

Vita Life Sciences Limited

Vita Life Sciences Limited

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Rights Issue Offer and Small Holding Sale Facility Document

1 for 7.73 non-renounceable rights issue at \$0.20 per share to raise \$1,250,000 (before costs) and activation of a Small Holding Sale Facility

Rights Issue is fully underwritten by CVC Venture Managers Pty Limited
ACN 006 535 299

If you are an Eligible Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document you have any questions about the securities being offered under it or any other matter, you should contact your stockbroker, accountant or other professional advisor.



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10 July 2009

Dear Shareholder

Rights Issue and Small Holding Sale Facility

Rights Issue

This document and the enclosed "Entitlement and Acceptance Form" is your offer document for the 1 for 7.73 non-renounceable rights issue (**Offer**) announced by Vita Life Sciences Limited ("**Vita Life**" or "**Company**") to the Australian Stock Exchange Limited (**ASX**) on 26th, June 2009.

Background

During the period 2003-2004, the Company suffered substantial losses from the Pan Pharmaceuticals Ltd (In Liquidation) ("Pan") product recall as a consequence of the regulatory action taken by Therapeutic Goods Administration ("TGA") against Pan in April 2003.

On 24 April 2009, the Company filed a Statement of Claim ("Statement") against the Commonwealth of Australia. The Statement contains allegations of misfeasance by the TGA relating to the Pan Product recall which subsequently resulted in the Company suffering substantial losses.

The quantum of the Company's damages is currently being evaluated by an independent expert. As soon as the independent expert completes his evaluation, an announcement detailing the quantum of damages to the Australian Securities Exchange will be made.

Reasons for the Rights Issue Offer

Vita Life estimates the legal and related professional services will cost in excess of the proceeds from the Rights Issue (\$1.25 million before costs). However, we expect our businesses to have sufficient cash reserves and future cash flows to meet reasonable additional funding requirements.

The terms and conditions of the Offer are set out in this document.

Small Holding Sale Facility

Background

This document, the "Entitlement and Acceptance Form" together with the "Notice of Retention of Small Shareholding Form" are your documents relating to the enactment of Vita Life's Small Holding Sale Facility.

Whilst Vita Life welcomes the support of all shareholders, there are significant administrative costs in terms of; shareholding statements, annual reports and all forms of shareholder communication, irrespective of the size of shareholding. This cost can be disproportionately high when compared with the dollar value of small shareholdings.

In order to efficiently manage the costs of being a listed public company, Vita Life intends to implement a Small Holding Sale Facility, which is to be available to shareholders who hold less than A\$500 worth of ordinary, fully paid shares in Vita Life (**Small Shareholders**).

At the 2008 Annual General Meeting the Company suggested it would undertake a share purchase plan which would provide Small Shareholders an opportunity to increase their shareholding to a marketable parcel of A\$500 or more (up to A\$5000). The Rights Issue is intended to provide Small Shareholders with a similar opportunity.

Small Shareholders will be given priority allocation of shares up to A\$500, thereafter the entitlement of other shareholders under the Rights Issue will be fulfilled. There will be no transaction fee payable on the purchase of Rights Issue shares or sale of shares by any Small Shareholder who utilizes the Small Holding Sale Facility as Vita Life will pay all brokerage costs and handling charges (including GST).

Further action

(1) Rights Issue

If you wish to participate in the Rights Issue offer – you must complete and return the Entitlement and Acceptance form which accompanies this letter (along with your cheque) so that it is received at the appropriate address by no later than 5.00 p.m. (Melbourne time) on 31 July 2009.

The Offer will only be available to Shareholders with an address in Australia or New Zealand on the share register.

For Small Shareholders who wish to participate in the Rights Issue and increase their shareholdings to a marketable parcel, none of your existing Vita Life shares will be sold under the Small Holding Sale Facility.

(2) If you are a Small Shareholder and wish to retain your Vita Life shares – you must complete and return the Notice of Retention, attached by 5.00 p.m. (Melbourne time) on 21 August 2009.

