



SHELL

VILLAGES AND RESORTS LIMITED



9th February 2009

Australian Stock Exchange Limited
P O Box H224
Australia Square
NSW 1215

Attention Stephanie Yong

Dear Ms Yong,

In response to your query dated 5th February 2009 regarding the Company's Quarterly Report in the form of Appendix 4C for the period ending 31st December 2008, the Company provides the following response:

1. Shell Villages and Resorts Limited (ASX:SVC) will be announcing the completion of the sale of both Shell villages and Resorts BRT Pty Ltd and Shell villages and Resorts Cooroy Pty Ltd and the agreement to purchase four new Over 50's properties in Victoria and NSW. The net effect of this deal will give SVC sufficient cash and cash flow to meet all operating activities.
2. The company expects to have negative operating cash flows for the next 2 quarters but will have surplus to requirement cash to meet all operating activities during that period from the sale of Shell Villages and Resorts BRT and Shell Villages and Resorts Cooroy. Due to a reduction in expenses, the negative cash flows will decrease significantly and surplus cash within the Company will increase significantly.
3. As previously stated in June 2008, the sale of the assets would create a positive cash flow. Conversely, the acquisition of new assets, which are only now being finalised, will create negative cash flow for the next 2 quarters however the sale of the assets will create sufficient cash for the next 4 quarters.
4. As Management near the finalisation for the sale of existing assets and acquisition of new assets, the company is only now recognising the impact on existing and future cash flows and are informing the market to ensure the company is meeting its continuous disclosure commitments. The Company will be making an announcement with respect to this as soon as it has finalisation on terms and conditions. The actual expenses are in line with the company's expectations, however due the finalisation of the sale of Shell Villages and Resorts BRT and Shell Villages and Resorts Cooroy Pty Ltd taking slightly longer than originally expected this has affected the actual income

5. The company will be announcing to the market to ensure the market is fully informed in a timely manner and the company is compliant with listing rule 3.1
6. The Company is fully compliant with listing rule 12.2 with reference to the matters discussed in the note to the rule

If you have any queries regarding the above information or require any further information, please contact me.



Lynn Thompson
COMPANY SECRETARY



5 February 2009

Mrs Lynn Thompson
Company Secretary
Shell Villages and Resorts Limited
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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 31 December 2008, lodged with ASX Limited ("ASX") via a Company Announcement on 2 February 2009 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$259,000.
2. Negative net operating cash flows for the quarter of \$220,000.
3. Cash at end of quarter of \$110,000.
4. Available loan facilities of \$70,000

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?

For the purposes of keeping the market fully informed, we request that the Company comment on its response to the query from ASX released to the market on 6 August 2008, regarding the Company's

Appendix 4C for the period ended 30 June 2008. Specifically, please comment on the following statements:

- "...The company has announced it is in negotiations to sell the Brisbane River Terraces village for \$7,800,000. SVC purchased this Brisbane River Terraces on the 27th of September 2006 for \$6,300,000. With the village now fully developed the sale represents a very good return for shareholders."
 - "...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."
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 stephanie.yong@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 (i.e. **before 9.30 a.m. A.E.D.T.) on Monday, 9 February 2009.**

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

Yours sincerely

[Sent electronically without signature]

Stephanie Yong
Senior Adviser, Issuers (Sydney)
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