

2003 / 2004

PROSPECTUS



An Offer of 9,000,000 Convertible Notes at
an issue price of \$1 each to raise \$9,000,000

QUEENSLAND
PAULOWNIA
FORESTS LTD

A.C.N. 071 625 477

IMPORTANT INFORMATION

This Prospectus is dated 3 December 2003 and was lodged with ASIC on that date. Neither ASIC nor BSX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Trustee is not the issuer of this Prospectus and has not prepared this Prospectus. The role of the Trustee is to act under the Trust Deed as Trustee for the Noteholders. If Queensland Paulownia Forests Limited (QPFL) defaults on its obligations under the Trust Deed, then the Trustee, may, but is not obliged, to act to protect the interest of Noteholders. The Trustee makes no representation in, and takes no responsibility for the accuracy of any statement in, or omission from, any part of this Prospectus. The Trustee does not guarantee the performance or success of the investment offer, the repayment of capital or any particular rate of return on either capital or income.

This Prospectus is important and should be read in its entirety prior to making any investment decisions. This Prospectus does not take into account the investment objectives, financial situation or particular needs of each potential applicant. You should consult your financial adviser and carefully consider whether the Notes are an appropriate investment for you. Please refer to the risk factors outlined in Section 6 of this Prospectus. Applications for Notes can only be submitted on an original Application Form which is attached to and forms part of this Prospectus (whether as a hard copy or electronic).

EXPOSURE PERIOD

In accordance with Chapter 6D of the Act, the Prospectus is subject to an exposure period of seven days from the date of lodgement with ASIC. The exposure period may be extended by ASIC by a further period of up to seven days.

The purpose of the exposure period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in the Prospectus. If deficiencies are detected, any Application that has been received may need to be dealt with in accordance with Section 724 of the Act. During the exposure period, the Prospectus will be made available on QPFL's website: www.qpfl.com.au. Copies of the Prospectus will also be available on request to members of the public by calling QPFL on 1800 882 228. Applications received during the exposure period will not be processed until after expiration of the exposure period. No preference will be conferred on applications received during the exposure period.

PRIVACY DISCLOSURE

By filling out the Application Form to apply for Notes, you are providing personal information to QPFL. This information may be provided to QPFL's share registry. Personal information is collected and used in order to process your application, to comply with QPFL's obligations under Part 2C of the Act and to administer your investment. In processing and administering your investment, we may disclose your personal information to the Trustee, related bodies corporate, contractors or third party advisers that provide financial, administrative or other services in connection with our business. Furthermore, the Act requires us to allow anyone to inspect our public registers. Under the Privacy Act, you may request access to your personal information that is held by, or on behalf of, QPFL. You can do this by contacting QPFL. The Privacy Act regulates the way QPFL collects, uses, disposes, keeps secure and gives people access to their personal information. QPFL is committed to respecting the privacy of your personal information.

LISTING

The Company will apply for admission of the Notes to quotation on BSX within seven days after the date of this Prospectus.

CONDITION PRECEDENT TO ISSUE

No Notes will be issued under this Prospectus unless the condition precedent set out in section 1.4 is satisfied.

Further, no Notes will be issued if they are not admitted to quotation within three months of the offer closing date.

NATURE OF SECURITY

A Convertible Note is the acknowledgment of a loan made to a company at a fixed rate of interest with the right to be either redeemed (i.e. repaid by the company) for cash or converted into ordinary shares of the Company at a predetermined date or within a certain period. Convertible Notes are securities under the Act.

ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in the Glossary in Appendix A.

RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS

This Prospectus does not constitute an offer of Notes in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. No action has been taken to register Notes or this Prospectus or otherwise permit a public offering of Notes in any jurisdiction outside Australia.

ELECTRONIC PROSPECTUS

This Prospectus is available in a paper version and in electronic form. The electronic form can be found at the Company's website at www.qpfl.com.au from the beginning of the exposure period until the Closing Date. The Application Form will be made available in electronic form after the expiration of the exposure period. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia.

If you wish to apply for Notes, then you may either:

- complete and return an Application Form which is attached to or accompanies a paper copy of this Prospectus, or
- print a copy of the Application Form (which is attached to or accompanies the electronic form of this Prospectus) from the above internet address, complete and return it.

If you view an electronic copy of this Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, then please contact the QPFL on 1800 882 228.

There is no facility for on-line Applications.

Page 33 contains further details on how to apply for Notes.

PHOTOGRAPHS

Photographs used throughout this Prospectus do not necessarily depict assets of QPFL.

SUMMARY OF KEY DATES

Offer Opens:

3 December 2003

Date Applications must be received by to qualify for interest to be paid at the cash management trust rate from 19th December 2003 until the Notes are issued	19 December 2003
Offer Closes (Closing Date)	16 February 2004
Issue of Notes (Issue Date)	23 February 2004
Holding Statements dispatched	24 February 2004
Commencement of Trading on BSX	25 February 2004
First Coupon Payment Date	31 March 2004

These dates are indicative only and are subject to change.



QPFL may vary the dates and times of the Offer (including closing the Offer early) without notice. Accordingly, investors are encouraged to submit their Applications as early as possible.

CONTENTS

QPFL HIGHLIGHTS	6
CHAIRMAN'S LETTER	7
1. OFFER SUMMARY	8 - 9
2. DETAILS OF THE OFFER	10 - 11
3. KEY POINTS	12 - 14
4. COMPANY OVERVIEW	15 - 17
5. FINANCIAL INFORMATION	18 - 21
6. RISKS	22 - 23
7. TAXATION REPORT	24 - 26
8. SUMMARY OF TRUST DEED	27
9. ADDITIONAL INFORMATION	28 - 30
APPENDIX A: GLOSSARY	31
APPLICATION FORM	32
HOW TO APPLY FOR CONVERTIBLE NOTES	33
CORPORATE DIRECTORY	34

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by QPFL in connection with the Offer. Except as required by law and only to the extent so required, neither QPFL nor any other person warrants the future performance of QPFL or any return on any investment made pursuant to this Prospectus.

QPFL HIGHLIGHTS

FINANCIAL YEAR ENDED JUNE 2003

After-tax profit has increased
by **62%** to **\$2.122** million.

Current assets have increased by
89% to **\$4.606** million

Increase in cash of
172% to **\$2.162** million

Shareholders funds increased by
34% to **\$6.858** million.

Project Sales to 30 June
2003 were **\$4.9** million

Austin Downs Plantation SOLD OUT

Investors should refer to sections 4 and 5 of this Prospectus for full details of QPFL's operations and financial performance.

CHAIRMAN'S LETTER

3 December 2003

Dear Investor

On behalf of the Board of Queensland Paulownia Forests Limited ("QPFL" or "the Company"), I am pleased to offer you this opportunity to invest in the Company through an issue of Convertible Notes (Notes).

QPFL is seeking to raise \$9 million under this Prospectus through the issue of nine million Notes at \$1 per Note.

Notes issued pursuant to this Offer will carry an entitlement to a fixed annual rate of 9.28% and will be redeemed for cash (at a price of \$1.20 per Note) on 30/6/2009. If prior to this date, QPFL is admitted to the official list of a recognised exchange (for example, the Bendigo stock exchange (BSX)), then Noteholders will have the option to;

1. Elect to convert their Notes to ordinary shares in QPFL or
2. Elect to have their Notes redeemed for cash.

In case 1 (conversion to Ordinary Shares) Notes will be valued at \$1.20 per Note for the purpose of a conversion to QPFL ordinary shares. The ordinary shares will be issued at the listing exchange's market price to be determined at the time.

In case 2 (having Notes redeemed) Notes will be redeemed at \$1.01 per share.

Interim liquidity will be provided for the Notes by their being listed on the BSX.

The proceeds from the Offer will be used to fund the acquisition and development of approximately 1,600 hectares of land together with valuable water rights of 4,938 megalitre per annum in Forbes, New South Wales, to enable QPFL to continue to offer forestry-based investments and to provide working capital.

The land at Forbes will be used primarily for the planting and growing of hardwood Paulownia, but there is the opportunity to plant lucerne (cultivated fodder) until the trees canopy.

QPFL has formed a wholly-owned subsidiary, Quality Land Holdings Pty Ltd (QLH), to hold the title to the developed land, the water rights and the option to purchase further land at Forbes.

Notes are to be secured by a charge over QLH, a first mortgage over the Forbes property and any insurance benefits in relation to trees QPFL owns in its own rights.

