



This document is important.

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 professional advisor(s).

**NOTICE OF
ANNUAL GENERAL MEETING**

**to be held at Level 1, St Kilda Road Towers,
1 Queens Road, Melbourne Victoria, 3004,
Australia**

**at 11.30am, Melbourne time on
Friday, 23 May 2008**

&

EXPLANATORY STATEMENT

IMPORTANT DATES

Close for receipt of written questions to Auditor	5.00 p.m.	Friday, 16 May 2008
Close for receipt of Proxy Forms	11.30 am.	Wednesday, 21 May 2008
Determination of Entitlement to Vote	5.00 pm	Wednesday, 21 May 2008
Meeting	11.30 am.	Friday, 23 May 2008

**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.au
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 **Friday, 23 May 2008 at 11.30am** 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 2007.*

An explanation of this item is to be found in the notes to this notice and item 2.1 of the Explanatory Statement.

(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 2007 be adopted."

An explanation of this item is to be found in item 2.2 of the Explanatory Statement.

The vote on this resolution is advisory only and is not intended to bind the Directors or the Company.

1.2 Resolution 2 – Election of Director

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

"That John Stewart Sharman, 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 Sharman, is to be found in item 3 of the Explanatory Statement.

2. SPECIAL BUSINESS

2.1 Resolution 3 – Amendment of Constitution: Non-Marketable Parcels

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

"That the Constitution of the Company be amended by the insertion of the following new Rule 120A after Rule 120:

'120A. Small Holding Sale Facility

120A.1 In this rule 120A:

- (1) "Divestment Notice" means a notice given by the Company under rule 120A.2;*
- (2) "Small Holding" means shares in the Company the aggregate value of which, determined by the closing price of such shares on the stock market of ASX, is less than a marketable parcel of shares as provided under the Listing rules;*
- (3) "Notification Period" means a period of 6 weeks from the date a Divestment Notice is sent to a Small Holder; and*
- (4) "Small Holder" means a member who is the holder or a joint holder of a Small Holding.*

120A.2 *The Company may give a notice to a Small Holder stating:*

- (1) *the number of shares in the Small Holding;*
- (2) *that the Company intends to sell the Small Holding, as agent of the holder, unless within the Notification Period, the holder notifies the Company in writing that the Small Holding is to be retained; and*
- (3) *the general effect of this rule 120A.*

120A.3 *A Divestment Notice may not be given to a Small Holder:*

- (1) *within 12 months after an earlier Divestment Notice was given to the holder (except as contemplated by this rule 120A.3; or*
- (2) *if a takeover bid for shares in the Company has been announced, while the takeover bid remains current.*

If a takeover bid is announced after a Divestment Notice is given and before sale of the relevant Small Holding, the Company's power to effect the sale ends. However, the procedures set out in this rule 120A may be started again after the close of the offers under the takeover bid and accordingly the Company may give a Divestment Notice to a Small Holder despite rule 120A.3(a) and the fact that it may be less than 12 months since the Company gave a Divestment Notice to that member.

120A.4 *If, at the end of the Notification Period, the Small Holder has not notified the Company in writing that the Small Holding is to be retained, the Company, as agent of the Small Holder, may (but is not obliged to) sell the Small Holding in the ordinary course of trading on the stock market of ASX or in any other way determined by the directors. The power of the Company, as agent, to sell is only exercisable during the period of 6 weeks from the expiration of the Notification Period.*

120A.5 *The powers of the Company, as agent of the Small Holder to which rule 120A.4 applies, include all powers necessary and appropriate to effect the sale and transfer of the Small Holding, including power to execute all necessary and incidental documents and, where shares are held in a ASTC facility holding, the power to initiate a holding adjustment to move those shares from that ASTC facility holding to an Issuer Sponsored Subregister holding or certified holding.*

120A.6 *The Company must, within 60 days after completion of the sale of a Small Holding (subject, in the case of a certified holding, to receipt of the certificates or satisfactory evidence of their loss or destruction), send the proceeds of sale (less any unpaid calls, if any, and interest payable thereon) to the member entitled to those proceeds at the member's registered address in a manner determined by the directors. The Company or the purchaser must pay the costs of the sale. Payment of any money under this rule 120A.6 is at the risk of the member to whom it is sent.*

120A.7 *Where a Small Holding is held by joint holders:*

- (1) *any Divestment Notice must be sent to all of them at their respective registered addresses;*
- (2) *notification in writing by any one of them that the Small Holding is to be retained will be as effective as if given by all of them; and*
- (3) *if the directors determine to send the proceeds by way of cheque, any such cheque will be in favour of all of them but will be sent to the registered address of the first of them named in the Register.*

120A.8 *Unless the directors determine otherwise, where a Divestment Notice is given to a Small Holder in accordance with this rule 120A, then despite any other provision in this constitution, the rights to receive payment of dividends and to vote attached to the relevant shares of that member are suspended until those shares are transferred to a new holder or that member ceases to hold those shares.*

Any dividends that would, but for this rule, have been paid to that member must be held by the Company and paid to that member within 60 days after the earlier of:

- (1) *the date the relevant shares of that member are transferred; and*

- (2) *the date that the relevant shares of that member cease to be subject to a Divestment Notice.*

120A.9 *In the case of a Small Holding created by the transfer, on or after the date of adoption of this rule 120A, of shares which themselves constituted a Small Holding at the time a proper transfer was initiated in accordance with the ASTC Settlement Rules or at the time a paper based transfer was lodged, the Company may elect to apply the provisions of rule 120A.2 to 120A.8 inclusive with the following modifications:*

- (1) *the reference to a period of 6 weeks in the definition of Notification Period in rule 120A.1(3) will be read as a reference to a period of 7 days;*
- (2) *no provision is made for the holder of the Small Holding to notify the Company in writing that the Small Holding is to be retained and, if any such notification is given, it is of no effect for the purposes of rule 120A.4; and*
- (3) *the Company may recoup and retain the reasonable costs of sale out of the proceeds of sale.*

120A.10 *The remedy of a member to whom this rule 120A applies, in respect of the sale of the shares of that member, is expressly limited to a right of action in damages against the Company to the exclusion of any other right, remedy or relief against any other person."*

An explanation of Resolution 3 is to be found in item 4 of the Explanatory Statement.

