OAKLAND
INVESTMENTS

Tuesday, 17 October 2006

Dear Shareholder,

RE: Oakland Investments (Aus) Limited (Oakland)
Company Report
July to September, 2006

Once again, I am excited to report to Shareholders the results of another successful quarter for Oakland. In addition to continuing to pay consistent returns this quarter, the last 90 days has seen other significant achievements for the Company.

Most notably, Oakland's Funds Under Management (FUM) has grown considerably, reaching a total of $15,246,000. This resulted in the largest quarter to date concerning gross funds lent and the addition of two new team members to the business.

Steve Bailey has been involved with Oakland via the Redwood Capital Group of companies for over two years and during this period, has added significant value to many aspects of the business. His success within the group to date has led to Steve's most recent appointment as Credit Manager and head of loans processing and feasibilities.

Blair Brown has recently joined the Company after spending the last 8 years in various mortgage lending and business development roles. Blair's involvement in Oakland, heading up Business Development Management, will ensure the continued success and growth of Oakland's extensive origination network.

These recent additions to the Oakland team will substantially strengthen the Company's ongoing commitment to credit, feasibility analysis and origination which are all vital components of the Oakland Investment Strategy.

I must also note that this quarter saw further development of key strategic alliances. The Oakland Directors have been nurturing relationships with key alliances for some time now and expect that these solid foundations will pave the way for sustained business growth over the coming six months. We look forward to reporting further on these developments at the close of the next quarter.

We are pleased to report that once again, Shareholders have received profit share distributions over and above their fixed coupon rate for the 5th successive quarter.

During this reporting period, Oakland was able to declare quarterly dividend returns to Shareholders for the period 1 July to 30 September 2006, consisting of:

2.42% for A Class Shareholders;

2.90% for B Class Shareholders; and

3.55% for C Class Shareholders.

As FUM continues to grow, along with average loan size, Oakland will be looking to diversify its average loan term. This will provide increased income certainty over time and reduce the transaction costs of doing business, given a reduced number of loans will be required to achieve the same utilisation rate.

Operations Review

It has been an exciting quarter as far as origination is concerned. We have seen a wide and varied number of proposals presented to Oakland and overall, they have been of relatively sound quality.

Again, the cyclical nature of this industry saw numerous deals presented early in the quarter, with a slowing over the later part of August and into early September. Despite this slow period and in line with the growth in FUM, this quarter was by far Oakland's largest quarter, in terms of gross funds lent.

I would like to acknowledge the work of David Handley (co-Director and Lending Manager) for the substantial advances in Oakland's relationships with existing broker alliances and the development of new alliances. Our commitment to excellence in our business, via the level of service delivered to prospective borrowers, is resulting in an attraction of higher quality deal proposals. All this is directly correlated to the increased amount of potential business that Oakland has seen this quarter.

There was also a noticeable increase in the percentage of first mortgage funds lent as a percentage of Oakland's loan book (see Table 1). As first mortgage loans are traditionally larger than second mortgage loans, the increase in FUM has enabled Oakland to increase the size of individual loans and secure a greater proportion of first mortgage loans.

While the increase in the percentage of first mortgage loans as a percentage of Oakland's entire loan book is a significant benefit to the Shareholder body as far as security is concerned, it does affect our income to a certain extent. Obviously Oakland is unable to charge the same premiums on first mortgage loans as it does on second mortgages loans. However, by managing to keep the utilization rate at over 85%, an exceptional result for the last two quarters, the effect this reduction in average premiums has had on the overall yield of the loan book is minimal. This is why Oakland has been able to declare another solid quarterly dividend return to Shareholders, while simultaneously increasing the overall security position of the loan book. An achievement the Directors are proud of.

The reduction in the average Loan to Value Ratio (LVR) this quarter was also a very pleasing result and once again, this added further strength to the overall security value of the Oakland loan book. This was one of the major objectives for the Directors this past 90 days. Even though Oakland started the quarter with a relatively low average LVR, our focus on offering tighter terms on some securities was reflected directly in this result.

