



17 March 2005

**QUEENSLAND PAULOWNIA FORESTS LIMITED
ANNOUNCEMENT RE HALF YEARLY ACCOUNTS FOR 31 DECEMBER 2004**

RE Reversal of Underwriting Transaction brought to account in the financial year ended 30 June 2004

In the process of the review of the half year accounts at 31 December 2004 the directors determined that a transaction with a third party (the Underwriter) brought to account in the financial year end 30 June 2004 should not have been brought to account in that period as the title to the goods subject to the transaction had not passed to the purchaser at 30 June 2004.

Our new auditors KPMG identified this in the course of their initial half year review of the company. Accordingly the directors have decided not to account for the transaction until title of the goods passes to the purchaser. This had not occurred at 31 December 2004 therefore the effect of reversing the transaction has resulted in a net loss of \$6,071,150 being included in the results for the half year period.

Further given the proposed listing on the London Stock Exchange (AIM) this treatment in the financial statements are expected to be in accordance with International Financial Reporting Standards (IFRS) under which the company will be required to restate its financial accounts for the last three years.

If the goods pass to the purchaser in the second half of the year the effect on the results for year end 30 June 2005 will be neutral.

On Behalf of the Board
Elizabeth Hutchinson
Director Compliance and
Chief Financial Officer

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