



12 August 2009

Dear Shareholder,

RE: June - July 2009 Oakland Investments (Aus) Ltd (Oakland) Shareholder Report

Shareholders are referred to the most recent report dated 5 June 2009, which still contains the Directors views on the macro-economic trends that are currently affecting the property and associated markets at present.

It is not the desire of the Directors to provide a lengthy commentary on the economic conditions affecting the various markets in Australia in this report, other than when such conditions materially impact the Directors' ability to finalise the recovery of all remaining securities by the Company. Based on specific feedback received, the Directors believe that Shareholders prefer the Shareholder Reports to focus on reviews of the Company's ability to return investment capital to Shareholders, and not a diatribe on the generic economic conditions.

However, the Directors do wish to make some brief comments on certain matters of an economic nature, in order to clarify some of the questions that we have received from Shareholders in the past two months.

If one reads the Press and listens to the different forms of the media, there would appear to be an easing of the doom and gloom which has pervaded the markets for the last 12 months, and an economic recovery of some sorts has commenced. However, the Directors wish to stress to Shareholders that there still exists a large chasm in the market to effect an orderly realisation of the Company's securities. Yes, certainly, consumer confidence has grown, with improvements in retail spending and a rise in property prices at the bottom to middle end of the market. However, this is where we would like to reemphasise one critical point.

The essential matter which is frustrating the Directors, and continues to inhibit their ability to realise the remaining securities, is the on-going lack of credit funding available to property developers in the market. Without a sufficient credit line being made available to property developers to fund their project developments, there is little demand for raw property development sites. Construction activity fell in July for the 15th time in the last 17 months. Additionally, and as explained in the last Shareholder Report, there is a long list of property development sites across the eastern seaboard of Australia at present that simply cannot attract buyer interest at any level. When there are limited buyers and a lack of funding available for the small number of genuine buyers, you have no liquidity.

Please note that the only reason we have made these brief comments above is to emphasise yet again that the bottom end of the housing market is not correlated, at this point in time, to demand for construction sites, and it is unlikely to change significantly until some time in 2010.

This aside, the Directors wish to offer no excuses. Things have been slow; however, we are starting to achieve some traction and consequently, we expect to see funds beginning to flow back to Shareholders again soon. As a follow up to the last report, this report will again outline specific details on the status of the realisation of securities that the Directors are attempting to recover, giving Shareholders an indication of when they can expect their remaining funds to be distributed.

To further emphasise some of the points discussed in the last Shareholder Report, the Directors wish to confirm that they are not able to simply liquidate the securities still held at **any** cost and then make a claim on the Lloyd's Insurance Policy. The terms of the Lloyd's Insurance Policy are clear, in that the Directors are required to achieve the best possible sale price for any of its securities, failing which Lloyd's may claim an inability to cover any asset price shortfall. It is an integral part of the insurance policy.

Whilst this is frustrating, and in many cases distressing for many Shareholders, the Directors are duty bound to represent your interests to the best of their ability in this respect and ensure there is little, if

any, room for Lloyds to avoid their liability on any insurance claim. Further details on this matter will be explained when providing individual reports on the existing loan issues later in this report.

As advised in the last Shareholder Report, the Directors are presently occupied with the recovery of five defaulting loans, whilst there is another loan in good order, which the Directors have requested be repaid in light of the present economic conditions. The Directors expect the repayment of five loans in the forthcoming four to ten months, with a significant portion in the forthcoming four to six months.

The first loan involves a property in Northern New South Wales maintaining a dual dwelling structure, which is in good order. The Directors have negotiated with the Borrowers to maintain the existing loan at the lower rate of repayment, however refinance of the Oakland facility (or sale of the assets), is envisaged to take place in three to four months time. This should realise approximately \$700,000 in funds to Oakland, and the Directors remain confident that such sum will be repaid without the need for a claim to be made on the Lloyds Insurance Policy.

The second loan involves a property located in South East Queensland, on which Oakland has a registered first mortgage. The Directors have been heavily involved in effecting a boundary realignment on the property, which, once registered and processed by the local council, will generate an estimated gross revenue of \$3.8 million for Oakland. Due to the realignment process involved, which required the Company purchasing all other mortgage interests on the titles, and the need to sell 14 separate titles, the time span involved is a consequence of obtaining the said council approval, registering a plan of subdivision, and then taking the properties to market. It should be noted that the realignment process has been slightly hindered by requests from the local council and the Department of Natural Resources, which may have delayed matters by a period of six weeks. Shareholders should still note that the Directors are confident of having the properties on the market prior to Christmas. It then may take a further four to six months to sell all 14 titles, with monies paid to Shareholders as and when individual sales are made.

The third loan involves a property in South East Queensland that has residential development approval on the site. As advised in the last Shareholder Report, this property has proved unquestionably the most difficult to sell, due to the physical location of the property and the onerous preconditions associated with obtainment of any bank finance for any intending purchaser.

The Directors recently took the security relating to this loan to auction with one of the most pre-eminent Real Estate agents in Brisbane for this type of asset. This had been after the Directors had tried to sell this property through a number of different channels and Real Estate agencies over the last 12 months with no success. The Directors had tried to avoid auctioning the property, believing that sale by private treaty would achieve a better result. Previously, several conditional contracts had been signed, with each one falling over due to the inability of any intending purchaser to secure funding.

