

FUND PORTFOLIO ANALYSIS AND FINANCIAL INFORMATION – 29 JULY 2008

IMPORTANT NOTICE: On 6 March 2008 the Board of City Pacific decided to withdraw the Product Disclosure Statement (PDS) for the City Pacific Income Fund (the Fund) and for a period cease accepting applications from retail investors. Accordingly, any application for investment in the Fund received by City Pacific via the PDS from a retail investor will be returned. Only new or additional applications from wholesale or sophisticated investors will be accepted.

Investment Objective

The Fund is designed to provide investors with regular income from a selected pool of stable interest investments such as bank bills and direct or indirect investments in loans secured by registered first mortgages over real property. Loans provided by the Fund are for the purpose of providing funding to a range of commercial borrowers generally seeking finance for a short period - normally between 12 to 24 months.

City Pacific strategically selects projects to finance typically in geographic locations where the property market is supported by strong population growth or opportunities exist which take advantage of new benchmark leisure and lifestyle developments.

The Fund provides you with the opportunity to invest directly or indirectly in a portfolio of registered First Mortgages over real property located in Australia with a focus on the leisure and lifestyle sector of the market and stable interest investments with a Standard and Poor's credit rating of at least A or A-3.

City Pacific

The Fund is managed by City Pacific Limited (City Pacific), a public company listed on the Australian Securities Exchange (ASX code: CIY). City Pacific Limited is a diversified financial services company, providing finance and investment products. City Pacific is the holder of Australian Financial Services licence No. 230025. City Pacific is one of Australia's largest non-bank loan providers with approximately \$5 billion in mortgage assets under advice, comprising over \$900 million funds under management in the City Pacific First Mortgage Fund, City Pacific Income Fund and City Pacific Private Fund, a residential loan book of \$3.38 billion and commercial mortgage assets under management of \$620 million. City Pacific has a wide distribution network offering finance ranging from property development and commercial property finance to home loans, plant and equipment finance, business finance and personal finance.

Economic Impact

As you may be aware, the sub-prime and credit crisis which emanated from the USA has had a far reaching impact on the global economy. Despite Australia's strong resources sector providing a partial shield against the full effect of this downturn the Australian economy and many Australians have felt the effect of this through rising interest rates, fuel prices and living costs.

The Income Fund invests in stable interest investments and indirectly in loans secured by registered first mortgages over real property via the City Pacific First Mortgage Fund (First Mortgage Fund).

The effect of the above issues on the Income Fund were initially felt when the Directors of City Pacific resolved to defer the payment of redemptions from the First Mortgage Fund for up to 180 days on 3 March 2008. As a result the Income Fund was not able to redeem its investments from the First Mortgage Fund and was also required to defer the payment of redemptions for up to 180 days.

On 28 July 2008 the Directors of City Pacific announced the further deferral of redemptions from the First Mortgage Fund for a period of up to 180 days, bringing the total deferral period to up to 360 days.

The Board sought legal advice on the impact that the further deferral by the First Mortgage Fund would have on the Income Fund. Consistent with the legal advice, the Board resolved that the Income Fund should be classified as a 'non-liquid' registered managed investment scheme. This resolution only affects how and when redemptions are paid and does not affect the solvency or day to day operations of the Income Fund.

What This Means for Investors

As a result of the Income Fund now being classified as a 'non-liquid' registered managed investment scheme, the Corporations Act sets out a different method that must be used when offering redemptions. The changed redemption process means that all redemption requests received to date are not able to be processed as investors are required to await an offer for redemption from the Income Fund.

The Board will consider the Income Fund's ability to make capital repayments or offer redemptions once the investments in the First Mortgage Fund can be realised.

City Pacific expects the Income Fund to continue paying distributions in accordance with the terms of the Constitution and the PDS.

Distribution rate

The Distribution Rate for the Fund for the quarter ending 30 September 2008 is 7.60% pa.

City Pacific determines the Distribution Rate at the beginning of each quarter (April, July, October and January). Notwithstanding that it has never done so, City Pacific may at any time on 30 days written notice to you make other adjustments to the Distribution Rate. Past performance is not a guide to future performance.

Fund Financial Information as at 31 May 2008

Fund Financial Position	
Total cash on deposit with banks	\$1,513,956
Investments in fixed interest securities	\$439,400
Investments in managed investment schemes – City Pacific First Mortgage Fund*	\$5,297,485
Interest receivable	\$9,765
Fees payable to City Pacific	\$13,237
Other liabilities	\$0
Distributions due to Unit holders	\$57,104
Units on issue (@ \$1.00 per Unit)	\$7,216,740

* Further information on the mortgage portfolio and financial position of the City Pacific First Mortgage Fund (CPFMF) is attached for your information.

