



ASX / MEDIA RELEASE

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Acquisition of Velvogen (Pty) Limited

On July 13, 2009 CityView Corporation Limited ("CityView") ASX:CVI, OTCBB:CTVWF announced that it was planning to acquire a net 18.325% interest in a South African coal fines company which is constructing two coal briquetting plants. After carrying out extensive due diligence CityView has determined that it would be more commercially attractive to acquire control of a smaller operation rather than hold a minority stake in a larger enterprise. Accordingly CityView has terminated the previous arrangements.

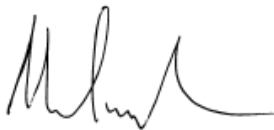
A new agreement has been entered into, which is subject to certain provisions and due diligence: the key terms are as follows:-

- (i) CityView acquiring 74% of Velvogen (Pty) Limited ("Velvogen") a South African corporation: the remaining 26% being held by a Black Economic Empowerment entity.
- (ii) Velvogen constructing a coal briquette plant with in-feed system accommodating 110 tonne/hour of high grade coal fines: Velvogen procuring a US\$8.5 million bond to cover the plant construction costs.
- (iii) Velvogen holding rights to be supplied with 750,000 tonnes per annum of high grade coal fines.
- (iv) Velvogen holding off-take agreements for 600,000 tonnes per annum of coal briquettes linked to export pricing.
- (v) Velvogen having all necessary arrangements in place for technical and management services.

The purchase price for CityView's proposed interest to be US\$23,767,200 payable as follows:-

- (i) assignment of a CityView receivable of US\$10,172,807;
- (ii) issuance of US\$13,594,393 vendor finance 6 year Notes with interest at 10%, payable from CityView's share of Velvogen's net cash flow;
- (iii) the annual amount of vendor finance Notes outstanding to be adjustable upwards or downwards by a direct, relationship between CityView's 74% interest and a three times multiple of Velvogen's audited EBITDA; and
- (iv) the vendor finance Notes issued by CityView shall not be drawn against until after twelve months from the commencement of Commercial Production by Velvogen, which is defined as having the plant running continuously for 90 days at a minimum rate of 100 tonnes per hour.

Briquetting is a means of transferring fine and ultra fine coal into saleable product. In the past, the high cost of dewatering was a problem. However technology has steadily improved and the current process incorporates a drying process that dries fine coal material without the need for additional heat. The dry coal fines are then blended with a low liquid binder utilising a high-shear special mixer to introduce low moisture infeed for briquetting machines. Because of the high pressure being exerted, the coal briquettes are hard, waterproof and dry enough for immediate sale. Apart from the moisture evaporated, there are no waste streams generated from the briquetting.



Mark Smyth
Chief Executive Officer.