Again, we have managed to maintain our average LVR well below that of our requirements under Oakland's Mortgage Indemnity Policy with Lloyds of London, and also lower than initial management expectations. While we will endeavour to maintain this figure as low as possible, we also need to remain commercial in our decisions within this business. In other words, the maintenance of such a low overall LVR may not be in the best interest of the yield of the loan book, relative to the risk being taken. This balance is the key to the success of this business and the Directors will endeavour to remain dedicated to finding the best point of origin from which to balance the yield versus risk equation.

Table 1 provides a summary and comparison of Oakland's loan portfolio statistics for the previous two quarters.

Table 1 – LENDING SUMMARY

Quarter	Utilisation Rate (Mortgage to Cash Ratio)	Ratio 1st to 2nd Mortgages	Average Loan Size	Average Loan to Value ratio
April - June 2006	87.16%	55.71% First Mortgages	$582,460.12	65.17%
July – September 2006	87.36%	80% First Mortgages	$724,883.20	62.06%

Table 2 - SUMMARY OF RETURNS SINCE INCEPTION

Period	A Class (%)	B Class (%)	C Class (%)
July to September 2005	2.54	N/A	3.78
October to December 2005	2.51	N/A	3.75
January to March 2006	2.57	N/A	3.89
April to June 2006	2.52	N/A	3.74
July to September 2006	2.42	2.90	3.55

* Please note there may be a slight variation in these figures to what has been reported in the past, due to the final audit been completed.
* Please note that past performance is not an indication of future performance.

As discussed in previous reports, we continue to manage a number of defaulting loans within our loan book. Our processes have improved considerably in this area, as arrears and default management is the most intensely managed aspect of our business. The Directors understand that excellence in this aspect of our business not only ensures that Oakland's security positions are never compromised, but it also provides for an opportunity to increase revenue for the Company, via default interest.

We do not expect to receive any capital loss whatsoever from any of the current defaults within the Oakland loan book, as in most cases they are simply outside of the terms of the loan as far as repayment dates are concerned. The value of the actual security for all current defaults remains sound and exit strategies for these loans have been clearly identified. We also continue to work closely with these borrowers and their professionals to ensure a satisfactory result is achieved in the shortest possible time frame.

Whilst no funds are ever advanced unless the loan is approved through our strict Investment Criteria Model by the Investment Committee, some loans will still fall outside of their terms. The nature of the lending Oakland provides over shorter than conventional time frames, means that borrowers often have limited time in which to repay their facility to Oakland. As a result, it is not uncommon for a number of loans to be in "technical default" at any one point in time. However, in most cases, the borrowers are often less than one or two months late in repaying their advance and hence, these loans are not considered a serious default, or a threat to loss of capital. As these borrowers enter terms outside their agreement, a higher rate of interest applies, which is added to their outstanding balance. This can be and is a source of increased income for Oakland.

In summary, this quarter has seen some exciting advances in many aspects of Oakland's business. While the results over the last quarter have been pleasing for the Directors, we also understand there is much to do before the end of this calendar year.

Please note that all distributions on a quarterly basis, if payable, from the Company to its Shareholders, are set aside to occur by the 15th of the month following the end of the quarter. In many of the previous quarters, Oakland has paid distributions early in the month following the quarter end. However, this will not always be the case and I want to emphasise that distributions when payable, may not occur until the 15th of the following month, as outlined on page 24 of the Prospectus. I hope this clarifies things for the few Shareholders who called the office concerned about why their distributions had not been paid by the 7th.

I look forward to reporting to you again in early January and I wish you and your families and a very safe and enjoyable Christmas. In the meantime, please call the office should you have any questions.

Regards,

Brook Monahan
Managing Director
Oakland Investments (Aus) Limited