

10th August 2012

Dear Shareholder,

Lifestyle Communities Limited Dividend Reinvestment Plan

The Board has resolved as part of its capital management strategy to implement the Lifestyle Communities' Dividend Reinvestment Plan (the 'Plan'). An information booklet with full details of the Plan is attached to this letter.

Eligible shareholders may elect to take all or part of future dividends in the form of cash or shares in accordance with the Plan. Pursuant to the rules of the plan, the issue price for the shares will be based on the Daily Volume Weighted Average Market Price during the thirty day period immediately following the dividend record date.

Shares will be allotted under the Plan free of brokerage and other transaction costs.

The Board has yet to determine whether a dividend will be declared in respect of the year ended 30 June 2012. However, should the Board declare a dividend in respect of the year ended 30 June 2012 a 5% discount will apply to shares issued in accordance with the plan. An announcement of whether a dividend will be paid in respect of the year ended 30 June 2012 will be made at the time of the Company's full year results announcement on or around the 17th August 2012.

The founding directors (James Kelly, Bruce Carter and Dael Perlov) have indicated that they will be participating in the Plan should any dividend be declared in respect of the year ended 30 June 2012.

Please note that if you want to participate in the Plan, you must complete the Election Form (which is enclosed with the attached information) and return it to the share registry on or before 14th September 2012.

Yours Sincerely

A handwritten signature in black ink that reads "David Paranthoiene".

David Paranthoiene
Chairman
10 August 2012

Dividend Reinvestment Plan Rules

1. Definitions

In these Rules:

ASX means the Australian Securities Exchange Limited;

ASX Listing Rules means the listing rules of the ASX;

Board means the board of directors of Lifestyle Communities or a properly constituted committee of the board;

Constitution means the Constitution of Lifestyle Communities as amended from time to time;

Daily Volume Weighted Average Price means the daily volume weighted average price of all Shares sold on the ASX, excluding such transactions which are not in the ordinary course of trading on ASX (such as special crossings, crossings prior to the commencement of normal trading, crossings during the closing phase and after hours adjust phase, portfolio special crossings, equity combinations, crossings during overnight trading, overseas trades or trades pursuant to the exercise of options over Shares), and any other trade that the Board consider may not be fairly reflective of genuine supply and demand;

DRP means the Dividend Reinvestment Plan as set out in these Rules;

DRP Shares means Shares in respect of which a Shareholder has elected to participate in the DRP;

Lifestyle Communities means Lifestyle Communities Limited (ACN 078 675 153);

Listing Rules means the official listing rules of the ASX;

Non-DRP Shares means Shares in the capital of Lifestyle Communities not subject to the DRP;

Notice of Election means a notice in such form as Lifestyle Communities may from time to time require;

Participant means a Shareholder, some or all of whose Shares are DRP Shares;

Record Date means the date nominated by the Board for the purpose of identifying the Shareholders who are entitled to receive a particular issue of dividends;

Rules means the rules of the DRP as amended from time to time;

Shares means fully paid ordinary shares in the capital of Lifestyle Communities;

Shareholder means a person holding Shares; and

Trading Day has the meaning given in the Listing Rules.

2. Interpretation

In this Rules, unless the context otherwise requires:

- (a) Words importing the singular include the plural and vice versa;
- (b) Words importing a gender include any gender;
- (c) An expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate; and
- (d) A word or expression in the Rules that deals with a matter dealt with by a provision of the Constitution has the same meaning as in that provision.

3. Participation in the DRP

- (a) Participation in the DRP is optional and subject to the Rules.
- (b) If, in the reasonable opinion of the Board, the issue or transfer of the Shares by Lifestyle Communities, or the holding of those Shares by the relevant Participant may breach any provision of applicable law or is otherwise in the sole opinion of the Board undesirable or impractical, the Board may at any time and from time to time:
 - (i) decline to issue or transfer Shares under the DRP;
 - (ii) reduce the issue or transfer of Shares under the DRP on a proportionate basis; and/or
 - (iii) reduce or suspend the participation in the DRP by any Participant.
- (c) The Board may in their discretion exclude participation by Shareholders whose addresses (as they appear in the register of Lifestyle Communities) are in countries where regulations make it impracticable in the opinion of the Board for them to participate.
- (d) Participation in the DRP is open to all Shareholders other than those excluded by the Board from time to time in accordance with this rule 3.

