

Australian Financial Services Licence 222305

**FACSIMILE MESSAGE**

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TO: GEORGE WYATT - Bendigo Stock Exchange  
DATE: 26<sup>th</sup> November 2004  
RE: 2004 AGM Chairman's Address

FROM: Shai Griffiths  
PAGES: 6  
FAX NO: 03 5444 0033

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Dear George

Please find following final copy of Chairman's address for Queensland Paulownia Forests Limited 2004 Annual General Meeting.

Kind Regards

Shai Griffiths  
Client Services Manager

IF THIS TRANSMISSION IS NOT RECEIVED IN FULL, PLEASE CONTACT THE NUMBER BELOW

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**Chairman's Speech  
QPFL 2004 Annual General Meeting**

**Chairman's Address**

Before we commence the formal part of the meeting let me take a few moments of your time to review the performance of your company over the last year.

Revenue increased by 99% from \$9.3 million to \$18.5 million

Profit increased by 228% from \$2.1 million to \$6.9 million

Shareholders funds increased by 89% from \$6.8 million to nearly \$13 million

Dividends paid to shareholders increased by 100% from 2 cents to 4 cents per share

A convertible notes offer has been fully subscribed raising \$9 million and adding a further 494 shareholders to our register should the note holders choose to convert into ordinary shares joining the 454 existing shareholders.

The convertible notes are traded on the BSX and as such is the first truly liquid security issued by your company.

The number of investors in our agribusiness managed funds has increased to 2,510.

The purchase of the first portion of land for the new 1600 hectare plantation to be developed in Forbes, NSW has been completed and development is well underway.

Planting for retail funds QPFL Projects 7, 8 and wholesale fund, Australian Hardwood Project No.8 has commenced on this property.

Successful completion of harvesting and milling trials has resulted in the development of a paulownia grading scale which will now be copywrite to your company, documentation of harvesting and milling protocol for the impending first grower harvest commencing winter 2005, and the first sale contract for the 2005 harvest which should see Growers receive over \$1,100m<sup>3</sup> prior to harvesting and milling charges for lower grade timber and "shorts" which will be used in the manufacture of core board destined for use in the boat building industry.

**Chairman's Speech  
QPFL 2004 Annual General Meeting**

Negotiations are well underway for your company to purchase an existing profitable timber mill strategically located to service the Queensland plantations.

At present the mill processes Cypress.

In preliminary reviews it is the directors belief that the mix of product currently produced by the mill could be changed to improve profitability.

A feasibility study to add specialised milling and value adding machinery to service the expected volumes of Paulownia from the Queensland plantations is currently being undertaken.

Providing the Board is satisfied with the results of the feasibility study, your company will purchase the existing profitable mill, and then add specialised equipment to mill the Paulownia timber. By doing this, your company should have a profitable milling operation from the day the money is invested.

It is expected the mill and upgrade will be partly financed by the issue of new shares to affect the proposed London listing on the AIM market.

I have recently returned from my second trip to London in 6 weeks. During the most recent trip the company was introduced to a number of fund managers and brokers, and I am pleased to report that the response was extremely positive.

Each country has its own corporations and tax laws as well as financial services regulations or equivalent thereof. As there is nothing to compare with agribusiness managed investments in the UK, I had to work hard to come up with a description of exactly what the company does.

In Australia the agribusiness managed investment schemes are well understood, however not so in the UK.

**Chairman's Speech  
QPFL 2004 Annual General Meeting**

It is therefore perhaps timely to describe your company to you as we did to the UK industry fund managers and brokers.

- QPFL is an Asset Manager, managing other people's forestry assets
- QPFL receives income for services provided to forestry owners, both wholesale and retail
- QPFL initially receives a fee for planting trees
- QPFL then receives a fee throughout the growing stage via contractual fee arrangements paid by the owners to manage and look after their trees
- QPFL also receives a fee for marketing the timber
- All of this is with minimal risk to QPFL as it comes from contractual arrangements with individual forestry investors
- QPFL has limited risk of inflowing funds for the next two years as fund inflows are underwritten to \$18 million and \$21 million per annum respectively
- QPFL intends to buy the timber from the forest owners. The current rough sawn price for Paulownia timber is approx \$1,100m<sup>3</sup> for lower grade timber
- QPFL makes a profit margin from the sale of finished goods, the size of the margin depends on how far up the value added chain it processes the timber

As your company moves towards a listing on the London AIM market, shareholders should be aware that it is not easy to list a company that is incorporated with shareholders in one country on a recognised exchange in another country, together with new shareholders in that country.

Regulatory, accounting, tax and compliance issues are only some of the factors that need to be fully reviewed. You should take comfort that both myself and your director of compliance and administration, Elizabeth Hutchinson, have had extensive experience in cross border listings. While experience has taught us "its not done until its done", we are making steady progress to complete a transaction that provides equality to both existing and new shareholders in the company, no matter where they are domiciled.

**Chairman's Speech  
QPFL 2004 Annual General Meeting**

**Corporate Appointments**

As your company evolves and grows, there is a need to constantly review the skill sets required to effectively manage and grow the company.

I have been chairman and chief executive officer since taking a majority shareholding in the company in June 2001.

Your company has reached a stage in its development where it would be best served by a CEO that has extensive forestry, milling and timber marketing expertise that is able to focus 100% on the operations of the business.

We have been fortunate to secure the services of Ian Sandeman – B.SC (Forestry), cum laude and MBA. as the new CEO from January 2005. Ian originally is from South Africa. When he completed his studies he went on to become a senior executive of Mondi Forests, the largest Forestry Company in South Africa.

In 1998 he was brought to Australia from South Africa to head up the Hardwood Plantation Division of State Forests of NSW. In 2003 he became General Manager of Grand Ridge Plantations, a wholly owned subsidiary of Hancock Victorian Plantations, part of the Hancock Natural Resource Group, which is the world's largest timberland investment manager. He was also on the executive of Hancock Victorian Plantations, which is one of Australia's largest private plantation forestry companies.

This will allow me to step back as CEO for the day to day operation of the company but maintain my position as executive chairman with responsibility for the company's strategic direction.

Your company is currently considering the appointment of up to 3 independent directors. We hope to make an announcement prior to listing the company.

The management and staff would like to take this opportunity to thank, shareholders, note holders and forestry investors for their continued support and encouragement shown to us during the last year.

**Chairman's Speech**  
**QPFL 2004 Annual General Meeting**

With good seasonal rainfall received on our plantations, the company looks forward to an improved growing season and I personally would like to thank all the farm managers and their staff for their time and effort in running the plantations over the year. I would also like to thank all Head Office staff, including my fellow executive directors, for their dedication and support in achieving the milestones reached by the company throughout the year.