



# VITA LIFE SCIENCES LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

### AND EXPLANATORY STATEMENT

**to be held at Level 1, St Kilda Road Towers,  
1 Queens Road, Melbourne Victoria, 3004,  
at 2.00pm, Melbourne time on  
Thursday, 23 May 2013**

**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, or the course you should follow, you should consult your professional advisor(s).

#### **IMPORTANT DATES**

|   |         |                       |
|---|---------|-----------------------|
| Close for receipt of written questions to Auditor | 5.00 pm | Thursday, 16 May 2013 |
| Close for receipt of Proxy Forms                  | 2.00 pm | Tuesday, 21 May 2013  |
| Determination of Entitlement to Vote              | 7.00 pm | Tuesday, 21 May 2013  |
| Annual General Meeting                            | 2.00 pm | Thursday, 23 May 2013 |

Note: All references to time in this document are to that time in Melbourne, Victoria.

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**ACN 003 190 421**  
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# Table of Contents

|   |    |
|---|----|
| 1. ORDINARY BUSINESS  | 1  |
| 1.1 Financial Statements and Reports  | 1  |
| 1.2 Resolution 2 – Re-election of Director  | 1  |
| 1.3 Resolution 3 – Re-election of Director  | 2  |
| 1.4 Resolution 4 – Share Buy-Back   | 2  |
| 2. SPECIAL BUSINESS   | 2  |
| 2.1 Resolution 5 – Long Term Incentive Plan: Amendment to terms of limited recourse loan to Managing Director to purchase ordinary shares                               | 2  |
| 2.2 Resolution 6 – Long Term Incentive Plan: Amendment of terms of limited recourse loan to Director of Subsidiary to purchase ordinary shares                          | 3  |
| 3. OTHER BUSINESS   | 3  |
| NOTES TO NOTICE OF MEETING  | 4  |
| 1. Explanatory Statement  | 4  |
| 2. Voting and Required Majority   | 4  |
| 3. Voting Exclusion Statements  | 4  |
| 4. Questions and Comments by Shareholders at the Meeting  | 5  |
| 5. Proxies  | 5  |
| EXPLANATORY STATEMENT   | 7  |
| 1. IMPORTANT NOTICE   | 7  |
| 2. REPORTS  | 7  |
| 3. EXPLANATION OF RESOLUTION 2: RE-ELECTION OF DIRECTOR – VANDA RUSSELL GOULD   | 8  |
| 4. EXPLANATION OF RESOLUTION 3: RE-ELECTION OF DIRECTOR – JONATHAN JAMES TOOTH  | 9  |
| 5. EXPLANATION AND SUMMARY OF RESOLUTION 4: SHARE BUY-BACK  | 10 |
| 6. EXPLANATION AND SUMMARY OF RESOLUTION 5: LONG TERM INCENTIVE PLAN: AMENDMENT TO TERMS OF LIMITED RECOURSE LOAN TO MANAGING DIRECTOR TO PURCHASE ORDINARY SHARES      | 12 |
| 7. EXPLANATION AND SUMMARY OF RESOLUTION 6: LONG TERM INCENTIVE PLAN: AMENDMENT TO TERMS OF LIMITED RECOURSE LOAN TO DIRECTOR OF SUBSIDIARY TO PURCHASE ORDINARY SHARES | 17 |
| 8. SUMMARY OF VITA LIFE SCIENCE’S LONG TERM INCENTIVE PLAN – RESOLUTIONS 5 AND 6  | 20 |
| 9. GLOSSARY OF TERMS  | 23 |
| 10. EXPERTS’ REPORT   | 24 |
| 11. SHAREHOLDER ENQUIRIES   | 42 |
| PROXY FORM  |    |



## NOTICE OF ANNUAL GENERAL MEETING OF VITA LIFE SCIENCES LIMITED

Notice is given that the annual general meeting of members of Vita Life Sciences Limited ACN 003 190 421 (**Company**) will be held at Level 1, St Kilda Road Towers, 1 Queens Road, Melbourne Victoria 3004, Australia on **Thursday 23 May 2013 at 2.00pm** 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 2012.*

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 2012 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.

#### Voting exclusion statement in relation to Resolution 1

The Company will disregard any votes cast on Resolution 1 by or on behalf of:

- (a) A member of the key management personnel, details of whose remuneration are included in the remuneration report; or
- (b) a closely related party of such a member.

#### Exceptions to voting exclusions

However, the Company will not disregard a vote cast by a person described above if:

- (c) The person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- (d) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

#### 1.2 Resolution 2 – Re-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 Vanda Russell Gould, 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 Gould, is to be found in item 3 of the Explanatory Statement.