This information has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision you should obtain and read the withdrawn Product Disclosure Statement (**PDS**) and Supplementary Product Disclosure Statement (**SPDS**) for the City Pacific Income Fund ARSN 118 373 890 and consider whether the investment is appropriate for you in light of your objectives, financial situation and needs, and if necessary consult an adviser. City Pacific Limited ACN 079 453 955, AFSL No. 230025 is the issuer of the City Pacific Income Fund PDS and SPDS. The PDS and SPDS are currently not available for retail investment purposes.

The City Pacific Income Fund analysis will be provided to investors free of charge on request by contacting City Pacific on 13 47 69 or 13 GROW.

FUND PORTFOLIO ANALYSIS AND FINANCIAL INFORMATION –28 JULY 2008

IMPORTANT NOTICE: On 6 March 2008 the Board of City Pacific decided to withdraw the Product Disclosure Statement (PDS) for the City Pacific First Mortgage Fund (the Fund) and for a period cease accepting applications from retail investors. Accordingly, any application for investment in the Fund received by City Pacific via the PDS from a retail investor will be returned. Only new or additional applications from wholesale or sophisticated investors will be accepted.

Investment Objective

The Fund is designed to provide investors with regular income from a pool of high yielding loans secured by registered first mortgages over real property and in certain circumstances collateral security. The loans provided by the Fund are for the purpose of providing funding to a range of commercial borrowers generally seeking finance for a short period - normally between 12 to 24 months.

City Pacific strategically selects projects to finance typically in geographic locations where the property market is supported by strong population growth or opportunities exist which take advantage of new benchmark leisure and lifestyle developments.

The Fund invests in a portfolio of registered First Mortgages over real property located in Australia with a focus on the leisure and lifestyle sector of the market.

City Pacific

The Fund is managed by City Pacific Limited (City Pacific), a public company listed on the Australian Securities Exchange (ASX code: CIY). City Pacific Limited is a diversified financial services company, providing finance and investment products. City Pacific is the holder of Australian Financial Services licence No. 230025. City Pacific is one of Australia's largest non-bank loan providers with approximately \$5 billion in mortgage assets under advice, comprising over \$900 million funds under management in the City Pacific First Mortgage Fund, City Pacific Income Fund and City Pacific Private Fund, a residential loan book of \$3.38 billion and commercial mortgage assets under management of \$620 million. City Pacific has a wide distribution network offering finance ranging from property development and commercial property finance to home loans, plant and equipment finance, business finance and personal finance.

Redemptions/Withdrawals

City Pacific as the responsible entity of the Fund has deferred the payment of redemption requests for a period of up to 360 days. This period is provided for under the Fund's constitution. The deferral period commenced on 3 March 2008 and applies for up to 360 days (i.e. up to 26 February 2009).

The deferred payment of redemptions will allow City Pacific appropriate time to ensure the value of the investments of the Fund are preserved and existing projects funded by the Fund are completed.

As at 30 June 2008 City Pacific has received redemption requests for approximately \$410 million of investor's funds. This represents 46% of total investor's funds.

Future of the City Pacific First Mortgage Fund

The directors of City Pacific believe that factors including the current market volatility, adverse media comment, the tightening of available credit and the collapse of a number of financial sector participants are responsible for the significant level of redemption requests that were received from investors in the Fund in March 2008. These factors are beyond the control of City Pacific and its directors. The future long term viability of the Fund and investors investments are the current focus of City Pacific's efforts. To date the directors consider the future viability of the Fund as an investment opportunity will be dependent on:

- a) the performance of the current investments;
- b) City Pacific's ability at the appropriate time to facilitate the redemption of all investors seeking to exit the Fund; and
- c) the willingness of investors in the future to invest in or remain invested in the Fund.

The Fund is a continuous disclosing entity under the Corporations Act. City Pacific will continue to keep investors advised of material developments affecting the Fund by the lodging of continuous disclosure notices with ASIC and posting copies of those notices on the City Pacific website.

City Pacific are currently considering a range of options for investors wishing to redeem, including the possibility of offering shares in City Pacific in exchange for their units in the Fund ("possible share offer"). The possible share offer and a number of other options are currently being considered by City Pacific and its advisers. A detailed explanation of the chosen option will be provided to investors when the final terms of the offer have been confirmed. It is expected that whichever option is presented to investors it will be open to all investors regardless of their investment term (eg. it is expected that investors who are in a fixed term investment or who have chosen to roll over their investment will also be able to consider and accept/reject the offer). Any offer to investors will be conducted in accordance with all regulatory requirements.

Rollover of investments

Existing fixed term investors remain invested in the Fund until their current investment term expires. The Fund's constitution provides that if a fixed term investor does not provide City Pacific with a valid redemption request before the end of their current fixed investment term, the investor's investment will be automatically reinvested for the same investment term at the then current distribution rate.