Shareholders of QPFL voted at the Annual General Meeting (AGM) of the Company held on the 28th November 2003 to approve the Offer proceeding.

This Prospectus contains details of the Offer, the terms on which Notes will be issued and a description of the risks associated with investing in Notes. Please read it carefully before deciding whether to invest.

If you require further information or if you are uncertain as to whether Notes are a suitable investment for you, then you should consult your accountant, lawyer or other professional adviser.

On behalf of the board of QPFL, I recommend this investment opportunity for your consideration.

Yours faithfully



David Gold
Chairman



1. OFFER SUMMARY

1.1 THE OFFER

The Offer comprises up to 9,000,000 Notes at a price of \$1 per Note to raise up to \$9,000,000 for the purchase and development of land at Forbes, New South Wales.

Notes will carry an entitlement to an annual 9.28% return payable quarterly in arrears. The Notes are redeemable on 30/6/2009 at which time the Notes will be redeemed for cash of \$1.20 each.

If QPFL becomes admitted to the Official List of a recognised stock exchange prior to 30/6/2009, then upon listing Noteholders will have the option to:

- (a) have their Notes redeemed for cash at a price of \$1.01 per Note, or
- (b) convert their Notes to ordinary shares in QPFL. For the purposes of the conversion, the Notes will be valued at \$1.20 and QPFL shares will be valued at the listing price.

1.2 OBJECTIVE

The proceeds from the issue of Notes are to be used to provide up to \$9 million in funding for the purchase and development of land with water rights at Forbes in New South Wales to provide land for the planting of hardwood Paulownia trees from QPFL's future product offerings.

QPFL has had continued growth through the sale of its forestry-based products, the Queensland Forestry Trust and tax-effective forestry projects. The purchase of approximately 1,600 hectares at Forbes will be the first landholding under direct ownership.

Six other plantations totalling 2,365 hectares have long-term leases from companies of QPFL's previous owners.

1.3 DESCRIPTION OF THE LAND

The plantation is located in the Lachlan Valley in New South Wales. The valley has many outstanding physical attributes such as clean water, deep and fertile soils and ideal climatic conditions for many crops. The region is rich in water resources, both from an aquifer and the Lachlan Valley River.

The Forbes property is located in the Parish of Mulyandry, Wongajong, Cumbijowa and Braulin, in the County of Forbes, Forbes Shire Council, in the State of New South Wales. There is an option in favour of QPFL (or its nominee) to buy the balance of land prior to 1 July 2006. The total area is 1,606.35 hectares.

The real property descriptions for the areas of the property to be purchased through the issuing of Notes are:

Name of the Property	Size in Hectares	Real Property Description	
Wirrabilla	320.30	Lot 4 DP 787225	Folio Identifier 4/787225
		Lot 198 DP 752931	Folio Identifier 198/752931
		Lot 199 DP 752931	Folio Identifier 199/752931
West Oma and Lowen	589.45	Lot 37 DP 752931	
		Lots 169-171 DP 752931	Auto Consol 5059-193
		Lots 183 DP 752931	Folio Identifier 183/752931

The real property descriptions of the area of land covered by the future option to purchase are as follows:

Name of the Property	Size in Hectares	Real Property Description	
Allawah	378.40	Lot 10 DP 633020	Folio Identifier 10/633020
Woodlands and Triangle	318.20	Lot 4 DP 608884	Folio Identifier 4/608884
		Lot 186 DP 726934	Folio Identifier 186/726934
		Lot 187 DP 726934	Folio Identifier 187/726934
		Lot 15 DP 777203	Folio Identifier 15/777203

1.4 CONDITION PRECEDENT TO THE OFFER

Part of the security held by the Trustee for repayment of the Notes will be the right to any benefits payable under an insurance policy QPFL holds over paulownia trees it owns. Those rights will be assigned by QPFL to the Trustee. The issue of Notes is subject to an assignment deed being entered on terms satisfactory to the Trustee, plus finalisation of the terms of the mortgage over the Forbes land also to be held by the Trustee. If those documents are not agreed and entered into by 16 February 2004, then no Notes will be issued and QPFL will refund all application money without interest (except for applications received on or before 19 December 2003 in which case interest at the cash management trust rate will be paid from the period 19 December 2003 until the date of refund).

1.5 SUMMARY TERMS OF NOTES

Set out below is a summary of the terms on which the Notes are offered. This information is a summary only, and must be read in conjunction with the detailed terms set out in the Trust Deed and other information contained in this Prospectus.

Notes will be issued with an entitlement to a fixed annual rate of 9.28%.

Term: The Notes will be redeemable on 30/6/2009 at which time the Notes will be redeemed for cash of \$1.20 each.

Conversion Option: If QPFL lists on a recognised stock exchange prior to the end of this term, then Noteholders will have the option to elect to convert the Notes into shares (being fully paid ordinary shares in QPFL) or redeem them for \$1.01 per note.

Noteholders may require QPFL to convert Notes into Ordinary Shares by electing to exercise the conversion option by providing written notice to QPFL in the form set out in the Trust Deed no later than 30 days after QPFL has provided written notice of its acceptance to the Official List of the exchange.

In the event that Noteholders provide a conversion notice to QPFL, ordinary shares will be issued within 15 days of the notice.

Conversion Amount: In the event of QPFL listing on a recognised stock exchange, Notes will be valued at \$1.20 per Note for the purpose of a conversion to QPFL ordinary shares. The ordinary shares will be issued at the listing price.

Redemption: If the Notes run the set term, then the Notes will be redeemed at \$1.20 cash per Note.

Interim Liquidity: Interim liquidity will be achieved if the application for quotation on the BSX is accepted and the Notes are quoted on the BSX.

Face value: Notes will have a face value of \$1 each.

Issue Size: Up to \$9 million (9,000,000 Notes). No over subscriptions will be accepted.

Security: Notes will be secured by a first mortgage over the property and water rights and improvements to the land at Forbes, a charge over the assets of QLH and a right to any proceeds of insurance over QPFL's own Paulownia Trees.

Coupon rate: An entitlement to an annual 9.28% return payable quarterly in arrears commencing 31 March 2004, and then quarterly on 30 June, 30 September, 31 December and 31 March each year up to redemption or conversion. This payment is a debt payment, and as such will not be contingent on any profits generated by QPFL.

Trust Deed: QPFL has appointed The Public Trustee of Queensland as trustee pursuant to the Trust Deed. The Notes are issued subject to the terms and conditions of the Trust Deed. A summary of the important provisions of the Trust Deed is contained in Section 8 of this Prospectus.

Ranking: The Notes rank equally between themselves and have priority over dividend payments to shareholders in QPFL.

QPFL may at any time determine that additional Notes or other securities will be issued. If additional notes or other securities are issued, then they may, at the discretion of the directors, have priority over the Notes issued under this Prospectus.

Noteholders' rights and claims are in no way subordinated to the rights and claims of shareholders or other creditors of QPFL.

Participation: Noteholders may be offered the opportunity to participate in further security or share issues undertaken by QPFL with priority over any other applicant.

Listing: Application will be made to BSX for official quotation of Notes.

1.6 ALLOCATION OF FUNDS

The funds raised as a result of this Offer will be applied as follows:

• Purchase price of land at valuation	\$ 4,125,000
• Cost of capital raising	\$ 900,000
• Acquisition costs	\$ 200,000
• Development costs	\$ 3,400,000
• Working capital	\$ 375,000
Total	\$ 9,000,000

If only the minimum subscription referred to in section 3.4 is raised then the funds received will be used to purchase the first block of land as described in Section 1.3. Any funds raised above minimum will be allocated to working capital, until \$3.4 million is raised which is sufficient to buy the land under option (listed in section 1.3)

2. DETAILS OF THE OFFER

2.1 STRUCTURE OF THE OFFER

(a) Issue and allocation policy

QPFL intends to issue Notes under this Offer on the Issue Date subject to satisfaction of the condition precedent described in section 1.4.

QPFL reserves the right to:

- reject any Application, and
- allocate any applicant a lesser number of Notes than those applied for.

(b) Refunds

If an Application is not accepted, or is accepted in part only, then the relevant part of the Application Money will be refunded to the applicant within 5 business days after refusal.

(c) BSX Listing

The Company will apply for admission of Notes to quotation on BSX within seven days after the date of this Prospectus. The Company will not issue any Notes until the BSX has granted permission for Notes to be quoted on the BSX. If Notes are not admitted to quotation by BSX within three months after the closing date, then all Application Money will be refunded without interest if applications are received after 19th December 2003. Applications received prior to 19th December 2003 will attract interest at the cash management trust rate from 19th December 2003 to the refund date.