2.2 Resolution 4 – 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 Resolution 3 and the Board announcing to the ASX that it is proceeding with the Vita Life Share Purchase Plan, approval is given to the giving of a financial benefit to:

- (1) *CVC Venture Managers Pty Ltd (ACN 006 535 299)(CVCV), in the form of a fee, not exceeding 5% of the Underwritten Amount, and not exceeding 4% 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 of fully paid ordinary shares in the capital of the Company at the same issue price as those shares are offered to Shareholders in the Company under the Vita Life Share Purchase Plan up to the Underwritten Amount on condition that:*
- (a) *in this resolution, 'Underwritten Amount' means not more than A\$2 million; and*
- (b) *the maximum number of shares to be issued under the Vita Life Share Purchase Plan does not exceed 30% of the number of fully paid ordinary shares already on issue,*

and otherwise on the terms and conditions set out in the Vita Life Share Purchase Plan and summarised in the explanatory statement accompanying the notice of meeting at which this resolution is to be put;

- (2) *CVC Limited (ACN 002 700 361) and/or its wholly-owned subsidiary Stinoc Pty Ltd (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 (1) of this resolution; and*
- (3) *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 4 is to be found in item 5 of the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person or entity named in this Resolution, and any person who, or entity that, may participate in the underwriting or sub-underwriting and might obtain a benefit (except one solely in the capacity of a security holder) if the Resolution is passed, or any Associate of that person or entity. However, the Company will not disregard a vote if it is cast by:



- the person/entity as proxy for a person/entity who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- the person chairing the Meeting as proxy for a person/entity who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

2.3 Resolution 5 – Approval of Issue of Shares to Vital Bio Tech Holdings Ltd

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

“That pursuant to and in accordance with Rules 7.1 and 7.4 of the Listing Rules of ASX Limited and for all other purposes, the Company approves and authorises the directors of the Company to allot and issue to Vital Bio Tech Holdings Ltd, a company incorporated in Hong Kong, 1,586,053 fully paid ordinary shares in the capital of the Company at an issue price of A\$0.15 per share and otherwise on the terms and conditions set out in the explanatory statement accompanying the notice of meeting at which this resolution is to be put.”

An explanation of Resolution 5 is to be found in item 6 of the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person or entity named in this Resolution, and any person who, or entity that might obtain a benefit (except one solely in the capacity of a security holder) if the Resolution is passed, or any Associate of that person or entity. However, the Company will not disregard a vote if it is cast by:

- the person/entity as proxy for a person/entity who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- the person chairing the Meeting as proxy for a person/entity who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

2.4 Resolution 6 – Issue of Options to Barleigh Wells Ltd

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

*“That, subject to the cancellation of options granted in 2004 by the Company to Barleigh Wells Ltd (a company incorporated in the United Kingdom (**Barleigh**) having occurred prior to the date this resolution is voted on by the shareholders of the Company, the Company authorises the directors to issue new options in consideration of Barleigh forbearing to cancel the debt facility agreement dated 9 February 2004 (**Debt Facility**) and call in the debt or otherwise to enforce the security and that the terms and conditions on which the options are granted are as set out in the explanatory statement accompanying the notice of meeting at which this resolution is to be put.”*

An explanation of Resolution 6 is to be found in item 7 of the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person or entity named in this Resolution, and any person who, or entity that might obtain a benefit (except one solely in the capacity of a security holder) if the Resolution is passed, or any Associate of that person or entity. However, the Company will not disregard a vote if it is cast by:

- the person/entity as proxy for a person/entity who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- the person chairing the Meeting as proxy for a person/entity who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

2.5 Resolution 7 – Dividend Re-investment Plan

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

“That pursuant to rule 135 of the Constitution the Board of the Company is authorised to implement the Vita Life Dividend Re-investment Plan in the form tabled by the Chairman at the meeting and initialled by him for the purposes of identification.”



An explanation of Resolution 7 is to be found in item 8 of the Explanatory Statement.

2.6 Resolution 8 – Share Buy-back

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

“That pursuant to and in accordance with section 257C of the Corporations Act 2001 (C’wlth), as amended, Rule 7.1 of the Listing Rules of ASX Limited, and for all other purposes, the shareholders approve, with effect from when the directors make the relevant announcement to the ASX, the on-market buy-back of up to 25% of the fully paid ordinary shares in the Company expiring on whichever is the earlier of the anniversary of the passage of this resolution or the 2009 Annual General Meeting and otherwise on the terms and conditions set out in the explanatory statement accompanying the notice of meeting at which this resolution is to be put.”

An explanation of Resolution 8 is to be found in item 9 of the Explanatory Statement.

3. OTHER BUSINESS

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

By Order of the Board

Henry G Townsing
Company Secretary

Dated: 23 April, 2008

PLEASE NOTE:

The Notes to, and the Explanatory Statement and Proxy Form following, this Notice of Meeting should be read in conjunction with, and form part of, this Notice.

Capitalised words have the meanings ascribed to them in the Glossary in the Explanatory Statement.



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 **5.00pm** (Melbourne time) on **Wednesday, 21 May 2008** and will process no transfers from that time until the end of 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 28 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 at least 75% respectively of all the votes cast by Shareholders entitled to vote on the Resolutions (whether in person or by proxy, attorney or representative). Resolution 3 is a special resolution.

3. Voting Exclusion Statements

3.1 The Company will disregard any votes cast on Resolutions 2 and 4 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 the relevant Resolution(s).

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.

3.2 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 that in the case of:

- (a) the election of Mr Sharman as a Director seeking re-election where, in relation to Resolution 2, Mr Sharman abstained from voting; and
- (b) Resolution 4 in which Messrs Gould and Sharman (Directors) and their Associates are related parties and where both Directors abstained from voting.

4. Questions and Comments by Shareholders at the Meeting

4.1 In accordance with the Corporations Act (sections 250S and 250SA) and rule 104.3 of the Constitution, a reasonable opportunity will be given to Shareholders at the meeting to ask questions about, or make comments on, the management of the Company and the remuneration report.



4.2 Similarly, in accordance with the Corporations Act (section 250T) and rule 104.4 of the Constitution, a reasonable opportunity will be given to Shareholders 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 2007.

