

21. Collateral Securities

The terms of the Collateral Securities are incorporated into this Deed.

To the extent that the terms of the Collateral Securities and the terms of this Deed conflict, the terms of the Collateral Securities will prevail.

22. Trustee's logo

Nothing in this Deed constitutes a licence for the Borrower or Guarantor to use the logo or other intellectual property of the Trustee unless expressly authorised by the Trustee in writing.

23. Resignation and appointment of Trustee

- (a) Subject to the Law, the Trustee may resign at any time without assigning any reason after the expiration of at least 90 days notice in writing to the Borrower. However, the resignation of the Trustee does not take effect until the appointment of a new Trustee is made and approved as provided in this clause 23.
- (b) The Noteholders by Ordinary Resolution may, after the giving of 90 days notice in writing to the Borrower and the Trustee, remove the Trustee. However, the removal of the Trustee does not take effect until the appointment of a new trustee is made and approved.

- (c) Subject to clause 23(d), the power of appointing a new trustee is vested in the Borrower but any trustee so appointed must be eligible for appointment under the Law. The Borrower must exercise its power of appointment promptly upon receiving notice of the resignation, or removal.
- (d) If, after the period of notice referred to in clause 23(a), a new trustee has not been appointed, then the Trustee may provide notice of a new trustee eligible for appointment under the Law and willing to act as the new trustee. The appointment of the new trustee is not effective until the Borrower has consented to the appointment such consent not to be unreasonably withheld.

24. Certificate by Borrower

The Trustee is at liberty to accept a certificate signed on behalf of all the Directors by any two Directors to the effect that any particular dealing or thing is in the opinion of the certifying persons in conformity with the provisions of this Deed as sufficient evidence that it so conforms and the Trustee is in no way bound to call for further evidence or be responsible for any loss that may be occasioned as a result.

25. Determination by Trustee

The Trustee may determine as between itself and the Noteholders all questions and matters or doubts arising in relation to any of the provisions of this Deed and every such determination made in good faith whether upon a question actually raised or implied in the acts or proceedings of the Trustee is conclusive and binds all Noteholders.

26. Release of Borrower

If the Trustee is satisfied (by reasonable evidence) that all the Secured Money has been paid or satisfied, and upon payment or retention of all costs, charges, money and expenses incurred by or payable to the Trustee, the Trustee must at the request and cost of the Borrower execute a deed –

- (a) releasing the Borrower and the Guarantor from the trusts, powers, authorities and provisions of this Deed, and
- (b) which contains a provision that the deed of release will be of no effect if it is subsequently admitted or established that any payment or retention referred to in this clause was voidable.

27. Trustee's relationship with the Borrower and Noteholders

- (a) Subject to the Law, nothing in this Deed is deemed to prohibit the Trustee or any related body corporate (as that term is defined in the Law) of the Trustee from being a shareholder in the Borrower or any related body corporate of the Borrower.
- (b) Subject to the Law, nothing in this Deed is deemed to prohibit the Trustee from being a Noteholder, nor from acting in a representative capacity for one or more Noteholders.

28. Payment of taxes by Borrower or Trustee

28.1 Deduction of taxes

The Borrower or the Trustee (as the case may be) may at its discretion, deduct or require to be deducted from any amounts payable to any Noteholder, the amount of any taxes (including any GST) which is paid or payable by the Borrower or the Trustee in respect of the Noteholder.

28.2 Indemnity

The Borrower or the Trustee (as the case may be) is indemnified and held harmless by each Noteholder in respect of any Taxes (including any GST) paid in accordance with clause 28.1. This indemnity applies even though the Taxes (including any GST) may not have been paid in respect of each Noteholder, but only one or more Noteholders.

28.3 Repayment by Noteholders

- (a) Nothing in this clause 28 requires the Borrower or the Trustee to pay from its own funds any Taxes (including any GST) to be paid or payable by the Borrower or the Trustee in respect of each Noteholder.
- (b) If the Borrower or the Trustee does pay any amount of such Taxes (including any GST) from its own funds, then the amount paid constitutes a debt owing to the Borrower or the Trustee from the relevant Noteholder and the the Borrower or the Trustee may sue the Noteholder to recover the amount.

29. Noteholders' right to sue

Each Noteholder is entitled to sue the Borrower in respect of any default in the redemption of Convertible Notes or payment of interest on any Convertible Notes held by the Noteholder if such default continues for 21 days after such redemption or payment is due. However, this right is suspended where the Trustee has waived the default at the request or direction of the Noteholders.

30. Power of Attorney

- (a) Subject to clause 30(c), the Borrower irrevocably appoints the Trustee, and any Controller appointed by the Trustee, and (where the Trustee is a corporation) any two officers of the Trustee, jointly and severally, to be its attorney to secure the interest of the Trustee in this Deed.
- (b) The Borrower's attorney appointed under clause 30(a) may, in the Borrower's name and on its behalf, make, give, sign or do all assurances, deeds, instruments, acts and things which in the opinion of the attorney are necessary or expedient to exercise any of the powers conferred on the Trustee, and any Controller appointed by the Trustee, under this Deed.
- (c) The power of attorney provided in this clause 30 will not come into operation until after an Event of Default.

31. Replacement of Convertible Note certificates

- (a) The Borrower may, at its discretion, replace any Convertible Note certificate which the Borrower is satisfied has been lost, stolen or destroyed.
- (b) If a new Convertible Note certificate is issued, then the Borrower must note in the Register that a replacement certificate has been issued.
- (c) The Borrower is entitled to charge at its discretion, a fee of up to \$20.00 for the issue of a replacement Convertible Note certificate.

32. Register of Noteholders

32.1 Borrower to keep Register

- (a) The Borrower will establish and maintain or cause to be established and maintained an up to date Register of Noteholders as required by the Law.
- (b) Without limiting clause 32.1(a), the Register must contain the following:
 - (i) The names and addresses of all Noteholders.
 - (ii) The number and issue price of Notes held by each Noteholder.
 - (iii) The date of any issue or transfer of the Convertible Notes.
 - (iv) The date on which the name of each Noteholder was entered in the Register.
 - (v) The date and manner in which a person ceased to be a Noteholder.
 - (vi) Details of the redemption or cancellation of any Convertible Notes.
 - (vii) Any other details considered necessary by the Borrower or the Trustee.

32.2 Location of Register

The Borrower must establish and maintain the Register at the Borrower's registered office, or the Borrower's principal place of business in Australia, or the office of any registry appointed by the Borrower. Once the Notes are quoted, the Register will be held in accordance with the Listing Rules.

32.3 Inspection and obtaining copies of Register

- (a) In accordance with the Law, the Borrower will permit any person to inspect the register by appointment in normal business hours or to obtain a copy of the register. Copies of the register will be available free of charge by a Noteholder. Other people may obtain a copy of the Register upon payment of a fee prescribed by the Borrower from time to time. The charge will not exceed (for each copy) the maximum amount, if any, prescribed from time to time by the Law.