4. Degree of Participation

- (a) A Shareholder may participate in the DRP in respect of all his/her Shares or in respect of only some of those Shares.
- (b) If a Shareholder wishes all of his/her Shares to become DRP Shares, he/she shall lodge a duly completed and executed Notice of Election electing full participation. Where the Shareholder has elected full participation, all Shares subsequently acquired by the Shareholder (whether under the DRP or otherwise) shall be DRP Shares.
- (c) If a Shareholder wishes only some of his/her Shares to become DRP Shares, he/she shall lodge a duly completed and executed Notice of Election indicating how many Shares are to become DRP Shares and only the number of Shares so specified shall become DRP Shares.
- (d) If, at the relevant Record Date, the number of Shares held by a Participant is less than the number of Shares specified in a Notice of Election, then the Participant will be deemed to have elected full participation.
- (e) Where a Shareholder is a partial Participant, all Shares subsequently acquired by the Shareholder (whether under the DRP or otherwise) shall only participate in the DRP if and to the extent that the Shareholder alters the participation level in a Notice of Election in accordance with rule 12.

5. Shareholders in countries other than Australia and New Zealand

- (a) A Shareholder who is resident in, or whose address on the Share register is situated in, a country other than Australia and New Zealand (a 'Non-Resident') is not eligible to participate in the DRP unless the Directors determine that the offer will be made to Shareholders in that country.
- (b) If the Directors make a determination under clause 5(a), any Shareholder who is a Non-resident, before electing to participate in the DRP, should seek professional advice to ascertain if any restrictions apply under any law to the participation by the Shareholder in the DRP.

6. Application for Participation

Application to participate in the DRP must be made on a duly completed Notice of Election. Upon receipt by Lifestyle Communities of a duly completed and executed Notice of Election, participation will be subject to these Rules.

7. Operation of the DRP

- (a) The Board in their complete discretion will determine with respect to the operation of the DRP for any dividend whether to issue new Shares or to cause the transfer of Shares to a Participant, or to apply a combination of both options, to satisfy the obligations of Lifestyle Communities under these Rules.
- (b) Lifestyle Communities will establish and maintain a DRP account for each shareholding account of each Participant. Lifestyle Communities will in respect of each dividend payable to a Participant:
 - (i) credit to that account the amount of dividend payable in respect of the Participant's DRP Shares after deducting (where applicable) the Australian withholding tax and any other sum Lifestyle Communities is entitled to retain in respect of the DRP Shares;
 - (ii) determine the maximum whole number of Shares which can be acquired under these Rules by dividing the amount in the Participant's DRP account by the price determined under rule 8, rounding down to the nearest whole number of Shares; and
 - (iii) issue or cause the transfer of that number of Shares to the Participant and debit the subscription amount or the acquisition amount (as the case may be) against the balance in the Participant's DRP account.
- (c) For the avoidance of doubt, any residual amounts in the Participant's DRP account after debiting the subscription amount or the acquisition amount in accordance with rule 7(b)(iii) will be carried forward without interest in the Participant's DRP account.

8. Issue and Transfer Price

- (a) Each Share issued or transferred under the DRP will be issued or transferred at the DRP Price of Shares less such discount (if any), of the DRP Price of Shares, as the Board may determine from time to time.
- (b) For the purposes of these Rules, the expression "DRP Price of Shares" shall mean the arithmetic average of the Daily Volume Weighted Average Market Price rounded to four decimal places (or

such other number of decimal places as the Board may determine) during a period of thirty Trading Days commencing on the second Trading Day immediately following the Record Date in relation to that dividend, or such other price, pricing formula or pricing period as the Board may determine and announce to the ASX at any time prior to the payment date of the relevant dividend.

9. Share Issues under the DRP

Shares issued under the DRP will be issued in accordance with the ASX Listing Rules and, from the date of issue, will rank equally in all respects with existing Shares.

10. Costs to Participants

No brokerage, commission, stamp duty or other transaction costs will be payable by Participants in respect of any issue or transfer of Shares under the DRP.

11. DRP statements to Participants

After each issue or transfer of Shares under the DRP, Lifestyle Communities will as soon as practicable forward to each Participant a DRP statement setting out:

- (a) the number of Shares held by the Participant prior to the relevant dividend;
- (b) the amount of the last dividend paid in respect of those Shares;
- (c) the issue or transfer price of the last Shares issued or transferred to the Participant under the DRP;
- (d) the number of Shares issued or transferred to the Participant under the last DRP issue or transfer;
- (e) the cash balance (if any) retained in the Participant's DRP account after deduction of the amount payable on subscription for the additional Shares; and
- (f) the Participant's total holding of Shares after issue or transfer.

12. Variation to Participation

- (a) A Participant may, at any time, increase or decrease the number of Shares subject to the DRP by lodging a duly completed and executed Notice of Election.
- (b) If a Notice of Election decreases or increases the level of participation in the DRP to below full participation, only that number of Shares specified in the Notice of Election will be DRP Shares and no after-acquired Shares will be DRP Shares except as specified in rule 4(d).
- (c) If a Notice of Election increases the level of a Shareholder's participation in the DRP to full participation, all of that Shareholder's Shares as at the date of the Notice of Election and all Shares subsequently acquired by the Shareholder (including Shares issued or transferred under the DRP) shall be DRP Shares.