If you do nothing and your shareholding is less than A\$500 on 21 August 2009, your Vita Life shares will be sold on your behalf (under the Small Holding Sale Facility) and the proceeds of sale will be posted to you.

In relation to the Small Holding Sale Facility, this document serves as a Divestment Notice under Rule 120A.2 of the Company's constitution.

If you have any questions in regard to the Rights Issue and / or Small Holding Sale Facility, or if you have multiple shareholdings in Vita Life and you would like to consolidate them by no later than 5.00 p.m. (Melbourne time) on 31 July 2009, please contact the Company Secretary on (03) 9867 2811 or the Share Registry on (02) 9032 3000.

Yours faithfully

Vanda Gould
Chairman

Non-Renounceable Rights Issue Offer

1.1 Offer made under Section 708AA of the Corporations Act 2001

This Offer is being made without a prospectus in accordance with section 708AA of the *Corporations Act 2001 (Commonwealth)* (**Corporations Act**) to Australian and New Zealand shareholders recorded in the register of members at 5.00pm Melbourne time, 7 July 2009 (**Record Date** and **Eligible Shareholders** respectively).

This document is not a prospectus under Australian law or under any other law. Accordingly, this document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

Before making any decision to invest, Eligible Shareholders must make their own investigations and analysis regarding the Company, its business, financial performance, assets, liabilities and prospects, rely on their own inquiries and judgments in the light of their own personal circumstances (including financial and taxation issues) and seek appropriate professional advice.

1.2 1 for 7.73 non-renounceable rights Issue

The Company is offering to Eligible Shareholders, by way of a non-renounceable rights issue, one new share for every seven point seven three shares recorded in their name on the Record Date at an issue price of \$0.20 per new share. If an Eligible Shareholder's entitlement results in a fraction of a share, that shareholder's entitlement will be rounded down. The shares to be issued under the Offer are called **New Shares**.

Under the Offer, the Company will issue up to 6,250,000 New Shares to raise \$1,250,000 before expenses. Upon the successful completion of the Offer, the Company will have 54,555,228 ordinary shares on issue and no unquoted shares or options. The New Shares will rank equally in all respects with the Company's existing shares.

1.3 Underwriting

The Offer is fully underwritten by CVC Venture Managers Pty Limited (**Underwriter**) for a commission of 3.0% of capital raised plus a 0.5% administration and handling fee plus disbursements and legal fees.

The Underwriter has sub-underwritten the whole of its commitment including in part to its related company, Stinoc Pty Limited. One of the directors of Stinoc Pty Limited is also a director and Chairman of the Company and the Underwriter. Interests with which he is associated have a legal or beneficial interest in up to 14.9% of the Company's issued capital. This percentage could increase by virtue of the underwriting and sub-underwriting. The underwriting agreement may be terminated in certain circumstances which are set out in Schedule 1 to this document.

The Company is satisfied that the sub-underwriting is an arm's length transaction as determined by those of its non-executive director with no interest in the Underwriter or any CVC group company.

1.4 No rights trading

Your entitlements under this Offer (**Entitlements**) are non-renounceable. This is because the Company does not believe there would be a significant market for the rights. Accordingly, there will be no trading of rights on ASX and you may not dispose of your rights to subscribe for shares to any other person.

If you do not take up your Entitlements by the Closing Date they will be taken up by the Underwriter and sub-underwriter(s) unless the respective underwriting and sub-underwriting agreements have been terminated (see below for details of the underwriting arrangements).