32.4 Closure of Register

The Borrower may close the Register or part of the Register. However, the Register may not be closed for more than 30 days in aggregate in each calendar year.

32.5 Joint Noteholders hold Convertible Notes as joint tenants

If any Convertible Notes are held by more than one Noteholder, then the Borrower must presume those Noteholders hold the Convertible Notes as joint tenants.

32.6 Register is evidence of who are Noteholders

The Borrower and Trustee are entitled to regard the Register as conclusive proof as to who is a Noteholder at any given time.

32.7 Trustee entitled to accept copies of Register entries

The Trustee is entitled to accept a copy or extract of the entries in the Register certified by a Director to be a true and correct copy or extract of the Register.

32.8 Change of details

A Noteholder must notify the Borrower of any change of name or address as soon as reasonably possible after the change occurs. The Borrower must update the Register accordingly.

32.9 Noting a Security Interest

- (a) The Borrower may note a Security Interest on the Register in respect of any Noteholder's Convertible Notes at the request of –
 - (i) the Noteholder, or
 - (ii) the person who claims to have the benefit of the Security Interest if that person can produce evidence satisfactory to the Borrower that the Noteholder has granted the Security Interest over the Noteholder's Convertible Notes to that person.
- (b) If the Borrower makes note of an Security Interest on the Register, then the Borrower must record sufficient details so that any person inspecting the Register will be put on notice as to –
 - (i) the existence of a Security Interest
 - (ii) the name of the person who holds the Security Interest

- (iii) the date on which the Security Interest was created, and
 - (iv) the date on which the Security Interest was recorded in the Register.
- (c) The Borrower will, at the request of a person who holds the Security Interest over a Noteholder's Convertible Notes, make an entry in the Register that the Security Interest has been satisfied.

32.10 Failure of the Borrower to maintain Register

Failure of the Borrower to comply with this clause 32 will not affect the validity of the Convertible Notes.

33. Transfer of Notes

33.1 Right to transfer Notes

- (a) Transfers of Notes may be made in accordance with this clause and, if relevant, the Listing Rules from time to time..
- (b) The transferee must agree to be bound by the provisions of this Deed in a form acceptable to the Borrower.
- (c) A stamped transfer of the Convertible Notes must be delivered to the Borrower.

33.2 Borrower must decline to register if criteria not met

- (a) The Borrower must decline to register any instrument of transfer unless—
 - (i) the transfer is accompanied by any evidence the Borrower may reasonably require to show the right of the transferor to make the assignment
 - (ii) the instrument complies with the requirements in clause 33.1
 - (iii) any fees which are due and payable in respect of the Convertible Notes and the transfer (including any Taxes, transfer fees, registration fees, stamp duty and any other costs or fees in relation to the transfer) have been paid to the persons who are owed the fees (creditors) except if the creditors agree to waive this requirement, and

(iv) the Borrower approves of the transferee having regard to the capacity of the transferee to meet the obligations of Noteholders under this Deed (although such approval must not be unreasonably withheld).

(b) The Borrower may, in its discretion, pay any costs and fees in respect of the transfer, and then deduct these from money to which the Noteholder (whether as transferee or transferor) may become entitled.

33.3 Entry of transfer in Register

(a) Upon being satisfied the provisions of this clause 33 have been complied with, the Borrower will make the appropriate entry of the transfer in the Register.

(b) The transferor Noteholder remains the owner of the Convertible Notes until the name of the transferee is entered in the Register.

(c) Once the transferee is entered in the Register the transferee is deemed to be bound by the provisions of this Deed.

33.4 Instrument of transfer to be retained by Borrower

The Borrower will retain every instrument of transfer in accordance with the requirements of clause 42.4.

33.5 Notice of refusal

If the Borrower declines to register any transfer, then it must send the transferee a notice of the refusal. This notice must be sent within two months after the instrument of transfer is lodged.

33.6 Suspension prior to end of year

The Borrower may decline to register any transfer of Convertible Notes during the 21 Business Days immediately preceding the last day of each quarter.

33.7 Listing on an exempt market or exchange

(a) The Borrower may list the Notes on an exempt stock market or an exchange designed to facilitate the trading of Convertible Notes. If the Borrower does this, then the Borrower must pay any costs associated with the listing.

(b) If the Notes are admitted to the Official List, then the following applies:

- (i) Anything required by the Listing Rules is permitted under this Deed.
- (ii) Anything prohibited by the Listing Rules is prohibited by this Deed.
- (iii) If the Listing Rules require an act to be done or not to be done, then authority is given for that act to be done or not to be done (as the case may be).
- (iv) This Deed is deemed to contain every provision required by the Listing Rules and is deemed not to contain any provisions prohibited by the Listing Rules.
- (v) If any provision of this Deed is or becomes inconsistent with the Listing Rules, then this Deed is deemed not to contain that provision to the extent of the inconsistency.

33.8 No responsibility to buy back or sell

- (a) Subject to the Borrower's obligations under this Deed to redeem the Notes, the Borrower is not required to buy back any Notes but may do so pursuant to clause 2.9.
- (b) The Borrower is not required to provide any assistance to Noteholders who wish to sell their Convertible Notes, except where this Deed expressly provides for the Borrower to do otherwise.

34. Transmission of Noteholder's Convertible Notes

34.1 Right of survivorship between joint Noteholders

In case of the death of any one of joint holders of Notes the survivor will be the only person recognised by the Borrower as having any title to or interest in the Convertible Notes.

34.2 Right of survivorship for sole Noteholder

If Notes are not held jointly, then in the case of the death, bankruptcy or mental incapacity of a Noteholder the Legal Personal Trustee will be the only person recognised by the Borrower as having any title to or interest in the Convertible Notes.

34.3 Application for transmission

- (a) Any person becoming entitled to any Convertible Notes in consequence of the death, bankruptcy or mental incapacity of a Noteholder has the right to –
 - (i) be registered as the holder of such Convertible Notes, or
 - (ii) transfer the Notes in the same way as the Noteholder would have been able to do before death, bankruptcy or mental incapacity, as the case may be.
- (b) The person waiting to be registered as the Noteholder under this clause 34.3 must deliver to the Borrower –
 - (i) the relevant Convertible Note certificate
 - (ii) any declarations the Borrower may reasonably require, and
 - (iii) evidence of the event which occurred giving rise to the person applying to become a registered Noteholder.

34.4 Rights and restrictions before registration

A person becoming entitled to Convertible Notes in consequence of the death, bankruptcy or mental incapacity of a Noteholder is entitled to receive or may give a discharge for all money payable in respect of the Convertible Notes. That person is not entitled to receive notices of or attend or vote at any meetings held pursuant to this Deed until the person has become registered as the Noteholder.