4.4 Relevant written questions for Russell Bedford NSW must be received no later than **5.00pm** (Melbourne time) on **Friday, 16 May 2008**. 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, or copy that provided, 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 3004, Australia;
- 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 each case) no later than **11.30am** (Melbourne time) on **Wednesday, 21 May 2008**. 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 23 April 2008.

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 2007 Annual Report which is available on the Company's website at www.vitalifesciences.com.au. 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 and other matters at the Meeting. For further information as to these, 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 Corporations Act requires 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 2007 Annual Report (see pages 7 to 15 inclusive). This Resolution is being put so as to give Shareholders a reasonable 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:

- (1) explains the Board's policies in relation to the nature and level of remuneration paid to Directors, secretaries and senior managers with the Company;
- (2) discusses the link between the Board's policies and the Company's performance;
- (3) provides a summary of performance conditions, explaining why they were chosen and how performance is measured against them;
- (4) sets out remuneration details for each Director and for each member of the Company's senior executive management team; and
- (5) 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 John Stewart Sharman, 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 John Sharman, 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 Constitution and the ASX Listing Rules require that, at each annual general meeting, one third of the Directors must retire from office. The Directors retire by rotation and hence Mr Sharman is being put up for re-election.

3.3 The Nominations Committee of the Board has conducted an assessment of Mr Sharman, 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 Sharman.

3.4 The following is a profile of Mr John Sharman:

Board position:	Appointed Non-Executive Director in September 2006.
Qualifications:	Master of Applied Finance, Macquarie University, NSW, Bachelor of Economics Degree from Monash University, Victoria and an Associate of the Institute of Chartered Accountants.
Experience:	John has over 15 years experience in company management, private equity, investment banking and corporate finance. He has extensive experience in capital raisings, negotiation of key agreements, recovery and commercial strategies for performing and non-performing companies in all stages of company development.
Committees:	Member of the Audit and Risk Committee.

The Chairman of the Meeting intends to vote any undirected proxies in favour of the re-election of Mr Sharman.

3.5 Directors' Recommendation

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

4. EXPLANATION AND SUMMARY OF RESOLUTION 3: AMENDMENT OF CONSTITUTION: NON-MARKETABLE PARCELS

4.1 Overview

A marketable parcel of shares, as defined in the ASX Listing Rules, is a holding of shares worth not less than \$500. The average last sale price of the Company's shares in the 10 trading days ending 22 April 2008 was \$0.160. Based on that price, the Company currently has 1,917 Shareholders holding non-marketable parcels (less than \$500 worth of Shares), ie. Small Shareholders. Of the 1,917 Small Shareholders, 833 Small Shareholders had less than \$100 worth of shares.

The Board proposes to deal with this issue with a two stage strategy, namely:

- (1) offering a share purchase plan of up to \$5,000 per Shareholder to raise up to \$3 million. Small Shareholders will be encouraged to top up their shareholding to a marketable parcel or more. If the issue is over-subscribed all Shareholders will have their application scaled-back on a pro rata basis (not to such a level as would take them



below a marketable parcel) and the balance of their application monies refunded to them. If the issue is under-subscribed, the Company will ensure that it raises up to \$2 million via the underwriting of the Vita Life Share Purchase Plan; and

- (2) establishing a facility, the Small Holding Sale Facility, for the remaining Small Shareholders to sell, through the Company, their non-marketable parcels of Shares.

The Board's decision whether to offer the Vita Life Share Purchase Plan, and to activate the Small Holding Sale Facility, is dependent on the market and economic conditions applicable at the time it makes its decision. Whilst in the coming year the Board is likely to activate both the Plan and the Facility, in future years it is conceivable that one or other is activated but not necessarily both.

4.2 Share Purchase Plan

Prior to implementing the Small Holding Sale Facility for the first time, the Company intends to make a non-renounceable offer to Shareholders, including Small Shareholders, of the opportunity to purchase up to \$5,000 of Shares under the Vita Life Share Purchase Plan. This Plan will accord with the requirements of ASIC Class Order 02/831 (**Class Order**) and the ASX Listing Rules.

Should it be offered, the Board has determined that the maximum number of Shares to be issued under the Vita Life Share Purchase Plan will not exceed 30% of the number of fully paid Shares already on issue.

Small Shareholders will be able to top up their shareholding to at least \$500 of Shares and therefore they will not risk having their shares sold by the Company as a non-marketable parcel (refer to item 4.3 below). The Vita Life Share Purchase Plan will allow Shareholders to purchase additional Shares without incurring any brokerage or transaction costs.

The Company plans to offer all Shareholders, whose registered addresses are in Australia and New Zealand at the relevant Record Date, the opportunity to subscribe for a maximum of \$5,000 of Shares. The Shares issued under the Plan will be issued at a discount of up to 5% to the volume weighted average sale price per Share of all Shares sold on the ASX during the 5 trading days up to and including the Record Date for participating in the Vita Life Share Purchase Plan. In calculating the number of Shares to be issued at that price, the Company will round down the number to the nearest whole Share.

If fully subscribed by all Shareholders the Vita Life Share Purchase Plan would raise more than \$3 million before costs. If the issue is over subscribed all will have their applications scaled-back on a pro rata basis (not to such a level as would take them below a marketable parcel) and the balance of their application monies refunded to them (without the payment of any interest that may have been earned on those monies which the Company will retain for its own purposes).

Shareholders electing to participate in the Vita Life Share Purchase Plan may only participate once. The limit of \$5,000 applies to each "person" (as defined in the Class Order) even if Shares are held in more than one capacity (for example, as a sole holder and as a first or subsequent named holder of 2 or more joint holders, i.e. the maximum amount offered for which a person can accept is \$5,000). However, a trustee or nominee expressly noted on the register may receive an offer for each occasion they are separately recorded as a trustee or nominee for a different beneficiary named on that register.

Applications to participate must be made on the personalised application forms that the Company will distribute for this purpose.

The Company has arranged for the Vita Life Share Purchase Plan (if it proceeds) to be underwritten up to an amount of \$2.0 million by CVCV. The underwriting of the Share Purchase Plan is subject to the passing of Resolution 4. Refer item 5 of this explanatory statement for details.