2.2 HOW TO INVEST

(a) When to apply

Applications received by the 19th December 2003 will attract interest at the cash management trust rate to the date the Notes are issued (if relevant) or Application money is refunded.

The Offer is expected to close at 5.00pm (QLD time) on 16 February 2004. Applications must be received by QPFL no later than 5.00pm (QLD time) on 16 February 2004.

QPFL may close the Offer early or extend the Closing Date without notice. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens.

(b) Who may apply

The Offer is being made only to Australian residents with an address in Australia (including persons receiving this Prospectus electronically) and persons who reside in jurisdictions where it is lawful for them to receive the Offer and apply for or be issued Notes. No action has been taken to register Notes or this Prospectus or otherwise permit a public offering of Notes in any jurisdiction outside Australia.

(c) Payment

Application Forms, duly completed, must be accompanied by cheque(s) or money order(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed and marked 'not negotiable' and made payable to the 'QPFL - Convertible Notes Application Account'. No brokerage or stamp duty is payable by applicants on the issue of Notes. Brokerage will be payable by QPFL (see section 9).

Brokerage paid by QPFL does not affect the returns to investors.

(d) How to Apply

Complete the Application Form on page 32 of the Prospectus, enclose accompanying cheque(s) or money order(s) and mail to:

Queensland Paulownia Forests Ltd
PO Box 8246
GOLD COAST MC QLD 9726

Applications may be delivered in person to:

Queensland Paulownia Forests Ltd
Level 5 Gateway Building
50 Appel Street
SURFERS PARADISE, QLD

Application Forms and accompanying cheques or money orders will not be accepted at any other address.

By returning an Application Form, the applicant acknowledges that they have received and read this Prospectus.

(e) Enquiries

If you require assistance to complete the Application Form, or require additional copies of this Prospectus, then please contact QPFL on telephone 1800 882 228.

If you are unclear in relation to any matter or are uncertain if Notes are a suitable investment for you, then you should contact your accountant, lawyer or other professional adviser.

2.3 OTHER INFORMATION

The Clearing House Electronic Subregister System (CHES) is an ASX/BSX computer system that manages the settlement process for the acquisition of Notes, which are listed on an exchange. It provides all investors with the security of a hub that exchanges money and Notes at the same time.

QPFL will apply to have the Notes issued under this Prospectus registered on the CHES computer system.

2.4 TFN/ABN

Investors should note that if they do not provide their tax file number (TFN), TFN exemption details (if applicable) or Australian Business Number (ABN) to QPFL, then QPFL will be required to withhold tax (currently at the rate of 48.5%) on the amount of any return on Notes held by those investors.



3. KEY POINTS

The purpose of this section is to answer some of the questions, which prospective investors may have about Notes. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which you should read in its entirety. If you are unclear in relation to any matter, or uncertain if they are a suitable investment for you, then you should consult your accountant, lawyer or other professional adviser.

3.1 WHAT ARE NOTES

A convertible note is the acknowledgment of a loan made to a company at a fixed rate of interest with the right to be either redeemed (i.e. repaid by the company) for cash or converted into ordinary shares of the Company at a predetermined date or within a certain period. Convertible notes are securities under the Act.

In this case the Notes will be issued by QPFL and include an undertaking by QPFL to repay, as a debt, money lent to QPFL by Noteholders who subscribe under this Prospectus. The Notes issued by QPFL will acknowledge the loan made to QPFL and set-out the applicable terms and conditions.

To support the loan repayments, security is being offered in the form of a mortgage over land owned by QLH, a subsidiary of QPFL, a charge over the assets of QLH and certain insurance proceeds (if any). In accordance with the requirements of the Act, the security is held on behalf of Noteholders by the Trustee in accordance with the Trust Deed. If specific covenants of the Trust Deed are breached, then the Trustee may exercise its power to call in the security in favour of the Noteholders.

3.2 WHY IS QPFL ISSUING NOTES

It is intended that the proceeds from the issue of Notes will be used to fund the purchase and development of approximately 1,600 hectares of land with water rights in Forbes, New South Wales, for the establishment of timber plantation lots which will be licensed to growers in QPFL's forestry projects.

QPFL will be appointed by QLH to carry out the initial development work. The appointment will be made under a separate contract which will be on ordinary commercial terms.

3.3 CONDITION PRECEDENT TO THE ISSUE OF NOTES

Part of the security held by the Trustee for repayment of the Notes will be the right to any benefits payable under an insurance policy QPFL holds over paulownia trees it owns. Those rights will be assigned by QPFL to the Trustee. The issue of Notes is subject to an assignment deed being entered on terms satisfactory to the Trustee, plus finalisation of the terms of the mortgage over the Forbes land also to be held by the Trustee. If those documents are not agreed and entered into by 16 February 2004, then no Notes will be issued and QPFL will refund all application money without interest (except for applications received on or before 19 December 2003 in which case interest at the cash management trust rate will be paid from the period 19 December 2003 until the date of refund).

3.4 HOW MANY NOTES ARE BEING ISSUED

The minimum subscription for this Offer is 2,500,000 Notes (to raise \$2.5 million). However, QPFL intends to offer up to 9,000,000 Notes (to raise \$9 million).

3.5 COUPON RATE

The Notes will bear a coupon rate of 9.28% per annum, fixed from the date of issue.

3.6 PAYMENT DATE

Coupon payments will be paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December commencing on 31 March 2004.

3.7 CONVERSION

If QPFL lists its ordinary shares on a recognised stock exchange, then Noteholders will have the option to elect to convert the Notes into shares (being fully paid ordinary shares in QPFL) or redeem them for \$1.01 per Note.

The number of shares into which the Notes will be converted will be calculated by dividing the face value of the Notes (which will be fixed at \$1.20 for the purposes of the conversion) held by each Noteholder by the price per share.

The price per share will be the exchange's listing price on quotation of QPFL's ordinary shares.

If QPFL does not list on a recognised exchange, then your Notes will be redeemed by QPFL on 30 June 2009 for \$1.20 per Note.

3.8 WILL I BE ABLE TO REQUEST REPAYMENT OF MY INVESTMENT FROM QPFL

Holders will have no right to require QPFL to repay the money originally paid for the Notes, except in a winding up of QPFL, or upon redemption of the Notes.

3.9 WHAT HAPPENS ON REDEMPTION

Redemption entitles the Holder to receive a cash payment per Note equal to the Redemption Amount plus any interest due but not paid.

3.10 IN A WINDING UP, WHAT WILL HOLDERS OF NOTES RECEIVE

In the event of a winding up of QPFL, QPFL must pay Noteholders an amount equal to the face value per Note. In the event of a shortfall of funds on a winding up of the Company, there is a risk that Noteholders will not receive full repayment of all amounts owing to them.

3.11 WHO IS THE GUARANTOR

QLH, a wholly-owned subsidiary of QPFL, guarantees the payment of the coupon return to Noteholders. If on any due date for payment of returns to Noteholders, QPFL is unable to make the payment, then QPFL will obtain the required funds from QLH.

As security for payment of the returns to Noteholders, QPFL has arranged for QLH to grant the Trustee a mortgage over land which it will own at Forbes in New South Wales (following a successful raising under this Prospectus), and a charge over the assets of QLH. If neither QPFL nor QLH has the funds available to pay returns to Noteholders, then this property may be sold by the Trustee to meet the payments. QPFL has also surrendered to the Trustee the rights to any insurance proceeds over the trees it owns.

3.12 WHO HOLDS THE LEASE ON THE LAND

QLH will be leasing the Forbes land to QPFL on normal commercial terms to enable development of the land. The existence of the lease also satisfies QPFL's obligations as a responsible entity and holder of an Australian Financial Services Licence to ensure any land used for QPFL's Projects is subject to a registered interest (such as a lease). This is for the protection of the interests of growers in QPFL's Projects. While the lease will be an encumbrance on the land (relevant to any purchaser to whom the Trustee may need to sell the land), its terms are fully commercial (\$850,000 per year increased annually by CPI) and provide a rental income (including CPI increases) to the landowner.

The Trustee has agreed to hold the mortgage over the land subject to the lease.

