

KIRI PARK 2008 OPEN DAY QUESTIONS

Thank you to all the Growers who participated in the Open Day held at Kiri Park on the 26th October 2008. The Open Day proved to be a great success as it provided Growers with the opportunity to tour the plantation to view the progress of their Woodlots as well as inspect the areas where thinnings took place earlier in the year.

Prior to the Open Day Growers were asked to submit any questions they had in regards to their investment. The answers to these questions are provided below so as to benefit all Growers especially those who were unable to attend the Open Day.

Please take your time in reading the answers below as they may assist you in answering any questions you may have in relation to your Woodlots. If you should have any further enquires please contact our office on (08) 9227 8422 or by email to kpadmin@kiripark.com.au.

For any Growers who were unable to attend the Open Day and would like to visit Kiri Park, please feel free to contact our office to arrange a suitable time to tour the plantation with one of our management staff. Appointments are necessary due to the need for our staff to continue their plantation activities with the minimum of disturbance and also for health and safety reasons.

1. Can Growers assume there will be some return from the small harvest (~2.5%) taken this year?

A harvest for Growers in the Kiri Park Project (ARSN:091 158 897) was conducted throughout June and July 2008. Approximately 1,500 logs were harvested from this Project and were subsequently transported to the Company's Nowergup Plantation for milling.

The stages in the process are:

1. Harvesting (completed 31 August 2008);
2. Milling (completed 30 September 2008);
3. Air drying – which will normally take about 6 to 8 weeks in the current climate – meaning that the material will be ready for assessment by 30 November 2008;
4. Testing and grading dried material – expected to be completed by 31 January 2009.

The outcome of the thinnings and the quality of timber will not be known until March 2009. At that stage we will be able to ascertain the commercial value of the timber. Once that is known, the timber will be sold to Highpoint Timbers (a subsidiary company of the E.F.F Group) or other buyers at a rough sawn timber price of approximately AU\$975 per cubic metre. Upon the sale of the timber funds will be distributed in proportion to the Woodlots on issue for Kiri Park Project ("Project 1"). This is expected to be around May/June 2009. Any distribution of funds will be used to offset any management fees for the 2009 financial year.

A harvest report will be sent to Growers in the relevant Project once the outcome of the commercial

value of the timber is known in or around March 2009. The report will provide a detailed description of the harvesting and milling activities as well as the details of the sale of the timber, and the timing and amount of funds to be distributed.

Please ensure that we have your current contact details so you do not miss out on receiving important correspondence regarding your investment. If your contact details have recently changed or if you are concerned that your contact details are incorrect please notify our office via one of the following:

Post: Environmental Forest Farms Management Limited
PO Box 332
Leederville, WA, 6903

Phone: (08) 9227 8422

Fax: (08) 9772 8455

Email: kpadding@kiripark.com.au

2. For the 2000 Project are we on schedule for a 25% harvest in May next year?

Growers in the Kiri Park Project (ARSN: 091 158 897) received a harvest report in late February 2008. This report outlined the harvest plans which took place in June and July 2008 and outlined a schedule for further harvests. The recommended schedule was as follows:

<u>% of Trees Removed</u>	<u>No. of Trees Removed</u>	<u>Commencement Date</u>
50% thinning	50 trees	Commence May 2009
Further 50% thinning	25 trees	Commence May 2011
Clearfell	25 trees	Commence May 2012

A harvest review of the Kiri Park Projects will occur at the end of growing season, between March and April 2009. This will involve a review of past growth rates and a comprehensive volume analysis. The results from the review will be discussed by the Directors and in consultation with our Independent Forester a recommendation will be made as to the timing and extent of the next harvest scheduled for May 2009. The recommendations made by the Independent Forester will be outlined in a harvest report which will be issued to Growers in the relevant Project in or around May 2009.

3. Has any progress been made in identifying/establishing a market for Paulownia trees? I also invested in Queensland Paulownia Forest Projects whose schemes have collapsed. Our growers association has information which indicates that there is a very limited market, and that Australian Paulownia is of poorer quality.

For some time, the Directors of Environmental Forest Farms Management Ltd have been aware of the issues relating to the use of Paulownia timber, and identifying the relevant markets. Rather than waiting until harvest and hoping that a buyer will emerge, the EFF Group has evolved into a fully integrated business providing

growing, harvesting, milling, processing, and sale of Paulownia timber products. This has occurred with the acquisition of Highpoint Timbers in 2006.