Unfortunately, the bidding at the Auction did not reach the very conservative value set by the Directors. It is expected that this asset will be realised within the next month or two, at which point the quantum of the Company's claim can be determined, and a claim made on the Lloyd's Insurance Policy.

The fourth loan involves a property located in Melbourne, which has a supported residential service development. Shareholders are referred specifically to the Directors' remarks on this loan in the last Shareholder Report. Whilst there was initially an unconditional Contract of Sale on this property, which the borrower defaulted on over 12 months ago, the Directors have been unable to successfully renegotiate with this initial purchaser due to their inability to gain suitable finance to complete the sale. Consequently, the Directors continue to pursue the re-installment of the required licences for this property, as without them, the value of the property in the current environment is substantially reduced. The Directors have discovered that the process of re-applying takes significant resources and management, however the results to date have been promising. As was stated in the last Shareholder Report, the ability to have these licences re-instated plays a critical and vital role in achieving the maximum available return of capital to Shareholders. It is imperative that the Directors achieve the maximum price available. Whilst the Directors will be able to make a claim on the Company's Lloyd's Insurance Policy for any shortfall, the process of any such claim can be a protracted one, and it is the intention of the Directors to be able to return as much to Shareholders from the sale of the security as possible, rather than have Shareholders waiting for the process and settlement of any Lloyd's Insurance Claim.

The fifth loan involves a property located on the central coast of New South Wales, upon which there is a twenty-two unit townhouse development. Further to the comments of the Directors in the last Shareholder Report on the sale of this property, the Directors wish to advise that the Contract of Sale of this asset remains on track, with settlement expected within the next 60 days. As Shareholders were advised in the last Shareholder Report, the sale price is less than the principal amount lent, so the Directors fully intend to make a claim for the shortfall on the Lloyds Insurance Policy, and

Shareholders will be kept abreast of such claim, as and when it is made. Whilst a claim will be made, the funds received from this sale will be paid to Shareholders in the next 60 days.

In respect to all current claims on the Lloyd's Insurance Policy, the Directors wish to confirm that there are still only three claims that have been made, but in light of the summary of the abovementioned five defaulting loans, the Directors believe an additional three claims will be made. In the last Shareholder Report, the Directors thought that perhaps an additional two claims would be made, but taking into account recent auction results, the Directors are of the view that the total number of claims may increase to six.

As has been indicated in past Shareholder Reports, the Directors are not in a position to make a claim on the Lloyd's Insurance Policy until a settlement of the sale of any security has been effected, and the quantum of any loss determined. Whilst the total number of claims on the Lloyds Policy may increase, the Directors wish to advise Shareholders that they have started to receive the first positive news from the Underwriters of the Lloyds Insurance Policy with regard to settling the claims made by the Company. However, the Underwriters are still continuing to frustrate the Directors with respect to certain pedantics of the Insurance Policy, which may affect the quantum of the claims that have been lodged.

In summary, the Underwriters have approved in principal the payment of a portion of the monies under the first claim made by the Company, however they are reserving their rights in respect to the remainder of the funds owing. The Directors will continue to take legal advice with respect to this position; however no further action will be taken against the Underwriters until the Underwriters confirm their position. Shareholders should remain confident that the Directors will be vigilant in their efforts to secure settlements of the claims made to date, in the timeliest manner available.

As expressed in the previous Shareholder Report, the Directors still believe Shareholders will receive a return of their capital of approximately 75 cents in the dollar, excluding any unforeseen circumstances or failure of Lloyds to comply with their obligations under the Insurance Policy. Additionally, the Directors will make every effort when substantial funds are received as a result of the security settlements and proceeds of the Lloyds Insurance Claims over the forthcoming three to twelve months, to effect pro-rata return of funds to Shareholders. The frequency of any pro-rata returns to Shareholders will be dependent on the recovery of loan proceeds, which the Directors can assure Shareholders is being handled as expeditiously as possible, and as the recovery of loan capital allows.

So in summary, Shareholders can expect their next pro-rata distribution from the sale of one of the five remaining securities in around 60 days time, with a further pro-rata payment due from the sale of the second of the five remaining properties in approximately three to four months. The Directors are also confident that the first three claims from Lloyds will be paid prior to Christmas this year, resulting in an additional pro-rata distribution upon receipt of such. The remaining distributions of Shareholder capital will be as per the estimated time-lines provide above.

The Directors wish to reaffirm their ongoing commitment to Shareholders to ensure that every decision made on behalf of Oakland is in the best interests of Shareholders. The Directors are continuing in very tired market conditions to provide the best return of Shareholder funds as possible, taking into account the remaining securities the Company maintains, and the process involved when claiming on the Lloyds Insurance Policy, if there is a shortfall.

Without exception, the Directors remain vigilant in their efforts to realise the maximum sale proceeds for the Company's securities. The Directors will continue to provide further updates and explanations over the coming months (on a bi-monthly basis) and wish to thank all Shareholders for their continued patience and support. We expect that the next Shareholder Report, due in two months time, will coincide with your next pro-rata distribution of capital.

Yours faithfully,



Brook Monahan
Director
Oakland Investments (Aus) Ltd