35. Meetings of Noteholders**35.1 Calling meetings of Noteholders**

- (a) The Borrower may call a meeting of the Noteholders at any time.
- (b) The Borrower must call a meeting of Noteholders if—
 - (i) Noteholders who together hold 10% or more of the nominal value of the issued Convertible Notes direct the Borrower to do so
 - (ii) the direction is given to the Borrower in writing at its registered office, and

(iii) the purpose of the meeting of Noteholders is to—

- consider the financial statements that were laid before the most recent annual general meeting of the Borrower, or
- give the Trustee directions in relation to the exercise of any of its powers.

35.2 Notice of meeting

(a) If the Borrower calls a meeting of Noteholders, then the Borrower must give notice of the time and place of the meeting to—

- (i) the Trustee
- (ii) the Auditor, and
- (iii) each of the Noteholders whose names are entered on the Register. However, if there are joint Noteholders, then the notice is to be given to the joint Noteholder named first in the Register.

(b) The Borrower must give the Trustee and the Auditor all communications relating to the meeting that a Noteholder is entitled to receive.

35.3 Trustee may call a meeting where there is a breach

(a) If the Borrower or the Guarantor fails to remedy any breach of this Deed or the Law when required by the Trustee, then the Trustee may—

- (i) call a meeting of Noteholders
- (ii) inform the Noteholders of the failure at the meeting
- (iii) submit to the meeting proposals for protection of the interests of Noteholders, and
- (iv) ask for directions from the Noteholders about the matter.

(b) The Trustee may appoint a person to chair a meeting of Noteholders called under clause 35.3(a). If the Trustee does not exercise this power or the person appointed to chair the meeting is not present at the meeting within 30 minutes after the time appointed for the meeting,

then the Noteholders present at the meeting may appoint a person to chair the meeting.

35.4 Failure to give notice or the non-receipt of notice

A defect in the notice or the accidental failure to give notice of any meeting of Noteholders to, or the non-receipt of a notice of any meeting of Noteholders by any of the Noteholders will not invalidate the proceedings of any meeting of Noteholders.

35.5 Powers of a meeting of Noteholders

- (a) Subject to clause 35.5(b) and without limiting the rights, authorities and discretions of the Trustee under this Deed, a meeting of the Noteholders has the following powers:
- (i) To sanction any compromise or arrangement proposed to be made between the Borrower and the Noteholders.
 - (ii) To sanction or assent to any modification of this Deed or the variation or abrogation of any rights conferred by this Deed.
 - (iii) To give any authority, approval, direction or request that must be given by Special Resolution under any provision of this Deed.
 - (iv) To give any assent, release or waiver in respect of any breach or default by the Borrower under any of the provisions of this Deed.
 - (v) To sanction the postponement or acceleration of the repayment of any Convertible Notes Outstanding and power to sanction any other amendment of the Terms of issue.
 - (vi) To authorise or direct the Trustee to concur in and execute any supplemental deed or other document embodying any such sanction, assent, release, waiver, direction or request.
 - (vii) To give any release in respect of anything done or omitted by the Trustee.
 - (viii) To remove the Trustee.
 - (ix) To approve the appointment of a new trustee in accordance with this Deed.

- (b) The powers of a meeting of Noteholders set out in clause 35.5(a) may only be exercised by Special Resolution.

36. How to call meetings of Noteholders

36.1 Notice of meetings

- (a) At least 21 days' notice must be given of a meeting of Noteholders.
- (b) A notice of a meeting of Noteholders must comply with the provisions of the Law.

36.2 Notice of adjourned meetings

When a meeting is adjourned, new notices of the adjourned meeting must be given if the meeting is adjourned for one month or more.

37. Holding meetings of Noteholders

37.1 Time and place for meeting of Noteholders

A meeting of Noteholders must be held at a reasonable time and place.

37.2 Technology

A Borrower may hold a meeting of the Noteholders at two or more venues using any technology that gives the Noteholders as a whole a reasonable opportunity to participate.

37.3 Quorum

- (a) The quorum for an Ordinary Resolution is at least two persons holding or representing by proxy or attorney at least 10% of the Notes by both number and Face Value.
- (b) The quorum necessary for a Special Resolution is at least four persons holding or representing by proxy or attorney at least 20% of the Convertible Notes by both number and Face Value.
- (c) In determining whether a quorum is present, each individual attending as a proxy or body corporate representative is to be counted separately. However, if a Noteholder has appointed more than one proxy or representative, then these proxies or representatives only count as one person. If an individual is attending both as a Noteholder and as a proxy or body corporate representative, then they will only be counted as one individual.

- (d) A meeting of Noteholders which does not have a quorum present within 30 minutes after the time for the start of the meeting set out in the notice of meeting is adjourned to the date, time and place the Borrower specifies. If the Borrower does not specify one or more of those things, then the meeting is adjourned to –
 - (i) if the date is not specified – the same day in the next week
 - (ii) if the time is not specified – the same time, and
 - (iii) if the place is not specified – the same place.
- (e) If no quorum is present at the resumed meeting within 30 minutes after the time for the start of the meeting, then the persons present at the resumed meeting are deemed to constitute a quorum and the meeting may proceed.

37.4 Chairing meetings of Noteholders

- (a) Subject to clause 35.3, the Directors may, in writing, appoint an individual to chair a meeting of Noteholders.
- (b) The Noteholders present at a meeting of Noteholders must elect a Noteholder present to chair the meeting (or part of it) if –
 - (i) a chair has not previously been appointed to chair the meeting, or
 - (ii) a previously appointed chair is not available, or declines to act, for the meeting (or part of the meeting).

37.5 Borrower, Trustee and Auditor's right to be heard at meetings

- (a) The Borrower and its Directors are entitled to attend any meeting of Noteholders and are entitled to be heard at the meeting on any part of the business of the meeting.
- (b) The Trustee is entitled to attend any meeting of Noteholders and is entitled to be heard at the meeting on any part of the business of the meeting.
- (c) The Auditor is entitled to attend any meeting of Noteholders and is entitled to be heard at the meeting on any part of the business of the meeting that concerns the Auditor in its capacity as auditor.

- (d) Each of the Borrower, the Trustee and the Auditor may authorise a person in writing as their representative for the purpose of attending and speaking at any meeting of the Noteholders.

37.6 Adjourned meetings

- (a) A resolution passed at a meeting resumed after an adjournment is passed on the day it was passed.
- (b) The chairperson may, with the consent of the meeting, adjourn the meeting from time to time and from place to place.
- (c) Only unfinished business is to be transacted at a meeting resumed after an adjournment.