3.13 WHY HAS A TRUSTEE BEEN APPOINTED AND WHAT WILL THE TRUSTEE'S FUNCTION BE

The Public Trustee of Queensland has been appointed pursuant to the Trust Deed, which sets out the rights of the Trustee and QPFL and their obligations to Noteholders.

3.14 CAN NOTES BE PURCHASED OR SOLD ON BSX

QPFL will apply within seven days after the date of this Prospectus for Notes to be quoted on BSX. Once quoted on BSX, the Notes can be purchased or sold through any Broker in Australia.

3.15 WHAT ARE THE TAXATION IMPLICATIONS OF HOLDING OR SELLING NOTES

The taxation implications of investing in Notes will depend on Noteholders' individual circumstances. Prospective investors should obtain their own taxation advice. A summary of some of the relevant matters appears in a Taxation Report from PKF set out in section 7. This is not a substitute for obtaining your own professional advice.

3.16 IS BROKERAGE OR STAMP DUTY PAYABLE

No brokerage or stamp duty on the issue of Notes is payable by investors who subscribe for notes pursuant to this Prospectus. Stamp duty and brokerage will be payable on subsequent transfers of Notes once Notes are quoted on BSX.



3.17 WHAT ARE THE RISKS OF INVESTING IN NOTES

An investment will involve some risk. You should refer to section 6 for further information.

3.18 WHERE CAN I OBTAIN MORE INFORMATION ON QPFL

QPFL is a disclosing entity for the purposes of the Act and is subject to regular reporting and disclosure obligations under the Act. Upon quotation of the Notes, the Company will also be subject to the continuous disclosure obligations imposed by the BSX.

Further information on past and present projects, including independent research, is available from the QPFL website at www.qpfl.com.au.

Copies of the documents lodged with ASIC in relation to QPFL (other than documents referred to in Section 1274(2)(a) of the Act) may be obtained from, or inspected at, an office of ASIC or the registered office of QPFL.



Greenhouse at QPFL Nursery

4 COMPANY OVERVIEW

4.1 OVERVIEW

QPFL is an unlisted public company that has promoted seven tax-effective managed investment projects and the Queensland Forestry Trust. The tax-effective projects all have ATO Product Rulings. Founded in 1995, QPFL has over 2,300 investors and more than 450 shareholders and is currently growing over 600,000 Paulownia trees on six fully irrigated plantations in Southeast Queensland.

A new property of approximately 1600-hectares at Forbes, New South Wales, with the capacity to grow over 400,000 Paulownia trees will on completion of planting account for 40% of QPFL's total production.

Up to 60 staff are employed at head office and the six plantations. The directors form a solid board with strong experience in managed investment schemes, agribusiness and public company management. Senior management at head office and on the plantations are well qualified and have extensive industry experience.

QPFL has invested in impressive infrastructure on the plantations. Currently over 210km of irrigation mains and sub mains together with 3,000km of irrigation tape and 5,910,000 drippers distribute the 7.3 billion litres of water that QPFL is capable of storing on its plantations.

QPFL has been establishing hardwood paulownia plantations since 1995. The Paulownia is a fast growing deciduous tree grown commercially for the production of hardwood timber. With their high quality timber and relatively short growth time to maturity of approximately 8-12 years, paulownia provide an attractive alternative to the harvesting of native forests.

Growers (investors who purchase woodlots) are entitled to a tax deduction for their investment in the establishment of paulownia plantation projects in accordance with rulings issued by the ATO.

QPFL demonstrated its innovation by being the first company in Australia to offer a hybrid forestry product. This product, the Queensland Forestry Trust, has enabled QPFL to grow its distribution through financial planning groups.

Due to the success of Project No. 7 to 30 June, 2003, the company has commitments for all of the remaining land at its Austin Downs plantation at Surat.

QLH has entered into a sale and purchase and option agreement for approximately 1600 hectares of land situated over the aquifer near Forbes, water licenses to a total of 4,938 megalitres per annum of bore water is included in the purchase. Bore water is a more secure supply than river or irrigation scheme licence.

The land has been subject to extensive due diligence by the Project Forester, Robin Yule, and been found suitable for growing Paulownia.

The land at Forbes comes with a licence for bore water, a more reliable source of water than rivers or irrigation schemes. Further, pending the sale of woodlots the land is suitable for growing lucerne. Contracts will be entered into for the farming of this crop, which can be grown between the trees for the first three years of tree growth.

QPFL's major operations currently include:

- packaging of the land for licensing pursuant to registered managed investment scheme- based prospectuses or product disclosure statements
- raising funds and issuing interests in projects and units through a network of financial advisers throughout Australia
- establishing and maintaining Paulownia plantations on behalf of growers and unit holders
- developing technology that will allow the attributes of QPFL's Paulownia timber to be extended to attract a wider range of users, and
- working toward QPFL becoming a fully integrated forestry company by 2006



4.2 FUTURE OPERATIONS

The Company expects to continue growth through the further expansion of its Paulownia projects, the expected commencement in 2006 of harvesting operations on behalf of growers, and through the continued development of innovative products which it can package, promote and distribute through its distribution network.

QPFL intends to become a fully integrated forestry company and may purchase the timber from growers to value-add to timber products such as blind slats, jointed board and plywood.

QPFL will consider listing on a recognised exchange when the following milestones have been reached:

Milestones

- Complete timber pre-marketing activities
- Research & development for 3 modified types of paulownia timber successfully completed
- Publish standards for Australian grown Paulownia – including three modified timbers
- Choice and feasibility of timber mill to process rough-sawn and modified timber
- Costing and design of modification plant
- Processing control procedure manual for harvesting, milling and modification of harvested timber
- Establishment of third-party certification and external audit program for the timber

These milestones are expected to be achieved by the end of 2006.

If the Company listed now, it would be categorised in the Exchange's managed investment sector, which traditionally has low-price earnings multiples. This is unattractive for existing shareholders.

QPFL will therefore only consider moving towards full listing when the above milestones have been completed and forward orders have been obtained for both rough-sawn and modified timber. As a fully integrated forestry company, QPFL would look to be categorised as an industrial company.

4.3 ENVIRONMENTAL FACTORS

The establishment of paulownia plantations has a number of environmental benefits. These include:

Soil remediation

Large tracts of native vegetation have been cleared for planting cereal crops and pasture for grazing stock.

Clearing has caused major land degradation problems, including salinity and erosion. It is now recognised that this process must be reversed. The establishment of Paulownia plantations has been found to lower the water table, which in turn helps to reduce salinity. For example, BHP has commissioned QPFL to plant areas of its Moranbah mine site after a successful trial program showed that the species grew quickly in hostile conditions and made a significant contribution to the remediation of the site in a short period of time.

Carbon removal

The large surface area of the leaf and the fast growth rate of Paulownia trees mean the emission of a large volume of oxygen, providing one of the most effective means of re-oxygenating the atmosphere.

The concentration of carbon dioxide (CO²) in the atmosphere is increasing as humans continue to release large amounts of CO² from burning fossil fuels (oil, gas and coal). It is estimated that 5.5 billion tonnes of CO² are emitted each year from fossil fuels globally. At the same time, the continued clearing of forests reduces the number of available carbon sinks and the amount of oxygen being produced each year.

To reduce the impact of climate change it is necessary to stabilise atmospheric CO² concentrations. Forest carbon sinks assist through the natural absorption and storage of carbon dioxide.

An alternative to harvesting native forests

At the present time some hardwood that is exported from Australia is logged from native forests. The destruction of these forests is increasingly being seen as an unacceptable practice. The establishment of Paulownia plantations on cleared land will provide an alternative source of hardwood. All land chosen for our Projects is ex-farmland, previously used for grazing and cropping purposes. QPFL does not clear native forest to plant trees.

Carbon credits

In December 1997 the third conference of the parties to the United Nations Framework Convention on Climate Change concluded the Kyoto Protocol. If the protocol is ratified, then from the year 2008 industries that emit noxious gases will be required to control their emissions. A 'carbon credit' system of trading would be set up to enable high carbon dioxide emitters to purchase credits from owners of carbon 'sinks'. Some activities such as plantation forestry result in net absorption (or sequestration) of carbon dioxide and these activities should produce carbon credits. It is envisaged that an international market will be established to enable carbon credits to be traded.

In November 2001, the parties to the 1992 Framework Convention on Climate Change agreed on the mechanisms for implementation of the Kyoto Protocol. The agreement opens the way to widespread ratification of the Protocol by governments.

