

IMPORTANT NOTICE – PLEASE READ IMMEDIATELY

3 March 2008

Dear Investor,

**CITY PACIFIC FIRST MORTGAGE FUND (FIRST MORTGAGE FUND/FUND)**

Amidst recession fears in the USA and difficult local market conditions which have caused havoc in the banking and financial services sectors there has been a substantial increase in the level of redemptions by our investors in the First Mortgage Fund.

As a result of this substantial increase in redemption requests, the Directors of City Pacific Limited, the responsible entity for the First Mortgage Fund, have resolved to defer the payment of redemptions from the Fund for up to 180 days, in accordance with the terms of the Fund's Constitution and Product Disclosure Statement (PDS).

Investors may continue to lodge valid redemption requests and once the deferred payment of redemptions resumes City Pacific will process these requests. **The operations of the First Mortgage Fund will continue as normal in all other respects, including the payment of distributions to all investors. Those investors who lodge a valid redemption request will continue to be paid distributions until their units in the Fund are redeemed.**

City Pacific has made every effort to reassure our investors, who include the Directors and staff of City Pacific and our priority remains to preserve the quality and value of the assets in the First Mortgage Fund.

We are confident of meeting all redemptions. In taking this action the Directors have sought to protect all investors including those in term investments which constitute about eighty percent in value of investments.

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**The Directors believe it is in the best interests of all investors to preserve the value of the Fund by completing projects in the ordinary course of the Fund's operations. This can only be achieved through deferring the payment of redemptions and to allow for the orderly accumulation of cash in the Fund to meet all valid redemption requests.**

The First Mortgage Fund has more than \$1.1 billion in assets under management invested in cash and first mortgages over real property in Australia. The Fund focuses on quality developments in high growth areas within the leisure and lifestyle sector of the Australian property market and all loans are expected to be repaid in full in the normal course of the Fund's operations.

The assets of the First Mortgage Fund are held separate to those of City Pacific Limited by the Public Trustee of Queensland.

A supplementary PDS has been issued for the First Mortgage Fund to reflect today's decision of the responsible entity to defer payment of redemptions. A copy of the supplementary PDS is enclosed.

Recent investors are reminded that a 14 day cooling off period applies to all new investments. The cooling off period commences on the earlier of; the end of the fifth day after their investment is processed or when you received confirmation of your investment. The cooling off period does not apply to the reinvestment of Distributions. Please refer to section 2.8 of the PDS for more information.

The Directors and a number of City Pacific staff remain substantial shareholders in City Pacific Limited and investors in the First Mortgage Fund.

We will continue to keep you informed about the First Mortgage Fund and we ask that you contact our Client Relations Team on 13 47 69 should you have any questions.

**CITY PACIFIC LIMITED**

A handwritten signature in black ink, appearing to read 'Phil Sullivan', followed by a horizontal line extending to the right.

Phil Sullivan  
**Managing Director & CEO**

**SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT**  
**City Pacific First Mortgage Fund ARSN 088 139 477**  
City Pacific Limited ACN 079 453 955, AFSL No. 2300025

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This Supplementary Product Disclosure Statement (**SPDS**) is dated 3 March 2008 and is supplementary to the Product Disclosure Statement dated 1 December 2007 (**PDS**) issued by City Pacific Limited (**City Pacific**) for the City Pacific First Mortgage Fund (Fund).

This SPDS must be read in conjunction with the PDS and terms defined in the PDS have the same meaning where used in this SPDS. The information below supplements and amends information presently contained in the PDS.

**IMPORTANT INFORMATION**

Due to the current economic environment and recent media commentary concerning City Pacific and the Fund, the Fund has experienced significant applications for redemptions over a very short period of time.

The PDS at pages 5 and 11 states that whilst the Fund has historically paid valid redemption requests within two business days, the constitution of the Fund allows City Pacific up to 180 days (and in certain circumstances a further 180 days – refer page 28 of the PDS) to pay valid redemption requests.

**This SPDS is to advise Investors and potential Investors that the Board of City Pacific has resolved to pay valid redemption requests within a period of up to 180 days.**

The Fund continues to undertake its investment activities in accordance with the disclosure in the PDS and will continue to pay Distributions to Investors. Any Investor who lodges a valid redemption request will until their units in the Fund are redeemed continue to receive their Distributions.

The Fund currently has one debt facility with a major bank. This facility is \$240 million and is currently fully drawn. The bank has agreed the obligations under the facility will be repaid as follows; end of March 2008 - \$90 million; end of April 2008 - \$50 million and end of May 2008 - \$100 million.

The directors and management of City Pacific are of the view that the Fund will not suffer a loss on any of the First Mortgage investments and the processing and payment of redemptions within a period of up to 180 days is temporary whilst the cash reserves of the Fund are increased.

The directors of City Pacific have authorised the issue of this SPDS.