

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

Living and Leisure Australia Group (**LLA**) is pleased to announce that it has entered into a series of arrangements, with its senior financier, other creditors and Arctic Capital Limited (**Arctic***) to support the orderly recapitalisation of the group.

The major components of the proposed recapitalisation include a renounceable Rights Offer (**Rights Offer**) to raise at least A\$90 million and the refinancing of LLA's senior secured debt and unsecured debt.

Arctic has agreed to underwrite the Rights Offer subject to a number of conditions including Arctic's acquisition of the majority of LLA's debt facility with the Octaviar Premium Income Fund (**PIF**) and the support of LLA's senior secured financier, the National Australia Bank (**NAB**), to enable the refinancing of LLA's senior secured debt in conjunction with the Rights Offer.

Julanne Shearer, the Independent Chair of LLA, said: "The Board is delighted to have been able to put into place the proposed recapitalisation, which we consider to be in the best interests of LLA's creditors and security holders."

"The proposed recapitalisation would enable LLA to complete the key growth initiatives previously announced." Ms Shearer said.

"The Board has worked tirelessly over the last few months to determine the best way to resolve the issues faced by LLA and is extremely pleased for LLA's security holders and creditors with the proposed recapitalisation. The Board believes that the recapitalisation proposal provides the best opportunity for security holders and creditors as it strengthens the financial position of the group while retaining LLA's businesses."

"Moreover, the proposed acquisition by Arctic of the majority of LLA's debt facility with PIF and Arctic's acquisition of the group's responsible entity, provides a welcome introduction of a financial sponsor group with experience in LLA's asset class as a substitute for Octaviar and its affiliated entities. Arctic's international experience and pan Asian presence will be of considerable value to LLA in the execution of our international strategy."

Funding initiatives and developments with LLA's financiers

LLA has arranged the following in relation to ongoing funding requirements and relationships with its existing financiers:

- LLA has entered into arrangements to realise its interest in the Northbank Place project joint venture with Far East Consortium for A\$9 million in order to fund current capital projects and ongoing working capital commitments. The Board believes this divestment is necessary to maintain LLA's businesses in their current form and to undertake the recapitalisation

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proposal, which the Board believes is in the best interest of LLA's security holders and creditors.

- Arctic has, subject to satisfactory completion of due diligence and documentation on terms agreeable to Arctic, agreed to purchase \$63 million of LLA's unsecured debt from PIF.
- LLA has agreed, subject to completion of formal documentation, to issue PIF in exchange for the remaining balance of its unsecured debt to LLA (approximately \$7 million plus capitalised interest):
 - a \$10 million zero interest note repayable two years after the completion of the Rights Offer;
 - 88 million new LLA securities, to be issued following the Rights Offer; and
 - options to subscribe for a further 88 million new LLA securities at the Rights Offer issue price. These options will lapse if not exercised within 12 months of the close of the Rights Offer.

The issue of the securities and options to PIF is subject to LLA security holder approval which will be sought at LLA's annual general meeting later this year.

LLA has, subject to meeting the milestones set out below, secured the continued forbearance of NAB in relation to the maturity of its senior facilities to allow the recapitalisation proposal to proceed.

Date	Milestone
Friday, 30 May	LLA must provide satisfactory evidence to NAB that it has a signed credit approved offer for a lending facility or facilities sufficient to repay NAB's debt in full. The offer is to be conditional only upon the completion of the necessary loan documentation and the completion of Arctic's due diligence on LLA.
Friday, 6 June	Arctic has satisfactorily completed its due diligence on LLA and NAB is satisfied with Arctic's commitment to underwrite the Rights Offer.
Friday, 13 June	Repayment of NAB's debt in full.

While LLA will work to meet the milestones, no assurance is given that the milestones will be met. If a milestone is not met, NAB's forbearance will end. In those circumstances, it is possible that the recapitalisation will not proceed.