Based in Rockingham, Highpoint Timbers is a Western Australian owned and operated factory which has specialised in the importing, processing and selling of Paulownia timber in the local market for over 10 years. Highpoint Timbers has processed locally grown and Chinese grown Paulownia timber, and its staff have considerable knowledge in the properties of Paulownia timber. Highpoint Timbers has been importing Paulownia from China, and the long term strategy is to replace the import with timber from local sources, which mainly includes the Kiri Park Projects. That way there is a market for the product that has been developed.

The E.F.F Group believes there will be a strong market and an outlet for selling Paulownia timber once substantial supplies of the timber are available from local sources.

Paul Stanley has extended his role with the E.F.F Group and is now involved with the marketing and sale of Paulownia timber through Highpoint Timbers. Paul is actively involved in establishing and maintaining a client base. We are confident that as the benefits of Paulownia becomes more widely known, and through expanding the marketing and product range of our superior Paulownia timber, we will be able to maintain and expand the market for Western Australian grown Paulownia timber.

In May 2007 the E.F.F. Group released a media statement on the Highpoint Timbers website. This media release discussed the recent testing on the properties of Paulownia timber. The Forest Product Commission of Western Australia tested the density and stability of WA grown Paulownia timber in comparison to Queensland and Chinese grown Paulownia timber. Structural Testing Services, a University of Southern Queensland based organisation, conducted testing on strength properties. As an overall trend the testing showed WA grown Paulownia timber to be superior to the Queensland and Chinese grown timber. The media release and the results from the testing can be viewed from the website <http://www.highpointtimber.com.au> and by clicking on the research link.

Highpoint Timbers has a range of products, and from our website, you can view a number of uses, the jobs that have been undertaken and the general quality of the product. A number of existing Growers have availed themselves of the opportunity to obtain a discount on the timber to:

- Revamp their alfresco areas;
- Provide interior doors; and to
- Install blinds and shutters.

To further promote our product, Highpoint Timbers was an exhibitor at the recent DesignBuild Expo in WA, held at the Perth Convention Centre. A range of trade enquiries were made, including use in the building industry for a range of decorative timber finishes.

EFF and Highpoint have also been pursuing opportunities for export of Paulownia timber in rough sawn and pre-finished form. These opportunities are being actively pursued however the quantity of timber currently available limits the scope for potential buyers who are seeking large quantities of supplies.

4. What actions are currently being taken by EFF to market next years harvest (and future years harvest)?

Please refer to question 3

5. When might we see returns. I currently hold a Commonwealth Seniors Card and I am worried I might lose it when returns start coming in. I would like to know whether all income for that year is based in that year or can it be averaged out over the life of the project?

For Growers in the Kiri Park Project (ARSN: 091 158 897) the Project is currently running 12 to 18 months behind schedule of the Prospectus, with the first harvest conducted in June and July this year. A harvest report will be sent to Growers in the near future outlining the returns to Growers. The returns outlined in the original prospectus are:

YEAR	PAYMENTS		TAX BENEFIT		NET COST (Assuming 48.5% Tax Rate)	NET HARVEST RETURNS (Before Tax)
	Planting and Maintenance	Sub-Lease Fee	Deductible Expenditure	Tax Refund		
Application	7,750	100	7,850	3,807	4,043	-
1	773	103	876	425	451	-
2	530	106	636	308	328	-
3	545	109	654	317	337	-
4	560	112	672	326	346	-
5	575	115	690	335	355	-
6	590	118	708	343	365	-
7	610	122	732	355	377	7,017
8	630	126	756	367	389	7,392
9	650	130	780	378	402	7,851
10	0	0	0	0	0	8,016
Final Harvest	-	-	-	-	-	25,004
Total	13,213	1,141	14,354	6,961	7,393	55,280

*This financial forecast schedule has been taken from the original prospectus and only applies for Growers in the Kiri Park Project (ARSN: 091 158 897). For all other Growers please refer to the relevant prospectus/PDS of your investment for projected returns.

For Growers who have invested in multiple Woodlots and are concerned about being pushed over the \$80,000 threshold, this amount of income is not likely to be achieved until 2012.

A number of Growers have also enquired about the transfer of their Woodlots to their Superannuation Fund. This is a strategy that requires a financial adviser and accountant. Please consult your advisers to find out more about this matter, as it may affect the taxable income thresholds.

