

ASX / MEDIA RELEASE

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CITY PACIFIC/ MFS MERGER PROPOSAL

City Pacific Limited (CIY) advises that following discussions with MFS Limited (MFS) it has made a conditional proposal to the board of MFS to acquire MFS's business excluding the Stella Tourism Group.

The board of MFS has advised that it will evaluate the proposal as it agrees with CIY that a merger of the two financial services businesses will produce substantial synergies and revenue enhancement opportunities.

The proposed transaction is subject to the completion of satisfactory mutual due diligence, final approval of the boards and shareholders and certain rulings and clearances including rulings from the Australian Taxation Office.

The parties will seek to undertake due diligence over the next few weeks and agree on the most appropriate manner to implement the transaction.

Subject to due diligence the proposed transaction would involve the issue of 225 million new CIY shares in consideration for the acquisition of MFS's financial services business. On the basis of each CIY share being valued at \$3.70 per share and on the assumption that the MFS financial services business will hold ongoing net debt of approximately \$500 million the transaction has an enterprise value of approximately \$1.33 billion. This consideration is based on the relativities of both company's confirmed FY08 guidance.

There will be significant benefits to both sets of shareholders that will result from the substantial cost synergies and revenue enhancement opportunities that the merger will create. It is proposed that the new shares would be distributed to MFS shareholders.

The merger proposal is complex but will be pursued expeditiously and the market will be kept informed of substantive developments as they occur.

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