

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, 30 May 2008 it:

- delivered to its senior secured financier, National Australia Bank (**NAB**), a conditional term sheet for new senior secured facilities from another bank; and
- advised NAB that LLA has significantly advanced discussions with Arctic Capital Limited (**Arctic**) and other bridge financiers in relation to the provision of bridging finance for the repayment of NAB ahead of LLA receiving the proceeds of the Rights Offer. Arctic has advised that subject to the satisfactory completion of its due diligence, the continued support of NAB to the successful execution of the Rights Offer and appropriate documentation together with the satisfaction of the conditions precedent in the underwriting agreement, it is prepared to enter into a bridge facility if required.

NAB and LLA are still in discussions and NAB's forbearance remains in place while these discussions continue.

LLA has significantly progressed its Rights Offer documentation, due diligence and offer arrangements and is confident that it will meet the Rights Offer timetable including completing the requisite due diligence for the offer document for the Rights Offer to be lodged with ASIC on or before 13 June 2008.

LLA has been advised by Arctic that, while there remain outstanding material due diligence matters and enquiries which Arctic continues to pursue, their due diligence review remains targeted at a 6 June 2008 completion date. With respect to the conditions precedent in the underwriting agreement, these are being addressed in an orderly manner.

If Octaviar Limited is forced into any form of external administration as a consequence of the issues that it is facing, as announced by Octaviar Limited to ASX last week, that could have an adverse effect on the ability of LLA and Arctic to satisfy the condition precedent in the underwriting agreement which requires the responsible entity of LLA to be acquired by Arctic.

Julanne Shearer
Independent Chair

2 June 2008

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