1. Timetable

The Offer will be conducted in accordance with the following indicative timetable:

Event	Date
Announcement of Offer	Friday, 26 June 2009
Existing shares quoted 'ex' rights (Date from which securities commence trading without the entitlement to participate in the Offer)	Wednesday, 1 July 2009
Record Date (Date for determining entitlements of Eligible Shareholders to participate in the Offer)	Tuesday, 7 July 2009
Cleansing Notice and dispatch of Offer Document and Entitlement and Acceptance Form	Friday, 10 July 2009
Opening Date of Offer	Monday, 13 July 2009
Closing Date of Offer	Friday, 31 July 2009
Allotment Date	Friday, 7 August 2009
Dispatch of Holding Statements	Friday, 7 August 2009
Normal trading expected to commence	Monday, 10 August 2009

The Company reserves the right, subject to the Corporations Act, the ASX Listing rules and any requirements of ASX to vary the above timetable including accepting late acceptances or extending the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

Unless the Company decides to accept late Applications or extend the Closing Date, acceptances received after 5.00pm Melbourne time, on Friday, 31 July 2009 may be rejected and application monies refunded without interest (if any, which will be retained by the Company).

If permission for quotation is not granted by ASX, the New Shares will not be allotted and application monies will be refunded (without interest) as soon as practicable.

2. How to accept the Offer

Acceptance of the Offer must be made on the personalised Entitlement and Acceptance Form attached to or accompanying this document. You are not limited to acceptance of your Entitlement. You may accept for any number of New Shares but you are only assured of receiving your Entitlement as shown on that form. Priority will be given to satisfy those Small Shareholders who have less than a marketable parcel (A\$500 worth of shares) and have applied to increase their holding to more than a marketable parcel for the number of shares that will provide them with at least a marketable parcel.

Acceptance of more New Shares than your Entitlement will be satisfied from the entitlements of those Eligible Shareholders who do not subscribe for their New Shares or who subscribe for less than their full entitlements (**Shortfall Shares**). Shareholders are eligible for New Shares ahead of the Underwriter and sub-underwriters.

Acceptance in full with or without Shortfall Shares:

To accept your Entitlement in full or to accept your Entitlement and to apply for Shortfall Shares:

- complete the Entitlement and Acceptance Form, filling in the details in the spaces provided;
- attach your cheque for the amount indicated on the Entitlement and Acceptance Form or that amount and an additional amount for any Shortfall Shares you wish to apply for (at \$0.20 per share); and
- post the Entitlement and Acceptance Form with full payment to the Company so that it is received by the Closing Date, 5.00pm Melbourne time, Friday, 31 July 2009.

Acceptance in part

To accept your Entitlement in part:

- fill in the number of New Shares you wish to accept in the space provided on the personalised Entitlement and Acceptance Form;
- attach your cheque for the appropriate application monies (at \$0.20 per share); and
- post the Entitlement and Acceptance Form with full payment to the Company so that it is received by the Closing Date, 5.00pm Melbourne time, Friday, 31 July 2009.

Eligible Shareholders on the share register with a shareholding valued at less than A\$500 have less than a marketable parcel and are encouraged to take up sufficient New Shares as will take them above the number required for them to have a A\$500 parcel. Small Shareholders will be given priority allocation of shares up to A\$500, thereafter the entitlement of other shareholders under the Rights Issue will be fulfilled.

If you provide insufficient funds to meet the amount due to take up all or part of your Entitlement, you may be taken by the Company to have applied for such lower number of New Shares as your cleared amount will pay for, or your application may be rejected.

If you remain a Small Shareholder after taking up all or part of your Entitlement and otherwise do not notify the Company, the Small Holding Sale Facility will apply to you.

Non acceptance

If you do not wish to accept any part of your Entitlement, you do not have to do anything and your Entitlement will automatically lapse and be dealt with as Shortfall Shares. You will receive no payment for your lapsed Entitlement. You cannot sell or transfer your Entitlement to another person.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

Shareholders on the share register with an address otherwise than in Australia or New Zealand will be treated as not having accepted for any part of their Entitlement. If the Company is required to do so, it will deal with those shareholders as set out in section 615 of the Corporations Act or any modification to, or exemption obtained from, that provision.

