

**NOTICE OF
ANNUAL GENERAL MEETING**

**to be held at Level 1, St Kilda Road Towers,
1 Queens Road, Melbourne Victoria, 3004, Australia
at 11.00am Melbourne time on
Thursday, 31 May 2007**

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EXPLANATORY STATEMENT

This is an important document. Please read the information it contains carefully. It is important that you vote on these resolutions either by attending the meeting or by completing and lodging the enclosed proxy form. If you are in doubt as to its contents, you should consult your own professional advisor(s).

**Head Office of
Vita Life Sciences Limited
ACN 003 190 421
Level 6
Suite 6, Suite 630
1 Queens Road
Melbourne VIC 3004**

Ph: (03) 9867 2811
Fax: (03) 9820 5957

www.vitalifesciences.com
enquiries@vitalifesciences.com.au

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NOTICE OF ANNUAL GENERAL MEETING OF VITA LIFE SCIENCES LIMITED

Notice is given that the annual general meeting of members of Vita Life Sciences Limited ACN 003 190 421 (**Company**) will be held at Level 1, St Kilda Road Towers, 1 Queens Road, Melbourne Victoria 3004, Australia on **Thursday, 31 May 2007** at **11.00am** Melbourne time.

1. ORDINARY BUSINESS

1.1 Financial Statements and Reports

- (a) *To receive and consider the financial statements and the reports of the directors and the auditors of the Company for the year ended 31 December 2006.*

An explanation of this item is found in paragraph 2.1 of the attached Explanatory Statement. In particular, Shareholders have the right to submit written questions to the Auditors in connection with such matters as the Auditor's report or the conduct of the audit.

(b) Resolution 1 – Remuneration Report

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That the Remuneration Report as set out in the Annual Report of the Company for the financial year ended 31 December 2006 be adopted. The vote on this resolution is advisory only and it is not intended that it bind the directors or the Company."

An explanation of this item is found in paragraph 2.2 of the attached Explanatory Statement.

1.2 Resolution 2 – Election of Director

Shareholders will be asked to consider and, if thought fit, pass the following resolutions as an **ordinary resolution** with effect from the close of this meeting:

'That Henry George Townsing, a director retiring by rotation in accordance with rule 5.1 of the Constitution, being eligible and having consented to act, be re-elected as a director of the Company.'

An explanation of Resolution 2, and more information on Mr Townsing, is found in paragraph 3 of the attached Explanatory Statement.

2. SPECIAL BUSINESS

2.1 Resolution 3 – Consolidation of shares and options

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, in accordance with section 254H of the Corporations Act 2001 (Commonwealth) as amended, and the Constitution of the Company, the issued capital of the Company be consolidated with effect from the date that the notice containing a copy of this resolution is lodged with the Australian Securities and Investments Commission (**Record Date**) on the basis that:*

- (a) *every 4 fully paid, ordinary shares in the capital of the Company on issue at the Record Date be consolidated into one fully paid ordinary share in the capital of the Company; and*

- (b) *every 4 options to acquire fully paid, ordinary shares in the capital of the Company on issue at the Record Date be consolidated into one option to acquire one fully paid ordinary share in the capital of the Company,*

and where this consolidation results in a fraction of a share or option being held by a shareholder or option holder, as the case may be, the fraction will be rounded down to the nearest whole share or option where the fraction is less than one half and rounded up to the nearest whole share or option where the fraction is equal to or greater than one half.”

An explanation of Resolution 3 is found in paragraph 4 of the attached Explanatory Statement.

2.2 Resolution 4 – Establishment of Investment Division

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 5, approval is given for the Company to make a significant change in the nature or scale of its activities by establishing an Investment Division with the ability to invest such funds as the Board directs, in any project or instrument identified by the Managing Director as likely to give rise to a financial benefit to the Company, whether in the form of capital or income, singly or in combination.”

An explanation of Resolution 4 is found in paragraph 5 of the attached Explanatory Statement.

2.3 Resolution 5 – Capital Raising

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 3 and the consolidation of the Company's share capital, approval is given for the Company to allot and issue, after the Record Date under Resolution 3, up to 34,000,000 fully paid ordinary shares in the capital of the Company at an issue price of not less than \$0.20 per share, including up to 6,000,000 rights to those shares to existing option holders at the Record Date, and otherwise on the terms set out in the prospectus to be issued by the Company and summarised in the Explanatory Statement accompanying the Notice of Meeting.”

An explanation of Resolution 5 is found in paragraph 6 of the attached Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may obtain a benefit (except one solely in the capacity of a security holder) if the resolution is passed, and any Associate of that person.

2.4 Resolution 6 – Underwriting Fee to CVC Venture Managers Pty Ltd

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 3 and 5 and the consolidation of the Company's share capital, approval is given to the giving of a financial benefit to:

- (a) *CVC Venture Managers Pty Ltd (ACN 006 535 299)(CVCV), in the form of a fee, not exceeding 5% of the underwritten amount, and 3% of any amount subscribed above the underwritten amount, to be paid under an Underwriting Agreement to be entered into with the Company under which CVCV agrees to underwrite the issue, after the Record Date under Resolution 3, of up to 22,500,000 fully paid ordinary shares in the capital of the Company at an issue price of not less than \$0.20 per share and otherwise on the terms set out in the*

prospectus to be issued by the Company and summarised in the Explanatory Statement accompanying the Notice of Meeting;

- (b) CVC Limited (ACN 002 700 361) and/or its wholly-owned subsidiary Stinoc Pty Limited (ACN 009 144 398), in the form of a fee that would be payable under any sub-underwriting agreement that such company may enter into with CVCV, in its capacity as underwriter of the issue referred to in paragraph (a) of this resolution; and*
- (c) Messrs. Vanda Gould and John Sharman, by virtue of their being directors of the Company and CVCV and, in the case of Mr Gould, CVC Limited and Stinoc Pty. Ltd."*

An explanation of Resolution 6 is found in paragraph 7 of the attached Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may obtain a benefit (except one solely in the capacity of a security holder) if the resolution is passed, and any Associate of that person.

2.5 Resolution 7 –Transaction Involving Managing Director

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 4 and 5, approval is given to the Directors, to allow Eighty Three Ventures Sdn Bhd (ETV), a company incorporated in Malaysia in which Mr. Eddie Tie Lim Sung (Mr Tie), the Managing Director of the Company, is a shareholder and director, to receive profits from a venture in Malaysia (details of which are summarised in the Explanatory Statement accompanying the Notice of Meeting) in which the Company, through a wholly-owned subsidiary, has an investment notwithstanding that ETV, and hence Mr. Tie, has not contributed debt or equity but rather the services and guarantee so summarised."

