



July 22 2008

Dear Shareholder,

**RE: Oakland Investments (Aus) Limited (Oakland)
Company Report
April to June 2008**

All Shareholders will have recently received the letter of 7 July 2008 from the Directors outlining the current position of the Company, and the future directions for the forthcoming 180 day period.

All Shareholders are referred to the contents of the letter of 7 July 2008 for a full explanation of the Company's position, and the performance of the Company in the last financial quarter.

Whilst the Directors believe the last financial quarter has been the most difficult in the history of the Company from the perspective of generating returns to Shareholders, it has also been a quarter in which the Company has been in a position to consolidate its position going forward. And whilst, for the first time in the history of the Company, no dividends were declared for payment to Shareholders, it has been a financial quarter that has caused the Directors to re-assess the financial status of the Company, from the primary perspective of the preservation of Shareholders' funds.

As stated in the letter of 7 July 2008, an Extraordinary General Meeting of the Company has been convened for 30 July 2008, 2pm at the Broncos League Club. The Directors encourage all Shareholders to attend this meeting in order that they may have all of their questions attended to in respect to the future conduct and management of the Company. In particular, and as the Directors have outlined in all of their past communications with Shareholders, is the absolute priority going forward in respect of the preservation of Shareholder capital. This is very important, as it has been at the very heart of the decisions the Directors have recently made.

This draws to an end the financial year of 2007/2008, and whilst there is no quarterly return to Shareholders for the most recent financial quarter, during the past 12 months from 1 July 2007 to 30 June 2008, the Company has declared and paid the following returns to Shareholders:

Class	% Coupon rate for calendar year
A Class	6.78%
B Class	7.91%
C1 Class	9.41%

In the context of the position of the Company as outlined in the Directors' letter of 7 July 2008, there has still been a positive return to Shareholders over the course of the last financial year. Given the returns of the general equity markets at around negative 18% during this same period and the collapse of many large mortgage fund managers, the Directors believe that Oakland has performed considerably well during this period.

Lending Review

In light of the decisions by the Directors going forward, please see the current summary of the key Oakland Loan Book statistics below for the most recent financial quarter, as compared to the previous financial quarter.



Table 1 – Lending Summary Apr - Jun 2008

Utilisation Rate Shareholder Funds	Utilisation Rate Westpac facility	Ratio 1 st to 2 nd Mortgages	Average Loan Size	Average Loan to Value Ratio
86.9%	10.05%	90.32% First Mortgages	\$1,061,501	62.84%

Table 2 – Lending Summary Jan - Mar 2008

Utilisation Rate Shareholder Funds	Utilisation Rate Westpac facility	Ratio 1 st to 2 nd Mortgages	Average Loan Size	Average Loan to Value Ratio
83.78%	10.05%	88% First Mortgages	\$1,086,647	62.85%

In our last Company Report for the financial quarter January to March 2008, we reported that it had been the toughest quarter Oakland had experienced in regard to lending volumes. Unfortunately that trend has not changed in the financial quarter just passed. Again, it has been incredibly challenging placing funds into the market, and hence a frustrating period in regard to lending.

Whilst the overall flow of proposals diminished from the previous quarters, where we had been inundated with loan proposals, the quality continued to remain questionable, from a number of different perspectives. Essentially, there was an inability of potential borrowers to provide sound exit strategies and/or unacceptable security for the loans which were being sought.

Whilst it is critical to Oakland's business model to lend money in order to generate revenue, the overriding issue in regard to advancing funds has always been, and will continue to be, the preservation of Shareholder capital.

As you may not all be aware of some of the intricacies of the Oakland lending model in regard to revenue generation and capital preservation, I will provide a brief insight in order to assist with this understanding.

In most cases, upon advancing funds, Oakland requires that interest is pre-paid for the term of the loan, hence overcoming any servicing issues over the life of the loan. This is a very effective strategy for managing cash flow and ensuring that loans stay in good order until at least the required repayment date. Hence, upon settling an advance to a borrower, Oakland receives income for the term of the loan. Therefore, the greater the number of loans that are made, the more income Oakland is able to generate.

However, for this strategy to be fully effective and provide Oakland with the ability to generate further funds for the provision of new loans, the borrower must repay the loan in full on or before the expiry date. This places vital importance on the repayment (or exit strategy) of the borrower. If the borrower is unable to repay the advance within the time constraints of the facility provided, it places the future income of the loan, and that of the Company, at risk, and will cause a delay in the repayment of the capital lent.

On first viewing of the above, it would appear that the more money Oakland lends, the greater the income it generates. On a simplistic level this is correct, however issues arise when borrowers are unable to repay their loans on time and hence, enter default. At this stage, the funds advanced to the borrower are not generating immediate income in actual funds received, but rather only the deferment of default interest that can only be accessed on the refinance of a borrower's facility or a sale of the security. Shareholders should understand though that the cost of these funds to Oakland remains constant, and whilst there is a deferral in the repayment of any facility, the income generated from the initial advance is now being eroded. And the longer the loan remains unpaid, the greater the erosion of the value of the prepaid interest that was earned by the Company at the commencement of the loan.