If Eligible Shareholders on the share register with a shareholding valued at less than A\$500 do not increase their shareholding to a marketable parcel (more than A\$500) by **21 August 2009** and do not otherwise notify the Company, Vita Life will sell the Small Shareholders' shares on their behalf subject to the rules of the Small Holding Sale Facility.

3. Payment

Post your completed Entitlement and Acceptance Form, accompanied by full payment in Australian currency by a cheque drawn on an Australian bank or bank draft (cash will not be accepted), in each case payable to '**Vita Life Sciences Limited – Trust Account**' and crossed '**Not Negotiable**' to the following address:

Vita Life Sciences Limited
c/- CVC Venture Managers Pty Ltd
Suite 630, Level 6
1 Queens Road
Melbourne, VIC, 3004

4. Effect of acceptance

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Eligible Shareholder and the Company for the number of New Shares accepted or deemed to be accepted by the Eligible Shareholder up to their Entitlement. The Entitlement and Acceptance Form does not need to be signed by the Eligible Shareholder to be legally binding. The Offer and contract formed on acceptance are governed by the applicable law of Victoria.

The Company will attempt to satisfy requests for more than Entitlements out of Shortfall Shares. Priority will be given to satisfy those Eligible Shareholders who have less than a marketable parcel (A\$500 worth of shares) and have applied to increase their holding to more than a marketable parcel for the number of shares that will provide them with at least a marketable parcel.

Any other oversubscription will be reduced proportionately first based on the Eligible Shareholder's Entitlement and then secondly the balance will be distributed in a manner fair and equitably amongst the applicants for Shortfall Shares. If there are still Shortfall Shares after that distribution, they will be taken up by the Underwriter and dealt with under the underwriting arrangements.

All New Shares will rank equally with existing shares irrespective of whether they were issued to satisfy an Entitlement or not.

5. Allotment of shares

Allotment and issue of the New Shares will only be made once the application monies (including any due from the Underwriter on a shortfall) have been received and ASX has granted permission for quotation of the New Shares.

If permission is granted, it is expected the New Shares will be issued and allotted and holding statements dispatched on 7 August 2009.

It is the responsibility of Eligible Shareholders to determine their allocation prior to trading in New Shares. Applicants who sell shares before they receive their holding statement do so at their own risk.

6. ASX quotation

Application will be made to ASX for the official quotation of the shares to be issued under the Offer. If permission is not granted by ASX for the official quotation of those shares, the Company will repay, as soon as practicable, without interest (which it will retain), all

application monies received under the Offer.

7. Jurisdiction

All shareholders who are not Eligible Shareholders are non-participating foreign holders (**NPF Holders**). The Company has decided that it is unreasonable to make the Offer to NPF Holders, having regard to the number of shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places.

Accordingly, the Offer is not being extended to, and no New Shares will be issued to, NPF Holders. Alternative arrangements will be notified to NPF Holders in due course. This document is sent to those shareholders for information purposes only (except to those in the US, Hong Kong and Singapore for whom it may be illegal to do so). This document does not constitute an offer in any place in which or to persons to whom it would not be lawful to make such an offer. In particular, this document does not constitute an offer to NPF Holders.

The distribution of this document in jurisdictions outside Australia and New Zealand may be restricted by law. Persons who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

8. Other matters

The rights and liabilities attaching to Shares are set out in the Company's Constitution and are regulated by the Corporations Act, the general law, the Listing Rules and the ASTC Settlement Rules. The Constitution may only be varied by a special resolution passed by at least 75% of Shareholders present (and entitled to vote).

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this document. Any information or representation not contained in this document may not be relied on as having been authorised by the Company, the Directors or the Underwriter.

Financial advice

Please read this Rights Issue Offer and Small Holding Sale Facility Document carefully as they contain important information. Neither Vita Life nor CVC Venture Managers Pty Limited makes any recommendation to you regarding whether to participate in the Rights Issue, or to sell or retain your shares under the Small Holding Sale Facility.

Taxation

Please consult your financial advisor if you wish to understand the possible taxation implications from participating in the Rights Issue.