The proposed uses of the proceeds from the Vita Life Share Purchase Plan are set out in item 5.4 below. Whether the plan proceeds will be dependent upon the Board's view as to the market and economic conditions applying at the time of its decision. If it decides to proceed, the Board presently considers that obtaining the proposed underwritten amount of not more than \$2.0 million would enable the Company to be able to meet its expansion objectives as outlined.



Other terms and conditions of the Vita Life Share Purchase Plan are as follows:

- (1) the Board is unlikely to accept any application from a Shareholder with a registered address outside Australia or New Zealand as it is not practicable to assess whether the issue complies with the laws of that jurisdiction;
- (2) if a Shareholder subscribes for an amount which is not exactly divisible by the issue price for the Shares, in calculating the number of Shares to be issued, all fractional entitlements will be rounded down to the nearest whole number. The Company will not refund any resulting small excess in subscription monies. Rather, these will be deemed to form part of the aggregate subscription price of the Shares;
- (3) Shares issued under the plan will rank equally with all other Shares on issue and will carry the same voting & dividend rights and other entitlements from their issue date;
- (4) payment may only be in Australian dollars by cheque drawn on an Australian bank & made payable to the Company;
- (5) as required under the ASX Listing Rules, each successful applicant will be sent a holding statement in respect of Shares issued ;
- (6) Shares will be issued under the Plan as soon as reasonably practicable after the closing date and the Company will promptly apply for those shares to be quoted on the ASX; and
- (7) the Board reserves the right to amend, suspend or terminate the Plan at any time including extending the closing date, issuing fewer Shares than applied for or, in fact, issuing none at all.

Shareholders should consult their taxation or investment advisors to clarify the taxation and financial implications applicable to them in deciding whether to subscribe for Shares under the Vita Life Share Purchase Plan.

4.3 Small Holding Sale Facility

ASX Listing Rule 15.13 provides for companies to be able to sell non-marketable parcels of shares subject to various conditions. Subject to the passing of Resolution 3 by Shareholders, the Board proposes to establish a Small Holding Sale Facility for Small Shareholders who hold less than \$500 worth of Shares in the Company.

The Company will notify Small Shareholders, not more than once in any 12 month period, that it intends to sell their Shares. After a 6-week period, the Company will be entitled to sell the Shares of any Small Shareholder who has not advised the Company on the form provided to them to the contrary. The proceeds of sale will be remitted to the Small Shareholders whose Shares were sold within 60 days of the sale. Any brokerage or transaction costs in respect of these Share sales will be borne by the Company (but there is provision for a purchaser to instead be required to bear the costs).

Shareholders should note that the Company will not sell the non-marketable parcels of those Shareholders who inform it in writing that they wish to retain their small holdings.

The Constitution will also provide that:

- (1) joint holdings are dealt with by allowing any joint holder to notify the wish to retain their small holding and, where applicable, forwarding sale proceeds to the address of the joint holder first appearing in the Share Register;
- (2) dividend payments are suspended whilst the Small Holding Sale Facility is activated until the relevant small holding is transferred or the relevant divestment notice ceases to operate and only then paid to the transferor entitled;
- (3) a shortened procedure is also provided for where small holdings are created after the Small Holding Sale Facility is activated; and



- (4) the Small Holding Sale Facility is not available if a takeover bid for the Company is current, but the procedure can be re-activated afterwards.

Advantages of introducing Facility

The amendment of the Constitution to deal with non-marketable parcels empowers; it does not oblige the Board to do so. The Small Holding Sale Facility will allow the Company to achieve a more efficient investor base and reduce the Share Registry costs associated with non-marketable parcels. The Facility will also allow Small Shareholders with non-marketable parcels to dispose of their Shares at no cost.

Disadvantages of introducing Facility

Only a Small Shareholder who wishes to retain less than \$500 worth of Shares and does not want to have to write to the Company to so indicate would be disadvantaged and he or she is likely to be a rarity.

4.4 Directors' Recommendation

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

5. EXPLANATION AND SUMMARY OF RESOLUTION 4: UNDERWRITING FEE TO CVC VENTURE MANAGERS PTY LTD

5.1 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 4 which allows for the payment of a fee to be made to CVCV involves, in the opinion of the Directors, the giving of a financial benefit.

As relevant to this Resolution 4, 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. 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 director and company secretary, Mr Henry Townsing, is an Investment Director of CVCV but does not serve on its board.

5.2 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.

5.3 Underwriting Arrangements

The relevant features of the proposed underwriting arrangements are:

- (1) the proposed underwriting is a partial underwriting of no more than \$2,000,000 of the maximum \$3,000,000, that may be raised under the Vita Life Share Purchase Plan. The amount to be underwritten may be less than \$2,000,000 and is subject to the Board's decision as to market conditions and other factors that will only be known at the time the partial underwriting is entered into (refer item 4.2 for details);
- (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:

- (a) Mr Gould has a non beneficial interest in approximately 14.79%;
 - (b) Mr Sharman has a beneficial and a non beneficial interest totalling approximately 0.98%; and
 - (c) Stinoc Pty Ltd has a beneficial interest in approximately 12.16%;
- (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 not exceeding 4% 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 any 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 ;
- (2) the fee payable is not excessive and has been 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 4 is not passed, the Board may decide not to proceed with the underwriting.

5.4 Share Purchase Plan

The proceeds from the Vita Life Share Purchase Plan are to be used to fund the growth of the Health division and the partial underwriting will ensure the Company raises additional capital for this purpose. As discussed in the 2007 Annual Report (at page 3), the foundations for growth of the Company were put in place in 2006 and 2007 with positive contribution seen from the Health division in 2007.

In 2008, the focus of the Health division is on gaining a stronger foothold by:

- launching new and relevant products with improved or unique formulations;
- expanding the product range in China, Thailand and Indonesia;
- revitalising and expanding the Vita Science and Herbs of Gold brands in Australia;
- strengthening brand image and customer experience for all brands;
- investing in training and equipping our people to deliver our brand promises consistently; and
- building a strong team based in China to execute our China business plan.



To successfully implement these initiatives, the Company requires additional working capital for inventory purchases, product development, marketing, and associated infrastructure. However, whether the Share Purchase Plan proceeds will be dependent upon the Board's view as to the market and economic conditions applying at the time of its decision. If it decides to proceed, the Board presently considers that obtaining the proposed underwritten amount of not more than \$2.0 million would enable the Company to be able to meet its expansion objectives as outlined above.

