

ASX Announcement

March 12, 2008

City Pacific Limited (ASX: CIY) and City Pacific First Mortgage Fund

The Directors of City Pacific Limited make the following clarification on a number of issues.

City Pacific is the responsible entity and manager of the City Pacific First Mortgage Fund (FMF) a registered managed investment scheme with approximately \$1.15 billion in gross assets under management.

The operations and assets of City Pacific and the FMF are separate.

FMF investor funds are not able to be used by City Pacific to operate its business.

FMF investor funds are held by an independent custodian, the Public Trustee of Queensland, and **invested in cash and loans secured by registered first mortgages over real property** in Australia on behalf of both institutional and retail investors.

City Pacific Limited

Banking Facilities and cash management

City Pacific has a \$100 million corporate banking facility which includes \$14.7 million in bank guarantees. This is an ongoing facility subject to annual review each October.

The purpose of this facility is to provide City Pacific with working capital and to enable it to make various investments in projects such as Gainsborough Greens and Grande Pacific.

This facility has no market capitalisation or share price covenants that would trigger repayment.

At 31 December 2007, City Pacific's gearing was at 29.5% of gross assets of \$449.5 million of which approximately \$100 million is expected to be realised in the normal course of business by 30 June 2008 primarily through the return of investments and repayment of loans by borrowers.

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Share price

City Pacific's share price has reacted to market influences as have the shares of many other financial services companies.

City Pacific has had the additional burden of having its financing arrangements widely misreported and misinterpreted.

The fall in the City Pacific share price has contributed to a reduced confidence of a number of investors in the FMF.

The volatility of the share price of City Pacific has no effect on the value of the assets or operations of the FMF.

Margin loans

Chief Executive Phil Sullivan had a margin loan which represented less than 5% of his holdings. The majority of this loan has been repaid with the balance of the loan secured by real property.

No Director or member of the executive management team has a margin loan secured against City Pacific shares.

Half Year Accounts

At the time of the release of City Pacific's half year results on 21 February 2008 the auditors were still in the process of their review as clearly advised in documentation lodged with the ASX (Appendix 4D).

City Pacific announced its half year profit results on 21 February 2008. At that date the profit had been agreed with the auditors.

The final reviewed accounts lodged on 29 February 2008, did not result in a change in the net profit, total assets or liabilities. The only amendments were first, a reclassification of certain assets and liability items from non-current to current in the balance sheet and secondly, a reclassification of certain items between operating, investing and financing activities in the statement of cash flows.

City Pacific First Mortgage Fund

Bank Facility

The existing banking facility of the FMF is \$240 million, the repayment of which by 31 May 2008 is aligned to the current cash flows of the FMF.

As historically 80% of the loan book is turned over annually the FMF has the ability to repay the facility through its normal operating cash flows.

As previously indicated substantial repayments from borrowers are expected in the first half of this year.

Redemptions

The FMF has historically paid redemptions within two business days of a valid redemption request, although the Product Disclosure Statement and the Constitution of the FMF allows up to 180 days to pay redemptions.

Following a substantial increase in redemptions the FMF has deferred payment of redemptions for up to 180 days to ensure the value of the assets in the FMF are preserved. All distributions will continue to be paid to investors during the deferred redemption period.

The Directors believe it is in the best interests of all investors to preserve the value of the FMF assets by completing projects in the ordinary course of business.

The FMF will not take investments from retail investors during this time.

Loan repayments from First Mortgage Fund Borrowers

City Pacific has successfully managed the loan book of the FMF for over 10 years ensuring any past due loans are closely monitored and collected with no capital loss to the FMF.

The FMF loan book currently has 96.2% of loans to borrowers performing in accordance with loan agreements. Past due loans represent 3.8% of loans to borrowers and action has been taken to ensure the FMF will recover those loans in full.

Historically 80% of the loan book is turned over each year and has done so for the past 5 years.

Therefore the Directors are confident that investor funds in the FMF are fully secured and there will be no capital loss for investors.

City Pacific is committed to and will continue to communicate directly with its investors and shareholders to keep them updated and to ensure information received is accurate.

CITY PACIFIC LIMITED

Phil Sullivan
Managing Director & CEO