38. Proxies and body corporate representatives

38.1 Who can appoint a proxy

- (a) A Noteholder who is entitled to attend and cast a vote at a meeting of Noteholders may appoint a person as the Noteholder's proxy to attend and vote for the Noteholder at the meeting.
- (b) The appointment may specify the proportion or number of votes that the proxy may exercise.
- (c) A Noteholder may appoint one or two proxies. If the Noteholder appoints two proxies and the appointment does not specify the proportion or number of the Noteholder's votes, then each proxy may exercise half of the votes.
- (d) Any fractions of votes resulting from the application of clauses 38.1(b) or 38.1(c) must be disregarded.

38.2 Rights of proxies

- (a) A proxy appointed to attend and vote for a Noteholder has the same rights as the Noteholder—
 - (i) to speak at the meeting, and
 - (ii) to vote (but only to the extent allowed by the appointment).
- (b) A proxy may vote on show of hands.

- (c) A proxy's authority to speak and vote for a Noteholder at a meeting will continue even if the Noteholder is present at the meeting and will prevail over the Noteholder's right to speak and vote at the meeting.
- (d) However, if the chairperson of the meeting gives a Noteholder the opportunity to speak and the Noteholder informs the chairperson that the authority of the proxy is suspended, then—
 - (i) the authority will be suspended, and
 - (ii) the revocation of the authority of the proxy during a meeting will not, of itself, invalidate any action validly taken by the proxy leading up to the revocation.
- (e) Nothing in this clause 38.2 requires the chairperson to give any Noteholder an opportunity to revoke the authority given to the proxy.

38.3 Sending appointment forms or lists of proxies to Noteholders

If the Borrower sends a Noteholder a proxy appointment form for a meeting or a list of persons willing to act as proxies at a meeting, then—

- (a) if the Noteholder requested the form or list, then the Borrower must send the form or list to all Noteholders who ask for it and who are entitled to appoint a proxy to attend and vote at the meeting, or
- (b) otherwise, the Borrower must send the form or list to all its Noteholders entitled to appoint a proxy to attend and vote at the meeting.

38.4 Appointing a proxy

- (a) An appointment of a proxy is valid if it is signed by the Noteholder making the appointment and contains—
 - (i) the Noteholder's name and address
 - (ii) details of the Convertible Notes held by the Noteholder
 - (iii) the proxy's name or the name of the office held by the proxy, and
 - (iv) the meetings at which the appointment may be used.
- (b) An appointment may specify the way the proxy is to vote on a particular resolution. If it does, then—

- (i) the proxy need not vote on a show of hands, but if the proxy does so, then the proxy must vote as specified
 - (ii) if the proxy is the chairperson, then the proxy must vote on a poll, and must vote as specified, and
 - (iii) if the proxy is not the chairperson, then the proxy need not vote on a poll, but if the proxy does so, then the proxy must vote as specified.
- (c) If a proxy is also a Noteholder, then this clause does not affect the way the person can cast any votes they hold as a Noteholder.
 - (d) The later appointment of a proxy revokes an earlier appointment, if both appointments could not be validly exercised at the meeting.

38.5 Proxy documents

- (a) For an appointment of a proxy for a meeting of Noteholders to be effective, the following documents must be received by the Borrower at least 48 hours (or such shorter time agreed to by the Borrower) before the meeting:
 - (i) The proxy's appointment.
 - (ii) If the appointment is signed by the appointor's attorney, then the authority under which the appointment was signed or a certified copy of the authority.
- (b) If a meeting of Noteholders has been adjourned, an appointment and any authority received by the Borrower at least 48 hours (or such shorter time agreed to by the Borrower) before the resumption of the meeting are effective for the resumed part of the meeting.

38.6 Validity of proxy vote

Unless the Borrower has received written notice of the matter before the start or resumption of the meeting at which a proxy votes, a vote cast by the proxy will be valid even if, before the proxy votes—

- (a) the appointing Noteholder dies
- (b) the Noteholder is mentally incapacitated
- (c) the Noteholder revokes the proxy's appointment

- (d) the Noteholder revokes the authority under which the proxy was appointed by a third party, or
- (e) the Noteholder transfers the Convertible Notes in respect of which the proxy was given.

39. Body corporate representative

- (a) A body corporate which is a Noteholder may appoint an individual as a representative to exercise all or any of its powers at a meeting of Noteholders. The appointment may be a standing one.
- (b) The appointment must set out what the representative is appointed to do and may set out restrictions on the representative's powers. If the appointment is to be by reference to a position held, then the appointment must identify the position.

40. Voting at meetings of Noteholders

40.1 Entitlement to vote

Noteholders noted in the Register at the date the notice of meeting is sent by the Borrower are recognised as the legal and beneficial owners of Convertible Notes and are entitled to vote in person or by proxy or representative in respect of the Convertible Notes.

40.2 How many votes for a Noteholder

- (a) On a show of hands, each Noteholder has one vote.
- (b) On a poll, each Noteholder has one vote for each Convertible Note held under the original offer of the Convertible Notes for subscription.

40.3 Jointly held Convertible Notes

If any Convertible Notes are held jointly and more than one Noteholder votes in respect of those Convertible Notes, then only the vote of the Noteholder whose name appears first in the Register counts.

40.4 Borrower and associates cannot vote if interested in resolution

The Borrower and its associates (as that term is defined in the Law) are not entitled to vote their Convertible Notes on a resolution at a meeting of Noteholders if they have an interest in the resolution or matter other than as a Noteholder.

40.5 Objections to a right to vote

A challenge to a right to vote at a meeting of Noteholders—

- (a) may only be made at the meeting, and
- (b) must be determined by the chairperson, whose decision is final.

40.6 Votes need not all be cast in the same way

On a poll a person voting who is entitled to two or more votes—

- (a) need not cast all their votes, and
- (b) may cast their votes in different ways.

40.7 How voting is carried out

- (a) Any other resolution put to the vote at a meeting of Noteholders must be decided on a show of hands unless a poll is demanded in accordance with the provisions of the Law.
- (b) On a show of hands, a declaration by the chairperson is conclusive evidence of the result.
- (c) A Special Resolution put to the vote at a meeting of Noteholders must be decided on a poll. The resolution is passed on a poll if it has been passed by at least 75% of the nominal value of the Convertible Notes Outstanding cast by Noteholders entitled to vote on the resolution.

40.8 Matters on which a poll may be demanded

- (a) A poll may be demanded on any resolution other than a resolution which concerns—
 - (i) the election of the chairperson of a meeting, or
 - (ii) the adjournment of a meeting.
- (b) A demand for a poll may be withdrawn.

41. Guarantee and indemnity

41.1 Consideration

The Guarantor acknowledges that the Borrower, the Trustee and the Noteholders are acting in reliance on the Guarantor incurring obligations and giving rights under this Guarantee.

