

Introduction

This report provides a concise assessment of the operations in relation to the Paulownia Plantations at the Kiri Park Property. This Report relates to the following Managed Investment Schemes:

- Kiri Park Project (ARSN 091 158 897)
- Kiri Park Project No.2 (ARSN 096 225 400)
- Kiri Park Project No. 2 – Second Prospectus (ARSN 096 225 400)
- Kiri Park Projects (ARSN 107 747 348)
 - KPP04 Growers
 - KPP05 Growers
 - KPP06 Growers
 - KPP07 Growers
 - KPP08 Growers
 - KPP09 Growers
- Kiri Timber Trust (ARSN 122 181 971)

Environmental Forest Farms Management Limited ("the Responsible Entity") is the Responsible Entity for each of these projects and as such is responsible for the operation and management of the Projects.

Any financial information contained in this report is based on management accounts and has not been audited nor, is it required to be audited.

For Audited Financial Reports of each Project, please see the appropriate Financial Statements, for the year ending 30 June 2010. Copies of the appropriate audited Financial Statements are available from the Responsible Entity's website at www.kiripark.com.au or in paper form upon request.

Key Achievements

The Board and Management of the Responsible Entity are pleased with the general progress of the Plantation during the year ended 30 June 2010 although market conditions have not been encouraging. Some of the significant developments at Kiri Park during this year include:



Plantings

In September 2009 Woodlots for KPP-09 investors were planted. Marketing of further projects was ceased and it is not expected that further plantings will be undertaken.

Pruning and Uplift of Plantation

All trees in the plantation have been assessed and pruned accordingly. By pruning the trees, farm managers can balance the tree crowns to improve growth and reduce stress on the trees.

Nutrition

Kiri Park Farm Management conduct regular leaf and soil nutrition analyses to determine optimum fertigation regimes for the plantation. This growing season continued to show good nutrient results as in previous years.

Growth

The trees have continued to show good growth rates over this year. Over the growing season the diameters of over 1,000 trees at Kiri Park are measured on a monthly basis and at the end the growing season a volume analysis was conducted. Heights of the trees are also measured on a regular basis.

Growing Conditions for the Season

Kiri Park meets the criteria necessary to establish, maintain and operate Paulownia plantations. The key location factors for growing Paulownia timber include constant sunshine, ample water, sandy soils, nutrients and protection from severe winds. The average conditions at Kiri Park are as follows:

Average Maximum Temperatures

July: 17.3 °C	January: 34.3 °C
August: 19.2 °C	February: 32.9 °C
September: 20.8 °C	March: 30.0 °C
October: 24.4 °C	April: 28.4 °C
November: 24.1 °C	May: 24.3 °C
December: 29.3 °C	June: 18.7 °C

*Temperatures are obtained from the Bureau of Meteorology Gingin monitoring station (2008/09 data).

Nutrition

EFFM is committed to providing trees with the optimum amount of nutrients required for good growth. Tree nutrition was monitored throughout the growing season through laboratory analyses which were used to determine the correct application of fertilizers.

Wind/Storms

High winds experienced in March caused some minor crown damage. Trees have since fully recovered with some pruning and extra attention by management.

Pests

Some damage to seedlings from neighbours' cows kangaroos and rabbits was experienced early in the growing season. All the damaged seedlings will be replaced before the start of the next growing season.

Review of Operations

This section of the report provides Growers with a concise review of the operational activities that occurred at the Kiri Park Plantation. For the ease of reporting, the financial year has been segregated into quarterly periods.

July 2009 to September 2009

During this quarter, plantation managers continued with plantation duties including:

- Herbicide/pesticide/fungicide spraying
- Pruning
- Vermin control - fence improvements
- Replanting
- Inter-row slashing
- Woodchipper operations
- Retic-line repairs
- Coppicing
- Ongoing maintenance on vehicles, machinery and bores
- Preparing new area for KPP-09 plantings
- Hand weeding
- Irrigation installation
- Plantation irrigation
- Night security

October 2009 to December 2009

This quarter saw all of the woodlots for the KPP-09 Growers planted.