An explanation of Resolution 7 is found in paragraph 8 of the attached Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may obtain a benefit (except one solely in the capacity of a security holder) if the resolution is passed, and any Associate of that person.

2.6 Resolution 8 – Long Term Incentive Plan: Grant of a limited recourse loan to Managing Director to purchase ordinary shares

Shareholders will be asked to consider and, if thought fit, pass the following resolution as a **special resolution**:

"That in accordance with Vita Life Sciences Limited's "Long Term Incentive Plan", tabled by the Chairman (Plan), approval is given for the Directors to make a limited recourse loan to Mr Eddie Tie Lim Sung, acting in his capacity as the Managing Director of the Company, for a sum of \$172,500 (Loan), which will be used to purchase a total of 3,300,000 (pre-consolidation) or 825,000 (post-consolidation) new, ordinary, fully paid shares in the Company, on the terms summarised in the Explanatory Statement accompanying the Notice of Meeting."

An explanation of Resolution 8, and a summary of the Plan and Loan, are found in paragraph 9 of the attached Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may obtain a benefit (except one solely in the capacity of a security holder) if the resolution is passed, and any Associate of that person.

3. OTHER BUSINESS

To consider any other business that may be properly brought forward at the meeting in accordance with the Constitution or the law.

By Order of the Board of Vita Life Sciences Limited

Henry G Townsing
Company Secretary

Dated: 27 April, 2007

PLEASE NOTE:

The Notes to, and the Explanatory Statement and Proxy Form following, this Notice of Meeting are to be read with this Notice.

NOTES TO NOTICE OF MEETING:

1. Explanatory Statement

An explanation of each resolution is included in the accompanying Explanatory Statement.

2. Voting and Required Majority

2.1 The Board, as the convenor of the meeting, has determined that the shareholding of each member for the purpose of ascertaining voting entitlements for the Annual General Meeting will be as it appears on the register of Shareholders at **11.00am** (Melbourne time) on **Tuesday, 29 May 2007** and will process no transfers from that time until the end of the Meeting. Accordingly, those persons will be entitled to attend and vote at the Meeting.

2.2 On a show of hands, every person present and qualified to vote shall have one vote. If a Shareholder appoints one proxy, then that proxy may vote on a show of hands. However, if the Shareholder appoints 2 proxies, neither may vote on a show of hands.

If a Shareholder appoints a proxy who is also a Shareholder or also a proxy for another Shareholder, their directions may not be effective on a show of hands. However, upon a poll and upon the proxy voting on the poll then their voting direction will be fully counted. Should a poll be taken, then the Auditors, Russell Bedford NSW, will act as scrutineer.

2.3 For the Resolutions to be effective:

- each Resolution must be passed at a meeting of which not less than 21 days' written notice specifying the intention to propose the Resolutions has been given; and
- each ordinary and special Resolution must be passed by more than 50% and 75% respectively of all the votes cast by Shareholders entitled to vote on the Resolutions (whether in person or by proxy, attorney or representative).

3. Voting Exclusion Statements

3.1 The Company will disregard any votes cast on Resolutions 2 and 5 to 8 inclusive by any person who:

- may participate in one or more of the share issues (if they occur); or.
- has an interest or will receive a benefit in the passing of those Resolutions.

3.2 However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3.3 In approving the Notice of Meeting all Resolutions as set out as the business of the meeting have the support and recommendation of all the Directors except in the case of:

- (a) the election of Mr Townsing as a Director seeking re-election, where in relation to Resolution 2 he abstained from voting;
- (b) Resolution 6 in which Messrs Gould and Sharman (Directors of the Company) and their Associates are related parties and where both Directors abstained from voting; and
- (c) Resolutions 7 and 8 in which Mr Tie (the Managing Director of the Company) and his Associates are related parties and where Mr Tie abstained from voting.

4. Questions and Comments by Shareholders at the Meeting

4.1 In accordance with the Corporations Act, a reasonable opportunity will be given to members to ask questions about or make comments on the management of the Company at the meeting.

4.2 Similarly, in accordance with the Corporations Act and rule 104.4 of the Constitution, a reasonable opportunity will be given to members to ask the Auditors, Russell Bedford NSW, questions relevant to:

- (1) the conduct of the audit;
- (2) the preparation and content of the Auditor's Report;
- (3) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- (4) the independence of the Auditor in relation to the conduct of the audit.

4.3 Shareholders may also submit written questions to Russell Bedford NSW, via the Company, no later than 5 business days before the Annual General Meeting. Any question must be relevant to the content of Russell Bedford NSW's Audit Report or the conduct of its audit of the Company's financial report for the year ended 31 December 2006.

4.4 Relevant written questions for Russell Bedford NSW must be received no later than **11.00am (Melbourne time) on Thursday, 24 May 2007**. A list of those relevant written questions will be made available to Shareholders attending the Annual General Meeting. Russell Bedford NSW will either answer the questions at the Annual General Meeting or table written answers to them at the Meeting. If written answers are tabled at the Meeting, they will be made available to Shareholders as soon as practicable after the Annual General Meeting.

5. Proxies

5.1 A Shareholder entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies. If 2 proxies are appointed, each proxy must be appointed to represent a specific proportion or number of the Shareholder's voting rights. If the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise one half of the Shareholder's

votes.

- 5.2 If Shareholders wish to appoint one proxy, please use the form provided. If you want to appoint 2 proxies, please contact the Company for an additional form and follow the instructions set out on the reverse side of the proxy form.
- 5.3 A Shareholder may appoint an individual or a body corporate as their proxy. A body corporate appointed as a proxy may then nominate an individual to exercise its powers at meetings. A proxy need not be a Shareholder of the Company.
- 5.4 To be effective a proxy form and an original or certified copy of the authority (if any) under which it is signed (such as a power of attorney or, in the case of a body corporate Shareholder, a certificate of appointment of personal representative) must be:
- delivered (by hand, mail, courier or fax) to the Company at Level 6, 1 Queens Road, Melbourne Victoria Australia 3004;
 - sent by facsimile to (+613) 9820 5957 or the registered office of the Company; or
 - delivered to the registered office of the Company,
- to arrive (in either case) no later than **11.00am** (Melbourne time) on **Tuesday, 29 May 2007**. If it is not received by that time, the appointment of proxy will not be treated as effective.
- 5.5 If a Shareholder is a body corporate, the proxy form may be signed by:
- 2 directors;
 - a director and either a company secretary or other authorised signatory;
 - in the case of a proprietary company that has a sole director that is also the sole company secretary, by that director, or
 - the body corporate's appointed attorney under power of attorney.
- 5.6 In the case of joint holdings a proxy may be signed by any one of the joint holders. However, if the Company receives more than one appointment for the same Share:
- an appointment signed by all joint holders will be accepted in preference to an appointment signed by the Shareholder whose name appears first in the register of Shareholders or by any other Shareholder holding the share jointly; and
 - subject to the preceding paragraph, an appointment signed by the Shareholder whose name appears first in the register of Shareholders will be accepted in preference to an appointment signed by any other Shareholder or Shareholders holding the share jointly.
- 5.7 Completion of a proxy form will not prevent individual Shareholders from attending the Meeting if they wish. Where a Shareholder completes and delivers a valid proxy form and attends in person, the authority of the proxy to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
- 5.8 In the absence of your instructions, your proxy will vote or abstain from voting as they think fit.
- 5.9 Should you desire to direct your proxy how to vote, please insert 'X' or the percentage of votes in the box appropriate to each Resolution in the proxy form.