Australia has not ratified the Kyoto Protocol and therefore its ability to participate in an international carbon credit market is uncertain. If a trading system is established and Australia is able to participate, QPFL should be able to sell the credits to buyers who can then use them to offset emissions.

The directors of QPFL believe that it is too early to place definitive values on carbon credits, but are closely monitoring the issue.



5. FINANCIAL INFORMATION

5.1 CAPITAL STRUCTURE

The table below sets out the capital structure of QPFL at the date of this Prospectus and its Pro Forma equity capital structure after the Notes Offer (incorporating the conversion of A shares to ordinary shares and the increase in capital approved at an AGM of Shareholders on 28 November 2003).

Share Type	Authorised Capital at date of this Prospectus	No of Shares on Issue at date of this Prospectus	Pro Forma authorised capital after increase in capital and conversion of A Shares	Pro Forma no of Shares on issue
Ordinary	20,000,000	4,325,995	99,400,000	21,325,995
A Class	20,000,000	17,000,000	-	-
C Class	100,000	-	100,000	-
D Class	100,000	-	100,000	-
E Class	100,000	-	100,000	-
F Class	100,000	-	100,000	-
G Class	100,000	-	100,000	-
H Class	100,000	-	100,000	-
	40,600,000	21,325,995	100,000,000	21,325,995

Note : C,D,E,F,G & H class shares have no voting rights

5.2 HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

HISTORICAL FINANCIAL INFORMATION

The historical financial information set out in this section consists of:

- The audited statement of financial position of QPFL as at 30 June 2003
- A summary of the audited statements of financial performance for the three years ended 30 June 2003

The historical financial information has been prepared in accordance with the accounting policies set out in notes 1 and 2 to the statement of financial position.

PRO FORMA FINANCIAL INFORMATION

The Pro Forma consolidated financial information set out in this section consists of the pro forma statement of QPFL and its 100% subsidiary QLH, as if the issue of the Notes pursuant to this Prospectus had occurred as at 30 June 2003.

The pro forma financial information reflects the issue of 9,000,000 Notes at an issue price of \$1.00 each and issue costs of \$900,000. It also reflects the purchase and development of 1606 hectares of land with water rights at Forbes in New South Wales at a cost of \$7,725,000.

5.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Audited 30 June 2003 \$	Effect of Convertible Note Issue \$	Pro Forma 30 June 2003 \$
CURRENT ASSETS				
Cash	3	2,162,001	375,000	2,537,001
Receivables		1,874,361		1,874,361
Inventories		410,371		410,371
Other		159,554		159,554
Total Current Assets		4,606,287	375,000	4,981,287
NON-CURRENT ASSETS				
Receivables		813,379		813,379
Self Generating and Regenerating Assets		4,580,682		4,580,682
Land and Land Development			7,725,000	7,725,000
Property, Plant and Equipment		2,342,983		2,342,983
Total Non-Current Assets		7,737,044	7,725,000	15,462,044
TOTAL ASSETS		12,343,331	8,100,000	20,443,331
CURRENT LIABILITIES				
Payables		764,885		764,885
Interest-bearing Liabilities		444,312		444,312
Tax Liabilities		621,978		621,978
Provisions		482,911		482,911
Other		1,252,590		1,252,590
Total Current Liabilities		3,566,676		3,566,676
NON-CURRENT LIABILITIES				
Interest-bearing Liabilities		467,134		467,134
Convertible Notes	4		9,000,000	9,000,000
Deferred Tax Liabilities		1,450,760		1,450,760
Total Non-Current Liabilities		1,917,894	9,000,000	10,917,894
TOTAL LIABILITIES		5,484,570	9,000,000	14,484,570
NET ASSETS		6,858,761	(900,000)	5,958,761
EQUITY				
Contributed Equity		2,920,253		2,920,253
Retained Profits	5	3,938,508	(900,000)	3,038,508
TOTAL EQUITY		6,858,761	(900,000)	5,958,761

NOTES

(1) Basis of Preparation of Financial Information

The historical and Pro Forma financial information has been prepared in accordance with generally accepted accounting principles as applied in Australia for the purposes of inclusion in a Prospectus relating to a specific transaction. The financial information should be read in conjunction with the annual report of QPFL for the year ended 30 June 2003. The financial information contained in this Prospectus does not contain the full note disclosures that would normally be included in the annual financial report.

The Pro Forma financial information is presented as if the issue of the Notes under this Prospectus had taken place and the purchase and development of the land and water rights had occurred as at 30 June 2003.

(2) Accounting Policies

The accounting policies applied are consistent with those disclosed in the 2002 and 2003 Annual Reports

	Pro Forma 30 June 2003 \$
(3) Cash	
Cash Assets at 30 June 2003	2,162,001
Proceeds of Note issue	9,000,000
Cost of issue	(900,000)
Purchase and development of land	(7,725,000)
Cash assets shown in pro forma financial information	2,537,001
(4) Convertible Notes	
Convertible Notes 30 June 2003	-
issued pursuant to this Prospectus	9,000,000
Convertible notes shown in pro forma financial information	9,000,000
(5) Retained Earnings	
Retained earnings- 30 June 2003	3,938,508
Costs of issue	900,000
Retained earnings shown in pro forma financial information	3,038,508

FINANCIAL PERFORMANCE

The financial performance of QPFL for the three years ended 30 June 2003 extracted from the audited financial statements is summarised below

	2003 \$	2002 \$	2001 \$
Revenues from ordinary activities	9,266,181	8,781,0751	2,283,916
Profit from ordinary activities before income tax expense	3,021,360	2,074,861	478,743
Income tax expense	(898,438)	(763,102)	(245,509)
Profit from ordinary activities after income tax	2,122,922	1,311,759	233,234
Total revenues, expenses, valuation adjustments recognised directly in equity	-	134,105	-
Total changes in equity other than those resulting from transactions with owners as owners	2,122,922	1,177,654	233,234



Flowering Paulownia Trees

6. RISKS

Before applying for Notes investors should consider whether Notes are a suitable investment for them.

The directors strongly recommend that investors examine the contents of this Prospectus and consult their professional advisers before deciding whether or not to apply for Notes pursuant to this Prospectus.

The risk factors associated with an investment in the Company under this Prospectus fall into two broad categories, being those applicable to investing in Notes and those specific to the Company because of the nature of its business.

The directors consider that the summary below, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. Wherever possible, QPFL implements steps to minimise these risks or the adverse impact of risk-related events

6.1 RISKS ASSOCIATED WITH INVESTING IN NOTES

(a) Financial market conditions

The quoted market price of Notes will fluctuate due to various factors, including interest rates, general movements in the Australian and international equity markets, investor perceptions, worldwide economic conditions, and movements in the market price of ordinary shares.

Notes could trade on the BSX at a price below the issue price.

The ordinary shares held as a result of any conversion will, following conversion, rank equally with all other ordinary shares then on issue. Accordingly, their value will fluctuate like that of all other ordinary shares.

Specifically, there is no guarantee that, upon conversion, the shares will maintain value or increase in value.

(b) Ability to pay coupon payments

Coupon payments must be made regardless of whether QPFL has sufficient funds to meet the payment. There is the risk that QPFL will not have sufficient funds available to make the coupon payments. However, the directors of QPFL have attempted to minimise this risk to the greatest extent possible by obtaining security for the payments in the form of a mortgage from a related company, QLH, over land which QLH will own in New South Wales once funds are successfully raised under this Prospectus to purchase the land.

(c) Ranking

While Noteholders' rights are not subordinated to any other claims, the directors of QPFL are able to issue additional shares or securities which may rank in priority with the Notes under this disclosure document.

(d) Taxation Considerations

A taxation opinion from PKF is contained in Section 7.

6.2 GENERAL RISKS IN RELATION TO QPFL

(a) Economic risks

The performance of QPFL can be affected by general economic conditions, including the level of personal and corporate incomes, consumer spending, interest rates and inflation. If adverse economic circumstances cause any Projects offered by QPFL to be less attractive to potential Growers, the profit of QPFL's contributions could be affected.

(b) Regulatory risk

QPFL is subject to and must comply with the requirements of the Act, ASIC policy, and its AFSL requirements. Changes to legislation or policy and procedures may have an impact upon QPFL, its results or its business operations or have other unforeseen implications.

(c) Demand risk

The business and profits of QPFL may be affected by varying levels of public demand for the managed investment products offered by the QPFL. Factors influencing demand will include expected returns relative to alternative investment opportunities, personal income tax rates, economic conditions, the attitude toward the sector by potential growers, and the availability of similar products offered by other providers.