41.2 Guarantee

In consideration of the Borrower and the Trustee executing this Deed, the Guarantor covenants with the Borrower and the Trustee, with the intent that the benefit of such covenants will enure for the benefit of the Borrower, the Trustee and each Noteholder jointly and each of them severally, to guarantee and be answerable and responsible for the due and faithful performance and satisfaction by the Trustee of—

- (a) the performance of the Borrower's duties, responsibilities, liabilities and obligations under the Deed, and
- (b) the performance of the Borrower's duties, responsibilities, liabilities and obligations arising by operation of law (collectively referred to in this section 41 as the **Guaranteed Obligations**).

41.3 Indemnity

- (a) The Guarantor indemnifies the Trustee and each Noteholder against any liability or loss arising, and any costs and expenses they suffer or incur—
 - (i) if the Borrower does not, or is unable to, satisfy the **Guaranteed Obligations**
 - (ii) if the Borrower becomes insolvent
 - (iii) if an obligation the Guarantor would otherwise have under the Guarantee is found to be unenforceable
 - (iv) if the Guarantor defaults under this guarantee, or
 - (v) in connection with any person exercising, or not exercising, rights under this Guarantee.
- (b) The Guarantor agrees to pay amounts due under this indemnity on demand from the Trustee or any of the Noteholders.

41.4 Reinstatement of rights

Under law relating to a person becoming insolvent, it may be claimed that a transaction (including a payment) in connection with this Guarantee or the Guaranteed Obligations is void or voidable. If a claim is made and upheld, conceded or compromised, then—

- (a) the Noteholders and the Trustee are immediately entitled as against the Guarantor to the rights in respect of the Guaranteed Obligations to which they were entitled immediately before the transaction; and
- (b) the Borrower agrees to do anything (including signing any document) to restore to the Borrower, the Trustee and the Noteholders any security (including this Guarantee) held by them from the Guarantor immediately before the transaction.

41.5 Rights of the Noteholders are protected

Rights given to the Noteholders and the Trustee under this Guarantee, and the Guarantor's liabilities under it, are not affected by any act or omission of the Borrower, a Noteholder, the Trustee or any other person. For example, those rights and liabilities are not affected by—

- (a) any act or omission—
 - (i) varying or replacing any arrangement under which the Guaranteed Obligations are required to be satisfied
 - (ii) releasing the Borrower or giving the Borrower a concession (such as more time to pay)
 - (iii) releasing any person who gives a guarantee or indemnity in connection with any of the Guaranteed Obligations
 - (iv) releasing, losing the benefit of, or not obtaining any encumbrance or negotiable instrument
 - (v) by which a person becomes a guarantor after the date of this guarantee and indemnity
 - (vi) by which any person who was intended to guarantee any of the Guaranteed Obligations does not do so, or does not do so effectively

- (vii) by which a person who is a co-surety or co-indemnifier for payment or performance of the Guaranteed Obligations is discharged under an agreement or by operation of law or
- (viii) by which any Encumbrance which could be registered is not registered
- (b) a person dealing in any way with an encumbrance, guarantee, indemnity, judgment or negotiable instrument
- (c) the death, mental or physical disability or insolvency of any person or any person becoming insolvent
- (d) changes in the membership, name or business of any person
- (e) acquiescence or delay by the Borrower, a Noteholder or any other person or
- (f) an assignment of rights in connection with the Guaranteed Obligations.

41.6 No merger

- (a) This guarantee does not merge with or adversely affect, and is not adversely affected by, any of the following:
 - (i) Any other guarantee, indemnity, or encumbrance, or other right or remedy to which the Borrower or any Noteholder is entitled.
 - (ii) A judgment which the Borrower or any Noteholder obtains against the Guarantor, the Trustee or any other person in connection with the Guaranteed Obligations.
- (b) The Borrower and the Noteholders may still exercise their rights under this Guarantee as well as under the judgment, encumbrance or right or remedy.

41.7 Guarantor's rights are suspended

As long as any of the Guaranteed Obligations remain unpaid, the Guarantor may not claim an amount in the insolvency of the Borrower, in competition with the Trustee or the Noteholders.

41.8 Guarantor's right of proof limited

The Guarantor agrees not to exercise a right of proof after the Borrower becomes insolvent.

41.9 Suspense account

The Trustee and each Noteholder may place in a suspense account any payment they receive from the Guarantor for as long as they think prudent and need not apply it towards satisfying the Guaranteed Obligations.

41.10 Waiver of Guarantor's rights

The Guarantor waives in favour of each of the Trustee and the Noteholders all rights of the Guarantor against the Borrower.

42. Miscellaneous provisions**42.1 Service of notice**

- (a) Any notice required to be given under this Deed must be given in writing and is deemed to have been duly given if given by letter, fax or electronic mail.
- (b) The address for each party to this Deed will be the address set out below or the address most recently given to the other parties to this Deed.

- (i) **Borrower:** Queensland Paulownia Forests Limited
 - Address:** Level 5, Gateway Building
50 Appel Street
Surfers Paradise QLD 4217
 - Fax:** 07 5531 6185
 - Electronic mail:** admin@qpfl.com.au
 - Attention:** The Secretary
- (ii) **Trustee:** The Public Trustee of Queensland
 - Address:** Level 10, 444 Queen Street
Brisbane QLD 4000
 - Fax:** 07 3213 9150
 - Electronic mail:** frank.prostamo@pt.qld.gov.au
 - Attention:** Frank Prostamo

(iii) **Guarantor:** Quality Land Holdings Pty Ltd

Address: Level 5, Gateway Building, 50 Appel Street, Surfers Paradise, Qld, 4217

Fax: 07 5531 6185

Electronic mail: MauraV@qpfl.com.au

Attention: Maura Vijars

- (c) The addresses for Noteholders will be as they appear in the Register. A notice given to any one of joint Noteholders is sufficient notice to all of those joint Noteholders.
- (d) Any notice given by post is deemed to have been served on the second Business Day after the day when it was posted. In cases where notices are sent by the Borrower, the sender may prove such notice was properly addressed and posted by preparing a statement signed by the sender that the notice was posted and when it was posted. This statement is conclusive evidence of that fact.
- (e) Any notice sent by fax or electronic mail is deemed to have been received at the time printed on the confirmation slip of the fax machine of the sender's fax machine or shown in the delivery confirmation of the sender's computer which indicates an accurate transmission without error.
- (f) A notice sent by fax or electronic mail is deemed to be received at 8.30 am on the next Business Day if it is sent –
 - (i) after 5.00 pm on any Business Day, or
 - (ii) on any day that is not a Business Day.
- (g) If a notice sent by fax or electronic mail is sent before 8.30AM on a Business Day, then the notice is deemed to be received at 8.30 AM on that Business Day.

42.2 Payments

- (a) Any money payable by the Trustee or by the Borrower to a Noteholder under this Deed may be paid by—

- (i) cheque and sent by mail to the Noteholder's address show in the Register, or
 - (ii) electronic funds transfer facility provided by a financial institution nominated by the Applicant or Noteholder in writing to the Borrower.
- (b) In the case of joint Noteholders, any payment in accordance with clause 42.2(a) may be paid to the joint Noteholder whose name appears first in the Register.

