

JUNE 2009
ANNUAL INVESTOR UPDATE



KNIGHTS COASTAL LAND FUND



KNIGHTS GROUP



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(formerly Mariner Coastal Land Fund)

June 2009 Annual Investor Update

CHANGE OF RESPONSIBLE ENTITY / APPOINTMENT OF FUND MANAGER

On the 30th June 2009 Valuestream Investment Management Limited (“Valuestream”) - a responsible entity service provider- was appointed by unitholders as responsible entity of the Knights Coastal Land Fund (“KCLF” or “the Fund”) in place of Mariner Securities Limited. Valuestream then appointed Knights Capital Management Pty Ltd (“KCM”) as its agent to manage the day to day affairs of the Fund.

Background to Valuestream and Knights

Valuestream is dedicated to providing comprehensive responsible entity services to boutique and established fund managers. These services include fund accounting, unit registry, compliance services and compliance committees, custody services, product disclosure statement preparation, ASIC lodgements, legal and audit services.

Valuestream presently acts as responsible entity for the UBS Global Access Fund, the Addweath Achiever Fund and the Knights Tourist Park Fund. Additional information on Valuestream can be obtained from the Valuestream website at www.valuestream.com.au

KCM is a wholly owned subsidiary of Knights Capital Group Limited (“KCG”) which is based in Perth, Western Australia. KCG is the ultimate parent company of the Knights Group. KCG is one of the largest unitholders in the Fund holding 12 per cent of the total units on issue.

The Knights Group has extensive experience in the management and operation of tourist/holiday parks. KCG’s wholly owned subsidiary, Knights Parks & Properties Pty Ltd, operates Albany Gardens Holiday Resort (“AGHR”) and Albany Gardens Lifestyle Village (“AGLV”).

AGHR is a 4 star tourist park resort situated at Albany, Western Australia approximately five hours drive south-west of Perth. The Resort is established on approximately 4.0 hectares with an amenities block, an undercover BBQ area, convenience store, swimming pool and various outdoor activity areas. AGHR was acquired in 2004 and is a franchise member of BIG 4. AGHR offers accommodation comprising 14 chalets and holiday suites and approximately 100 caravan and camping sites.

AGLV is a two stage development which has been developed from the ground up. The Lifestyle Village concept involves sites (approximately 200 square metres) leased for 10-20 years to tenants who retain ownership of the park home. Stage 1 consists of 18 park homes completed in 2004 and Stage 2, which is substantially complete, consists of 45 park homes and a proposed recreational facility.

In addition, KCM is the Fund Manger to the Knights Tourist Park Fund which owns assets similar to this Fund being the Freespirit Resort Darwin and the Fraser Lodge Holiday Park, in Hervey Bay, Queensland.

Additional information on the Knights Group can be obtained from the Knights Group website www.knightsgroup.com.au

OVERVIEW OF MARKET CONDITIONS

As indicated in previous Investor Updates, real estate assets across all market sectors worldwide have been severely affected with substantial downward valuations. Regrettably, the Fund's assets have not escaped this treatment. Although interest rates have come down and are being maintained at a relatively low level, market confidence remains subdued. We do not envisage that there will be any improvements in the coastal residential market for the remainder of 2009. However, KCM remains optimistic that the residential market should increase by mid- 2010.

YAMBA – VOTED BEST TOWN IN AUSTRALIA

In March 2009, a judging panel selected by the Australian Traveler magazine voted Yamba as the Best Town in Australia from a short list of 300.

In answer to the question, “Regardless of where the town is located, would you recommend a good friend drive an hour out of their way specifically to visit the town?” Yamba received top ranking. The panel noted that Yamba has that “X” factor and like Byron Bay 20 years ago is “...*Relaxed, unpretentious and all about the community.*”

FUND ASSETS

Blue Dolphin Holiday Resort (Essence of Yamba)

As the decision was taken to place the development of Blue Dolphin on hold, the objective is to now ensure that the Blue Dolphin retains its premier status as Yamba's best holiday resort. There remains four years on the Freespirit lease and subject to the sale of Yamba Waters proceeding (see below), additional capital expenditure for new cabins, cabin refurbishment and new buildings will be required if this objective is to be reached.

Yamba Waters Caravan Park

In March 2009, the owners received a conditional Letter of Intent to purchase the Park for \$5.0m. Subsequent negotiations with the interested party resulted in the purchase price increasing to \$5.1m payable in two instalments being \$4.1m at completion and the balance of \$1.0m (secured via a bank guarantee) in 18 months. The purchase price was in excess of the valuation obtained in December 2008 of \$4.8m. At the date of this Investor Update, contracts have been exchanged with completion due early November 2009.