The table below provides details of the proposed use of the funds to be raised.

	Share Purchase Plan Proceeds	
	Fully Subscribed (\$)	Underwritten Amount Subscribed (maximum) (\$)
Working capital for expansion purposes:		
a) Increased inventory purchases	1,375,000	1,300,000
b) Product development / re-formulations	375,000	300,000
c) Marketing network & infrastructure development	375,000	270,000
Settlement of borrowings	700,000	-
Underwriting Fee	140,000	100,000
Sundry costs	35,000	30,000
Total:	3,000,000	2,000,000

5.5 Advantages and Disadvantages of Allowing Underwriting to Proceed

The Company wishes to raise further funds for the expansion of its business, refer item 5.4 for details. Based on the enquiries of Directors, no independent underwriter was likely to accept the role without demanding fees and/or other terms un-commercial for the Company, particularly having regard to market conditions.

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

5.6 Directors' Recommendation

The Board, other than Messrs Gould and Sharman (who abstained from voting), recommends that Shareholders vote in favour of Resolution 4.

6. EXPLANATION AND SUMMARY OF RESOLUTION 5: APPROVAL OF ISSUE OF SHARES TO VITAL BIOTECH HOLDINGS LTD

6.1 Overview

The Company has issued Shares equivalent to 3.4% of its existing issued capital as at 28 March 2008 which reduces its ability to raise further capital up to the 15% in any rolling 12 month period permitted by the ASX Listing Rules.

6.2 Background

The Company's Health division is operated by Vita Healthcare Asia Pacific Sdn Bhd (a private company registered in Malaysia) and the Company previously owned 93.25% of the Malaysian company's issued capital. Vital BioTech Holdings Ltd (**VBH**), a Hong Kong listed company, owned the balance of 6.75%. An Agreement was concluded for the Company to buy the 6.75% shareholding in exchange for 1,586,053 new Shares (3.4% of the Company's existing issued capital on 28 March 2008). The 1,586,053 new Shares were issued at \$0.15 each on 28 March 2008. The Shares issued to VBH ranked



equally with existing ordinary shares of the Company and the listing of those Shares will be sought if Shareholder approval is obtained.

ASX Listing Rule 7.1 restricts listed companies from issuing more than 15% of their share capital in any rolling 12 month period without the prior approval of shareholders, unless an exception applies. ASX Listing Rule 7.4 provides, in effect, that the approval of Shareholders can be sought in respect of the issue of Shares to VBH so that those shares will not count towards the 15% placement limit.

The takeover provisions of the Corporations Act do not apply to this transaction.

6.3 Advantages of Allowing Issue to Proceed

Approving Resolution 5 will have the effect of:

- (1) refreshing the Company's ability to issue further ordinary shares up to the 15% threshold. Although the limit will not be exceeded by this proposed placement, the Board thought it prudent to seek approval for this share issue now so as to refresh the 15% threshold ;
- (2) affording the Company additional fundraising flexibility in the next 12 months from the date of Shareholder approval should it require equity funding for future opportunities on short notice; and
- (3) tidying up the ownership of a key subsidiary of the Company to ensure 100% control is with the Company.

6.4 Disadvantage of Allowing Issue to Proceed

The Board is satisfied that the price paid (namely, \$237,908) for the balance of its subsidiary's shares is fair and reasonable and the opportunity to acquire 100% control justifies the expense of paying greater than the net tangible asset backing of the shares.

6.5 Directors' Recommendation

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

7. EXPLANATION AND SUMMARY OF RESOLUTION 6– ISSUE OF OPTIONS TO BARLEIGH WELLS LTD

7.1 Background

As part of a secured loan facility granted by Barleigh Wells Limited, a company incorporated in the United Kingdom (**Barleigh**) to the Company in 2004, the Company granted Barleigh 12,000,000 options over Shares with an exercise price of \$0.10 per Share and expiring on 31 January 2009 (**Debt Facility** and **Original Barleigh Options** respectively).

In 2007, the Company consolidated its Shares in the ratio of 4:1 (that is, every four existing Shares were consolidated into one Share). Under the terms of the Original Barleigh Options the consolidation had the effect of:

- (1) reducing the number of Original Barleigh Options from 12,000,000 to 3,000,000; and
- (2) increasing the exercise price of the Original Barleigh Options from \$0.10 to \$0.40 per Share.

In August 2007, the Company repaid the balance of the loan (\$2,420,000) but requested Barleigh to maintain the Debt Facility of \$3,000,000 so that the Company could continue to drawdown the Debt Facility in future. Barleigh agreed to maintain the Debt Facility, subject to a suitable arrangement being agreed in respect of the Original Barleigh Options in light of its view that it had been unfairly disadvantaged when the exercise price of the Original Barleigh Options increased from \$0.10 to \$0.40 per Share. In December 2007, the Company drew down \$700,000 under the Debt Facility, and at the date of this explanatory statement, the drawdown remains at \$700,000.



The Directors have agreed to Barleigh's request that the Original Barleigh Options be cancelled and that the cancellation be effective prior to any new issue of options. Consideration for the agreement to forebear from cancelling the Debt Facility, calling in the debt or otherwise enforcing the security is to be provided in the form of a new issue of options. The Company has made this issue conditional upon the approval of Shareholders being obtained as Barleigh is both the largest Shareholder and potentially the largest lender at the date of this Explanatory Statement with 12.35% of the Shares and another 5.82% were it to exercise all the new options at that date.

ASX Listing Rule 6.23 prevents the Company from extending the term of the Original Barleigh Options and any arrangement which has a like effect. It is therefore intended that the Company, subject to obtaining the approval of Barleigh to do so, will cancel the Original Barleigh Options and the proposed resolution will not be effective unless that occurs prior to the resolution being put to a vote.

7.2 Terms of New Barleigh Wells Options

As part of a secured loan facility provided to Vita Life by Barleigh, the Company has granted options for Shares to Barleigh. In consideration of Barleigh forbearing to cancel the Debt Facility and call in the debt or otherwise to enforce the security, the terms of issue of the options are proposed to become effective from the date Shareholders approve the issue.