During this quarter, plantation managers continued with plantation duties including:

- Inter-row slashing of weeds
- Herbicide/pesticide/fungicide spraying
- Vehicle, bore and machinery maintenance
- Reticulation line chlorination and flushing
- Coppicing
- Lateral growth removal
- Fire break maintenance
- Pruning and wood chipping
- Vermin control
- Plantation irrigation
- Irrigation installation
- Retic-line repairs

- Weed removal
- Night security
- Fertigation
- New block planting
- Fence repairs
- Leader selection

January 2010 to March 2010

During this quarter, plantation managers continued with plantation duties including:

- Irrigation
- General maintenance
- Reticulation line repairs
- Vermin control
- Inter-row slashing of weeds
- New blocked fertigation
- Lateral pruning
- Herbicide/pesticide/fungicide spraying
- Pruning
- Laneway maintenance
- Fertigation
- Woodchipper operations
- Night security
- Hand weeding
- Chlorinate wells

April 2010 to June 2010

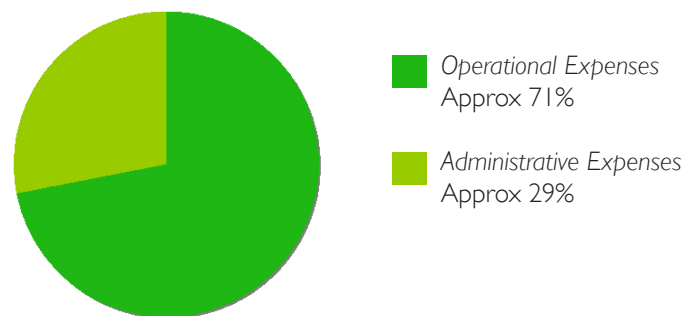
During this quarter, plantation managers continued with plantation duties including:

- Irrigation
- General maintenance
- Herbicide/pesticide/fungicide spraying
- Reticulation line repairs
- Vermin control
- Tree transplanting
- Pruning
- Hand weeding
- Boundary fence repairs
- Woodchipper operation
- Night security
- Filter flushing
- Ongoing maintenance on vehicles, machinery and bores

All activities are performed in accordance with the Company's procedures and best practice silviculture and forestry principles.

Expenditure

During the year ending 30 June 2010, the expenditure of Environmental Forest Farms Management Limited for the Kiri Park Projects was as follows:



EFFM has continued to improve the ratio between expenditure on plantation activities and administration. This is the result of a continual review of cost centres and the implementation of strategies designed to reduce, consolidate and internalise costs. It should be noted that much of the administration costs is related to ASIC and ATO compliance.

Future Developments

New developments expected for the Kiri Park plantations in the year to come, include;

- Planning for establishment of timber milling shed and milling equipment at the Kiri Park Plantation.
- Finalisation of thinning and clear fell harvesting plans for Project 1.

Compliance with the Lease and Management Agreements

During the financial year ending 30 June 2009 the Responsible Entity complied with all provisions of the existing Lease and Management Agreements. The Lease for Project 1 was extended to 30 June 2011.

Conclusion

This year has been a good one for the EFF Group and the Kiri Park Plantation. Compliance with best forestry practices meant the trees were supplied with adequate nutrients and were pruned in the most appropriate manner to ensure maximum growth.

Problems with feral animals were dealt with in an efficient manner to reduce any damage that might have been caused. This was done by improving fence lines, use of bait and insecticides.

Despite some unfavourable weather conditions and problems experienced with the bores, the plantation showed signs of good health and had a solid year achieving an average approximate 10% growth. Learning from the problems that were faced this year allows E.F.F to better cope with any future problems that arise and increases our knowledge of plantation management of Paulownia trees.

This year also saw the completion of the planting of the woodlots for the 2009 growing season.

Harvesting plans for thinning Project 1, 2 and 2a are being reviewed on an ongoing basis.

Market and economic conditions fluctuated violently during the financial year and more so between July to September 2010. The exchange rate of AU\$ to US\$ passed the rate of AU\$1.00 for US\$0.97 which impacted seriously on the pricing of the timber (from AU\$1.00 for US\$0.55 in 2000). Further heavy discounting of timber products from China made markets uncertain.

Growers in Kiri Park Project, Kiri Park Project No.2 and Kiri Park Project No.2 - Second Prospectus, have been provided detailed information relating to their individual investment projects in circulars dated 8 April 2010, 1 June 2010 and 2 June 2010.

The viability of the Kiri Park Projects is a matter that the Responsible Entity ("RE") is going to need to watch carefully in forthcoming years. At this stage however the RE considers that the volatility and instability of the markets means that it is too uncertain to make a call on what outcomes may eventuate in future years.

Environmental Forest Farms Management Limited

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