SHAREHOLDERS ARE URGED TO COMPLETE ANY ONE OF THE "FOR", "AGAINST" OR "ABSTAIN" BOXES ON THE PROXY FORM THEREBY GIVING A DIRECTED PROXY WHICH THEN CAN BE COUNTED IN ACCORDANCE WITH THEIR WISHES.

EXPLANATORY STATEMENT

1. IMPORTANT NOTICE

- 1.1 This Explanatory Statement is given to Shareholders to explain the resolutions to be considered at the Annual General Meeting (**Resolutions**) and to allow Shareholders to determine how they wish to vote on the Resolutions. The Explanatory Statement should be read in conjunction with, and forms part of, the Notice of Annual General Meeting which this Explanatory Statement accompanies.
- 1.2 *Capitalised words in this Explanatory Statement have a defined meaning which appears in it or in the Glossary.*
- 1.3 This Explanatory Statement is dated 27 April 2007.

2. REPORTS

- 2.1 The Corporations Act requires the financial statements and reports of the Directors and Auditors to be laid before the Meeting. These are all incorporated into the Annual Report. Neither the Act nor the Constitution requires Shareholders to vote on such statements and reports. However, Shareholders will be given ample opportunity to raise questions on the Annual Report at the Meeting. For further information see note 4 on page 7.
- 2.2 *Explanation of Resolution 1 - Remuneration Report*

The Directors' Report - "Remuneration Report" (**Remuneration Report**) is contained in the Company's 2007 Annual Report.

The Act now requires that a resolution be put to the shareholders of a listed company to adopt the Remuneration Report as disclosed in the Directors' Report component of the Annual Report. Whilst the Board acknowledges that the Company is not listed, it believes the Remuneration Report is a matter that Shareholders will be interested in discussing and this Resolution is being put to give Shareholders the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting. The vote on this Resolution is advisory only and non-binding on the Board.

The Remuneration Report:

- explains the Board's policies in relation to the nature and level of remuneration paid to Directors, secretaries and senior managers with the Company;
- discusses the link between the Board's policies and the Company's performance;
- provides a summary of performance conditions, explaining why they were chosen and how performance is measured against them;
- sets out remuneration details for each Director and for each member of the Company's senior executive management team; and
- makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

2.3 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

3. EXPLANATION OF RESOLUTION 2–ELECTION OF DIRECTOR

3.1 Shareholders will be asked to consider and, if thought fit, pass the following Resolution as an ordinary resolution:

“That Henry George Townsing, a director retiring by rotation in accordance with rule 5.1 of the Constitution, being eligible and having consented to act, be re-elected as a director of the Company.”

Mr Henry Townsing, being eligible, offers himself for re-election as a Director of the Company and his consent to act will be tabled at the Meeting prior to the resolution to re-appoint him being put to the Meeting.

3.2 The Nomination Committee (excluding Mr Townsing) of the Board has conducted an assessment of Mr Townsing, and has reviewed the skills, knowledge, experience and diversity represented on the Board. Having conducted those assessments and that review, the Board recommends to Shareholders the re-election of Mr Townsing.

3.3 The following is a profile of Mr Henry Townsing:

Board position: Appointed Non-Executive Director in May 2004.

Qualifications: Dip. Val

Experience: Henry has more than 20 years experience in corporate finance and private equity. He is a director of Normandy Finance & Investments Asia Ltd, a significant Shareholder in the Company, and several other companies.

Committees: Member of the Board Nomination and Remuneration Committees

The Chairman of the Meeting intends to vote any undirected proxies in favour of Mr Townsing.

3.4 Directors' Recommendation

The Board, other than Mr. Townsing (who abstains), recommends that Shareholders vote in favour of Resolution 2.

4. EXPLANATION AND SUMMARY OF RESOLUTION 3 – CONSOLIDATION OF SHARES

4.1 Overview

Section 254H of the Corporations Act and rule 113 of the Constitution provides that the Company may convert all or any of its Shares into a larger or smaller number of Shares by a resolution passed at a general meeting of Shareholders.

In the interests of its Shareholders, the Board believes that the issued capital of the Company needs to be restructured as the Company intends to make an application to the Australian Securities Exchange (ASX) to reinstate its Shares to official quotation on the ASX. The ASX

Listing Rules require that the securities to be listed (other than options) must have an issue or sale price of, and any options on issue must be exercisable for, at least \$0.20 in cash.

To achieve the ASX requirement, it is proposed that every 4 Shares held by Shareholders be consolidated into one Share in the Company. The total number of Shares on issue will be approximately 12,839,413 following the consolidation of the 51,357,651 existing Shares on issue. If Resolution 8 proceeds, an additional 825,000 Shares following the consolidation will be issued to Mr Eddie Tie, the Managing Director of the Company (see paragraph 9 below).

It is difficult for the Directors to value the shares of an unlisted public company in the pharmaceutical sector on an ongoing basis. Regard might be had to net assets, net sales, or enterprise value (market value plus net debt). Whilst by no means wholly reliable, regard needs also to be had to the prices known to be paid for Shares when there are transfer between willing, and not anxious, buyers and sellers. The Board has considered these, and other methodologies, and has concluded that a price of \$0.05 per Share is currently appropriate. Hence, the ratio of 4 for 1 to arrive at a price at which the ASX will be prepared to quote the Shares.

The ASX Listing Rules also require that the number of options on issue be consolidated at the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio. The Company currently has 12,000,000 Options on issue. As options need to be treated the same way as the shares into which they will convert, it is proposed that every 4 Options held by option holders be consolidated into one Option. Initial discussions with the option holder indicates that, notwithstanding the absence of a reconstruction clause in the option agreement, it will be willing to allow the consolidation to proceed. The total number of new Options on issue will be 3,000,000 following the consolidation. The exercise price of the Options will be increased by a multiple of 4 being 3,000,000 Options at an exercise price of \$0.40 expiring on 31 January 2009.