Small Holding Sale Facility

If Eligible Shareholders on the share register with a shareholding valued at less than A\$500 do not increase their shareholdings to a marketable parcel (more than A\$500) by **21 August 2009** and otherwise do not notify the Company of their intention to retain their shares, Vita Life will sell the Small Shareholders' shares on their behalf subject to the rules of the Small Holding Sale Facility (see Schedule 2).

Under Rule 120A of the Company's constitution, the Company may notify shareholders who held less than A\$500 worth of ordinary, fully paid shares in Vita Life that it intends to sell their shares.

After the 6-week Notification Period or 5p.m. (Melbourne time) 21 August 2009, the Company is entitled to sell the shares of Small Shareholders who have not advised the Company to the contrary, as agent of the Small Shareholders. The power of the Company as agent for the Small Shareholders is only exercisable during the period of 6 weeks from 5 p.m. (Melbourne

time) on 21 August 2009. The proceeds of sale will be remitted to the Small Shareholders whose shares were sold as soon as practicable but within 60 days of the sale. Any brokerage or transaction costs in respect of these Share sales will be borne by the Company. Vita Life has engaged CVC Venture Managers Pty Limited to appoint a broker on the Company's behalf, to arrange for these sales.

Shareholders should note the Company will not sell the non-marketable parcels of those Shareholders who inform it in writing (by 5 pm 21 August 2009) that they wish to retain their small holdings (refer Notice of Retention of Small Shareholding Form attached).

Shareholders should note that none of the Company, CVC Venture Managers Pty Limited or any broker appointed to act and arrange the sale of any Small Holding Sale Facility Shares on the Company's behalf as the Small Shareholders agent, and their respective directors, officers and employees shall be liable in any way to any Shareholder in relation to any liability, loss, damage or cost (including negligence) arising as a result of, or make any representations or provide any warranties as to:

- (1) the price at which any Small Holding Sale Facility Shares are sold;
- (2) the period of time or manner in which Small Holding Sale Facility Shares are sold on the ASX, save for the 6 week limitation;
- (3) the availability or capacity of the market for the Company's shares listed on the ASX to complete any Small Holding Sale Facility Shares transactions; and/or
- (4) any adverse financial implications the sale of Small Holding Sale Facility Shares may have on Small Shareholders.

The Constitution provides 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.

The Company expects the Small Holding Sale Facility to operate along these lines:

- (1) the Company will pool all Small Holding Sale Facility shares into one bundle;
- (2) the Company or CVC Venture Managers Pty Ltd will appoint a stock broker;
- (3) that stock broker will sell Small Holding Sale Facility shares on market – presumably at different times and at different prices but within a 6 week period;
- (4) the Company will collect the proceeds of sales as agent of Small Shareholders and send those proceeds to Small Shareholders noting that everyone receives the same average price (there is no guarantee of any particular price);

- (5) the broker can have the shares on offer 6 weeks after the end of the Notification Period;
- (6) during the period the Small Holding Sale Facility is activated and shares are being sold on the ASX the Directors and their related parties reserve the right to purchase shares on market subject to the ASX Listing Rules and the Corporations Act; and
- (7) the proceeds from the sale of small holdings will be given to Small Shareholders as soon as practicable but within 60 days after the sale date.

The Company will not proceed with the Small Holding Sale Facility in the event the underwriting agreement is terminated and / or the Offer does not proceed.

Schedule 1: Summary of Underwriting Agreement

By an agreement with the Company and the Underwriter dated 26 June 2009, the Underwriter has underwritten the Offer of up to 6,250,000 New Shares to the value of up to \$1.25 million before expenses under a Rights Issue. The Company appointed the Underwriter as its agent to arrange and manage the Offer, and the Underwriter will have the right to nominate, with the Company, the allottees of all or any of the New Shares on the terms and subject to the conditions of the underwriting agreement.