In deciding whether to rollover their investment in the Fund, investors should:

- a) review the most recent product disclosure statement dated 1 December 2007 (a copy of which is available on request from City Pacific by calling 13 47 69), in particular the risks associated with an investment in the Fund in section 4 of the PDS. Retail investors cannot use the most recent PDS for the purpose of a new investment in the Fund;
- b) obtain appropriate advice from a licensed financial adviser;
- c) understand that the payment of redemptions from the Fund are currently deferred for up to 360 days. Where an investor rolls over their existing investment into a new fixed term, they may not be eligible to have their investment considered for redemption until the expiry of their new fixed investment term plus any deferral period that is in place at the time;
- d) understand that as at 30 June 2008 City Pacific has received redemption requests for approximately \$410 million of investor's funds. This represents 46% of total investor's funds; and
- e) understand that the Fund has a finance facility with a major bank which is currently required to be repaid by 31 July 2008 and City Pacific is negotiating an extension to the repayment date. The finance facility is secured by a fixed and floating charge over the assets of the Fund and your rights to the income and the assets of the Fund are secondary to the rights of the bank. The facility has been reduced from \$240 million to \$130 million through usual business operations.

Premium investors can lodge a redemption request with City Pacific at any time. City Pacific expects the Fund to continue paying distributions to all investors including those investors who has lodged a valid redemption request and whose units in the Fund have not been redeemed.

Distribution rates

The Distribution Rates detailed below are current to 30 September 2008:

Term	Distribution Rate	Redemptions
24 month fixed term	9.95% p.a.	
12 month fixed term	9.70% p.a.	As a fixed term Investor, you are only entitled to have your investment redeemed at the end of your specific investment term.
180 days fixed term	9.10% p.a.	
90 days fixed term	8.60% p.a.	
Premium Investment	8.20% p.a.	Apply to redeem at any time.

City Pacific determines the Distribution Rates at the beginning of each quarter (April, July, October and January). City Pacific may at any time on 30 days written notice to you make other adjustments to the Distribution Rates. Past performance is not a guide to future performance.

City Pacific First Mortgage Fund financial information as at 31 May 2008

Fund Financial Position	
Total cash on deposit with banks	\$6,140,763
Interest receivable from borrowers	\$44,849,495
Other current assets	\$1,956,116
Total Loans secured by registered First Mortgage	\$1,018,840,529
Interest bearing liabilities	\$179,700,000
Fees payable to City Pacific	\$3,171,445
Distributions due to Unit holders	\$9,206,328
Units on issue (@ \$1.00 per Unit)	879,709,130
Mortgage portfolio by property security type	
Residential	20.94%
Commercial	2.98%
Land	25.53%
Mixed Commercial Development	0.56%
Residential Development	35.96%
Mixed Residential & Commercial Development	2.54%
Land Subdivision	11.49%
Rural	Nil

Geographic Spread	
Queensland	60.24%
New South Wales	5.52%
Victoria	34.24%

Percentage of the Fund lent to the top five borrowers or borrower groups	
Borrower one: 6 Loans totalling \$171 million or	16.77%
Borrower two: 4 Loans totalling \$112 million or	11.00%
Borrower three: 2 Loans totalling \$102 million or	9.97%
Borrower four: 4 Loans totalling \$81 million or	8.00%
Borrower five: 4 Loans totalling \$77 million or	7.52%

Mortgage Maturity	No. of Loans	\$
• within 3 months	33	\$511,317,942
• 3 months to 12 months	28	\$506,502,589
• more than 12 months	2	\$201,533

Loan Portfolio Analysis	
Total number of Loans secured by registered First Mortgage	63
Total number of borrowers	63
Total number of borrower groups	37
Average LVR (Loan to valuation ratio excluding GST attributable to the value of the security property)	77.08%
Largest single Loan as a % of total Loans	8.82%
Average Loan amount	\$16,172,072
Number of borrowers who have borrowed more than 5% of total Loans secured by registered First Mortgage	5
Percentage of Loan portfolio where interest payments are capitalised based on the amount of the Loan (Note: The Fund generally provides construction and development Loans with terms of 12 to 24 months and the interest is paid on repayment of the Loan)	85.09%

City Pacific First Mortgage Fund financial information as at 31 May 2008 (cont)

Interest rates payable on Loans (in groups of not more than 0.5%)		
Interest rates %	\$	Number of Loans
9.00 - 9.49	3,427,159	4
9.50 - 9.99	Nil	Nil
10.00 - 10.49	201,533	2
10.50 - 10.99	Nil	Nil
11.00 - 11.49	Nil	Nil
11.50 - 11.99	Nil	Nil
12.00 - 12.49	11,603,018	1
12.50 - 12.99	284,854,152	13
13.00 - 13.49	718,754,667	43

Fixed/variable Loan interest rate split	
Fixed	Nil
Variable	\$1,018,840,529

Status of Loans

Loans classified as being in technical default with interest in arrears at 31 May 2008:

	Principal	Interest in arrears	Number of Loans
90 days and over	\$84,006,716	\$2,497,958	5

Undrawn Loan commitments at 31 May 2008

Anticipated progress draws over 8 months from 31 May 2008, being the difference between the total of the Loan facility commitments and total Loans drawn: \$79,588,000.