42.3 Discharge of Borrower or Trustee

- (a) The Trustee or Borrower will receive a good discharge on—
 - (i) payment of every cheque if duly presented and paid, or
 - (ii) in the case of money credited to any account with a financial institution, the receipt of the financial institution of the amount paid.

42.4 Retention of documents

Applications for Convertible Notes, cancelled Convertible Note certificates and any instruments of transfer or transmission must be retained by the Borrower either in their original form or on microfilm or like process and be available for inspection by or on behalf of the Trustee at any time during normal business hours. However, on the expiration of seven years from the date of each document in question the document may, in the absolute discretion of the Borrower, be destroyed.

42.5 Alteration of Deed

The parties to this Deed may at any time amend this Deed and the Terms in the following circumstances:

- (a) Where in the opinion of the Trustee and the Borrower the proposed amendment is—
 - (i) of a formal or technical nature
 - (ii) to correct a manifest error
 - (iii) to enable Convertible Notes to be listed for quotation or to retain quotation on any securities or stock exchange and is not

considered by the Trustee to be materially prejudicial to the interests of Noteholders, or

(iv) to comply with the provisions of any law or the requirements of any statutory authority.

(b) Where the proposed amendment is passed by a Special Resolution at a meeting of Noteholders.

(c) Where the Trustee considers the proposed amendment is not materially prejudicial to the interests of Noteholders.

(d) The Trustee must agree to any amendment to this Deed proposed or agreed to by the Borrower and passed by a Special Resolution at a meeting of Noteholders except where the Trustee considers the amendment would—

(i) adversely affect the remuneration of the Trustee under by this Deed

(ii) adversely affect any indemnity given to, or for the benefit of, the Trustee under this Deed, or

(iii) impose any additional duty or liability on the Trustee.

42.6 Revocation of Deed

The Borrower may, with the consent of the Trustee, revoke this Deed after it has repaid all Secured Money in accordance with the terms of this Deed.

42.7 Stamp duty

The Borrower indemnifies the Trustee and the Noteholders against any stamp duty (including any penalties) in respect of this Deed, the creation, issue of or subscription for the Convertible Notes or the Convertible Note certificates. The Borrower agrees neither the Trustee nor any Noteholder need pay any such duty as a condition precedent to the enforcement of this indemnity.

42.8 Counterparts

This Deed may be executed in one or more counterparts and all counterparts taken together constitute the one Deed.

42.9 Proper law and jurisdiction

This Deed is governed by and to be interpreted in accordance with the laws of Queensland, and where applicable, the laws of the Commonwealth of Australia.

The parties to this Deed agree to submit to the jurisdiction of the courts of Queensland and, if applicable, the Commonwealth of Australia.

Executed as a Deed in Queensland.

Signed by Queensland Paulownia
Forests Limited ACN 071 625 477 in
accordance with section 127
Corporations Act by:


Secretary/Director

ELIZABETH HUTCHINSON
Name (please print)


Director

DAVID MICHAEL GOLD
Name (please print)

Signed, sealed and delivered)


for and on behalf of the Public Trustee
of Queensland by ~~Ian Kelly Acting~~ ^{FRANCESCO MAZZIAND}
Director ~~Organisational Support~~ ^{PROSTAVNO DEPUTY DIRECTOR INVESTMENTS} as)

delegate of the Public Trustee pursuant)
to section 11A Public Trustee Act 1978)
who also caused the seal of the Public
Trustee of Queensland to be adhered
hereto

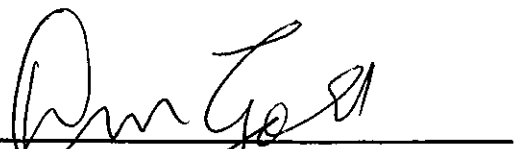


▲ Signature of ~~Ian Kelly Acting~~ ^{FRANCESCO MAZZIAND}
Director ~~Organisational Support~~ ^{PROSTAVNO DEPUTY DIRECTOR INVESTMENTS} as delegate of the
Public Trustee

Signed by Quality Land Holdings Pty
Limited ACN 105 716 998 in
accordance with section 127
Corporations Act by:


Secretary/Director

ELIZABETH HUTCHINSON
Name (please print)


Director

DAVID MICHAEL GOLD
Name (please print)

Schedule 1—Dictionary

Applicant	A person who has applied to become a Noteholder by making an Application but who is not yet a Noteholder.
Application	The process a person undertakes to complete an Application Form and deliver it to the Borrower.
Application Form	An application form attached to, or accompanied by the Prospectus by which a person may apply to become a Noteholder. For the avoidance of doubt, this term includes an Application Form in either paper form or electronic form or in any other medium allowed under the Law.
Application Fund	An interest bearing account opened by the Trustee with a bank nominated by the Borrower in accordance with clause 12.2.
Application Money	The money paid by a person when making an Application to become a Noteholder.
ASIC	The Australian Securities & Investments Commission.
ASX	Australian Stock Exchange Limited
Auditor	A registered company auditor appointed by the Borrower
Authorised Investment	Any of the following: <ul style="list-style-type: none"> (a) Deposits (whether secured or unsecured) with a bank, bills of exchange, certificates of deposit and negotiable certificates of deposit issued by a bank and bills of exchange of similar instruments accepted and endorsed by a bank. (b) Deposits with, and promissory notes, debentures, shares, bonds, bills or similar securities issued by the Commonwealth of Australia or any Australian State or Territory or any semi-government body or statutory authority for the repayment of the principal and interest and guaranteed in each case by the Commonwealth Government or by State or Territory Government. (c) Any investment authorised by the law relating to the

investment of trust funds in Queensland.

BSX	Bendigo Stock Exchange Limited
Business Day	A day other than Saturday, Sunday or public holiday in Brisbane.
Collateral Security	Any current or future guarantee, consent to lease, deed of assignment with respect to the benefits of any insurance policy to which the Borrower and/or any Lessee of the Secured Land is entitled with respect to trees grown on that land, Security Interest, negotiable instrument, agreement or other document held or taken by or given in favour of the Trustee or entered into by any person as security for payment of or otherwise in connection with the Secured Money and/or the Secured Property.
Controller	<p>In relation to property of a corporation, means—</p> <p>(a) a receiver, or receiver and manager, of that property, or</p> <p>(b) anyone else who (whether or not as agent for the corporation) is in possession, or has control, of that property for the purpose of enforcing a charge.</p>
Conversion Date	Means the date on which the Shares are listed on the ASX or another recognised exchange.
Convertible Notes or Notes	The convertible notes created and issued under this Deed and for the time being outstanding or, as the case may be, a specific number of the convertible notes created and issued under this Deed.
Convertible Outstanding	<p>Notes All the Convertible Notes other than –</p> <p>(a) Convertible Notes which have been redeemed in accordance with this Deed or the Terms</p> <p>(b) Convertible Notes in respect of which the date for redemption in accordance with the Terms has occurred and the redemption money for the Convertible Notes (including all interest payable in respect of the Convertible Notes) has been duly paid to the Trustee and remain available for payment to Noteholders holding such Convertible Notes, and</p>

- (c) Convertible Notes which have been purchased by the Borrower and cancelled as provided for in clause 2.6.

