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The Manager
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Sydney NSW 2000

City Pacific Limited (ASX: CIY)

City Pacific proposal to Investors in the City Pacific First Mortgage Fund

The Board of City Pacific is in the process of considering a number of restructuring proposals intended to generate liquidity for Investors in the City Pacific First Mortgage Fund (“FMF”) who may wish to redeem. The FMF continues to pay monthly and quarterly distributions to its Investors following the prudent decision by the Board in March of this year to defer the payment of redemptions for a period of up to 180 days.

The Board has instructed independent advisers to produce an independent experts report in order to determine which proposal provides the maximum benefit for both Investor and shareholders. The basis of each proposal is to ensure that both FMF investors and the City Pacific shareholders receive the utmost benefits in respect to their current position.

An indicative proposal involves an offer to Investors who wish to redeem all or part of their investment in the FMF in exchange for ordinary shares in City Pacific. This will provide the FMF Investors with liquidity and an ability to exit at will through the share market. Those Investors who wish to remain in the FMF may do so. The Board of City Pacific anticipates that the independent experts report will be provided before 30 June 2008.

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