



16 April 2008

Dear Shareholder,

**RE: Oakland Investments (Aus) Limited (Oakland)
Company Report
January to March 2008**

At the outset, I have to advise that this has been the most rigorous financial quarter in which Oakland has operated. Yet despite this, we have again been able to declare quarterly returns to Shareholders for an eleventh successive quarter.

The Directors believe this is an outstanding effort in the current economic climate and state of play within the short term bridging finance industry. As a company, we are proud to say that Oakland continues to remain in a sound financial condition, which is a testament to its maturity, diligence, strengthening of its internal lending guidelines and efficiencies of operations.

Whilst we are experiencing a delay in having certain loans repaid due to the inability of some borrowers to arrange alternate financing as a consequence of a number of operators departing the industry and a general tightening of credit (which in the past has not been an issue), the important fact for Shareholders remains that all these loans are adequately secured. Additionally, Shareholders should remain cognisant that all loans, in addition to being adequately secured, have the benefit of the 100% Loan Capital Insurance from Lloyds of London.

There may be a continuing delay in having certain current loans repaid as a consequence of the state of play within property, financial and credit markets; however the Directors remain focused on ensuring that Shareholder's capital continues to remain secure. This has always been and will continue to be, the first priority for the Directors.

In light of recent market events, it cannot be overstated how significant it is that Oakland was able to pay an eleventh successive quarterly distribution to Shareholders. The Directors believe this to be an outstanding effort. Additionally, the coupon rate interest declaration by Oakland is again well above the industry standard, which is of particular importance when compared to many of our peers that have exited (forced or otherwise) the market in recent times.

So how has Oakland achieved such consistency despite external pressures on the business? A commitment to the improvement of key business processes, systems and relationships; coupled with humility and a grounded approach to longevity. Technically speaking, the healthy buffer Oakland had accumulated on its Balance Sheet also enabled full returns to be paid to Shareholders despite a quarter of below average income.

During this reporting period, Oakland was able to declare quarterly returns to Shareholders for the period 1 January to 31 March 2008, consisting of:

| Class | % Coupon rate for quarter |
|----------|---------------------------|
| A Class | 2.238% |
| B Class | 2.611% |
| C1 Class | 3.108% |

During the past 12 months from 1 April 2007 to 31 March 2008, Oakland declared the following returns to Shareholders;

| Class | % Coupon rate for calendar year |
|----------|---------------------------------|
| A Class | 9.146% |
| B Class | 10.728% |
| C1 Class | 12.839% |



Lending Review

Please see the current summary of the key Oakland Loan Book statistics below, as compared to the previous quarter.

Table 1 – 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% |

Table 2 – Lending Summary Oct - Dec 2007

| Utilisation Rate (Mortgage to Cash Ratio) | Utilisation Rate Westpac facility | Ratio 1 st to 2 nd Mortgages | Average Loan Size | Average Loan to Value Ratio |
|---|-----------------------------------|--|-------------------|-----------------------------|
| 65.53% | 30% | 90% First Mortgages | \$1,008,043 | 67.14% |

As you may be well aware, it has been a tumultuous time in the Australian and world financial markets since we last completed a quarterly review. In terms of direct business impact, we have been relatively unscathed, however there does seem to have been some effect in regards to the quality of proposals and hence the success rate from enquiry to settlement.

Reflecting on the quarter we have just experienced, there is no doubt it was the toughest quarter in terms of deals settled, that Oakland has witnessed since its inception in 2005. This is not a reflection of a lack of funding proposals being presented; in fact, we received more loan proposals in the last quarter than any other previous quarter. It is more a reflection of a number of issues that seem to be affecting the mortgage market in general. With a success rate from proposal to settlement of a little over 2%, quality deals were quite frankly hard to come by.

There are a number of reasons for such a result, mainly:

1. We have again tightened our credit requirements and have been stricter than ever in regards to the proposals we will actually advance money to;
2. The quality of the deals presented is extremely low; and
3. Available exit strategies for potential borrowers have diminished significantly with the withdrawal from the market of several of the major mortgage finance providers that would once have supplied exit strategies to our borrowers and hence bolstered their application.