6. We were advised when we brought Woodlots to get an ABN to claim back GST. We only use the number for claiming back GST on our Woodlots and nothing else. Once the Project is finished can we cancel the ABN and does the ABN have any implications once the returns come in and the Project is finished?

While you are registered for GST, you are entitled to claim the GST on any expenses that you have incurred. Then, when you collect GST on any sales, you are required to pay GST. If the timber is sold in Australia, then you will collect GST, and may be required to send the GST to the ATO. If the timber is exported, then the sale will be GST free.

Once the Project has finished and you have claimed back the entitled GST you may cancel your ABN if you choose to do so.

Please consult your taxation adviser to confirm these details.

7. How are the projects tracking to estimated cashflows when we invested?

The Woodlots in the Kiri Park Project are currently running behind approximately 12 to 24 months due to problems experience with the irrigation system in the early years of the Project. Since these problems have been rectified and plantation management has improved, the trees have continued to perform well. With the recent and future thinnings, we expect the remaining trees to show an increase in growth rates, which will help put the trees back on target to reach the projected yields outlined in the original prospectus.

The plan was to harvest small amounts each year with the expectation that the volume achieved would match that of mature trees. It does not appear that this is the best approach to managing the thinning. Our trial has been aimed at determining the best manner in which to manage the thinning process.

Currently, we are finalising the harvesting plan to see if the thinning of the trees by taking out 50% of those (as per the above answers) will provide a better growth rate in the remaining trees, and therefore produce the projected volume of timber for each woodlot.

Exchange rates will have a significant influence on the results of the Kiri Park Projects. The projections made for the first three projects at Kiri Park were made on the basis of exchange rates around US\$0.55 to AU\$1.00 (approximately US\$536 per m³ for good quality rough sawn Paulownia timber = AU\$975 per m³).

Over the last several years there has been a continual strengthening of the AU\$ against the US\$ which saw a rate of US\$0.95 to AU\$1.00 in mid 2008. During that time the international price of Paulownia timber has grown to around US\$650 per m³ (=AU\$670 for good quality rough sawn Paulownia timber) however this has equated to a drop of in excess of 30% in the AU\$ price. The Chinese Yuan has been tied to the US\$.

In recent times the AU\$ has reduced back to US\$0.65 which means that US\$650 m³ = AU\$1,000 m³.

In the world market for good quality rough sawn Paulownia timber our Kiri Park Project timber is competitive with the Chinese timber at the Prospectus projections of AU\$975 m³.

In the Australian market for rough sawn Paulownia our Kiri Park Project timber enjoys some advantage against imported Chinese rough sawn Paulownia by way of the savings in freight and importing costs which rate at approximately US\$150 m³ = AU\$230 m³. The decrease in the value of the AU\$ has also had the advantage

for Kiri Park Project timber in that the species (notably Western Red Cedar) that Paulownia can replace have effectively had a recent 50% increase in landed cost.

There can be no guarantees and perhaps even no strong indications of what the financial markets will be at the time of the final harvests of the Kiri Park Project timber. All we can do is work hard to produce the timber and hope that the financial and the timber markets are favourable. If the AU\$ remains at its current levels or at least below US\$0.70 then the Kiri Park Project timber can reasonably be expected to provide the projections in the relevant prospectus.

8. When can we expect a harvest and some returns on our investment?

The harvest schedule for each Project is outlined in the relevant Prospectus or Product Disclosure Statement. Prior to any scheduled harvests, Growers will receive a harvest report completed by our Independent Forester which outlines the decision made in consultation with the Directors and the Independent Forester as to the timing and extent of the harvest.

Once the harvest has been completed a post harvest report will be compiled by Environmental Forest Farms Management Limited and will be distributed to Growers in the relevant Project. This report will outline the number of trees harvested, the volume of timber produced, the current market price of Paulownia timber, and the amount and timing of distributions to be made to Growers.

For Project 1, please refer to question 1 above for more details.

9. Can I sell now, if so what will I get for lot verses anticipated harvest at conclusion of the project?

If you wish to sell your Woodlots now, you will be required to find your own buyer. We do not currently have any buyers on the list of interested parties that we are maintaining. So, we are unable to provide any details on the estimated sale amounts and the comparison to what you may receive at harvest.