Commissions and Fees

The Company is liable to pay to the Underwriter, a commission of 3.0% payable on the date of allotment of underwritten New Shares, and administrative and handling fees of 0.5%, payable (on a tax invoice) on or after the date of allotment of the balance of the New Shares, under the Rights Issue timetable. The Company must also reimburse the Underwriter for all costs and expenses in connection with the Offer, including legal costs of the Underwriter.

Obligations of the Company

The obligations of the Underwriter under the underwriting agreement are conditional on various conditions precedent relating to: preparation of a sub-underwriting offer letter; letter to underwriter regarding directors' assistance; and satisfaction of various matters relating to due diligence which have been attended to and complied with. These include lodging an application for the admission of the Shares to quotation on the ASX in accordance with the timetable.

The underwriting agreement requires the Company to undertake limited due diligence investigations with all due care and skill and, if requested by the Underwriter, to allow the Underwriter to be a member of the committee which carries out the due diligence investigation and to permit the Underwriter and its representatives full and free access to all material information for the purpose of due diligence investigations and to ensure, among other things, that the offer document complies with the Corporations Act, the Listing Rules and the Constitution.

It imposes obligations on the Company, which are essentially to, advertise and promote the Offer, do everything necessary to comply with the Listing Rules, ensure that the offer document does not contain any false or misleading statements, whether by omission or otherwise, provide appropriate notifications to the Underwriter in the event of anything generally in breach of the underwriting agreement or non-compliant therewith, and co-operate with and assist the Underwriter in the event of any proceedings involving it, its advisors and their respective employees and agents, and seek the Underwriter's approval prior to referring to it, or any sub-underwriter, in any documents lodged with ASX or otherwise. The rights and obligations created on the part of the Company follow the usual form in underwritings of this nature.

Events of Termination

The Underwriter may terminate its obligations under the underwriting agreement by notice to the Company if, before satisfying its shortfall obligations:

- there is a material default under the Agreement;
- a termination event as set out below occurs; and
- in the opinion of the Underwriter an event has occurred that has or is likely to have a material adverse effect on the Offer; or could create a potential liability for the Underwriter.

Waiver by the Underwriter of, or delay by it in exercising, its right to terminate in respect of one event does not affect its right to terminate if another event occurs, whether of the same or

a different kind.

Termination by the Underwriter of its obligations under the underwriting agreement does not affect the obligations of the Company dealing with payment of commission, administration and handling fees and expenses or the rights of the Underwriter under the underwriting agreement accruing prior to termination. The rights not affected include:

- any right of indemnity; and
- any right to damages or other remedy for any breach by the Company of its obligations.

The events giving the Underwriter the right to terminate are as follows:

Insolvency

The Company or a Related Body Corporate of the Company (where the effect on the Company is demonstrable):

- suspends payment of its debts generally;
- is or becomes insolvent;
- becomes an externally-administered body corporate, or steps are taken by any person towards making it an externally administered body corporate;
- has a controller (as defined in section 9 of the Corporations Act) appointed in respect of any of its property, or steps are taken for the appointment of such a person; or
- is taken to have failed to comply with a statutory demand within the meaning of section 459F of the Corporations Act.

Specific Interventions by ASIC

The ASIC:

- applies for an order under section 1324B of the Corporations Act (to disclose information or publish advertisements) and the application is not dismissed or withdrawn before the Closing Date; or
- makes an order under section 739 of the Corporations Act (to stop the issue of securities) or an interim order which the Company is unable to have lifted within 14 Business Days after it is made.

Fall of Relevant Index

S & P All Ordinaries Share Price Index continues for 3 consecutive Business Days at a level that is 10% or more below the level of the index as at the close of trading on the last Business Day before the date of this agreement.

Default

The Company is in default under this agreement or in breach of warranty, and the default or breach is either incapable of remedy or is not remedied within 5 Business Days after it occurs.

Indictable Offence

A director (or, if he is not a director, the Chief Executive Officer, the Chief Financial Officer or the Chief Operating Officer) of the Company or a Related Body Corporate is charged with an indictable offence relating to a financial or corporate matter.