Overall, point 3 has probably had the greatest effect. With several large and well known mortgage loan providers exiting the market, such as Bluestone, Allco, City Pacific and MFS, the sourcing of exit strategies has proved difficult for borrowers looking to source bridging facilities from Oakland whilst they formalise their longer term finance arrangements. As our credit policies require proof of an exit strategy sufficient to re-pay the funds borrowed from Oakland by the borrower, failure to provide such proof by the borrower has resulted in Oakland being reluctant to advance the funds, given we have no way of knowing how the borrower plans to re-pay any funds advanced by Oakland. This is regardless of the quality of the asset being advanced against.



Default Management Report

As at the 31st March 2008, Oakland was managing 9 defaulting loans totalling just over \$15,500,000. This figure continues to remain fluid with loans being added and re-paid within each quarter.

Over the last quarter, close to \$1,000,000 was recovered from 3 defaulting loans. Adding to this figure however was the exchange of 3 further unconditional contracts for over \$3,000,000 in defaulting loans, all of which are expected to settle in the early part of this quarter. Traditionally, the first quarter of the year is the most challenging in regards to recoveries as the financial world does not really 'kick' into gear until February, coupled this year with an early Easter.

Again, we are pleased with the impact we are having on the defaulting loans currently on our books and expect that by the time we write this report next quarter, we will have reduced the amount of defaulting loans outstanding, by more than 50%. It is important to note that at least one of the loans recovered in the last quarter had been in default for over 12 months, with principal recovered in full, in addition to all accrued default interest and fees – a very pleasing result.

Recoveries, as we have mentioned before, is a vital part of our business. It requires excellent relationships with industry professionals, as well as committed in-house personal. Time is the vital factor in regards to recovering defaulting loans as there are always 'quick' options, however these are often to the detriment of the amount of principal and interest received. As a result, the time it takes for a certain strategy to achieve the required result may be longer than first anticipated. However, the preservation of capital and the maximization of income are continually measured against the time taken to recover a loan. Rushed recovery may get results quickly, but at a definite cost.

Again, there remain two loans at present for which we believe there is a potential for capital loss. Of the two loans, one may not result in a loss should the sale of the remaining properties reach the expected market potential. Unfortunately, on the second loan we have had to resort to the borrowers guarantees to recover the remainder of the funds owing.

As yet, we have not had to make any claims on our Lloyds of London Loan Capital Insurance Policy. In the instance that either of the two loans above do not recover 100% of principal and recovery costs, Oakland will not hesitate in activating this Policy. It is a Policy that we do not expect to have to call on very often, however, as a business, we have paid substantial contributions towards this Policy over the last 3 years and continues to act as an excellent 'backstop' of last resort should we ever require it. This in itself should add considerable piece of mind for our Shareholder body.

Summary and Future Outlook

With the tightening of credit conditions in full swing during the last quarter, global financial markets experienced significant volatility and upheaval. Of most important note to Oakland was the rapidly increasing difficulty that current borrowers experienced in attempting to access further credit options for refinance.

So how will this impact Oakland in the next quarter and beyond? At this stage, we do not envisage any further significant impacts on our current defaulting loans and although there may be some loans that take longer than initially expected to recover in full, the Directors are confident that they will sufficiently work through the current time issues associated with successful recovery, to achieve sound results on all defaulting loans over the next 6 months.

In relation to new loan proposals, declining loan quality is likely to continue into this next quarter, however the Directors are confident of counteracting this dilemma to a certain degree via Oakland's consistent and proactive presence in the marketplace. With less competitors than any other time



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in the last three years, volume of loan proposals is not, and will not be an issue moving forward. Patience and diligence in regards to the quality of successful proposals approved is critical and the Directors are committed to never compromising such.

So in summary, it has been a successful quarter in many respects for Oakland, particularly in relation to the Company's ability to pay full coupon returns despite external market pressures and events. As the Managing Director, I feel blessed to work with such a committed, talented and persistent group of individuals and while they certainly make my life easier, they most importantly provide peace of mind to our Shareholder body.

We will continue to do whatever it takes to remain successful in all market environments and as always, we will remain open and transparent in our communication with Shareholders.

Please contact myself personally or our Investor Relations Officer Jonathan Drury for a chat anytime, should you wish to discuss this report or any matters concerning Oakland.

I look forward to reporting positively again next quarter.

Regards,

Brook Monahan
Managing Director
Oakland Investments (Aus) Limited