Finance Facility

The constitution of the Fund allows City Pacific Limited as the responsible entity of the Fund, to borrow funds on behalf of the Fund. City Pacific has a finance facility for the Fund with a major bank which is currently required to be repaid by 31 July 2008 and City Pacific is negotiating an extension to the repayment date. The finance arrangement is secured by a fixed and floating charge over the assets of the Fund and your rights to the income and the assets of the Fund are secondary to the rights of the bank. The facility had been reduced from \$240 million to \$130 million through usual business operations.

Co-lending arrangements

On 18 March 2008, City Pacific announced it had entered into a \$100 million co-lending agreement with Fortress Credit Corporation (Australian) II Pty Ltd (Fortress). The agreement provides that Fortress will co-lend approximately \$100 million with the Fund in a range of first mortgages currently held by the Fund.

The co-lending arrangement allowed the release of up to \$100 million back to the Fund along with a reduction of the Fund's investment in those mortgages, which was used to continue the investment objectives of the Fund. The co-lending agreement provides Fortress with priority ahead of the Fund for the repayment of its principal in a manner similar to the existing bank facility referred to above under the heading 'Finance Facility'.

City Pacific may enter into other co-lending arrangements where it considers it is in the best interests of investors. Any new arrangements will be advised to investors.

Related Party Interests and Borrowings

Directors (or their associates) have a beneficial interest in shares in City Pacific.

Directors receive directors' fees for carrying out their duties as directors of City Pacific.

Related parties of City Pacific may have investments in the Fund from time to time. Where this occurs those investments will be acquired and dealt with on the same terms as any other Investor in the Fund.

Related parties of City Pacific may borrow monies from the Fund from time to time. Where this occurs the terms of the Loan and any fees will be on an arms length commercial basis, in line with other unrelated parties.

As at 31 May 2008, the Fund has advanced the following Loan funds to related parties of City Pacific.

	Loan Balance at 31 May 2008	Approved Facility	Interest rate	Percentage of total Loan portfolio
Marina Cove Pty Ltd	76,642,580	82,161,333	13.00%	7.52%
Lake Views Estates Pty Ltd	53,563,448	54,900,000	13.00%	5.26%
MP Pacific Investments Pty Ltd	15,600,000	15,600,000	13.00%	1.53%
Grande Pacific Operations Pty Ltd	24,365,537 45,332,284	24,800,000 62,200,000	12.50% 13.00%	6.84%
Sunrise Waters Pty Ltd	23,569,295	23,600,000	13.00%	2.31%
SP Marina Pty Ltd	11,760,000	11,760,000	13.00%	1.15%
Total	250,833,144	275,021,333		24.61%

Marina Cove Pty Ltd is 100% owned by CP1 Limited, and Lake Views Estates Pty Ltd and MP Investments Pacific Pty Ltd are 50% owned by CP1 Limited. CP1 Limited is a public company listed on the Australian Securities Exchange. City Pacific held 30.6% of CP1 Limited as at 31 May 2008.

Grande Pacific Operations Pty Ltd, Sunrise Waters Pty Ltd and SP Marina Pty Ltd are 50% owned by City Pacific.

In some instances where the Fund holds the registered First Mortgage, City Pacific may (as second mortgagee) lend additional funds. In all instances including where it may be necessary to realise security property, the Fund has first priority. City Pacific ensures it meets its statutory obligations to place the interests of Investors in priority to its own interests or the interests of its shareholders. This priority has been confirmed by way of a specific contractual arrangement between City Pacific and the Fund.

This information has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision you should obtain and read the withdrawn Product Disclosure Statement (**PDS**) and Supplementary Product Disclosure Statement (**SPDS**) for the City Pacific First Mortgage Fund ARSN 088 139 477 and consider whether the investment is appropriate for you in light of your objectives, financial situation and needs, and if necessary consult an adviser. City Pacific Limited ACN 079 453 955, AFSL No. 230025 is the issuer of the City Pacific First Mortgage Fund PDS and SPDS. The PDS and SPDS are currently not available for retail investment purposes. The City Pacific First Mortgage Fund analysis will be provided to investors free of charge on request by contacting City Pacific on 13 47 69 or 13 GROW.