Coupon Rate	For the period from (and including) the Issue Date to the earlier of the Maturity Date or the Conversion Date, the rate of 9.28% per annum.
Deed	This trust deed (including the schedules to this deed) as originally executed and as it may from time to time be amended in accordance with the provisions contained in this deed.
Directors	The directors of the Borrower from time to time.
Event of Default	An event of the kind described in clause 15.
Face Value	In relation to a Note, the principal amount specified in clause 1 of Schedule 3.
GST	A tax, impost or duty on goods, services or other things imposed by any fiscal, national, State, Territory or local authority, whether presently imposed or novel, together with interest or penalties.
GST Act	A New Tax System (Goods & Services Tax) Act 1999
Interest Payment Date	In relation to a Convertible Note, each 31 December, 31 March, 30 June and 30 September following the issue of a Convertible Note until the Convertible Note is converted or matures, whether or not interest is paid on that date.
Interest Period	Means – <ul style="list-style-type: none"> (a) the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, (b) each subsequent period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.
Issue Date	In relation to a Convertible Note, the issue date specified in the Register.
Law	<i>Corporations Act 2001</i> for the time being in force together with the regulations of the <i>Corporations Act 2001</i> .

Legal Personal Trustee	An executor or administrator of the estate of a deceased Applicant or Noteholder, the trustee of the estate of an Applicant or Noteholder under a legal disability or a person who holds a general power of attorney granted by an Applicant or Noteholder.
Listing Rules	The listing rules of the relevant recognised exchange on which the Convertible Notes or Shares (as the case may be) are or may be admitted for quotation.
Maturity Date	30 June 2009 or such other date of maturity of a Convertible Note as specified in the Convertible Note.
Noteholder	In relation to any of the Convertible Notes at any time, the person named in the Register as the holder of those Convertible Notes.
Official List	The official list of entities that any relevant recognised exchange has admitted and not removed
Ordinary Resolution	<p>A resolution voted for at a meeting of the Noteholders duly convened and held in accordance with the provisions of this Deed by a majority—</p> <p>(a) of such Noteholders as being entitled to vote, vote in person by proxy or by corporate representative at the meeting, and</p> <p>(b) that together hold more than 50% of the nominal value of the Convertible Notes Outstanding held by such Noteholders as being entitled so to do vote in person or by proxy or by corporate representative at the meeting.</p>
Ordinary Share or Share	A fully paid ordinary share in the Borrower.
Principal Amount	Means the principal amount outstanding from time to time under the Convertible Notes.
Prospectus	Any form of the disclosure document to be issued by the Borrower in accordance with the Law offering Convertible Notes for subscription. For the avoidance of doubt, this term includes a disclosure document in either paper form or electronic form or in any other medium allowed by Law as well as any supplementary or replacement disclosure document.

Redemption Premium	<p>An amount payable in addition to the return of capital, equal to—</p> <p>(a) twenty cents if Notes are redeemed on the Maturity date, or</p> <p>(b) one cent if a Noteholder elects to have Notes redeemed if the Borrower is admitted to the Official List.</p>
Register	<p>Any register of Noteholders in respect of the Convertible Notes kept pursuant to this Deed.</p>
Secured Money	<p>The Principal Amount and the interest payable on the Convertible Notes and any other money payable to the Trustee or the Noteholders under or in respect of the Trust Deed or the Convertible Notes.</p>
Secured Property	<p>Any property of the Borrower or the Guarantor which secures repayment of the Secured Money.</p>
Security Interest	<p>Means any mortgage charge pledge, bill of sale, title retention arrangement, trust or power which is or has the effect of a security for the payment of a debt or other monetary obligation or the compliance with any other obligation.</p>
Special Resolution	<p>A resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Law and this Deed by a majority consisting of not less than 75% of the persons voting at the meeting (whether present in person, or by attorney, proxy or representative) upon a show of hands, or if a poll is validly demanded, then by a majority consisting of not less than 75% of the votes cast on such a poll.</p>
Terms	<p>The terms applicable to the Convertible Notes as set out in Schedule 3 and modified from time to time in accordance with this Deed. Any reference in this Deed to a particular term is to be construed as a reference to the particular term in Schedule 3.</p>

Schedule 2—Rules for interpretation

In this Deed unless the context indicates a contrary intention—

- (a) words denoting any gender include all genders**
- (b) the singular number includes the plural and vice versa**
- (c) references to any legislation includes any legislation which amends or replaces that legislation**
- (d) a person includes their executors, administrators, successors, substitutes (*for example, persons taking by novation*) and assigns**
- (e) a person includes companies and corporations and vice versa**
- (f) except in the dictionary, headings do not affect the interpretation of this Deed**
- (g) the construction least favourable to the party responsible for drafting the Deed will not be adopted against that party merely because that party put forward the first draft of this Deed**
- (h) words in italics provide an explanation or example of the intended operation of the particular clause in question and may be used to resolve any dispute about that clause**
- (i) amounts of money are expressed in Australian dollars unless otherwise expressly stated**
- (j) a reference to a document includes any variation or replacement of it**
- (k) a reference to any thing includes the whole or each part of it,**
- (l) a reference to “Section” or “Part” means a section or part of the Law, and**
- (m) the defined terms in Schedule 1 have the meaning given them in that schedule except where the context otherwise requires.**

Schedule 3—Terms

1. The Note Issue

1.1 Terms

These Convertible Notes will—

- (a) have a Face Value representing a principal amount of \$1
- (b) bear interest as set out in Schedule 3 clause 2
- (c) be convertible, as provided in Schedule 3, into Ordinary Shares, and
- (d) be transferable in accordance with clause 33 of the Deed.

1.2 Withholding tax

- (a) All payments or credits to, or to the account of Noteholders, (including payment of and credits in respect of interest) will be made net of any tax required by law to be withheld, deducted or paid by the Borrower (except to the extent the Borrower is satisfied the Noteholder is exempt from any such tax). Any Noteholder claiming an exemption must provide the Borrower with evidence of an entitlement to the exemption or deduction.
- (b) The Borrower may make any deduction or withholding from any amount payable to a Noteholder in respect of Convertible Notes for or on account of any tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Borrower to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Noteholder concerned, the full amount payable to such Noteholder will be deemed to have been duly paid and satisfied by the Borrower.
- (c) The Borrower must ensure that each Noteholder's details are entered in the Register.