4.2 Timetable for consolidation of Shares and Options

The consolidation of Shares and Options will take effect from the date that the relevant resolution is lodged with ASIC, which is expected to be within a week after the date of the Annual General Meeting. From that date, all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-consolidation Shares and Options. The Company will send to Shareholders (and option holders) a statement detailing the number of Shares and/or Options held by them following the consolidation within 5 business days of the consolidation taking effect (Constitution, rule 137.5).

The record date of the consolidation of Shares and Options is expected to be 31 May 2007.

4.3 Rounding

Where the consolidation results in a Shareholder not having a whole number of Shares in the Company, any fraction less than half will be rounded down to the nearest whole share and any fraction at half or above will be rounded up to the nearest whole share.

By way of example, where a Shareholder's holding is not exactly divisible by 4, and there was a residual number of, say:

- 3 Shares remaining after the division of the Shareholder's holding by 4, then that figure 3 would round to a share; and
- one Share and not 4, then that residual holding of one share would be disregarded entirely in determining the Shareholder's shareholding arising from the consolidation.

4.4 Other matters

Consolidation does not change the relative interest of Shareholders (or option holders), it merely reduces the number of Shares (or Options) on issue. The Board knows of no adverse taxation consequences that flow from consolidation of the Company's share capital, however, Shareholders and option holders are advised to seek their own tax advice as none of the Company, its Directors, nor the Company's advisers, accept any responsibility for any individual's taxation consequences arising from the consolidation.

The advantage of passing Resolution 3 for the Company is that consolidation will enable it to comply with the ASX Listing Rules, which it must do before its Shares can be traded on the ASX. The Board does not believe that there are any material disadvantages to Shareholders or option holders arising from the consolidation.

4.5 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

5. EXPLANATION AND SUMMARY OF RESOLUTION 4 – ESTABLISHMENT OF INVESTMENT DIVISION

- 5.1 Resolution 4 provides for formal approval of a change in the nature or scale of the activities of the Company in that, along with its current pharmaceutical business, it will now focus on participation and involvement in investment including project funding.

The Board has had regard to rule 17.5 of the Constitution (which does not apply as there is no disposal of the Company's main undertaking) and the ASX Listing Rules that would apply were the Company's listing reinstated. The Board has decided that its decision to provide the Company with an alternative revenue stream, utilising the skill set of its Managing Director, Mr Eddie Tie, is important to improve the profitability of the Vita Life group of companies.

- 5.2 Mr Tie has more than 25 years commercial experience holding positions as Managing Director/CEO across companies involved in hotels and property development, manufacturing and education. Earlier in his career he was the Finance Director for a regional subsidiary of a multinational information technology company and General Manager of Finance of a publicly listed company in Malaysia. He is qualified as a Certified Practising Accountant in Malaysia.

Mr Tie was appointed Managing Director of Vita Life on 1 January 2007.

- 5.3 A particular project has been identified (see details in paragraph 8 below in the explanation of Resolution 7) and this is expected to be the first of a number of projects. The returns are expected to be better than those currently being derived from the pharmaceutical business. The Company's pharmaceutical business is, however, expected to continue to be its major focus.

- 5.4 The advantage of passing Resolution 4 for the Company is that an alternative revenue stream will be established which may assist the obtaining of profits at an earlier date than is the case with the pharmaceutical business. The Board has considered whether there are any material disadvantages to Shareholders and is satisfied that the Company has access to the expertise of Mr Tie in successfully running the Investment Division and Mr Gould, the Chairman, who brings to the Board extensive investment expertise through his involvement with listed private equity investor, CVC Limited.

A concern is that there may not be a natural fit between the different sectors in which the Company is engaged. This can cause external analysts to question whether the Company is

better focussing its resources on its principal businesses so that investors are clear as to the entity in which they have invested. Usually, conglomerates are considerably more substantial when they first branch off into unrelated business ventures. The Board considers that the advantage of a significantly improved revenue stream in the short to medium term outweighs any such potential disadvantage.

5.5 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

6. EXPLANATION AND SUMMARY OF RESOLUTION 5 – CAPITAL RAISING

- 6.1 If the Company is to reinstate its Shares on the ASX and satisfy the spread requirements required by the ASX Listing Rules, it will need to issue up to 34,000,000 Shares (post-consolidation) to a combination of its existing Shareholders and a number of new Shareholders. Hence, the proposed Resolution will enable the Company to offer:
- (1) a non-renounceable 2:1 rights issue to existing Shareholders and option holders;
 - (2) the capacity for those Shareholders and option holders to apply for additional Shares above their entitlements, with priority to those Shareholders with less than a marketable parcel (after consolidation under Resolution 3 and taking up their rights entitlement), to encourage them to each take up at least 10,000 Shares with an issue or selling price of \$0.20 each so that there are at least 500 Shareholders with that number or more; and
 - (3) the balance of new Shares, to new Shareholders to ensure spread is achieved and that there is no or less of a shortfall.
- 6.2 The Company is seeking Shareholder approval of the rights issue and public offer:
- (1) because the Board is aware that the issue and offer has to be at a much lower price than when the Company's Shares were last traded on the ASX and there will be a dilutionary effect on those who do not take up their entitlements, Shareholders should therefore be given the opportunity to vote on the resolution; and
 - (2) so that the Shares to be issued under it are not included in the calculation under the relevant ASX Listing Rule that will apply after listing. This, it is hoped, will enable the Company to have the flexibility to issue Shares in the future up to the 15% threshold without again having to seek Shareholder approval.
- 6.3 The following additional information is most of that required to be provided when the Company is seeking such approval:
- (1) the maximum number of securities to be issued under the Prospectus is 34,000,000 Shares including 6,000,000 rights to existing option holders;
 - (2) the Board reserves the right to allot the Shares progressively, but anticipate allotment will occur on the one date;
 - (3) after consolidation of the Shares and Options on issue, Shares under the Prospectus are expected to be issued at \$0.20 each, hence the need for this Resolution to be subject to the passing of Resolution 3;

- (4) the allottees under the Prospectus cannot be identified at the date of this Explanatory Statement and will, in any case, be chosen by the Directors primarily in a way that maximises Shareholder spread;
- (5) the new Shares to be issued will rank equally with those now on issue (post consolidation) and will have the same rights attached to them;
- (6) the rights issue to option holders will be under the terms of the existing option agreement which allows the option holder to be treated as a Shareholder for the purposes of rights issues without having to first exercise the Options (that is, pay the exercise price);
- (7) the proceeds from the issue of the Shares under the Prospectus are to be used to expand the Health Division, support the first project of the soon to be created (subject to the Annual General Meeting passing Resolution 4, detailed above) Investment Division, provide working capital, repay borrowings, and pay for the costs of the issue.

6.4 The advantage to the Company of passing Resolution 5 is that it will enable the Company to proceed to the next stage of effecting a rights issue and public offer with a final stage being the reinstatement of its Shares on the ASX. Without a capital raising, there can be no relisting of the Shares on the ASX.