In the event that the sale proceeds to completion and after repayment of secured bank debt, it is intended to return some of the sale proceeds to Unitholders via a capital return on a pro-rata basis.

FINANCIAL STATEMENTS

Accompanying this Investor Update are the Financial Statements to 30 June 2009. Due to market conditions, the previous Responsible Entity correctly deemed it prudent to commission updated valuations for both properties. These valuations are incorporated (proportionate to the Fund ownership of 55%) in the year end financial statements but in brief are:

	Valuation ⁽¹⁾	Fair Value ⁽²⁾ KCLF Share	Book Value Per KCLF	Valuation Methodology
Yamba Water	4,800	2,640	2,655	Residual Land Value and Income Capitalisation Approach. Yield applied 9.25%
Blue Dolphin	27,000	14,850	14,837	Discounted Cash Flow. Yield applied 9.25%

Notes:
All figures are rounded to the nearest thousand
(1) As per most recent valuation, being as at 31 Dec 2008
(2) Internal Fair Valuation as at 30 June 2009, represents KCLFs 55% share of the underlying assets

Debt Facilities

Effective 1 January 2009 a new debt facility for \$8 million was put in place by the co-owners for the Blue Dolphin secured against the property until 31 December 2010. Interest on this facility will be serviced out of the rent received from Freespirit for the remainder of the lease.

A \$2 million loan bank bill facility (drawn to \$1.8m approx.) secured against Yamba Waters has been rolled over to early October 2009 or such further period to accommodate the sale (see above). It is intended to use the proceeds from the sale to repay this loan. If the sale does not proceed to completion, the co-owners will need to negotiate an extension of the facility with the bank.

Distributions

The distributions for the second half were paid in April and July 2009 (both of \$0.003 cents per unit) and representing an annualised rate of 1.2%. Future distributions will be adjusted to take into account the interest payments on the debt facility however, in line with previous commentary, forecast annualised distributions are expected to be maintained at 1.2% per annum.

Redemption availability

As outlined in the Product Disclosure Statements dated 19th October 2005 no redemption or exit facility will be offered during the life of the Fund until the Fund is wound up. However, investors will be able transfer their units and may participate in any withdrawal offers which are made during the life of the Fund.

The Fund does not have a fixed term. Within one month of the eight year anniversary of the Offer Closing Date, a meeting of unitholders will be convened so that they can vote on an ordinary resolution to either terminate or continue the life of the Fund.

Investor information

Investors will continue to receive quarterly updates on the Fund. Ongoing communication and information relating to the Fund, will be updated via the Fund's website at www.knightsgroup.com.au/knightscoastal The website also contains general information on the Fund such as property portfolio details, distribution/taxation information, news and reports.

Complaints

Knights Coastal Land Fund has an established policy for dealing with complaints. Investors wishing to complain should write to:

Knights Coastal Land Fund
c/- Fund BPO Pty Limited
GPO Box 4968
Sydney NSW 2001

Tel: 1300 133 451
Fax: +61 2 9251 3525

Valuestream and Fund BPO are members of an independent dispute resolution scheme, the Financial Ombudsman Service.

Privacy

We collect personal information to enable us to tailor our service to the needs of our customers. We only collect personal information directly from customers, for example through application or enquiry forms, letters and visits to our website or our office. If Investors discover that personal information we hold is inaccurate, incomplete or out of date, or if they no longer wish to receive material from the responsible entity, they should contact our Privacy Officer on the numbers listed below.

Responsible Entity

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Share Registry

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Disclaimer

This document has been prepared by Valuestream Investment Management Ltd ABN 66 094 107 034 AFSL 246621 and Knights Capital Management Pty Ltd ABN 57 117 550 893 AFSL 306365 as Responsible Entity and Fund Manager respectively to the Knights Coastal Land Fund ARSN 115 858 047. The Responsible Entity and Fund Manager their associates related entities and directors do not guarantee the performance of the Knights Coastal Land Fund or the repayment of monies invested. While every care has been exercised in the preparation of this document and the information is believed to be correct the Responsible Entity and the Fund Manager do not give any warranty as to the accuracy reliability or completeness of the information. Past performance is not an indication of future performance. This document does not contain financial product advice, is provided for general information purposes only and does not have regard for the particular objectives financial situation or needs of any specific person who may read it and who should seek their own professional advice. The information contained in this document is current as at September 2009 and may change from time to time without notice.