Capital Structure or Constitution Altered

The Company or a Related Body Corporate of the Company alters its constitution or capital structure without the consent of the Underwriter.

Charge

The Company or a Related Body Corporate of the Company charges or agrees to charge the whole or a substantial part of its business or property without the consent of the Underwriter

Change to Business

The Company or a Related Body Corporate of the Company:

- ceases or threatens to cease to carry on its business; or

- disposes or agrees to dispose of a substantial part of its business (other than where the disposal is in relation to a transaction which has been announced to the market prior to the date of this agreement).

Change in Law or Policy

A new law or policy is announced, introduced or adopted which does or is likely to prohibit or restrict or have a materially adverse effect on the Offer. A "law" or "policy" includes:

- any legislation of the Australian parliament or the parliament of a State or Territory where the Company conducts a material part of its business or operation;
- any regulation, proclamation, order or other delegated legislation under the authority of the Australian parliament or the parliament of any State or Territory, including local government ordinances and by-laws where the Company conducts a material part of its business or operation; and
- any policy, guideline or rule of the ASIC, the ASX or the APX (as the case may be), the Reserve Bank of Australia or other relevant fiscal or regulatory authority.

Hostilities

There is a major outbreak or escalation of hostilities (whether or not war has been declared), or a major act of terrorism occurs involving any one or more of the following: Australia, the United States of America, the Peoples Republic of China, Europe, the United Kingdom, Japan, Israel, Indonesia, the Middle East, or any member country of the Organisation of Petroleum Exporting Countries.

For the avoidance of doubt, there are existing hostilities in Afghanistan and Iraq involving Australia as at the date of this agreement and those hostilities do not, in the absence of a major escalation, give rise to a right of termination of this agreement.

Non-Compliance

The Company or any Related Body Corporate of the Company fails to comply with:

- a provision of its constitution;
- any law of the country where it is incorporated, or in which it carries on business, or where its securities are listed or are intended to be listed;
- a requirement, order or request made by or on behalf of the ASIC or any governmental agency.

Other Materially Adverse Change in Company

Any materially adverse change occurs in the financial or trading position or performance or in assets, liabilities, earnings, profits, losses, business, operations or prospects of the Company or a Related Body Corporate of the Company.

Other Material Adverse Event

Any other event occurs which has, or is likely to have, a materially adverse effect on the Offer.

Miscellaneous

The underwriting agreement contains usual clauses in relation to confidentiality, notices, amendments, waiver of rights, GST, governing law, assignment, severability (so that any unenforceable, illegal or void provisions is severed from the underwriting agreement), a whole of agreement clause and other matters including the granting of extensive indemnities to the Underwriter and each of those parties defined as an "Indemnified Party" which essentially means the Underwriter, its officers and employees.

Schedule 2: Summary of Vita Life's Small Holding Sale Facility Terms and Conditions

1. At the 2008 Annual General Meeting, shareholders approved a change to the Company's constitution to give the Company power to sell a member's shares if a member holds less than a marketable parcel and does not otherwise notify the Company. Details of the Small Holding Sale Facility are set out in Rule 120A of the Constitution:

"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."*

2. Appointment of Vita Life Sciences Limited, CVC Venture Managers Pty Ltd and the Stock Brokers ("Broker")

- a. A Small Shareholder who participates in the Small Holding Sale Facility irrevocably appoints Vita Life Sciences Limited to act as its agent to facilitate the sale of shares and attorney to execute all documents and to perform all acts necessary for the sale of Vita Life Shares. Where Vita Life gives instructions to either CVC Venture Managers or its appointed Broker on an "execution only" basis to sell the Small Shareholders shares, neither of the Broker or CVC Venture Managers Pty Ltd is giving and will not be obliged to

give any investment or securities advice to the Small Shareholder.