The capital raising is thus expected to provide:

- (1) the means whereby the Company can satisfy one of the ASX Listing Rule admission requirements, namely the “assets test”, with a view to the Shares being relisted on the ASX;
- (2) the Company's more than 2,600 Shareholders with liquidity for their Shares which has been denied for at least 4 years; and
- (3) the Company with increased credibility in the financial markets and with its customers, suppliers of goods and services, and with financial institutions with whom the Company has to deal.

The rights issue is also being structured in such a way as to ensure that the holders of less than a marketable parcel of Shares get a priority access to the new Shares available.

In addition, the capital raising will enable the Company to have a more secure financial footing and to build upon its activities.

The Board has considered possible disadvantages of a capital raising such as that proposed and has concluded that some Shareholders who do not wish to take up their rights will have their shareholdings diluted in favour of those who take up their rights and take the opportunity to acquire further new Shares. There is also a possibility that if Shareholders choose not to take up their rights and/or acquire additional new Shares, interests related to some of the Directors may increase the percentage of their shareholdings in the Company.

6.5 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

7. EXPLANATION AND SUMMARY OF RESOLUTION 6 – UNDERWRITING FEE TO CVC VENTURE MANAGERS PTY LTD

7.1 Related party transactions

Under the Corporations Act, the giving or providing of finance, to a related party and the supply or receipt of services are examples of a financial benefit. Resolution 6 which allows for the payment of a fee to be made to CVC Venture Managers Pty Ltd (CVCV) involves, in the opinion of the Directors of the Company, the giving of a financial benefit.

As relevant to this Resolution 6, a related party is defined to include a director of a public company and any entity which is controlled by a related party. Messrs Gould and Sharman are Directors of the Company. They are therefore related parties of the Company. They are also directors of CVCV and to the extent that CVCV can be said to be “controlled” by either of them, then it too is a related party of the Company. While there may be arguments to the contrary, the better view is that Messrs Gould and Sharman have the capacity to determine the outcome of decisions about CVCV’s financial and operating policies and can therefore be seen as having the ability to “control” CVCV. This conclusion means that CVCV is a related party of the Company.

For the sake of completeness, it is noted that Mr Henry Townsing is an Investment Director of CVCV but does not serve on its board.

7.2 Corporations Act exemption

The Corporations Act requires a public company (like the Company) wishing to give a financial benefit to a related party to fall within an exemption, or to satisfy the procedures, set out in Chapter 2E. The relevant exemption provides that a financial benefit can be given to a related party on terms that would be reasonable in the circumstances if the company and the related party were dealing at arm’s length.

7.3 Underwriting Arrangements

The relevant features of the proposed underwriting arrangements are:

- (1) the proposed underwriting is a partial underwriting of \$4,500,000 of the maximum \$6, 800,000, that may be raised under the Prospectus;
- (2) CVCV, the proposed underwriter, is a related party of CVC Limited and its wholly-owned subsidiary, Stinoc Pty. Ltd. CVCV shares Messrs Gould and Sharman as common directors and Mr Gould is also a director of CVC Limited and Stinoc Pty Ltd.

Of the Company’s issued share capital:

- Mr Gould has a non-beneficial interest in approximately 13.8%;
 - Mr Sharman has a beneficial and a non-beneficial interest totalling approximately 2.8%;
 - CVCV has a beneficial interest in less than 0.3%; and
 - Stinoc Pty Ltd has a beneficial interest in approximately 12.5%;
- (3) it is yet to be determined what proportion CVC Limited and Stinoc Pty Ltd will sub-underwrite as this will be determined by the demand for Shares of any additional sub-underwriters;

- (4) the Board requires the underwriting and sub-underwriting agreements to be entered into on terms which are commonly found in such agreements;
- (5) under the underwriting agreement, a fee of 5% of the underwritten amount will be payable and 3% in relation to applications lodged exceeding the underwritten amount and bearing the underwriter's stamp. The Directors have made enquiries of a number of stockbrokers and have established that these fees are reasonable and not more than the total fees the Company would expect to pay were they to retain the services of any of those brokers to act as partial underwriter in place of CVCV; and
- (6) the sub-underwriters' fee will be less than that charged by the underwriter and is payable out of the underwriter's fee. No further detail can be provided of that fee to ensure that no negotiation with external sub-underwriters is prejudiced, but the fee to a related party sub-underwriter will not be greater than that payable to other sub-underwriters.

The Directors have ascertained that:

- (1) the purpose of the partial underwriting is not to give CVCV control of the Company although if it takes up a shortfall that consequence may follow;
- (2) the fee payable is not excessive and is negotiated on commercial terms; and
- (3) the underwriter will not benefit from the proposed usage of the capital the Company raises except as a Shareholder.

A meeting of the Board, at which neither of Messrs Gould nor Sharman participated or voted, assessed the reasonableness of the underwriting and concluded that the proposed arrangements were reasonable in the circumstances had the parties been dealing at arm's length.

Because of the possible perception of the underwriting arrangements, the Board preferred to take the proposed fees to a meeting for a Shareholder vote by way of confirmation of its decision. If Resolution 6 is not passed, the Board can decide to reverse that decision.

7.4 Advantages and Disadvantages

The Company wishes to raise the sum necessary to satisfy the ASX Listing Rule's "assets test" required for admission.

The Share issue will proceed and therefore the business plan can be put into effect.

No independent underwriter was likely to accept the role without demanding fees and/or other terms uncommercial for the Company, particularly having regard to its recent difficulties.

The only disadvantage apparent to the Directors is one of perception.

7.5 Directors' Recommendation

The Board, other than Messrs Gould and Sharman (who abstained from voting), recommends that Shareholders vote in favour of Resolution 6.

8. EXPLANATION AND SUMMARY OF RESOLUTION 7 – TRANSACTION INVOLVING MANAGING DIRECTOR

- 8.1 Shareholders will be asked to consider, and if thought fit, to pass the following Resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 4 and 5, approval is given to the Directors to allow Eighty Three Ventures Sdn Bhd (ETV), a company incorporated in Malaysia in which Mr. Eddie Tie Lim Sung (Mr Tie), the Managing Director of the Company, is a shareholder and director, to receive profits from a property venture in Malaysia (details of which are summarised in the Explanatory Statement accompanying the Notice of Meeting) in which the Company, through a wholly-owned subsidiary, has an investment notwithstanding that ETV, and hence Mr. Tie, has not contributed debt or equity but rather the advisory services and guarantee so summarised.”