(d) Changes in government policy

The plantation timber industry currently has a high level of support from government. Such support is encapsulated in the 'Plantations for Australia: the 2020 Vision'. The 2020 Vision is a shared Commonwealth Government, State Government and Industry initiative which seeks to encourage the further development of private timber plantations with the aim of trebling the area of plantations in Australia from the 1997 level of one million hectares to three million hectares by the year 2020. Any change in government support for the plantation timber industry or introduction of other policy may affect the viability or profitability of QPFL's Projects.

(e) Litigation and legal risks

Litigation risks to QPFL include material claims from growers, investors, owners of land leased by QPFL, the Company's employees, and from environmental claims and legal action from special interest groups. There is no such litigation afoot or threatened.

6.3 SPECIFIC RISKS ASSOCIATED WITH QPFL

(a) Demand for the QPFL investment products

The majority of revenues derived by QPFL are from the sale of its forestry scheme products and on going fees. The business and profits of the Company are dependant upon continued sales of these products. Factors influencing grower demand are noted above.

(b) Taxation regulation

QPFL may be affected by adverse changes in taxation legislation or policy (including the system of product rulings), or perceived changes in legislation, policy and regulation. The changes in legislation may make the product less attractive to investors.

(c) Plantation risks

The risks to the success of the Paulownia Projects include fire; drought; other acts of God; insects; pests and diseases; tree and soil nutrition; failure to achieve expected timber yields; technological advances; reduced demand for hardwood; failure to achieve economic hardwood timber prices; changes in prices and costs, particularly adverse price movements in the costs of harvesting, milling, transport and ship loading; currency movements; government imposts and regulations; and general economic and international issues.

(d) Lease of land

As disclosed earlier, the Forbes land will be subject to a lease in favour of QPFL. This means the mortgage held by the Trustee as security for repayment of the principal and coupon rate on the Notes is subject to that lease. Any required sale by the Trustee may be delayed or hindered because of the existence of the lease, although the lease is on normal commercial terms.

The above summary is not exhaustive and prospective investors should read this Prospectus in its entirety and consult their accountant or other professional adviser before deciding whether to apply for Notes.



7. TAXATION REPORT



21 November 2003

The Directors
Queensland Paulownia Forests Limited
Level 5, Gateway Building
50 Appel Street
SURFERS PARADISE QLD 4217

Dear Sirs

TAXATION OPINION

We have been requested by the Directors of Queensland Paulownia Forests Limited ("QPFL") to comment on the taxation issues associated with the Convertible Notes ("Notes") to be issued under this prospectus. Our comments are based solely upon the information contained in the Prospectus.

Background to the Arrangements

QPFL is offering investors an opportunity to invest in the company through the issue of Notes.

We understand the relevant terms of QPFL's convertible note offer to be as follows:

1. 9 million notes are being offered to Australian residents under this prospectus for a price of \$1 each;
2. The notes bear interest at 9.28% per annum based on the \$1 issue price which is paid quarterly in arrears commencing 31 March 2004 ;
3. Interest returns are not contingent upon QPFL generating profits;
4. The notes are transferable;
5. The notes may be converted to shares in the company, at the option of the holder, if QPFL lists its ordinary shares on a recognised stock exchange prior to the maturity date;
6. If the Noteholder chooses conversion (if QPFL lists on a recognised stock exchange) then the Notes will be valued at \$1.20 per Note for the purpose of a conversion to QPFL Ordinary Shares. The Ordinary Shares will be issued at the Listing Exchanges Market Price to be determined at the time.
7. If the holder chooses not to convert if QPFL does list its ordinary shares on a recognised stock exchange, the notes may be redeemed at that time for \$1.01.
8. If QPFL does not list on a recognised stock exchange, the notes will be redeemed on 30 June 2009 at \$1.20 per note.

QPFL intends to use the proceeds from the offer to fund the acquisition and development of approximately 1600 hectares of land together with water rights in Forbes, New South Wales to enable QPFL to continue to offer forestry based investments and also for use as working capital.

The land and water rights will be held by Quality Land Holdings Pty Ltd ("QLH") and used primarily for the planting and growing of hardwood Paulownia, however, it is possible that lucerne may be planted until the trees canopy.

Discussion – Convertible Notes

General

A convertible note is the acknowledgement of a loan made to a company at a fixed rate of interest with the right to be either redeemed (ie returned to the company) for cash or converted into ordinary shares of the company at a predetermined date or within a certain period. Convertible Notes are securities under the Corporations Act.

Debt v Equity

The Income Tax legislation provides certain rules, which draw a distinction between equity investments and debt investments so that the legal form of an investment cannot be used to give rise to a tax result which is at odds with its economic substance. For example, the mischaracterisation of a debt interest as equity could result in an inappropriate franking of debt like returns, and a mischaracterisation of an equity interest as debt could allow inappropriate tax deductions for equity.

In applying the relevant legislative test, it is first necessary to determine whether a convertible note comprises a “debt interest” at the time of issue. This is because a taxpayer cannot be an equity holder (and the interest cannot be an equity interest (which a convertible note would otherwise be)) if the convertible note is characterised as a debt interest at the time of issue.

This is confirmed in the Explanatory Memorandum to the relevant legislation, which states that:

“2.32 Of course, as with the other items in the table, if the relevant interest satisfies the debt test ... it will not be an equity interest in the company. Therefore, not all convertible note holders will be equity holders in the company – only those whose notes are insufficiently debt-like to fall within the definition of a ‘debt interest’ ...”

Having said that, even if a convertible note can be regarded as a debt interest at the time it comes into existence, the interest held by the investor may become an equity interest at the conversion time because the conversion gives rise to a new interest (a share in the company).

In general terms, a debt interest will arise if, at the time of its issue, there is an arrangement under which the borrower has an effectively non-contingent obligation to pay an amount (or the total of several amounts) to the lender at least equal to its issue price (so that there is no discount).

If the term of the borrowing is 10 years or less, the amount to be paid to the lender must equal or exceed the issue price in nominal value terms.

After consideration of the requirements of a debt interest we believe that the receipt of the funds by QPFL from the convertible note holders that take up the offer in this prospectus would satisfy the requirements of a debt interest.

On this basis we consider that the interest payable by QPFL to the note holders will be treated as a return on a debt interest for taxation purposes.

Qualifying Securities

We believe that the convertible notes issued under this prospectus will be taxed in accordance with Division 16E of the Income Tax Assessment Act 1936 (“ITAA 1936”). In general, Division 16E taxes the returns on the convertible notes on an accruals basis.

In summary, Division 16E of ITAA 1936 causes a deferred return on a “qualifying security” to be brought into a taxpayer’s assessable income over the deferral period on an accruals basis.

What is a qualifying security?

In summary, a security will be a qualifying security if it:

- is a security;
- has a term that is likely to exceed one year; and
- has an eligible return

What is a security?

The definition of “security” for the purposes of Division 16E of ITAA 1936 includes a debenture, secured or unsecured loan or any other contract whether or not in writing, under which a person is liable to pay an amount or amounts whether or not the liability is secured.

The terms of the convertible notes appear to clearly fall within the definition of security for the purposes of Division 16E of ITAA 1936.



Term of the Security

The term of the convertible notes exceeds one year and hence this condition is satisfied.

Eligible Return

A security has an eligible return if at the time the security was issued it is reasonably likely having regard to the terms of the security, the sum of the payments under the security will exceed the issue price of the security.

This condition appears to be satisfied given our review of the characteristics of the notes.

Taxation treatment

Sections 26BB and 70B of ITAA 1936 (sections dealing with the gains and losses on the disposal of traditional securities) would not apply to the note holders because the convertible notes are qualifying securities and not traditional securities (section 26BB of ITAA 1936).

It is our understanding that the annual return on the convertible notes will comprise interest. In accordance with s6-5 of Income Tax Assessment Act 1997 ("ITAA 1997"), the note holders will be required to include this interest return as assessable income in the year it is derived.

In accordance with Division 16E of ITAA 1936 the holder of the interest will also be required to include an amount determined by working out the accrual amount under s159GQB of ITAA 1936 for each period in the year of income.

Where the notes form part of the trading stock of the holder, no amount will be included in or allowable as a deduction from the assessable income of the taxpayer under S159GQ of ITAA 1936.

A gain on the conversion or redemption of the convertible notes (disposal price exceeds issue price (excluding interest)) will be assessable income of the note holder (section 159GS of ITAA 1936).

