



Indigo Pacific Capital Limited
ACN 108 019 263

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Dear Shareholder,

GPO Box 2456
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Indigo Pacific Capital is a unique funds management company which offers shareholders exposure to elite investment opportunities in the property development sector.

National Phone Number
13 47 69

To date Indigo Pacific has invested in 7 projects across the gamut of residential, retail, commercial, residential, subdivision and marina style developments. It is this ability to secure investments across property types that is one of the main strengths of your company.

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Indigo Pacific's association with private developer Indigo Group means it has access to a wide cross section of property developments, allowing your company to cherry-pick the best investments and take advantage of cyclical strengths. The alliance with Indigo Group gives Indigo Pacific access to market intelligence "smarts" and means your company is able to identify upward movements and geographical opportunities at the start of cycles.

For example, the Brisbane commercial market is undergoing a boom time, with less than 3 percent vacancy in the tightly held inner CBD, representing one of the strongest commercial property markets in Australia. At this critical point, Indigo Pacific has been able to move quickly to secure an investment in North Bank Plaza, a 26,000 square metres commercial refurbishment of the former Brisbane City Council building in the heart of the city.

Indigo Pacific's investments are also broadly spread geographically, from Palm Cove in Far North Queensland to Martha Cove, one hour from the Victorian capital of Melbourne. This geographical spread is another part of the company's key investment strategy to manage risk and return through diversification.

Indigo Pacific Capital is an extremely low cost company. There is very little creep of cost in our business, with income tax taking up the lion's share of expenses. In our first year, Indigo Pacific's operational expenses were \$250,000 but the company returned net profit after tax of \$10.2 million.

Investments by Indigo Pacific range in size and structure from a few million dollars through to its largest investment of \$18 million. The time frame of investments can range from a few months to a few years, with a large portion of investments set within a two year cycle. As such, Indigo Pacific's revenue flow does not neatly fit within the constraints of an annual financial year.

Last financial year in its first full year of operation, Indigo Pacific returned a hefty net profit after tax of \$10.2 million and paid an unheralded maiden dividend of 5 cents fully franked per share.

This year Indigo Pacific is expecting to make a net profit after tax of about \$4 million or within the two year cycle of your company's investments, about \$14 million NPAT over two years. The result is indicative of the nature of the company's investments which mature in different stages and is also partly a

result of the adjustments resulting out of the recently introduced Australian Equivalents to International Financial Reporting Standards, which is a once-off change in accounting standards. As Indigo Pacific evolves through further fund diversification, the volatility in earnings is expected to diminish.

Indigo Pacific is set to pay a dividend of 9 cents fully franked a share for this financial year and is also forecasting a dividend growth of 20 percent per annum over the next two years. The 9 cents dividend will be made of up two half year payments with a first half of 4 cents to be paid in May and the remaining 5 cents to be paid later this year. The board reiterates its commitment to paying that dividend and to future dividends.

Indigo Pacific has also had some recent changes to its board composition, appointing an independent chairman Selwyn Snell and independent director Ian Gillespie. Selwyn and Ian bring many years of public company experience to Indigo Pacific, as well as deep operational and management experience of working in public and private companies. Through these additions the board has greater independence and demonstrates the company's resolve to grow and achieve its future goals.

At Indigo Pacific Capital we take our forecasts seriously. In our first year we said we would deliver a \$10 million net profit after tax and we did. We didn't forecast a dividend payment but we delivered one. This year we reiterate we will pay a 9 cent dividend fully franked with a 20 percent growth over the next two years and we intend to deliver that.

We are a young company with a bright future. After two years of being listed, the investment strategy for the company is working well, with all funds invested into good projects, delivering good profits. We have an excellent investment spread in a variety of different projects in different geographical locations. A description of the 7 investments which have been made by your company are outlined in additional information accompanying this letter. We also have a great pipeline of opportunities, with future projects already in place for investment when funds re-emerge. It's a tremendous position to be in and we look forward to delivering future results to shareholders.

Yours sincerely,
INDIGO PACIFIC CAPITAL LIMITED

Mitch Nielsen
Managing Director

Project	Village Centre at Kelvin Grove
Indigo Pacific Investment	\$9.0M
Expected Return	\$3.7M plus principal
Timeframe	November 2006
Description	The Village Centre is in the heart of the Kelvin Grove Urban Village, a \$600M new urbanism project 2 kilometers from the Brisbane CBD. It sits adjacent to the Queensland University of Technology and is surrounded by 200 acres of golf course and parklands. The Village Centre comprises 213 apartments in four towers and 5,500m ² of retail space, including a fresh food court and restaurant precinct.

Project	Drift, Palm Cove
Indigo Pacific Investment	\$10.6M
Expected Return	\$4.6M plus principal
Timeframe	January 2007
Description	Drift is the redevelopment of the Clarion Resort on the beachfront esplanade at Palm Cove. The development comprises 123 modern beachfront apartments, 6 exclusive new penthouses and 7 retail tenancies.

Project	Oceans Edge, Palm Cove
Indigo Pacific Investment	\$3.8M
Expected Return	\$5.1M plus principal
Timeframe	\$3.6M profits already realized, balance by June 2008
Description	Oceans Edge is a unique master-planned resort community, situated on the 36 hectare site surrounding the Novotel Rockford, Palm Cove. The development will comprise approximately 400 residential dwellings, including detached housing, villas and apartments.

Project	Ekko Point, Brisbane
Indigo Pacific Investment	\$3.5M
Expected Return	\$0.9M plus principal
Timeframe	Completed March 2006
Description	Located in Brisbane's outer north-west suburbs, Ekko Point is an eco-style residential development consisting of 45 villas and townhouses.

Project	Martha Cove, Mornington Peninsula, Victoria
Indigo Pacific Investment	\$6.0M
Expected Return	\$3.7M plus principal
Timeframe	July 2007
Description	Martha Cove Beachside Apartments are part of the Martha Cove master planned marina community on the Mornington Peninsula. The project involves the development of 60 luxury waterfront apartments and 34 marina berths.

Project	North Bank Plaza
Indigo Pacific Investment	\$4.5M
Expected Return	\$5.1M plus principal
Timeframe	\$1.0M profit already realized, balance January 2008
Description	North Bank Plaza is a strategic 7000m2 site within Brisbane CBD, currently including the 22 level BAC office tower and City Plaza retail facility. North Bank Plaza includes the refurbishment and leasing of the existing tower and the proposed development of a second tower on the site.

Project	Little Edward Street, Brisbane
Indigo Pacific Investment	\$2.8M
Expected Return	\$0.4M plus principal
Timeframe	Completed December 2004
Description	55 Little Edward Street comprised the refurbishment of a modern commercial building constructed in 1988. The property combines 2 and 3 levels of office accommodation serviced by 2 lifts and 3 levels of basement car parking offering 464 bays.