8.2 Background

The Company, via its wholly-owned Irish subsidiary, Lovin Pharma International Limited (Ireland) (Reg. No. 340 736) (Lovin), proposes to invest in a Malaysian company, Mitre Focus Sdn Bhd (Co. No. 735 963 – A) (Mitre Focus) by way of an initial loan and the acquisition of an equity interest. Other investors are also investing by way of loan funds, acquisition of shares and contribution of services. Lovin's investment is primarily to take the form of a loan to Mitre Focus in the amount of approximately AUD \$1,100,000, being 42.7% of loan funds contributed by shareholders. Lovin will also acquire a 6.3% equity interest. Mr Tie is on the board of Mitre Focus. As a result of its investment, Lovin is also entitled to nominate a third director to the board of Mitre Focus.

Using the loan funds from shareholders, Mitre Focus will acquire a 61.7% equity interest in a Malaysian property development company, Pembangunan Ipoh-Utara Sdn Bhd (Co. No. 450 29-D) (LandCo). LandCo will use capital contributed by shareholders to conduct a property development project in Malaysia. In addition to shareholder loans, Mr Tie is to procure a bank loan in favour of LandCo for approximately AUD\$1,800,000, in respect of which Mr Tie and the other director of Mitre Focus will be required to provide personal guarantees.

Under the terms of the shareholder agreement, Lovin is entitled to the repayment of funds loaned to Mitre Focus in priority to any payment of profits and then receipt of 32.6% of profits generated by LandCo.

In return for the various services (including fundraising, corporate advisory and structuring) and a personal guarantee provided by Mr Tie, and as the Company understood was required by Malaysian law, ETV, a company controlled by Mr Tie, will receive an 85.2% equity interest in Mitre Focus but not an equivalent percentage of profits. Rather, it receives only a 23.7% share of the profits generated by LandCo. Mr Tie is personally entitled to receive a portion of the profits received by ETV. This entitlement is equivalent to 11.9% of the profits generated by LandCo.

8.3 Related party transactions

The Corporations Act also regulates in Chapter 2E the giving of a financial benefit to a related party of a public company. Vita Life is such a company and, as a director, Mr Tie is regarded as a related party. However, there is an exemption from the operation of Chapter 2E where the financial benefit is given on terms that would be reasonable in the circumstances if the relevant company and the related party were dealing at arm's length, or are less favourable to the related party than those terms.

Here the Board, excluding Mr Tie (who absented himself from the meeting at which the decision to proceed was taken), considered that the exemption was satisfied. It was, nevertheless, decided that, in keeping with good corporate governance principles, Resolution 7 should be put to Shareholders seeking confirmation of the Board's decision. If the Resolution is not passed, the Board can decide to reverse its decision.

8.4 Analysis by the Directors

The Board (excluding Mr Tie) considered various matters when determining that the proposed transaction, whereby Mr Tie is receiving access to a percentage of profit (while contributing neither debt nor equity), fell within the ordinary course of business for the Company as it involves a structure appropriate to the Company's circumstances. In particular, it noted that whether Mr Tie receives anything is dependent on a profit being derived on the sale of the relevant property development.

It effected an analysis of the personal guarantee and services to be provided by Mr Tie, and determined that his profit entitlement was reasonable and not excessive by comparison. In particular:

- (1) his advisory work, as it was to do with capital raising of a property development company (that is, seeking to raise, and structuring the raising, in debt and equity by LandCo), at least in an Australian context, would be remunerated in a range with a mid-point of 5% of the funds raised with payment on a contingency basis; and
- (2) his personal guarantee to secure LandCo's facility would be provided a reasonable return, at least relevant in the context of Australian financial institutions, if Mr Tie was paid 1% of the amount guaranteed per annum. The project is likely to take 3 years based on cash flow projections.

Continuing the analogy, payment of item (1) above would ordinarily be expected upon contractual completion of finance contracts and for item (2) above, on a periodic basis as the benefit is realised by Mitre Focus. Mr Tie's overall interest, for which he is to receive profit, can be calculated as equivalent to an internal rate of return of, say, 9% per annum, without regard being had to any attempt to forecast the potential profit of the transaction upon the sale of the property development. This, the Board (excluding Mr Tie) concluded was not unreasonable and at the lower end of any acceptable range, particularly, noting the possibility that were there to be no profit from the project, Mr Tie would receive nothing.

In carrying out its analysis of the quantum of benefit, the following assumptions were made:

- (1) the merits of the transaction or the appropriateness of the structure adopted were assumed;
- (2) there was no material overlap of Mr Tie's contractual duties or ordinarily remunerated services to group companies and his advisory services to the Project; and
- (3) none of the services provided by Mr Tie were provided in conjunction with other parties.

The Board (excluding Mr Tie) was satisfied in its enquiries that the transaction, insofar as it involved the Company and Mr Tie and his Associates, had been negotiated freely by both parties without undue pressure or influence being exerted by any of them and that the project (of which the related party transaction was a part) when taken as a whole, was designed to reach the best possible commercial outcome for the Company in all circumstances

8.5 Directors' Recommendation

The Board, other than Mr Tie (who abstained from voting), recommends that Shareholders vote in favour of Resolution 7.

9. EXPLANATION AND SUMMARY OF RESOLUTION 8– LONG TERM INCENTIVE PLAN: GRANT OF A LIMITED RECOURSE LOAN TO MANAGING DIRECTOR TO PURCHASE ORDINARY SHARES

9.1 Shareholders will be asked to consider and, if thought fit, to pass the following Resolution as a special resolution:

"That in accordance with Vita Life Sciences Limited's "Long Term Incentive Plan", tabled by the Chairman (Plan), approval is given for the Directors to make a limited recourse loan to Mr Eddie Tie Lim Sung, acting in his capacity as the Managing Director of the Company, for a sum of \$172,500 (Loan), which will be used to purchase a total of 3,300,000 (pre-consolidation) or 825,000 (post-consolidation) new, ordinary, fully paid shares in the Company, on the terms summarised in the Explanatory Statement accompanying the Notice of Meeting."

9.2 Shareholder approval was previously sought and obtained at the meeting held on 31 May 2004 for the Company to adopt a Long Term Incentive Plan (Plan) with the purpose of encouraging Directors, officers and employees to share in the ownership of the Company and therefore to retain and motivate those benefiting to drive performance at both the individual and corporate levels. A summary of the Plan, as approved, is included in paragraph 9.11. The necessary resolution thus having been passed, the Corporations Act now permits financial assistance to be given to Mr Eddie Tie, the Managing Director of the Company, to acquire Shares under the Plan.

