



SHELL

VILLAGES AND RESORTS LIMITED



6th August 2008

ASX Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000

Attention Kimberley Brown

Dear Kimberley

In response to your queries regarding the quarterly report in the form of Appendix 4C for the period ending 30th June 2008, we reply as follows:

1. Factors which need to be taken into account when assessing the Company's position in relation to the Appendix 4C:
 - a. The company has completed the sale for all medical intellectual property at the end of July 08. This sale will reduce significantly accounting and legal costs which the company incurred in selling the intellectual property during the last quarter.
 - b. The company will be making an announcement to the market with regard to the sale of the Hunter Valley Village [Shell Villages & Resorts Hunter Valley] this sale will reduce significantly capital expenditure which has been spent by SVC in the previous quarter and would have required further expenditure in the future. The Hunter Valley Village was purchased for \$3.1m and has negotiated the sale for \$3.7m. The sale proceeds will be used to extinguish and therefore reduce cash outflows. Therefore there is a net benefit between the cash inflow lost from rents at the village and the cash outflows that is net cash saving. The company expects to make an announcement to the market on this matter very shortly.
 - c. The company has announced it is in negotiations to sell the Brisbane River Terraces village for \$7,800,000.00. SVC purchased this Brisbane River Terraces on the 27th of September 2006 for \$6,300,000.00. With the village now fully developed the sale represents a very good return for shareholders.

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- 2 Given the sale of assets explained above, the company does not expect to have negative cash flows in the future as reported in the last Appendix 4C.
- 3 The actual revenues and expenses of the company in the quarter as reported in the Appendix 4C are not substantially different with what the company had expected. The company continues to raise capital and reduce costs in order to ensure it meets its obligations.
4. Refer to point 3.
5. The company believes it is compliant with the ASX listing rules, in particular 3.1. The company believes that it has disclosed any information to the market that a reasonable person would expect to be disclosed.
- 6 The company believes with the capital raised now and the sale of the above mentioned assets they are in a good financial position to deal with these difficult market times.

If you have any queries regarding the above, please do not hesitate to contact me.

Kind regards

A handwritten signature in black ink, appearing to read 'L Thompson', written in a cursive style.

Lynn Thompson
COMPANY SECRETARY



4 August 2008

Mrs Lynn Thompson
Company Secretary
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By Email: lynn@shellvillages.com.au

Dear Lynn

Shell Villages and Resorts Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 June 2008, released to ASX Limited ("ASX") via a Company Announcement on 1 August 2008 (the "Appendix 4C"). ASX notes that the Company has reported the following.

1. Receipts from customers of \$287,000.
2. Negative net operating cash flows for the quarter of \$257,000.
3. Cash at end of quarter of \$44,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (02) 9241 7620 or by email at **kimberley.brown@asx.com.au**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie before 9.30 a.m. E.S.T.) on Wednesday, 6 August 2008.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

[Sent electronically without signature]

Kimberley Brown
Senior Adviser, Issuers (Sydney)

Direct Line: (02) 9227 0133