Whilst there is always the potential (and Oakland pursues this vigorously) to be paid default interest on loans outside their terms, recovering loans that remain unpaid by borrowers can be a timely and expensive process and can increase the risk of capital loss.

What is the importance of all this? Quite simply, it is understanding the importance of exit strategies for our borrowers. If our borrowers are unable to complete on their exit strategies, it increases exponentially the pressure on Oakland as a business, and hence it is vital that borrowers repay their loans on time. Currently, the options borrowers have in regards to exit strategies are dwindling on a daily basis, as a result of the state of credit markets and the reduced number of lenders presently operating in the market place.

Further, as most of you would be aware, the property market is very flat, and hence for some time now it has been an unacceptable exit strategy for a borrower to suggest that the sale of an asset (the security) will provide the means with which a borrower nominates to repay their facility.

How does this effect Oakland? If we cannot be satisfied with a borrower's ability to repay the advance in full within the terms of the advance (their exit strategy), prior to the advancing of funds, we will not approve the loan. As a result, the ability for Oakland to generate revenue through the provision of new loans to borrowers is severely limited. It is simply too great a risk to advance funds if the exit strategy is not clear before the funds are lent. The preservation of Shareholder capital is too important.

Hence, the harder it is for potential borrowers to present sound exit strategies, the harder it is for Oakland to advance funds, and hence generate ongoing revenue. Oakland will not advance funds simply to generate revenue, if it means there is the possibility the borrower will not be able to repay the advance and consequently, place at risk Shareholder capital.

Overall, the importance of the above is to understand that whilst a lack of lending may put revenue generation at risk, it also serves to add to the preservation of Shareholder capital. This is critical to the Directors.

Default Management Report

Reflecting on the above lending review, definite parallels can be drawn between the state of the current defaults that Oakland is managing, and the reasons as to why it is difficult to advance funds at the moment.

As was discussed above, it is a requirement of all advances made that details of an exit strategy be provided prior to the advancement of funds to a borrower. Unfortunately, a number of our borrowers were relying on exit strategies with now defunct lenders, and as a result of the continually tightening credit market, they have been unable to find alternative exit strategies and hence their loans have entered default.

As at 30 June 2008, Oakland was managing 13 defaulting loans totalling just under \$19,000,000.

It has been a frustrating quarter in regard to loan recoveries, with just under \$1,000,000 being recovered from defaulting loans. The state of the market has seen 'Buyers' in general exit the arena, and those that remain are looking for 'bargains'.

It is important to mention at this point one of the major drivers for recent core business decisions that have been made by the Directors. Time is the critical factor now in dealing with the securities Oakland maintains and may have to sell over the coming months. If we were to 'Fire-Sale' these securities (that is, sell them as distressed assets) and hence, reduce the price in order to achieve a quick sale, the threat to Shareholder capital would increase significantly. It would also endanger the ability of the Company to make any claims on the Lloyd's Insurance Policies, as was detailed in the Director's letter to Shareholders of 7 July 2008. Hence, our current strategy is to ensure all securities that the Company is required to take to market are presented in the best possible light in order to ensure the maximum result in regard to the sale of an asset. However, Shareholders should understand that this takes time.

What does this mean to Shareholders? The more time Oakland has, and the better prepared Oakland can be in regard to realising monies owed through the sale of its securities, the better and greater chance there is in the Company realising the maximum value for a particular security.



OAKLAND
INVESTMENTS



In conclusion, the Directors are still extremely confident in the current progress of the default recovery processes of the Company. However, the Directors also realise that a significant amount of further energy, resources and time will be required to advance the progress of the current recovery actions through to completion.

Whilst we are happy with the current progress of the recoveries, there remain four loans at present for which we believe there is a possibility of a capital loss. Unfortunately, on one of the loans, we are already in discussion with Lloyds in regard to a potential claim – our first.

As a footnote, it should be noted that since the commencement of this current financial quarter, there has been the recovery of a number of defaulting loans, and that an additional number of defaulting loans are in the process of settlement in the forthcoming 30 to 60 days.

Summary and Future Outlook

As was stressed in their letter to Shareholders of 7 July 2008, the Directors have taken the decision to consolidate the position of the Company in order to generate greater liquidity and be in a position to effect a return of Shareholders funds. Anything less would have been irresponsible from the perspective of ensuring a maximum return of funds to Shareholders.

It is obviously a tenuous period that the Company is traversing, but it is critical that all Shareholders have confidence in the management course currently being adopted by the Directors

The Directors are committed to never compromising the position of the Shareholders in their effort to generate further liquidity for the Company. It is for this reason that the Directors encourage all Shareholders to attend the Extraordinary General Meeting of the Company on 30 July 2008.

Shareholders should be aware that the Company is comprised of a very talented and committed group of individuals, who in tandem with the Directors, are working diligently to secure the return of Shareholders' funds.

As always, the Company will remain in constant contact with all Shareholders to provide updates as to its efforts to generate a maximum return to all Shareholders.

Please contact our office anytime, should you wish to discuss this report or any matters concerning Oakland.

Regards,

Brook Monahan
Managing Director
Oakland Investments (Aus) Limited