



6 April, 2006

Dear Shareholder,

**RE: Oakland Investments (Aus) Limited
Company Managing Director's Report
January to March, 2006**

I am pleased to be able to report to Shareholders once again with positive news, in what has been another very successful quarter for Oakland Investments (Aus) Limited (Oakland). During this recent reporting period, Oakland has recorded its highest quarterly profit since the Company's inception, further confirming the strength and reliability of the current Oakland model. As a result, it is a pleasure to be reporting a quarterly dividend return to Shareholders for the period 1 January 2006 to 31 March 2006, consisting of:

2.57% for A Class Shareholders and;

3.85% for C Class Shareholders

As discussed in the last quarterly report, activity in the Real Estate development market is substantially different from that of the past two years. It appears that while the market has steadied to a certain extent, opportunities are arising at more consistent levels than in previous years and most importantly, capital growth has slowed to considerably more sustainable levels. Changes to the dynamics of market fluctuations have seen a slight shift in financing requirements of many property purchasers during this period. The last two years have also seen an increase in the number of specialist mortgage finance providers entering the market and hence, increased competition in a market where the buyer currently has greater choice, has prompted Oakland to become a leader in its field.

As a result, a definite focus of the Oakland management team over the past 3 – 6 months has been to increase its origination network, in order to increase the application flow for potential property investment opportunities. This has been more successful than anticipated to date and for the first two months of this quarter, Oakland received a much higher level of application rate than it has previously had access to. Not only has the application rate for potential deals been higher, but the overall quality of the applications presented, has also increased in this recent period.

Oakland management believes this is testament to its commitment over the last 6 months to becoming the "financier of choice" in the specialist mortgage finance niche that it fills. Continual refinement of Oakland's service, advice and support to the business and investment community has ensured that Oakland has not only furthered its relationship with existing broker groups, but has substantially increased the number of new broker groups it is currently doing business with. Oakland management intends to maintain its focus on growing its origination network for the remainder of 2006, and has recruited additional personnel in this area to ensure the continued growth of its origination base.

Funds Under Management (FUM) grew by a further 51.2% during this period, following an increase of 76.7% from the previous quarter. Although this growth was a little below Oakland's forecast growth of 60% for the quarter, the Directors are confident of maintaining this growth during the second quarter of 2006.

Funds utilisation also increased over the last quarter, which was directly related to the increased flow of suitable



loan applications in the first two thirds of the quarter. Despite a slight slowdown in applications during March, the Directors are confident this trend is temporary.

While the average Loan to Value Ratio (LVR) increased by 6.15% during last quarter, all loans made by Oakland are still at or under the required maximum 75% LVR of Lloyd's of London Policy. The LVR result from our last quarter was an exceptionally sound result and, in considering our investment policy, it may not always be possible to keep the average LVR of the fund as low as we have done in the past. While it is always the Investment Committee's objective to maintain the average LVR at its lowest possible rate, we also need to ensure that the utilisation rate of the funds remains above 75%, hence, maximising returns to Investors. As Company Directors we are exceptionally pleased with the current average LVR, and will continue to aim for maximum return on capital, within the tightly held risk mitigation guidelines that are the cornerstone of Oakland's investment strategy.

Average loan size has also increased over the last 3 months, albeit by less than 15%, which was substantially less than the growth of funds under management (FUM). As a result, risk exposure (based on a percentage of funds lent to a single loan) decreased over the last quarter. As FUM continue to grow, so will the size of the funding opportunities Oakland is presented with. However, at all times, Oakland's Investment Criteria Model limits its exposure to any one borrower and loan, and consequently, reduces the risk to the Company. The Directors are more than comfortable with the Company's average loan size to date and expect that risk exposure per loan (as a percentage), will continue to decrease as FUM grow.

The table below provides a summary of Oakland's loan portfolio statistics for the last quarter as compared to the previous quarter at the end of 2005.

Table 1 – Lending Summary Sept-Dec 2005

Utilisation Rate (Mortgage to Cash Ratio)	Ratio 1st to 2nd Mortgages	Average Loan Size	Average Loan to Value ratio
75.73%	67% First Mortgages	\$542,666.67	61.42%

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%

This quarter saw several defaults to the Oakland loan book, providing an excellent opportunity for the Investment Committee to thoroughly test its 'Default and Arrears Management Processes'. And while three loans remain in default as at the date of this report, all are being tightly managed, with clearly defined exit strategies already identified. The Investment Committee expects all loans to be back within terms or completely repaid, well before the end of the next quarter.



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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 happy to own the asset, should a borrower default, the Directors are extremely confident with the overall state of the loan book.

In summary, the Directors are delighted with the current position of the Company. The last 90 days has seen increased funds utilisation, increases in average yield on total funds invested, a very healthy average LVR and a respectable percentage ratio of first to second mortgages. Furthermore, Oakland has recorded its greatest percentage profit in the last quarter, building further from the sound results late in 2005

The Directors are confident that the growth rates of the Company will continue to be sustained over the coming quarter. I am looking forward to updating you further at the beginning of July.

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."