13. Termination of Participation

- (a) A Participant may, at any time, terminate his/her participation in the DRP by lodging a duly completed and executed Notice of Election.
- (b) A Participant is deemed to have terminated his/her participation in the DRP on receipt by Lifestyle Communities of written notice of the death, bankruptcy or winding up of the Participant, except where the Participant was a joint holder and any remaining holder or joint holders are eligible to participate in the DRP.

14. Disposals

- (a) Where all of the Participant's Shares are DRP Shares, in the event that only some of those Shares are disposed of, the remaining Shares held by the Participant will continue to be DRP Shares.
- (b) Where only some of a Participant's Shares are DRP Shares the Participant will, unless Lifestyle Communities receives notice otherwise, be deemed to dispose of his/her Non-DRP Shares first.
- (c) DRP Shares may be sold at any time by the Participant. DRP Shares which are transferred by the Participant will be withdrawn from the DRP automatically following the receipt of a valid transfer by the Share registry.

15. Applications and Notices

- (a) Any application or notice referred to in these Rules shall be in writing and in such form as Lifestyle Communities may from time to time require.

- (b) Notice of Elections received at Lifestyle Communities' Share Registry prior to 5pm on the Record Date for a particular dividend will be effective in respect of that dividend and all subsequent dividends.
- (c) Subject to rule 15(b), applications and notices are effective on receipt at Lifestyle Communities' Share Registry and take effect from the next Record Date following such receipt.
- (d) Any notice to be given to Shareholders or Participants may be given by notice on Lifestyle Communities' Website and to the ASX or, at the Board' discretion, may be given in accordance with the provisions regarding the giving of notices to Shareholders contained in Lifestyle Communities' Constitution.

16. ASX Listing

Lifestyle Communities will apply for Shares issued under the DRP to be listed for quotation on the official list of the ASX as soon as practicable.

17. Amendment, Suspension and Termination of the DRP

- (a) The Board may amend, suspend or terminate the DRP at any time by notifying the Participants in accordance with rule 15(d). The amendment, suspension or termination will take effect upon the date specified by the Board. An amendment, suspension or termination of the DRP will not be invalidated by the accidental omission to give notice to a Shareholder and will not give rise to any liability on the part of, or right or action against, Lifestyle Communities or the Board.
- (b) In the case of an amendment, a Participant will be deemed to continue its participation in the DRP under the Rules as amended unless the Participant lodges a Notice of Election with Lifestyle Communities' Share Registry withdrawing or amending his/her participation.
- (c) Any suspension of the DRP will continue until such time as the Board resolves either to recommence or terminate the DRP. If the DRP is recommenced then elections as to participation in respect of the previously suspended DRP will be valid and have full force and effect in accordance with these Rules for the purposes of the recommenced DRP.
- (d) Upon termination of participation for whatever reason, Lifestyle Communities will send to each Participant (or the Participant's legal representative) a DRP statement of the Participant's DRP account made out to the date of termination.

If a Participant's participation in the Plan is terminated for any reason, any residual positive cash balance applicable to that Participant will automatically be donated, on an annual basis, to Chain Reaction (or other like organisation approved by the Board), unless the Participant has, prior to the date of termination, directed Lifestyle Communities' Share registry, that payment be made to the Participant. Equitable Claims

Lifestyle Communities, unless otherwise required by law, need not recognise a person as owner of additional Shares issued or transferred under the DRP other than the registered holder of the DRP Shares in respect of which the additional Shares are issued or transferred.

18. General

- (a) These Rules will be binding upon each person who is or becomes a Shareholder.
- (b) Subject to the Constitution, the Board may implement the DRP in the manner as the Board thinks fit, and may settle any difficulty which may arise either generally or in a particular case in connection with the DRP as the Board thinks fit. Without prejudice to the general powers of the Board under the Constitution and these Rules, the Board may settle in the manner as the Board thinks fit any difficulty, anomaly or dispute which may arise in connection with, or by reason of, the operation of the DRP, whether generally or in relation to any Shareholder or any Share or Shares and the determination of the Board will be conclusive and binding on all Shareholders and other persons to whom the determination relates.
- (c) Neither Lifestyle Communities nor any officer of Lifestyle Communities will be liable or responsible to any Participant for any loss or alleged loss or disadvantage suffered or incurred by a Participant as a result, directly or indirectly, of the establishment or operation of the DRP or participation in the DRP or in relation to any advice given with respect to participation in the DRP.
- (d) The DRP, its operation and these Rules will be governed by and construed in accordance with the laws of the State of Victoria, Australia.