10. I would like to see my Woodlots - will this be possible?

During the Open Day, Growers were provided with the opportunity to tour the plantation with management staff to view the progress of their Projects.

Each Woodlot is individually marked out on Woodlots maps. However, as Growers have elected not to take their timber at harvest, all of the timber is pooled together. As such, Growers benefit from the best trees across each project to be used for sale.

For this reason, we have decided not to mark out individual Woodlots at the Kiri Park plantation because it is likely to create issues between Growers and which Woodlots are performing better than others.

11. Is there concern that upstream irrigators may lower the water table or cause salinity?

All irrigators are required to apply for a water licence from the Department of Water before any water

extraction can take place. Water licences are issued by the Department of Water under very strict conditions as to minimise not only the impact on the environment but also on surrounding water users.

As part of the condition of the water licence for Kiri Park, Environmental Forest Farms Management Limited is required to submit an annual aquifer review to the Department of Water which discusses water levels and water quality. As part of the aquifer review, electrical conductivity of the bore water is recorded. The most recent aquifer review conducted in August 2008 showed the electrical conductivity to be within an acceptable range. Following the recommendations from our water consultant, E.F.F has purchased an electrical conductivity meter to monitor salinity at the start of the 2008/2009 irrigation season on a monthly basis given the increase use of the aquifer.

We are confident that the Department of Water is monitoring the use of all water users in the surrounding area and is closely monitoring the level of the water tables. If any one user is causing an adverse impact on the aquifers then remedial actions and contingency plans will be put into action.

12. If there is an increase of saltiness has electromagnetic frequency treatment been investigated? (see website www.hydrosmart.com.au)

We are not currently experiencing any increase in salinity from the situation at commencement of the irrigation program. The salinity of the bore water is continuously monitored as are the aquifer levels. Last season saw a recharge of the aquifer slightly above that experienced in previous years. If results show that irrigation activities are contributing to a salinity problem, the Department of Water will be notified accordingly and the appropriate measures will be taken to prevent and manage any further issues in regards to salinity. Electromagnetic frequency treatment has not been investigated at this stage.

13. Do very hot days cause canopy damage and if so are there any practical steps being taken to reduce damage?

During the summer periods Kiri Park is known to experience days of extreme heat. Paulownia trees do not tolerate extended periods of droughts.

Although they are not drought tolerant, Paulownia trees are summer growers and flourish in the presence of warm weather. With the use of our dripline irrigation system and strategically placed bores the Responsible Entity is able to supply an adequate supply of water to the plantation to help reduce the stress placed on the trees during extreme weather conditions.

14. Will there be any return to Growers from the thinnings of the plantation?

Please refer to question 1.

15. Do you have any idea yet when the first lot of Growers will receive their return for their investment on the final felling of the timber lot? Any idea of the amount that could be expected for a woodlot?

Please refer to question 1 above.

16. Will the annual lease and maintenance fees reduce each year as harvests are conducted.

The Lease and Management fees will continued to be invoiced in accordance with the relevant Prospectus or Product Disclosure Statement depending on which Project a Grower has invested in. Each year Lease and Management fees increase by the Consumer Price Index (3%). As harvests are conducted and the number of trees per Woodlots decreases, these fees are not reduced as Growers still hold a lease over the same area of land and the maintenance activities such as irrigation and fertilisation still occur at the same rate as to benefit the remaining trees. Furthermore, as the trees mature, the management activities are towards ensuring sufficient water and fertilisation to produce the maximum possible timber volume.

17. Could you please tell me how my trees are doing? (Kiri Park Project No.2 Second Prospectus ARSN: 096 225 400).

The Kiri Park Project No.2 has performed relatively well over the course of its seven year history, however problems with the irrigation system in the Project were encountered in 2002 and 2003. The problems have been addressed and the trees have performed well since.

A harvest report was sent out to Growers in the Kiri Park Project No.2 in February 2008. In this report the Independent Forester recommended that a thinning should not occur until at least 2009 to enable trees to reach closer to their projected yields. It was also recommended that a further review should be conducted in March 2009 to monitor the progress and provide final recommendations before a harvest program is commenced.

Please feel free to view the photo gallery on our website (www.kiripark.com.au) to view the recent progress to the Kiri Park plantation.

18. When will the first cut be? I am asking these questions as I also had tree lots in Queensland Paulownia and it has just gone into liquidation.

Please refer to question 8.