A loss on the conversion or redemption of the convertible note will be an allowable deduction to the note holder (section 159GS of ITAA 1936).

Disclaimer

Our statement of advice is based on the income tax legislation current at the date of this report. It should be noted by intending Investors that the current position may be affected by future amendments to the legislation or by judicial review. Potential Investors should also obtain independent advice as to the taxation implications in the context of the Investor's particular circumstances.

Our comments refer to the ITAA 1997 or ITAA 1936 as relevant.

It is provided within the ITAA 1997 that the Act will express the same ideas as the ITAA 1936 in different words, unless specific changes in the meaning of the law are identified. The Taxation Office has confirmed in Taxation Ruling TR94/16 that taxpayers can continue to rely on rulings issued under the ITAA 1936 where the ITAA 1997 has commenced and relevant provisions express the same ideas.

Significant unlegislated tax reform proposals have also been announced by the Commonwealth Government. Our comments, where relevant, are based on the current information available on those proposed changes and Investors should take further advice as those changes are progressed into legislation.

Yours faithfully



Simon Fagence
Partner

8. SUMMARY OF TRUST DEED

INTRODUCTION

This section provides a brief summary of the Trust Deed. It does not fully explain the operation of the document and does not explain the effect of every term in the document. However, a full copy of the trust deed is available for inspection at the registered office of QPFL during business hours. QPFL recommends prospective Noteholders obtain independent legal advice in relation to the Trust Deed if they have any queries.

SUMMARY

As required by the Act, QPFL has entered a Trust Deed with the Trustee and QLH as the Guarantor. The Trust Deed outlines the basis on which the Notes will be held. The Noteholders will have the benefit of the Trust Deed in relation to the Notes. The Trust Deed deals with the following:

- The nature of the Notes including procedures for the payments of interest and principal
- The financial and reporting obligations of QPFL in respect of the Notes
- Application and issue procedures in respect of the Notes
- Covenants and obligations of QPFL in respect of the Notes
- Duties and rights of the Trustee
- Noteholders' rights
- The terms and conditions of the Notes including details of the redemption of the Notes and rights of conversion
- The Trustee's fees and indemnities
- Provisions relating to the meetings of Noteholders
- Register of Noteholders
- Transfer of Notes

Under the terms of the Trust Deed, QPFL arranges for QLH to grant a charge and a first registered mortgage over the Land to be purchased by QLH which will be in favour of the Trustee on behalf of the Noteholders. The mortgage and charge secure the repayment of the Notes and the coupon payments. The mortgage is on ordinary commercial terms.

On the occurrence of an event of default under the Trust Deed, and while that event of default is continuing, the mortgage is immediately enforceable and the money secured by the mortgage is immediately due and payable by QPFL without the need for a demand or notice to be given to QPFL or another person. In these circumstances, the Trustee will also be entitled to appoint a receiver to assist with the collection of all money secured by the mortgage.

9. ADDITIONAL INFORMATION

INTERESTS OF DIRECTORS

Except as disclosed below or elsewhere in this Prospectus:

- no director, or proposed director, or entity in which a director is a member or partner, has or during the last two years has had, any interest in the Offer or in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with the Offer; and
- no amount of any kind has been paid or agreed to be paid, and no benefit has been given or agreed to be given, to any director, or proposed director, or to any entity of which a director is a member or partner to induce him or her to become, or to qualify him or her as a director, or otherwise for services rendered by him or her or the entity in connection with the promotion of the Offer.

INTERESTS IN QPFL

As at the date of this Prospectus, the directors have the following interests in the Company, held either directly or indirectly through associated parties:

Name of Director	Number of Shares Held
David Michael Gold	13,250,000
Elizabeth Hutchinson	750,000
Leon Lewandowski	3,000

No director or person related to or associated with the directors is the beneficial holder of any interests in a managed investment scheme operated by QPFL, other than as set out below

Name of Director or Related Party	Number of Interests	Project Number
Elizabeth Hutchinson	10	Project No. 6
David Michael Gold	50	Project No. 6
Marlene Gold	50	Project No. 6

DIRECTORS' REMUNERATION AND BENEFITS

The Constitution of QPFL provides that the directors may be paid out of the funds of the Company as remuneration for their ordinary services as directors, such sum as may be determined by QPFL in a general meeting.

Such remuneration, in the case of non-executive directors, shall be by fixed sum and not by a commission on or percentage of the operating revenue of the Company or its profits. The sum so fixed may be divided among the Directors in such proportion as they agree from time to time, or in the absence of any agreement, equally. Presently, the aggregate sum is fixed at \$100,000 per annum for the non-executive directors of QPFL.

A director may, in addition to remuneration, be paid travelling and other expenses properly incurred by that director in connection with their attendance at Board meetings and otherwise in the execution of their duties as directors. A director's remuneration will accrue from day to day.

Where the directors perform extra services beyond the ordinary duties of a director, they will be remunerated either by a fixed sum or a salary as may be determined by the directors and such remuneration may be either in addition to or in substitution for the director's fees referred to above.

QPFL maintains and pays the premium for directors and officers insurance policy on behalf of the directors and officers of QPFL.

RELATED PARTY INTERESTS

David Gold

David Gold a Director of QPFL, performs the role of Chief Executive Officer he is also the Director of Sales & Information Technology. He is paid \$10,000 per month for the performance of his duties.

Bimbajong Farming Co Pty Ltd

Graham Fayle, a Director of QPFL, is a Shareholder and Director of Bimbajong Farming Co Pty Ltd, which provides agricultural Quality Assurance and Research and Development services to the Company in its capacity as responsible entity of the Projects. Bimbajong is paid at an hourly rate of \$50.00 plus GST.

Leon Lewandowski

Leon Lewandowski, a Director of QPFL, provides compliance consultancy services to the Company. He is paid a monthly fee of \$500 plus GST for these services. He is also a Proper Authority Holder and is paid commissions on sales of financial products.

Elizabeth Hutchinson

Elizabeth Hutchinson, a Director of QPFL, performs the role of Chief Financial Officer. She provides management for all financial and administrative functions. These include cash-flow analysis and projections, budget setting, preparation and analysis of financial statements, and re-engineering of policies and procedures for administration, while ensuring these procedures are in accordance with ASIC and the Projects compliance plans. She is paid at an hourly rate of \$60.00.

Danbek Enterprises Ltd

Allan Hutchinson, the husband of a Director of QPFL, is a Shareholder and Director of Danbek Enterprises Ltd, which provides a management service to the Company in relation to the value-added research and development program for the paulownia timber. Danbek is paid an hourly rate of \$60.00.

Bex Gold

Bex Gold, the daughter of a Director of QPFL, fills the role of Marketing Manager in the Company. Bex is a full-time employee and is paid by QPFL under normal commercial terms and conditions for this position.

Quality Land Holdings Pty Ltd

Quality Land Holdings Pty Ltd, ACN 105 716 998, a wholly-owned subsidiary of Queensland Paulownia Forests Limited, will own the land on which some of the new Projects are operated. The land will be leased to QPFL in its capacity as responsible entity of the Projects under terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with a non-related party in the same circumstances.

CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

The following written consents have been given in accordance with the Act with respect to this Prospectus:

PKF has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named Tax Adviser to QPFL in this Prospectus. PKF does not make the Offer of Notes under this Prospectus. The Offer is made by QPFL.

Robin Yule the Project Forester has given, and has not before lodgement of this Prospectus withdrawn, his written consent to be named as performing due diligence on the land for QPFL mentioned in this Prospectus. Mr Yule does not make the Offer under this Prospectus. The Offer is made by QPFL.

McMahon Clarke Legal has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named as legal advisers to QPFL in this Prospectus. McMahon Clarke Legal does not make the Offer under this Prospectus. The Offer is made by QPFL. McMahon Clarke Legal does not make a statement in this Prospectus, nor is a statement in this Prospectus based on a statement made by McMahon Clarke Legal. McMahon Clarke Legal does not accept responsibility for the contents of this Prospectus.

The Public Trustee of Queensland has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus for Trustee for Noteholders. The Public Trustee of Queensland does not make the Offer under this Prospectus. The offer is made by QPFL. The Public Trustee of Queensland does not accept responsibility for the contents of this Prospectus.



DISCLOSURE OF INTERESTS OF NON-DIRECTORS

Other than as set out below or elsewhere in the Prospectus, no expert, promoter, or other person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with has or has had, within two years before lodgement of the Prospectus with ASIC:

- any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company, or in connection with the Offer; and
- no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given for the services rendered by such persons in connection with the formation or promotion of the Company or the Offer.