2. Interest

2.1 Amount of Interest

Subject to this clause 2, each Note will accrue interest on a daily basis in accordance with the following formula -

$$\text{Interest} = \frac{\text{Coupon Rate} \times \text{Face Value} \times N}{365}$$

where:

N is the number of days from (and including) the Issue Date or the preceding Interest Payment Date (whichever is later) to (but excluding) the relevant Interest Payment Date.

2.2 Interest Payment Dates

Subject to this clause 2, interest accrued on each Note will be payable in arrears on the Interest Payment Date in respect of the Interest Period for which that interest has accrued. For the avoidance of doubt, interest accrues on a Note up to the Conversion Date or the Maturity Date (whichever is the later) and is payable in arrears on the later of the Interest Payment Date following the Conversion Date or on the Maturity Date.

2.3 Certificate by Company conclusive

A certificate by the Borrower as to the amount of interest payable to a Noteholder on an Interest Payment Date is, in the absence of manifest error, conclusive and binding on the Noteholder.

3. Conversion

3.1 Timing of conversion

If, prior to the Maturity Date for the Convertible Notes, the Borrower is admitted to the Official List, then the Noteholders may—

- (a) convert their Notes to ordinary shares in the Borrower by sending a conversion notice in accordance with clause 3 of this Deed, or
- (b) elect to have their Convertible Notes redeemed by the Borrower for cash.

3.2 Value of Convertible Notes

- (a) For the purposes of the calculation of the number of shares in the Borrower each Noteholder will be entitled to pursuant to term 3.1(a), the Notes will be valued at \$1.20 on the date of the conversion.
- (b) The number of shares in the Borrower to which each Noteholder is entitled will be calculated in accordance with the following formula:

$$\frac{\text{Face value of notes (\$1.20)}}{\text{ASX listing price per Share}}$$
- (c) If a Noteholder elects to have his or her Notes redeemed prior to the Maturity Date pursuant to term 3.1(b), then the Notes will be redeemed at a face value of \$1.01.
- (d) If the Borrower is not admitted to the Official List, then on the Maturity Date, the Convertible Notes will be redeemed by the Borrower at a face value of \$1.20 per Note.

3.3 Ordinary Shares issued on conversion

- (a) The Ordinary Shares to which a Noteholder is entitled on conversion of any of their Notes must be issued within 15 Business Days after the Conversion Date and any such issue will have effect on and from, and be deemed to have been made on, the Conversion Date.
- (b) Each Ordinary Share issued on conversion of any Convertible Notes will rank equally in all respects and form one class with the Ordinary Shares on issue at the Conversion Date, provided that where the Conversion Date occurs after the date for a dividend declared by the Directors to be payable to holders of Ordinary Shares, that Ordinary Share will not participate in the relevant dividend.

3.4 Cancellation of Notes

All Notes redeemed by the Borrower pursuant to clause 3.2(d) will, upon such redemption, be cancelled and may not be reissued.

4. Conversion of Voting Shares Precluded

- (a) Notwithstanding any other term of the Deed, a Noteholder is not entitled to convert (and the Borrower is entitled to refuse to convert) such number of Convertible Notes that would result in—

- (i) a person acquiring Shares in the Borrower in breach of Section 606 of the Corporations Act (or any equivalent provision), or
 - (ii) a person acquiring Shares where a notification being required to be sent to, or consent is required under, any legislation by which the Borrower and its related bodies corporate are bound.
- (b) The Borrower may in its discretion require a Noteholder to provide a statutory declaration confirming that the circumstances referred to in Schedule 3 clause 4(a) do not exist in respect of any conversion by that Noteholder.

Schedule 4 – Limitation of liability of Trustee

- (c) The parties other than the Trustee acknowledge that the obligations are incurred by the Trustee solely in its capacity as trustee under this Deed and that the Trustee will cease to have any obligation under this Deed if the Trustee ceases for any reason to be trustee under this Deed.
- (d) The Trustee will not be liable to pay or satisfy any of the terms of the Convertible Note issue set out in schedule 3 except out of the assets from which it is entitled to be indemnified in respect of any liability incurred by it as trustee under this Deed.
- (e) The parties other than the Trustee may enforce their rights against the Trustee in respect of the Convertible Notes only to the extent of the Trustee's right of indemnity out of the assets from which it is entitled to be indemnified.
- (f) If any party other than the Trustee does not recover all money owing to it in respect of the Convertible Notes, then it may not seek to recover the shortfall by—
 - (i) bringing proceedings against the Trustee in its personal capacity, or
 - (ii) applying to have the Trustee wound up or proving in the winding up of the Trustee.
- (g) Subject to the Law, the Trustee—
 - (i) is not responsible or liable in respect of moneys subscribed by applicants for Notes or bound to see to the due application of this moneys, and
 - (ii) is not responsible or liable to pay or satisfy any of its obligations under this Deed, and has no liability to the Borrower, the Noteholders or any other person, except to the extent of the Trustee's right of indemnity out of the assets of the trust established by this Deed.
- (h) Notwithstanding any other provision of this Deed, the liability of the Trustee is limited by the provisions of this Schedule 5. In the event of any inconsistency with any other provision of this Deed, these clauses are paramount.

- (i) Subject to section 283DB of the Law, the parties acknowledge that the whole of this Deed is subject to this Schedule 5 and the Trustee will in no circumstances be required to satisfy any liability of the Trustee arising under, or for breach of any obligation in respect of this Deed out of any funds, property or assets other than the assets of the trust created by this Deed and under the Trustee's control and in its possession, except to the extent that such liability is incurred as a result of the fraud, wilful default, negligence or breach of trust of the Trustee.

Schedule 5 — Conversion notice**NOTICE OF EXERCISE OF RIGHT TO CONVERT**

To: **Queensland Paulownia Forests Limited ACN 071 625 477**

I/We give notice of exercise of my/our right to convert all of my/our holding of Notes into fully paid ordinary shares in Queensland Paulownia Forests Limited for an amount determined in accordance with clause 3 of the convertible note trust deed signed by Queensland Paulownia Forests Limited and dated #[insert date].

I/We request you issue such shares to me/us and agree to accept them subject to the company's constitution.

Registration details of Noteholder:

This notice may be signed by -

- the holder(s) of the Notes, or
- a person appointed by a power of attorney from the holder (if signed under power of attorney, a certified copy of the document must accompany this form it is has not already been noted by the company) provided the attorney declares that he/she has no notice of revocation of the power of attorney.

For individuals and partnerships:

Noteholder
/ / Date

For companies:

Name of company: _____
Signed in accordance with section 127 of the Corporations Act: _____
Director: _____
Director/Secretary: _____ (Delete this line if only single director company)