9.3 The Corporations Act also regulates in Chapter 2E the giving of a financial benefit to a related party of a public company. Vita Life is such a company and, as a director, Mr Tie is regarded as a related party. However, there is an exemption from the operation of Chapter 2E where the financial benefit is "remuneration" paid to a director as an officer or employee of the company. Here, Mr Tie will receive remuneration in his capacity as an officer, namely, as Managing Director of the Company. The only type of benefit that satisfies the term "remuneration" is defined in the Corporations Act narrowly to be one that if it were received by a director would be remuneration under the accounting standard AASB 124:Related Party Disclosures dealing with disclosure of directors' remuneration in financial reports (like the Annual Report).

9.4 Notwithstanding the Board's power to proceed, therefore, without seeking Shareholder approval, that approval is being sought because, were the Shares listed on the ASX, the ASX Listing Rules would require approval by resolution at a Shareholder's meeting. In keeping with good corporate governance principles, Resolution 8 is, therefore, being put to the Meeting seeking confirmation of the Board's decision. If that approval is not granted, the Board can decide to reverse its decision.

9.5 Mr Tie has been instrumental in the restructure, capital raising, day to day operations and strategic vision for the Company and the group.

Mr Tie is an option holder in Vita Healthcare Asia Pacific Sdn Bhd, a company incorporated in Malaysia (VHAP), and the holding company for the assets comprising the Company's Health Division. In January 2005, when he joined VHAP as its Managing Director, he received options equivalent to 2.5% of VHAP's issued capital as part of his remuneration package; the Company has 90% of that issued capital.

Mr Tie has been Managing Director of the Company since 1 January 2007. The Board, other than Mr Tie, have decided that his interests should more closely align with those of the Company and, for that reason, has agreed with Mr Tie that, subject to the appropriate resolution of Shareholders being passed at a Shareholders' meeting, VHAP options will be

cancelled. As part of Mr Tie's current remuneration package with the Company, he will be issued a total of 3 tranches of Plan Shares.

The provision of the limited recourse loan to Mr Tie is proposed to serve as a long term incentive for his continued involvement and support of the business.

9.6 The Plan Shares will be issued in 3 tranches on the following terms:

(1) **Tranches 1 & 2**

- Number:** The total number of Plan Shares applied for is 500,000 (post-consolidation) consisting of 2 tranches of 250,000 each.
- Price:** For Tranche 1, the same price of shares offered to Shareholders during the rights issue and public offer, namely \$0.20 per Share. For Tranche 2, the price will be \$0.23 per Share.
- Security:** Limited to the Plan Shares taken up by Mr Tie, the Company will have no other recourse to Mr Tie for repayment of the loan other than the security provided by the Plan Shares themselves.
- Interest:** Limited to dividends on the Plan Shares.
- Hurdle:** Tranche 1 - The cumulative profit before tax of the Company is not less than \$2,000,000 for the 2 years ending 30 June 2009.
Tranche 2 - The cumulative profit before tax of the Company is not less than \$4,500,000 for the 3 years ending 30 June 2010.

The increased price for the Tranche 2 Shares better aligns Mr Tie's performance with that of the Shares.
- Term:** Tranche 1 - from the date of Shareholder approval until 30 June 2009.
Tranche 2 - from the date of Shareholder approval until 30 June 2010.

(2) **Tranche 3**

- Number:** The total number of Plan Shares applied for is 325,000 (post-consolidation).
- Price:** The same price of shares offered to Shareholders during the rights issue and public offer, namely \$0.20 per Share.
- Security:** Limited to the Plan Shares taken up by Mr Tie, the Company will have no other recourse to Mr Tie for repayment of the loan other than the security provided by the Plan Shares themselves.
- Interest:** Limited to dividends on the Plan Shares.
- Hurdle:** No performance hurdle has been set as these planned Shares are being provided in substitution for the cancellation of his VHAP options (see paragraph 9.5).

Term: From the date of Shareholder approval to 17 January 2010.

Shareholders should be aware that Mr Tie should only benefit from this loan in the event that the sale price of the Shares is in excess of \$0.20 per Share (in the case of Tranches 1 and 3) or \$0.23, in the case of Tranche 2. This is because when he sells the Shares, the proceeds are directed first to retire the loan principal and he then only gets to keep any excess over \$0.20 (in the case of Tranches 1 and 3) or \$0.23 (in the case of Tranche 2 Shares) per Share.

- 9.7 The Board, other than Mr Tie who absented himself during the deliberations and from voting at the relevant meeting on this matter, considers that to give the remuneration outlined above, in the form proposed, would be reasonable given the Company's current circumstances and those of Mr Tie, vis-à-vis the Company, including the responsibilities involved in, and obligations required as a result of, his office or employment. There are no obvious disadvantages to the Company of Resolution 8 being passed.
- 9.8 Neither Mr Tie nor his Associates may vote on the Resolution. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
- 9.9 As the Managing Director, Mr Tie, is the only Director of the Company currently entitled to participate in any employee incentive scheme of the Company, all the other Directors and their Associates will be entitled to vote on Resolution 8.
- 9.10 A special resolution is required for Resolution 8 which means at least 21 days' notice of this Meeting was required and, to be passed, the Resolution requires an affirming vote by 75% of those present at the Meeting in person, by proxy, attorney or representative and entitled to vote.

9.11 Directors' Recommendation

The Board, other than Mr Tie (who abstained from voting), recommends that Shareholders vote in favour of Resolution 8.

9.12 Appendix 1 (Resolution 8) - Summary Of Vita Life Science's Long Term Incentive Plan

In an effort to retain key employees, directors and officers, the Company adopted a Long Term Incentive Plan on 31 May 2004 (**Plan**).

A summary of the main details of the Plan are as follows:

Introduction to the Plan

- (a) The purpose of the Plan is to encourage employees, directors and officers to share in the ownership of the Company. Those employees, Directors and officers who do participate are defined as "participating employees or officers". Shares in the Company that are purchased pursuant to the Plan are referred to as "Plan shares".

Invitation to Participate and acquisition of Plan shares

- (b) The maximum Plan shares to be purchased pursuant to this Plan shall be not more than 7.5% of the Company's issued shares excluding those held by Directors. As at the date of this Explanatory Statement approximately 4.9% of the Company's issued capital comprises Plan shares.

- (c) There may be risks associated with participation in the Plan in that in certain circumstances the Plan shares may lose value and participating employees or officers may not benefit from the investment.
- (d) Participation in the Plan is by invitation of the Directors. Such invitation to participate is at the absolute discretion of the Directors.
- (e) There are rules covering the form of invitation and a minimum parcel of 100 shares must be applied for by participating employees or officers.
- (f) There are rules covering the acceptance and allotment of Plan shares. Under no circumstances will shares be allotted if to do so would be in breach of the Corporations Act.