McMahon Clarke Legal has acted as solicitor to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling \$45,000 (excluding GST and disbursements) to McMahon Clarke Legal for this work. Work in relation to the Offer after the date of this Prospectus will be charged at usual rates.

PKF has acted as tax advisers to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling \$ 8,000 (excluding GST and disbursements) to PKF for this work.

The Public Trustee of Queensland will act as Trustee for Noteholders. The Trustee has been paid an establishment fee of \$4,400 (including GST) plus Legal fees and reasonable costs associated with financial due diligence, and will be paid an annual fee of \$8,800 (including GST) for the term of the Notes.

EXPENSES OF THE ISSUE

The total estimated amount of expenses in relation to this Prospectus is \$100,000, which is for professional, legal, printing, and consulting fees.

COMMISSIONS AND MARKETING EXPENSES

QPFL will pay up to 8.9% of funds raised under this Prospectus to Protax Pty Limited ACN 010 769 070, the lead licensed marketer to the Offer through whom all other licensed dealers or AFSL Holders will submit Applications for Notes from Applicants. The percentage payment comprises commission and marketing costs and expenses. Out of that amount, Protax Pty Limited will pay all other commissions and marketing fees and expenses to licensed dealers or AFLS holders who procure successful Applications for Notes.

DIRECTORS' STATEMENT

The Directors, who authorised the issue of this Prospectus, accept responsibility for information contained in this Prospectus. The Directors state that they have made all reasonable enquiries and have reasonable grounds to believe that any statements by the Directors in this Prospectus are true and not misleading.

This Prospectus has been signed pursuant to section 351 of the Act for lodgement with ASIC.



David Gold

APPENDIX A: GLOSSARY

Act	The Corporations Act 2001 and the associated regulations as amended from time to time.
AGM	Annual General Meeting.
AFSL	Australian Financial Services Licence.
Application	An Application for Notes made under this Prospectus.
Application Form	The form included in this Prospectus which applicants must complete to apply for Notes.
Application Money	Means the money paid by applicants upon applying for Notes.
BSX	The Bendigo stock exchange Limited
Closing Date	16th February 2004
Explanatory Memorandum	The Explanatory Memorandum which forms part of the Notice of Meeting forwarded to Shareholders.
Issue Date	23rd February 2004
Maturity Date	30 June 2009
Notes	A Convertible Note issued by QPFL following acceptance of an Application made under this Prospectus.
Noteholders	Applicants whose Applications have been accepted and who have been issued Notes pursuant to this Prospectus.
Offer	The Offer to the public to subscribe for Notes in QPFL under this Prospectus.
Projects	Any one or more of the forestry projects which are registered managed investment schemes established and operated by QPFL.
Prospectus	This Prospectus issued by QPFL in accordance with the Act, as amended or replaced from time to time.
QLH or the Guarantor	Quality Land Holdings Pty Limited ACN 105 716 998
QPFL or the Company	Queensland Paulownia Forests Limited ACN 071 625 477
Redemption Amount	The price which will be paid by QPFL to redeem the Notes on the Maturity Date, which, at the date of this Prospectus, is \$1.20 or if QPFL lists on a recognised stock exchange prior to maturity date and conversion is not elected then \$1.01 per Note.
Shareholders	Persons or entities who own Shares in QPFL.
Shares	Ordinary shares in QPFL.
Trust Deed	The Deed entered into between QPFL and the Trustee which established the duties and obligations of the Trustee in relation to Noteholders.
Trustee	The Public Trustee of Queensland.

APPLICATION FORM

Queensland Paulownia Forests Limited - ACN 071 625 477

PLEASE USE BLOCK CAPITALS

- A.** I/WE apply for (the minimum subscription is 5000 Convertible Notes) and lodge in full Application Money at \$1.00 per Convertible Note

All cheques must be drawn on an Australian bank in Australian dollars, made payable to 'QPFL – Convertible Notes Application Account' and crossed and marked 'not negotiable'.

B. Complete Full Name Details

	Title Given Name(s) (or Company / Entity Name & ACN)	Surname	TFN/ABN
Applicant (1)			
Joint Applicant (2)			

C. Complete Postal Address Details

Number & Street		
Suburb or City	State	Postcode

D. Telephone Details

Home ()	Work ()
Contact Name	
Email Address	

E. Account Details

Name	Bank	Branch (BSB)	Account No

I/WE declare that this Application is completed after having read this Prospectus in full and agree to be bound by the Trust Deed governing the issue of and rights and obligations attaching to the Convertible Notes and further agree to take any number of Convertible Notes equal to or less than the number applied for. If I/we ultimately convert my/our Notes to shares, then we agree to be bound by the Constitution of Queensland Paulownia Forests Limited.

Company:

Signed by

in accordance with section 127 Corporations Act by:

Secretary/Director
Name (please print)

Director
Name (please print)

Individual:

Signed by _____
Name (please print)

Signed by _____
Name (please print)

Lodge your Application Form as soon as possible.

NOTE: Return of the Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Convertible Notes in Queensland Paulownia Forests Limited

HOW TO APPLY FOR CONVERTIBLE NOTES

Please complete all relevant sections of the Application Form using block capitals.
Please post the completed Application Form together with your cheque or money order to the following address:

Queensland Paulownia Forests Ltd
PO Box 8246
GOLD COAST MC QLD 9726

Or deliver to:

Queensland Paulownia Forests Ltd
Level 5 Gateway Building
50 Appel Street
SURFERS PARADISE, QLD

- A.** Insert the NUMBER OF NOTES that you wish to apply for in Box A. The minimum number that can be applied for is 5000 Convertible Notes at \$5000.

The amount must be equal to the number of Convertible Notes applied for multiplied by \$1.00 per Convertible Note.

- B.** Write your FULL NAME in Box B. This must either be your own name or the name of a Company or entity. Applications using incorrect form of name may be rejected. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having to subscribe for more Convertible Notes than is indicated by the amount of the accompanying cheque for the Application Money referred to in Box A.
- C.** Enter your POSTAL ADDRESS for all correspondence in Box C. All communications to you from the Company (Shareholding statements, annual/interim reports, correspondence, etc.) will be mailed to the person(s) and address as shown.
- D.** Enter details of contact person, telephone number and email address, if any enquires need to be made by the Company, in Box D.
- E.** Enter your account details that you wish interest payments to be credited to.

Note that ONLY legal entities are allowed to hold Convertible Notes. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by the way of an account designation.

CORPORATE DIRECTORY

Issuer

Queensland Paulownia Forests Limited ACN 071 625 477
Level 5 Gateway Building
50 Appel Street
SURFERS PARADISE QLD 4217

Telephone: 07 5579 1700
Fax: 07 5531 6185
Free Call: 1800 882 228
E-mail: admin@qpfl.com.au

Trustee

The Public Trustee of Queensland
ABN 12 676 939 467
Level 10 444 Queen Street
BRISBANE QLD 4000

Solicitors

McMahon Clarke Legal
62 Charlotte Street
BRISBANE QLD 4000

Telephone: 07 3831 8999
Fax: 07 3831 1121

Auditors

PKF
Level 6 120 Edward Street
BRISBANE QLD 4000

Telephone: 07 3226 3555
Fax: 07 3226 3500

Tax Advisors

PKF
Level 4 Waterside East
Holden Place
BUNDALL QLD 4217

Telephone: 07 5574 0750
Fax: 07 5574 0909

Bank

National Australia Bank
2 Classic Way
BURLEIGH WATERS QLD 4220

Telephone: 07 5522 3511
Fax: 07 5522 3501

Marketing / Distribution

Protax Pty Ltd
800 Zillmere Road
ASPLEY QLD 4034

Telephone: 07 3630 9800
Fax: 07 3630 9888

Share Registry

Pitcher Partners
Level 22, 300 Queen Street
BRISBANE QLD 4000

Telephone: 07 3228 4219
Fax: 07 3221 3149



2003 / 2004

P R O S P E C T U S

Queensland Paulownia Forests Ltd
A.C.N. 071 625 477

Level 5 Gateway Building, 50 Appel Street
Surfers Paradise, Queensland 4217

PO Box 8246
Gold Coast Mail Centre, Qld 9726

Telephone	07 5579 1700
Fax	07 5531 6185
Email	admin@qpfl.com.au
Web	www.qpfl.com.au