



Friday, 7 July 2006

Dear Shareholder,

**RE: Oakland Investments (Aus) Limited
Company Report
April to June, 2006**

As the financial year-end concludes, the first 12 months of Oakland Investments (Aus) Ltd's (Oakland) results have been finalised. It is with great pleasure that we are able to present positive numbers again to Shareholders, in what has not only been another successful quarter for Oakland, but also a very successful year.

It should be noted that for the fourth successive quarter since officially commencing operations, Oakland has paid another quarterly dividend in excess of the coupon rates outlined in the Prospectus and has one again, exceeded and surpassed the Directors' expectations. Company audits and annual reports will be finalised before 30 September, in preparation for the Annual General Meeting for Oakland later in the year.

During this recent reporting period, Oakland was able to pay another consistent return to Shareholders, despite a relatively slow start to the quarter. It is a pleasure to be reporting a quarterly dividend return to Shareholders for the period 1 April 2006 to 30 June 2006, consisting of:

2.47% for A Class Shareholders;

2.89% for B Class Shareholders (only issued at the commencement of the last quarter); and

3.74% for C Class Shareholders.

The return for last 12 months has been tabled below

Period	A Class Shares	C Class Shares
July to September 2005	2.52 %	3.75 %
October to December 2005	2.52 %	3.78 %
January to March 2006	2.57 %	3.85 %
April to June 2006	2.47 %	3.74 %
Annualised Total	10.08 %	15.12 %

As stated above, Oakland experienced a slower than expected start to this quarter as far as loan enquiries were concerned. This is a common phenomenon for this nature of commerce. The cyclical effects of deal flow were further exacerbated during the quarter, given the slow period experienced towards the end of the January – March quarter. In contrast to the slow start, the month of June saw an unprecedented number of loan enquiries. Oakland's commitment to growing the origination side of the business was further accelerated during this quarter and consequently, the benefit of such activity has manifested in increased utilisation of funds under management.



This quarter saw three new members join Oakland's origination team in some capacity, which not only increased the number of deal inquiries, but also resulted in increased 'quality' of deals evaluated by the Investment Committee. 'Quality' as a term used here to describe loan enquiries, generally correlates directly with both risk and yield. In other words, high 'quality' deals, usually attract lower interest rates (and hence less yield for Oakland), but conversely provide a more valuable security.

As a deal is assessed by Oakland's Investment and Credit Committee, the 'quality' of the deal, as determined by the Investment Criteria Model, is used to determine the interest rate charged to the borrower. Hence, as deal 'quality' increases across the board, the yield (ie return on investment) of the deals being set, generally decreases. The positive aspect from a high 'quality' transaction is that Oakland then holds a more attractive portfolio of properties as security.

It is important to note that the impact on income associated with decreased average yield per loan this quarter, was lessened considerably by the increase in the utilization of funds under management during this same period – from 78.89% to 87.16%. While this may appear as a relatively small increase at just over 8%, the impact on total revenue generation has been considerable. Therefore, while the yield per loan may have reduced, the fact that there was more money generating income over the last 90 days means that the results for this quarter have been similar to previous quarters.

A further pleasing result was the reduction of the average LVR (Loan to Value Ratio) of loans in Oakland's loan book from 68.71% to 65.17%. While not a significant decrease, it does reflect a strengthening of the overall loan portfolio.

In line with the reduction in the LVR was also a reduction in the average loan size. While this result was unexpected, it again provides testament to the strength of Oakland's origination network, and the ability of the Investment Committee to continually improve diversification and risk management.

The table below provides a summary of Oakland's loan portfolio statistics for the last quarter as compared to the previous quarter.

Table 1 – Lending Summary January-March 2006

Utilisation Rate (Mortgage to Cash Ratio)	Ratio 1st to 2nd Mortgages	Average Loan Size	Average Loan to Value ratio
78.89%	60% First Mortgages	\$634,639	68.71%

Table 2 – Lending Summary April-June 2006

Utilisation Rate (Mortgage to Cash Ratio)	Ratio 1st to 2nd Mortgages	Average Loan Size	Average Loan to Value ratio
87.16%	55.71% First Mortgages	\$582,460.12	65.17%



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This quarter saw the finalization of two loans that had been in default from the last quarter. Both loans resulted in further income to Oakland through interest charged at the higher (default) rate. The Investment Committee was pleased with the manner in which these defaults were managed, as they not only resulted in the full return of the capital advanced, but also generated additional income in the process.

The recovery of loans in default over the last quarter has enabled Oakland to further refine its default and recovery management practices, with a view to continually evolving processes in this area of the business.

As at the date of this report, there remains three defaults from borrowers. All of these loans are being managed extensively, with an expectation that all borrowers will re-pay their advances within the next quarter. All borrowers in default are currently being charged interest at the higher (default) rate, providing further income potential over the next quarter.

Defaults will continue to form a part of Oakland's business model, regardless of how efficient the investment selection process is. The Directors are only concerned therefore, with how these loans are managed once in default and given that no loans are ever advanced unless the Investment Committee is prepared to own the asset should a borrower default, the Directors are extremely confident with the overall state of the loan book.

Regards,

Brook Monahan
Managing Director
Oakland Investments (Aus) Limited

"The performance figures listed above have not yet been audited by the Company's registered auditor at the time of this report. The next audited financials of the Company are not due to be conducted until the end of the June 2006 financial year. Thereafter, the Company's financial status will be audited every 6 months."