Recapitalisation Proposal

Key elements of the recapitalisation proposal include:

- Arctic and LLA have entered into a conditional agreement for Arctic to underwrite, or to procure underwriting of, the Rights Offer to raise at least \$90 million. The underwriting is subject to Arctic being satisfied with due diligence conducted on LLA in connection with the Rights Offer (and the due diligence on the acquisition of the PIF debt and the LLA responsible entity, as referred to below, as well as finalisation of documentation in relation to those transactions). The underwriting is also conditional on standard terms for an underwriting agreement of this type, including the lodgment of an offer document for the Rights Offer which is expected to occur by 13 June 2008. The Rights Offer will be underwritten at a price per security of no greater than 7.5 cents unless Arctic otherwise agrees. The net proceeds of the Rights Offer will be used to significantly improve LLA's debt profile, including the refinancing of the existing senior secured debt and the PIF unsecured debt and to provide for working capital;
- As described above, Arctic has, subject to satisfactory completion of its due diligence and documentation of the transaction on terms agreeable to Arctic, agreed to purchase \$63 million of LLA's unsecured debt from PIF; and

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- It is a condition to Arctic's underwriting of the Rights Offer that it may, subject to satisfactory completion of its due diligence and documentation of the transaction, acquire the responsible entity of LLA, Living and Leisure Australia Management Limited, from Octaviar Limited on terms agreeable to Arctic.

Each of the key elements of the recapitalisation proposal are interdependent.

Operations

- Ski Fields – Bookings for season 2008 continue to be strong, with a further increase in enquiries following publicity surrounding significant snowfalls in the week beginning 28 April. Bookings for the 2008 season through LLA owned reservation centres at the end of April are over 50% ahead of the same time last year. Capital works on the mountains have continued through summer. The key projects of installing snowmaking infrastructure at Mt Hotham's signature Heavenly Valley and Wombats Ramble at Falls Creek are now largely complete in time for the commencement of the snow season. These snowmaking upgrades represent a significant increase in terrain under snowmaking. Seasonal staff recruitment is being undertaken following the receipt of a large number of quality applications.
- Aquariums - Trading of LLA's offshore aquariums has improved following a soft January period. LLA's Aquariums business is currently trading below expectations due to the strong Australian dollar exchange rate affecting the returns of the international operations. The weaker than projected trading at the Melbourne Aquarium is due to the construction of Melbourne Stage Two and weaker than projected trading in the function business. Initiatives have been taken across the Aquariums business to ensure increased cost control in response to these issues.
- Treetops - Otway Fly's year to date performance continues to be solid with over 140,000 visitors expected for the year ending 30 June 2008. Construction of the Illawarra Fly was completed in early March and it was officially opened in April 2008 by the NSW Minister for Tourism, The Hon Matt Brown. Visitation at the Illawarra Fly continues to grow, highlighted by 5,000 visitors over the Anzac Day long weekend.

Distribution

The LLA Board has determined that in the current circumstances, it will not be making a final cash distribution for the 2008 financial year.

Securities Trading on ASX

Following this announcement, LLA will have further discussions with ASX in relation to when its securities will recommence trading on ASX. Once a position is reached with ASX, LLA will make a further announcement to the market.

ENDS

* References to Arctic include Arctic in its capacity as investment advisor to the Arctic Asia Opportunities Fund LP and other funds in respect of which Arctic may become an investment advisor.

Pitt Capital Partners Limited (Melbourne) acted as the Lead Financial Adviser to LLA in connection with the recapitalisation proposal.

About Arctic Capital Limited

Arctic is a wholly owned Hong Kong subsidiary of Consolidated Press Holdings Limited (**CPH**) established in 2007 to manage the direct investments of CPH and third party funds across the Asian and Australasian markets. Arctic is the investment advisor to the Arctic Asia Opportunities Fund LP (**Fund**), its first pan Asian private equity fund. The Fund maintains a conservative, low gearing investment strategy focused on, privileged and/or compelling opportunities that leverage the high growth Asian markets. Arctic's senior professionals include long term executives within the CPH group complemented by a growing team of professionals from the Asian region. Arctic has offices in Hong Kong and is opening representative offices in Beijing and Shanghai

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supported by CPH's Sydney office infrastructure. On completion of this transaction, Arctic's first fund will be fully invested.

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16 May 2008

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