Financial assistance

- (g) A participating employee or officer may apply to the Company for financial assistance to finance the subscription for Plan shares.
- (h) The Company may accept the application for financial assistance by making an interest limited (limited to dividends on the underlying shares) loan to the participating employee or officer (“borrower”). In any event the Company will not accept an application for financial assistance under the Plan if to do so would be in breach of the Corporations Act.
- (i) Financial assistance is repayable:
 - (i) at the end of 5 years (or a longer period which the Company may determine); or
 - (ii) immediately upon the dismissal or resignation of the borrower; or
 - (iii) immediately upon failure to satisfy the performance hurdle (if any) within the time period determined by the Company or upon the death or retirement of the participating employee or officer or upon the termination of the employment of the participating employee or officer otherwise than by way of dismissal or resignation.
- (j) A participating employee or officer who received financial assistance shall:
 - (i) authorise the Company to sell any bonus shares, rights or further shares issued in respect of the Plan shares and to apply all or any of the proceeds thereof in reduction of the amount of the borrower’s indebtedness to the Company; and
 - (ii) give an irrevocable direction to the Company to pay to itself on behalf of the borrower and for the purposes of reducing the amount of the borrower’s indebtedness to the Company or to meet any interest charge on the financial assistance, all or any moneys that may from time to time become payable in respect of the Plan shares or other shares, including dividends.
- (k) A participating employee or officer who received financial assistance will be required to transfer the Plan shares to the Company for their original subscription price upon:
 - (i) dismissal or acceptance of resignation; or
 - (ii) failure to satisfy performance hurdles within the time period (if any); or
 - (iii) at the end of 5 years; unless
 - (iv) the borrower lodges a written request to retain the Plan shares with the Directors before the fifth anniversary of the issue of the Plan shares and the Directors, at its absolute discretion, decides to waive the transfer requirement.
- (l) Where the financial assistance provided to a participating employee or officer is required to be repaid, the financial assistance provided must be repaid in full. Payment may be undertaken by offsetting any monies which the Company owes the borrower against the outstanding balance of the borrowings.

- (m) The Board may at its absolute discretion provide financial assistance to a participating employee or officer, which financial assistance is secured by and strictly limited in all circumstance to the value of the Plan shares. Where the Board has provided financial assistance in these circumstances, the Company will not in any circumstances be able to make any claim against the participating employee or officer in excess of the value realised for the Plan shares.
- (n) If the Company is authorised to sell any Plan shares in order to pay any money owing by the participating employee or officer and the proceeds of sale exceed the total amount owing to the Company, the surplus shall be paid by the Company to the participating employee or officer.

Security for Financial assistance

- (o) As security for financial assistance, a participating employee or officer must grant to the Company:
 - (i) a pledge of the Plan shares acquired by the borrower at the time the financial assistance is provided to the borrower;
 - (ii) a charge over:
 - i. all the bonus shares, rights and further shares issued in respect of those Plan shares; and
 - ii. all the dividends paid or payable on those Plan shares or other shares the subject of the charge.
- (p) The participating employee or officer must not create any other security interest over the Plan shares whilst they are subject to the Plan (refer paragraph 5.2 of the Plan). Where, a participating employee or officer does create a security interest over the Plan shares, that participating employee or officer must transfer the Plan shares to the Company for their original subscription price and fully repay any outstanding loan related the Plan shares and have no further entitlement under the Plan.

Alteration of the terms and provisions of the Plan

- (q) Subject to the law, the Company may make such alterations, variations, additions, deletions or modifications to all or any of the provisions of the Plan or to all or any of the rights or obligations of the participants or any of them as may be determined by the Directors, provided however that no such alteration, variation, addition, deletion or modification shall be made if it would have the effect of depriving the holders of issued Plan shares of any rights to which they are then entitled unless approved by 75% of the holders of Plan shares affected by such a change or unless the amendments are required by law.

Period of Plan

- (r) The Plan shall commence upon its approval by members of the Company in general meeting and shall continue until terminated by resolution of the Directors at any stage.

Expenses

- (s) The Company will meet the ongoing administration expenses of the Plan. The participating employee or officer will meet all outgoings and expenses in selling or otherwise dealing with his or her shares.

Copy of Plan

A copy of the Company's Plan is available for inspection at the Melbourne office referred to on the Proxy Form at the end of this Notice of Meeting by any member of the Company during normal hours on any business day prior to, or on, the date of the Meeting.

10. GLOSSARY OF TERMS

In this explanatory statement, the following expressions have the following meanings:

Annual Report means the report to Shareholders containing, amongst other things, the financial statements, report of the Directors, the remuneration report and the report of the Auditors to which reference is made in this explanatory statement;

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given to it by Division 2 of Part 2 of the Corporations Act;

ASX means Australian Securities Exchange;

Auditors means Russell Bedford NSW, Chartered Accountants, previously known as Gould Ralph & Co., the external auditors of the Company;

Board means the directors of the Company from time to time;

Company means Vita Life Sciences Limited ACN 003 190 421 the registered office of which is located at Building 75, Building and Technology Park, New Illawarra, Lucas Heights, NSW, Australia 2234;

Constitution means the Constitution of the Company adopted by the Shareholders at the annual general meeting held on 6 July 2006;

Corporations Act means the *Corporations Act 2001* (Cth), as amended;

Directors means the directors of the Company from time to time sitting as the Board or individually as the case requires;

Meeting or **Annual General Meeting** means the annual general meeting of Shareholders convened by the Notice of Meeting;

Notice of Meeting means the notice of annual general meeting dated 27 April 2007 which accompanies this explanatory statement;

Options means the options to acquire Shares granted to Barleigh Wells Limited, a lender to the Company and the sole option holder at the date of this explanatory statement and **option holders** refers to that company;

Plan means the Long Term Incentive Plan adopted by the Company and operating as an “employee share scheme” as that term is defined in the Corporations Act;

Prospectus means the offer document to be prepared by the Company for the purposes of the rights issue and public offer of up to 34,000,000 Shares at an issue price of \$0.20 per Share under Resolution 5;

Record Date means the date Resolution 3 is notified to ASIC in an ASIC Form 2205;

Resolution means an ordinary resolution or a special resolution referred to in the Notice of Meeting;

Share means a fully paid ordinary share in the capital of the Company; and

Shareholders means the holders of Shares in the Company as recorded in the register no later than 48 hours before 11.00am on 31 May 2007, the date and time of the 2007 Annual General Meeting.

11. SHAREHOLDER ENQUIRIES

Shareholders with questions regarding this Notice of Meeting and Explanatory Statement should contact the Company Secretary during normal office hours, contact details as shown below. He will attempt to answer your questions or refer you to someone who can do so, but no person is authorised to give any information, or make any representation, in connection with the Notice or Explanatory Statement not contained in them.

Vita Life Sciences Limited

Telephone: +61 3 9867 2811

Facsimile: +61 3 9820 5957

www.vitalifesciences.com.au

enquiries@vitalifesciences.com.au