15 September 2008

The Manager
Company Announcements
ASX Company Announcements Office
Sydney NSW 2000

City Pacific Limited (ASX: CIY)

City Pacific First Mortgage Fund (Fund) clarification to media commentary

In response to media commentary on Friday 12 September 2008 in the Sydney Morning Herald and The Age regarding the City Pacific First Mortgage Fund's exposure to the Raptis Group, City Pacific advises that the Fund has no direct loans to the Raptis Group or any of its wholly owned subsidiaries.

The Fund has a loan of $11.76 million to SP Marina Pty Ltd, a joint venture company formed between City Pacific Limited and the Raptis Group. The obligations of each of the joint venture parties are as follows:

1. City Pacific Limited: procure funding for the acquisition of the project; and

2. Raptis Group: apply for relevant development approvals and provide development expertise for the project.

The funds advanced to SP Marina were applied towards the acquisition of Mariner's Cove, Main Beach and are secured by a registered first mortgage. The Fund is satisfied with the level of security held with regard to this facility.

The Fund has on one occasion provided the Raptis Group with a finance facility. That facility was provided in respect to the Iluka property located in Surfers Paradise and was repaid in full in December 2007.

City Pacific Limited

James Finucan
Company Secretary