The proposed terms and conditions to apply to the new options to be issued by the Company are:

- (1) Date of initial issue of new options: within 1 month after the date the resolution is passed
- (2) Proposed Expiry date of new options: 31 January 2011
- (3) Number: 3,000,000 new options
- (4) Issue price: No charge
- (5) Exercise price: each option confers on the holder the right to take up an ordinary fully paid share in the Company. The exercise price for each option is \$0.40.
- (6) Exercise period: the new options may be exercised in whole or in part by notice in writing to the Company received at any time on or before 31 January 2011 at which time they will lapse.
- (7) Transfers: the new options may be transferred at any time in whole or in part.
- (8) Voting rights: the new options will not, in themselves, carry any voting rights or dividend entitlements.
- (9) Share issues including rights issues: the new options will not participate in new issues of Shares without the prior exercise of new options. In this regard the Company will notify Barleigh of the proposed new share issue and give Barleigh the opportunity to exercise its new options so that Shares allotted to Barleigh from the exercise of its new options may participate in the proposed new share issues.
- (10) Reorganisation: in the event of a reorganisation of the Company's issued capital or distribution of assets to Shareholders, option holders will be given notice by the Company prior to any such matter so that option holders can exercise their new options in order that they may participate in the reorganisation or distribution of assets to Shareholders.

7.3 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 6.



8. EXPLANATION AND SUMMARY OF RESOLUTION 7 – DIVIDEND RE-INVESTMENT PLAN

8.1 The Constitution in rule 135 allows the Directors to put a dividend reinvestment plan before Shareholders for approval in a general meeting.

8.2 Summary

The Vita Life Dividend Reinvestment Plan (**DRP**) provides a convenient way for all holders of the Company's ordinary Shares to automatically invest their dividends in new fully paid ordinary shares in the Company. The full terms and conditions of the **DRP** are available in soft or hard copy from the Company Secretary on request at the registered office.

The main features of the **DRP** include:

- (1) Shareholders have the opportunity to be Participants in the **DRP** and at each dividend payment date, have any dividends automatically invested in the Company's Shares.
- (2) Shares may be allocated under the **DRP** at a discount to the market price. The current intention is to allocate Shares at the 'Adjusted Current Market Price' defined as 97.5% of the volume weighted average sale price per Share of all Shares sold on the ASX during the 5 trading days up to and including the Record Date and, if no Shares are sold during that period, the last sale price recorded on the ASX prior to the start of that period.
- (3) Shares allocated under the **DRP** may, in the Directors' discretion, be existing Shares transferred to Participants, or new Shares issued to Participants. Shares issued or transferred under the **DRP** rank equally with existing Shares from the date of issue or transfer.
- (4) Participants will not incur brokerage, commission or other transaction costs associated with their application for, or the transfer or issue to them, of Shares.
- (5) Where the **DRP** entitlement formula results in a fraction of a Share, the value of that fraction will be carried forward in the affected Shareholder's **DRP** account (without accruing interest) and added to their next dividend for the purpose of calculating their Share entitlement.
- (6) Shares allocated under the **DRP** will be registered directly in the Participant's holding and a statement will be sent to Participants following each dividend payment. It will indicate details of their participation, any residual amounts carried forward in their **DRP** account, and details of any movements in the relevant shareholding balance.
- (7) Participants may join, vary their participation, or withdraw from the **DRP** at any time prior to the Record Date for an allocation under the **DRP** by rendering a Nomination Advice to the Share Registry. Nomination Advice forms are available from the registered office.
- (8) A Share which has ceased to be a Participating Share is not thereby precluded from subsequently becoming subject to the **DRP** (provided that the **DRP** has not been terminated or suspended) on the terms and subject to the conditions set out in the Rules as amended from time to time.
- (9) Participants electing partial participation can nominate a number of Shares or the percentage of their shareholding that will participate in the **DRP**.
- (10) The Directors believe that a Shareholder's tax position in respect of a dividend payment remains unchanged whether or not that Shareholder elects to participate in the **DRP** but Shareholders should obtain their own tax advice.



- (11) Participation in the DRP is entirely voluntary. Shareholders who do not apply to participate in the DRP will continue to be entitled to receive any dividends declared by the Directors in cash (paid by cheque or direct credit to their nominated bank account).
- (12) An application to participate may provide that participation in the DRP extends either to all or to a specified number of the Shares registered in the name of the applicant. On acceptance, the applicant will become a Full Participant or a Limited Participant in the DRP. If the application does not specify a number of Shares to become Participating Shares, the Application is deemed to be an application for the applicant to become a Full Participant in the DRP. Any further Shares acquired (by whatever means) by a Full Participant will automatically become Participating Shares in the relevant DRP on being registered in their name. All Shares transferred or issued to a Limited Participant pursuant to this DRP are deemed to become Participating Shares in the DRP.
- (13) The DRP will not operate in relation to a dividend to the extent that the allotment or issue of Shares under the DRP would breach any applicable law, the ASX listing Rules or any provision in the Company's Constitution. If and to the extent that the DRP does not operate, the relevant dividend on Participating Shares must instead be distributed net of any withholding tax (if any) in cash to Participants in the same way as to Shareholders not participating in the DRP.
- (14) The Directors may implement the DRP in the manner they think fit and may settle any difficulty or dispute which may arise either generally or in a particular case in connection with the DRP as the Directors think fit. The determination of the Directors will be conclusive and binding on all Shareholders and other persons to whom the determination relates.

8.3 Advantages of Introducing a DRP

The following benefits flow from the introduction of a DRP:

- (1) Funds that would otherwise be disbursed are retained in the Company.
- (2) Participating Shareholders may acquire Shares at a discount to market and avoid transaction costs.
- (3) Shares issued under a DRP do not dilute the Directors' placement power but rather add to the number of shares available under that power without the need for a resolution to be passed at a Shareholders' meeting.
- (4) The holders of small, non-marketable parcels are enabled to top up existing holdings towards achieving a marketable parcel.

8.4 Disadvantages from Introducing a DRP

The only potential downside that flows from the introduction of a DRP is that:

- (1) Funds that would otherwise be disbursed are retained in the Company.
- (2) There is a relatively minor dilutive effect as no DRP has a 100% take-up.
- (3) Subject to the level of franking, some Shareholders may find they need to borrow funds to pay the tax on the non-cash dividend.

