

LIVING AND LEISURE AUSTRALIA GROUP

COMPRISING:

Living and Leisure Australia Trust

ARSN 092 701 589

(Responsible Entity: Living and Leisure Australia Management Limited
ABN 60 101 634 315, AFSL 280985) and

Living and Leisure Australia Limited

ABN 92 107 863 445



RECAPITALISATION PROPOSAL UPDATE

In relation to the Recapitalisation Proposal announced on 16 May 2008, Living and Leisure Australia (**LLA**) advises that on Friday, 6 June 2008 Arctic Capital Limited (**Arctic**) confirmed to LLA, that it has conducted detailed due diligence on LLA, Living and Leisure Australia Management Limited as the responsible entity of the Living and Leisure Australia Trust (**RE**) and the debt facility that LLA has with the Octaviar Premium Income Fund (**PIF**). Subject to the points raised below Arctic has confirmed the following:

- its substantive due diligence on LLA is, subject to the points raised below, completed and it is satisfied with the process, progress of and results so far produced from the due diligence conducted; and
- it is satisfied with the technical due diligence it has undertaken on the RE as the responsible entity of the Living and Leisure Australia Trust.

Arctic notes that:

- it has not reached a definitive agreement with PIF in respect of the acquisition of the PIF Debt and that it still needs to obtain final settlement of the terms of, and security arrangements in respect to, the debt to be acquired;
- it is still waiting on some commercial information in relation to the RE from the Octaviar Group to make a final assessment of the RE's financial position and liabilities although, Arctic expects that the required information will be available to it shortly;
- it is continuing to assist with, and where appropriate, to conduct due diligence enquiries sufficient to satisfy the incoming bank facility providers in the ordinary course; and
- several of the conditions precedent to the underwriting agreement remain unsatisfied in the ordinary course and Arctic is continuing to work to satisfy those conditions precedent.

NAB and LLA are still in discussions about the repayment of its senior debt and the NAB's forbearance remains in place while these discussions continue.

Julanne Shearer
Independent Chair

10 June 2008

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