- b. None of the Company, the Broker, CVC Venture Managers Pty Ltd or Gould Ralph Pty Ltd, or their associated entities, will be required in any circumstances to purchase any shares for or on behalf of any Small Shareholder, nor will the Company, the Broker, CVC Venture Managers Pty Ltd or Gould Ralph Pty Ltd, or their associated entities be liable in any way to the Small Shareholder or any other person for a failure to do so.

3. Sale of Shares

- a. The time period required to complete the aggregate selling for the Small Holding Sale Facility will depend on the prevailing market price and the level of turnover for shares in Vita Life. The Broker may, at its absolute discretion, elect not to sell some or any shares in a particular order on a particular day or for any other reason. In this event the remaining shares will be sold the next selling day(s) (subject to the same absolute discretion).
- b. If, after execution of the selling order by the Broker, an amount remains which is insufficient to sell a fully paid ordinary share in Vita Life, then that amount shall be vested in Vita Life.
- c. Vita Life shares are to be sold by the Broker via aggregated selling order(s). Proceeds of each sale will be placed in the Small Holding Sale Facility account prior to distribution to Small Shareholders. The Broker will notify Vita Life of the weighted average selling price at which those shares have been sold. Small Shareholders participating in the Small Holding Sale Facility will each receive proceeds equal to the number of shares each Small Shareholders owns, which is subject to the Small Holding Sale Facility multiplied by the weighted average selling price, rounded down to the nearest A\$0.05 cents. Small Shareholders have no entitlement to any residual moneys remaining following such rounding.

4. Statement / Confirmation Advice

- a. Each Small Shareholder will be advised by Vita Life of the number of shares in Vita Life sold on their behalf and the volume weighted average price notified by the Broker in respect of those shares within 7 business days of the settlement of the final sale for the Small Holding Sale Facility.

5. Participating Shareholder Warranties and acknowledgements

- a. Either by returning the Entitlement and Acceptance Form, or Notice of Retention of Small Shareholding Form, or by participating in the Small Holding Sale Facility, each Eligible Shareholder (including Small Shareholders):
 - i. acknowledges having read and agreed to the terms of the documents which incorporate the terms and conditions in this Schedule 2;
 - ii. acknowledges and agrees that Vita Life, each of the Broker, CVC Venture Managers Pty Ltd or Gould Ralph Pty Ltd, and their associated entities may appoint agents and delegates to perform any of their respective obligations under these terms and conditions;
 - iii. acknowledges and agrees that Vita Life and the Broker, CVC Venture Managers Pty Ltd and Gould Ralph Pty Ltd, and their associated entities, directors and officers, shall not be liable to the Eligible Shareholder, and the Eligible Shareholder agrees to release, and not to make any claim against Vita Life, the Broker, CVC Venture Managers Pty Ltd or Gould Ralph Pty Ltd, or their associated entities from or in relation to any liability, loss, damage, cost or expense

which arises in any way as a result of or in connection with the Rights Issue or Small Shareholder Sale Facility, including, without limitation, by reason or in connection with the negligence of any of them, or the Broker having sold shares in Vita Life for the Small Shareholder at any specific price;

- iv. authorizes Vita Life, CVC Venture Mangers Pty Ltd and Gould Ralph Pty Ltd, and their associated entities to correct any error in or omission contained within the Entitlement & Acceptance Form or Notice of Retention of Small Shareholding Form;
- v. acknowledges that none of Vita Life or the Broker, CVC Venture Managers Pty Ltd or Gould Ralph Pty Ltd, and their associated entities, has provided the Eligible Shareholder with any investment advice in relation to these documents or any matters contained herein;
- vi. acknowledges that Vita Life reserves the right (for any reason) not to proceed with, to modify the timetable for, or to terminate the Rights Issue or Small Holding Sale Facility at its absolute discretion; and
- vii. acknowledges that these documents are governed by the laws in force in Victoria, Australia and agrees to submit to the non- exclusive jurisdiction of the courts in Victoria, Australia.