8.5 Directors' Recommendation

The Board, recommends that Shareholders vote in favour of Resolution 7.

9. EXPLANATION AND SUMMARY OF RESOLUTION 8 – SHARE BUY-BACK

9.1 Background

The Corporations Act authorises a listed company to buy-back its own shares on market if the buy-back does not materially prejudice its ability to pay its creditors and it follows the procedures set out in the Corporations Act. Shareholder approval is required if all of the shares bought back in the last 12 months are more than 10% of the minimum number of shares on issue at any time during the last 12 months. This limit after which a company requires shareholder approval for an on-market buy-back is called the "10/12 limit".

Authority was given to the Directors at the 2006 Annual General Meeting to effect an on-market buy-back of Shares subject to conditions, such as the purchase of up to a maximum of 25% of the issued capital by the Company. The authority expired on the date of the 2007 Annual General Meeting (31 May 2007). Such an on-market buy-back would exceed the 10/12 limit.

Resolution 8 again authorises an on-market buy-back for the current financial period expiring on whichever is the earlier of:

- (1) the anniversary of the passage of this resolution; or
- (2) the 2009 Annual General Meeting.

9.2 The price that the Company will pay under the on-market buy-back offer is the current market price as outlined below. For there to be a "current market price":

- (1) share trades must have been recorded on the ASX on at least 5 trading days in the 3 months preceding the buy-back (ASX Listing Rule 7.29);
- (2) the Company must have made an announcement to the ASX that it complies with that Listing Rule and intends to proceed with an on-market buy-back; and
- (3) there must be a moving cap calculated at 5% above the average of the market price of the Shares calculated over the last 5 days in which trading in the Shares was recorded, with the buy-back to occur on the next trading day (ASX Listing Rule 7.33).

9.3 As required by section 257C(1) of the Corporations Act, the implementation of the buy-back is conditional on the approval by a resolution passed at a general meeting of the Company. This resolution is an ordinary resolution and will be passed if a majority of votes cast, in person or by proxy, attorney or representative by Shareholders at the meeting is cast in favour of the resolution.

9.4 If this resolution is passed, the buy-back may be implemented by the Board at any time by making the announcement to the ASX required by the ASX Listing Rules. Nevertheless, the Board may choose not to proceed, or to proceed at a later date (see item 9.1 above).

9.5 If the Board makes the relevant announcement the on-market buy-back will be effected on the following terms:

- (1) The maximum percentage of Shares to be bought back is 25%. Based on the number of ordinary shares on issue as at the date of this notice being 48,580,228 shares, the maximum number of Shares to be bought back would be 12,145,057.
- (2) The Constitution does not, at the relevant time, preclude the buy-back of Shares or restrict the Company's power to do so. The Company will stand in the market to buy-back not more than 25% of its ordinary share capital and this can be done on a continuous basis.
- (3) The Company intends that no offer will be made earlier than 23 May 2008 and the relevant Shares will all have been bought back before the close of business on 22 May 2009, however, the resolution can operate for as long as 12 months or until the next AGM, whichever occurs first.

- (4) In the event that the ASX Listing Rules are inconsistent with any term of the on-market buy-back set out in this explanatory statement, the Company intends that such Listing Rule(s) override that term to the extent of that inconsistency.
- (5) Acceptances, once given, are irrevocable.
- (6) At the date of this explanatory statement, no director had determined whether he will accept a buy-back offer in respect of shares in which he has an interest.

9.6 Advantages of Introducing a DRP

The key advantages of the on-market buy-back being allowed to proceed are as follows:

- (1) increase the liquidity of the Shares;
- (2) an efficient use of any surplus capital that becomes available to the Company in a market where finding suitable investments proves difficult;
- (3) increasing price competition for the Shares; and
- (4) the promotion of a more efficient capital structure.

9.7 Disadvantages of Introducing a DRP

The key disadvantages of the on-market buy-back being allowed to proceed are as follows:

- (1) it reduces the cash balances of the Company; and
- (2) it is on a selective rather than equal access basis.

9.8 The financial effect of the proposed buy-back will be to deplete the Company's cash reserves and/or to increase its borrowings depending upon the appropriate funding mix utilised by the Directors at the time the offer proceeds. Against this, the share capital of the Company will be reduced with a likely beneficial increase of net tangible asset backing per share. The offer will not proceed if the buy-back would materially prejudice the Company's ability to pay its creditors.

The Company intends to utilise its cash reserves to pay for the Shares it buys-back when making the on-market offer and to supplement same with borrowings. The break-up between one and the other will depend on the circumstances of the Company at the time the offer is made and will be detailed in the relevant announcement to the ASX.

By way of example, an on-market buyback offer at \$0.20 per Share would require maximum funding of approximately \$2,429,011 (assuming full acceptance of the buy-back offer [25%]).

9.9 Accepting the on-market Share buy-back may have financial, taxation, or other ramifications for Shareholders depending upon each such Shareholder's personal circumstances and the Board recommends that before accepting any on-market offer, Shareholders should obtain their own professional advice.

9.10 The financial statements of the Company are available on the Company's website at www.vitalifesciences.com.au.

9.11 The Company is satisfied that this notice of meeting and explanatory statement set out all the information known to the Company that is material to the decision how to vote on the resolution.

If approval of Resolution 8 is not given, the Company is still able to buy-back on market the maximum number of Shares permitted under the 10/12 limit without Shareholder approval.



9.12 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 8.



