

PAULOWNIA

PAULOWNIA FARM MANAGEMENT AUSTRALIA LTD

A.C.N. 085 628 388

Supplementary Product Disclosure Statement

The Paulownia Tree Farming Project No.3 (ARSN 115 342 713)

IMPORTANT NOTICES

THIS DOCUMENT IS A SUPPLEMENTARY DOCUMENT AND FORMS PART OF THE PRODUCT DISCLOSURE STATEMENT DATED THE 23RD NOVEMBER 2005

THIS DOCUMENT AND THE PRODUCT DISCLOSURE STATEMENT DATED THE 23RD NOVEMBER 2005 ARE IMPORTANT DOCUMENTS AND THEY SHOULD BE READ IN THEIR ENTIRETY.

This is a Supplementary Product Disclosure Statement (PDS) for The Paulownia Tree Farming Project No.3 This is an important document and applicants should read this document and the entire Product Disclosure Statement for the purpose of making an informed assessment of the project, your financial requirements and the performance and prospects of the scheme and the rights and obligations attaching to the investment.

This Supplementary Product Disclosure Statement is dated 30th June 2006.

The Australian Securities and Investment Commission and its officers take no responsibility for the contents of this Supplementary Product Disclosure Statement.

The following amendments have been made to the Product Disclosure Statement to take into account the change to dates as a result of an investor entering the project after the 30th June 2006

1.5 INVESTMENT COST (Page 6)

“Initial Period”- means the period from the 1 July 2007 to the 31st May 20067

1.6 TAXATION (Page 7)

An application for a Product Ruling has been lodged with the ATO by the Responsible Entity and the ATO has issued a Product Ruling PR 2006/59.

1.12 RISK REDUCTION (Page 8)

The Responsible Entity has been given a firm undertaking by the planting and maintenance contractor, Goldzone Investments Pty Ltd, that should any seedlings die as a result of planting then they will be replaced for up to two-years from the commencement date of the Project, being 1st July 2007.

2.6 APPLYING TO BECOME A GROWER (Page 9)

The Responsible Entity will ensure that all applications received on or before the expiry of this Product Disclosure Statement are processed in this financial year ending on the 30 June 2007.

2.8 ELECTING GROWER (Page 10)

Growers (the Electing Grower) may elect prior to 30 June 2009, to take their own produce from their Timberlot(s) in lieu of having it harvested (in year eight) and having it harvested and milled (years 12 to 15 only) and sold on their behalf by the Responsible Entity

2.9 WHAT DO YOU GET FOR YOUR INVESTMENT ? (Page 10)

A Lease over one or more Timberlot(s) which forms part of the Plantation for a period of 15 years commencing from 1st July 2006.

2.10 MANAGEMENT & MAINTENANCE FEES (Page 10)

The application moneys of \$4,000 (inclusive of GST) per Interest in the Project are distributed as follows: [\$22 (inclusive of GST)] to the Lessor for rent in relation to a Timberlot for the Initial Period, being the Initial rental fee period (1/7/2006 to 30/6/2007); and [\$3,978 (inclusive of GST)] to the Responsible Entity for management fees, being for the Initial management fee period (1/7/2006 to 31/5/2007).

2.14 TAXATION PRODUCT RULING (Page 11)

The Responsible Entity has lodged an application with the Australian Taxation Office for a Product Ruling in relation to Project No.3 and has received from the Australian Taxation Office a Product Ruling PR 2006/59.

5.2 PAULOWNIA TIMBER PRODUCE SALES (Page 18)

Notwithstanding the above, Growers may elect, prior to 30 June 2009, to collect and market their own timber produce by notifying the Responsible Entity in writing.

5.9 INSURANCE (Page 20)

Growers Insurance

The policy if arranged will be for the year commencing on the 1st July 2009.

The Responsible Entity has been able to put in place an arrangement with the Paulownia seedling supplier and the sub-contractor for the replacement of trees that die, as a result of planting, during the first two years from the 1st July 2007.

5.10 INDEXATION (Page 21)

For the purposes of determining the investment cost and the calculation of the Growers outgoings it has been assumed that all expenditure from the 2008/2009 financial year is subject to an indexation adjustment of 4% or CPI Index (whichever is greater) per annum

5.11 INCOME TAX BENEFITS TO GROWERS (Page 21)

The Responsible Entity has previously lodged an application with the Australian Taxation Office for a Product Ruling in relation to the Paulownia Tree Farming Project No.3 and the ATO have issued a Product Ruling PR 2006/59.

The Responsible Entity has lodged an application with the Australian Taxation Office for a Product Ruling in relation to the Paulownia Tree Farming Project No.3A. Should the Commissioner of Taxation issue a Product Ruling in favor of Project 3A then under Section 8-1 of the new Income Tax Assessment Act 1997 (Section 51(1) of the old Act) 100% of the total amount payable by each Grower under the Lease and Management Agreement. (i.e. \$4,000 (inclusive of GST)) should be tax deductible.

Subject to the Commissioner of Taxation exercising his discretion under the non-commercial losses provisions of the ITAA then in the first year (2006/2007) Growers may attract a 100% income tax deduction from their investment in the year that the expenditure is incurred. Subsequent years' payments by the Growers may also be 100% income tax deductible.

5.13 PROJECT PARAMETERS AND ASSUMPTIONS (Page 22)

Material assumptions used in the calculation of the Timberlot Expenditure Statement (Section 5.12) are as follows:

ý First commercial timber is expected in the year 2014/145

SERVICES (Page 42)

ŷ from the commencement date, being the 1st July 2006 until the 31st May 2007, plant Paulownia trees on the leased area at a rate of 100 per Timberlot;

PLANTATION SUB-CONTRACTING AGREEMENT (Page 47)

The Sub-Contractor must commence planting the trees by no earlier than the 1 July 2006 and complete the planting no later than 30th June 2007. The Sub-Contractor must replant and replace, at the Sub-Contractor's expense, any trees that die within 2 years from 1st July 2007.

GLOSSARY (Page 61)

“Initial Period”

- means, for the Management Fee, the period from the Date of Acceptance until the 31st May 2007

“Initial Period”

- means, for the Rental Fee, the period from the Date of Acceptance to 30th June 2007

“Project”

- means the managed investment scheme known as the Paulownia Tree Farming Project No.3 (ARSN 115 342 713) established by the Constitution for Project 3 and referred to as Project 3A

“Supplementary Product Disclosure Statement”

- means this Supplementary Product Disclosure Statement Dated the 30th June 2006.

Signed by the Directors of Paulownia Farm Management Australia Ltd

Peter David Blackwell

David Peter Blackwell, Director - Chairman

William Leslie Fulcher

William Leslie Fulcher, Director

David Monteleone

David Monteleone, Director

Dated the 30 June 2006

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