

28 July 2008

## ASX / MEDIA RELEASE

### Ongoing market volatility drives extended redemption deferral for First Mortgage Fund

City Pacific Limited, responsible entity for the First Mortgage Fund, announced today that in order to protect the long-term interests of its investors and to effectively manage the Fund to preserve the value of its assets, it would defer redemptions from the Fund for up to an additional 180 days from August 30.

City Pacific said it expected scheduled monthly and quarterly distributions would continue to be paid to all investors.

Managing director and CEO, Mr Phil Sullivan, said the directors had deliberated at length ahead of making the decision in favour of a continued deferment, but the ongoing volatility in the global economy, the effect of the credit crisis on local markets and the cash position of the Fund, had forced the difficult, but prudent decision.

"It is in the best long-term interests of all investors that we take this action today," Mr Sullivan said.

He said the timing of repayments of loans to the Fund by borrowers had been impacted by the extraordinary economic conditions with a number of repayments being received later than scheduled.

"While we consider the underlying value and quality of the projects to which the loans have been made are strong and we remain confident repayments will be made, it is the timing of these repayments which, in the current market, is uncertain," he said.

"Notwithstanding the difficult economic climate and challenges facing the mortgage fund sector, the Fund received actual loan repayments of \$343 million during the six months ended 30 June 2008. These funds have been utilised to continue paying distributions to investors, to meet the Fund's obligations to its borrowers and to reduce the Fund's bank facility.

Mr Sullivan said the company had also reduced the Fund's bank facility from \$240 million to \$130 million adding that the Company was negotiating with the bank to extend the repayment date for the facility.

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Mr Sullivan said in addition to the continued payment of distributions, investors had the added security of registered first mortgages on every property in the Fund's loan portfolio.

"Another important part of our management of the Fund in these unpredictable times is that we continue to fund our existing borrowers to allow for the completion of their projects.

"It is important that we maintain our commitments to these projects in a business as usual manner to ensure the projects are completed and able to realise their full value," Mr Sullivan said.

He said the circumstances that led to the deferrals were a volatile mix of off-shore issues that had affected banking practices in Australia and which had impacted negatively on investor sentiment.

"Nevertheless, the fundamentals that underpin the Australian market remain strong and we remain confident in the long-term performance of the Fund," he said.

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