10. GLOSSARY OF TERMS

In this explanatory statement, the following expressions have the meanings ascribed to them:

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 ASX Ltd trading as Australian Securities Exchange;

Auditors means Russell Bedford NSW, Chartered Accountants, the Company's external auditors;

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

Company or **Vita Life** means Vita Life Sciences Limited ACN 003 190 421, the registered office of which is located at Suite 630, 1 Queens Road, Melbourne, Victoria, 3004, Australia;

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;

CVCV or **Underwriter** means CVC Venture Managers Pty Ltd ACN 006 535 299;

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

DRP means the Vita Life Dividend Reinvestment Plan to be tabled before Shareholders at the Annual General Meeting;

Meeting or **Annual General Meeting** means the annual general meeting of Shareholders convened by the Notice of Meeting to be held at 11.30am on 23 May 2008;

Notice of Meeting means the notice of annual general meeting dated 23 April 2008 which accompanies this explanatory statement;

Options means the options to acquire Shares held by Barleigh Wells Limited, a lender to the Company;

Participant means a Shareholder who for the time being participates in the DRP in respect of all the Shares registered in their name and means a person who is the holder of **Participating Shares**;

Record Date means the date chosen by the Directors in accordance with the ASX Listing Rules as the date for determining who will benefit from either the declaration of dividend (in the context of the Vita Life Dividend Reinvestment Plan), or the offer (in respect of the Vita Life Share Purchase Plan) and notified to the ASX;

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

\$ means Australian dollars;

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

Shareholders means the holders of Shares in the Company as recorded in the register no later than 48 hours before 11.30am on 23 May 2008, the date and time of the 2008 Annual General Meeting;

Share Registry means Gould Ralph Pty Ltd of Level 42, Suncorp Place, 259 George Street, Sydney, NSW, 2000 Australia; and

Small Shareholders means those Shareholders of the Company that each hold less than \$500 worth of Shares.



11. SHAREHOLDER ENQUIRIES

Shareholders with questions regarding the Notice of Meeting or this explanatory statement should contact the Company Secretary on +61 3 9867 2811 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 of Meeting or this explanatory statement not contained in them.

VITA LIFE SCIENCES LIMITED

Telephone: (03) 9867 2811
Facsimile: (03) 9820 5957

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

Vita Life Sciences Limited

ABN 35 003 190 421

PROXY FORM

**TO: The Company Secretary
Vita Life Sciences Limited (Company)
Suite 630, Level 6, 1 Queens Road, Melbourne, Victoria, 3004**

FAX: (+613 9820 5957)

Appointment of Proxy
I/We, _____ [Name of member(s)]
of _____ [Address]
being a member(s) of the Company and entitled to attend and vote appoint as my/our proxy
_____ [Name of Proxy]
of _____ [Address of Proxy]
or, failing him or her, the Chairman of the Annual General Meeting of the Company to be held on
Friday, 23 May 2008 at 11.30 am (Melbourne time) at Level 1, 1 Queens Road, Melbourne, Victoria,
3004 Australia at to vote for me/us at that meeting and at any adjournment of it.
Appointing a Second Proxy - If you wish to appoint two proxies, see overleaf, item 4.

IMPORTANT: FOR RESOLUTIONS No. 2 and 4

Chairman's Voting Authority

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Resolutions No. 2 and 4 below, **please place a mark in this box**. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of Resolution 4 and votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolution 4 and your votes will not be counted in computing the required majority if a poll is called on this Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of this Resolution.

Voting directions to your proxy – please mark to indicate your directions

I/We direct my/our Proxy to vote in accordance with the directions below. Unless the Proxy is directed, they may vote or abstain as they think fit, as they will on any other matters arising at the meeting.

No.	Resolutions	For	Against	Abstain *
1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Election of director (Mr J S Sharman)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Amendment of Constitution: Non-marketable Parcels & Establishment of Small Holding Sale Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Underwriting Fee to CVC Venture Managers Pty Ltd for Share Purchase Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5	Approval of Share Issue to Vital Bio Tech Holdings Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Issue of Options to Barleigh Wells Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Implementation of Dividend Reinvestment Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Approval of On-Market Buy-back up to 25%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Each Resolution, other than resolution 3, is to be put as an ordinary resolution requiring a simple majority of Shareholders present and voting either in person, by proxy, attorney or properly constituted certificate of representation. Resolution 3 is to be put as a special resolution and requires at least 75% majority of Shareholders present and voting either in person, by proxy, attorney or properly constituted certificate of representation.

As noted in the Explanatory Statement, the resolution to be put in relation to the Remuneration Report is advisory only and non-binding upon the Company and/or the Directors.

As noted above, the Chairman intends to vote any undirected proxies in favour of the resolutions.

*** If you mark the Abstain box for a particular item of business, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll or, if your votes entitlement cannot be voted by the Chairman of the Meeting, your votes will not be counted in computing the required majority on a poll. Accordingly, the Directors urge Shareholders to lodge only "directed" proxy forms.**

Authorised signature/s
This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Individual/Sole Director and Sole Company Secretary	Director	Director/Company
...../...../.....
Contact Name	Contact Daytime Telephone	Date

How to complete this Proxy Form

- 1 Your Name and Address**
The Annual Report and Notice of Meeting documents have been sent to your name and address as it appears on the share register of Vita Life Sciences Limited. If this information is incorrect, please advise the Company of your new details. Shareholders sponsored by a broker should advise their broker of any changes.
Please note you cannot change ownership of your Shares using this form.
- 2 Appointment of a Proxy**
If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy and vote on your behalf. A proxy need not be a Shareholder of Vita Life Sciences Limited.
- 3 Votes on items of Business**
You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy will vote as he or she chooses. If you mark more than one box on a resolution your vote on that resolution will be invalid.

4 Appointment of a Second Proxy

If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on (+613 9867 2811) or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If two Proxy Forms are received but no percentage or number of votes is indicated, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together in the facsimile transmission or in the same envelope.

5 Authorised Signature(s)

You must sign this form as follows in the spaces provided:

- Joint Holding : where the holding is in more than one name all of the holders must sign.
- Power of Attorney : to sign under a power of attorney, you must have already lodged this document with the share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the power of attorney to this form when you return it.
- Companies : a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of corporate shareholder is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company or share registry.

6 Lodgement of Proxy

To be valid the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be lodged with the Company:

- (a) Suite 630, Level 6, 1 Queens Road, Melbourne, Victoria, 3004;
- (b) the registered office; or
- (c) by faxing it to fax number (+613) 9820 5957 or the registered office,

not later than **11.30 am** (Melbourne time) on **Wednesday, 21 May 2008**, being 48 hours before the holding of the Meeting.

Shareholders are urged to complete any one of the "FOR", "AGAINST" OR "ABSTAIN": boxes thereby giving a directed proxy which then can be voted in all circumstances.

Documents may be lodged: by posting, delivery or facsimile to Vita Life Sciences Limited at the address opposite:	Suite 630, Level 6, 1 Queens Road, Melbourne, Victoria, 3004 Facsimile: (+613) 9820 5957
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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 YOUR WISHES.

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