### 1.3 Resolution 3 – Re-election of Director

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

*“That Jonathan James Tooth, a director retiring in accordance with rule 8.2 of the Constitution of the Company, being eligible and having consented to act, be re-elected as a director of the Company.”*

An explanation of Resolution 3, and more information on Mr Tooth, is found in item 4 of the attached Explanatory Statement.

### 1.4 Resolution 4 – 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, Rules 7.29 and 7.33 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 15% 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 2014 Annual General Meeting and otherwise on the terms and conditions set out in the Explanatory Statement accompanying the 2012 Annual General Notice of Meeting at which this resolution is to be put.”*

An explanation of Resolution 4 is to be found in item 5 of the Explanatory Statement.

## 2. SPECIAL BUSINESS

### 2.1 Resolution 5 – Long Term Incentive Plan: Amendment to terms of limited recourse loan to Managing Director to purchase ordinary shares

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

*“That in accordance with Vita Life Sciences Limited’s “Long Term Incentive Plan” (Plan), tabled by the Chairman and initialed by him for purposes of identification, approval is given for the Directors to amend the terms of the limited recourse loan to Mr Eddie LS Tie, acting in his capacity as the Managing Director of the Company, so as to remove the no longer appropriate performance hurdle relating to the Tranche of Plan Shares authorized at the 2010 AGM (Tranche B) which has been used to purchase a total of 1,500,000 new, ordinary, fully paid shares in the Company issued to Mr Tie in March 2011 on the terms summarised in the Explanatory Statement accompanying the Notice of the 2013 Annual General Meeting.”*

An explanation of Resolution 5, and a summary of the Plan and Loan, are to be found in items 6 and 8 of the Explanatory Statement.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by the Plan Directors (as persons who can benefit from participation in the Long Term Incentive Plan) and any person who has an interest or may obtain a financial benefit if the resolution is passed, and any Associate of the Plan Directors or that person but need not disregard a vote on the resolution if it is cast by the meeting Chairman, or any other person, as proxy for a person entitled to vote in accordance with a direction on the proxy form (but not on behalf of anyone otherwise excluded).



## **2.2 Resolution 6 – Long Term Incentive Plan: Amendment of terms of limited recourse loan to Director of Subsidiary to purchase ordinary shares**

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

*"That in accordance with Vita Life Sciences Limited's "Long Term Incentive Plan" (Plan), tabled by the Chairman and initialed by him for purposes of identification, approval is given for the Directors to amend the terms of the limited recourse loan to Mr Daud Yunus, acting in his capacity as a Director of the Company's subsidiary Vita Healthcare Asia Pacific Sdn Bhd, so as to remove the no longer appropriate performance hurdle relating to the Tranche of Plan Shares authorized at the 2010 AGM (Tranche D) which has been used to purchase a total of 325,000 new, ordinary, fully paid shares in the Company issued to Mr Yunus in March 2011 on the terms summarised in the Explanatory Statement accompanying the Notice of the 2013 Annual General Meeting."*

An explanation of Resolution 6, and a summary of the Plan and Loan, are to be found in items 7 and 8 of the Explanatory Statement.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by the Plan Directors (as persons who can benefit from participation in the Long Term Incentive Plan) and any person who has an interest or may obtain a financial benefit if the resolution is passed, and any Associate of the Plan Directors or that person but need not disregard a vote on the resolution if it is cast by the meeting Chairman, or any other person, as proxy for a person entitled to vote in accordance with a direction on the proxy form (but not on behalf of anyone otherwise excluded).

## **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**

Ernest Chunge  
Company Secretary

Dated: 24 April, 2013

### **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 **7.00pm** (Melbourne time) on **Tuesday, 21 May 2013** 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 Resolution must be passed by more than 50% of all the votes cast by Shareholders entitled to vote on the Resolutions (whether in person or by proxy, attorney or representative).

### 3. Voting Exclusion Statements

3.1 The Company will disregard any votes cast on Resolutions 1, 2, 3, 5 and 6 by:

- A member of the key management personnel (KMP) whose details are included in the remuneration report or closely related parties of those KMP in relation to Resolution 1;
- the Plan Directors (as persons who can benefit from participation in the Long Term Incentive Plan) and any Associates of the Plan Directors in relation to Resolutions 5 and 6; or
- any person who has an interest, or will obtain a benefit, in the passing of the relevant Resolution(s) and any Associates of that person.

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 (excluding any vote on behalf of KMP or their closely related parties for Resolutions 1, 5 and 6); 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 in the case of:

- (a) the re-election of Mr Gould as a Director seeking re-election where, in relation to Resolution 2, Mr Gould abstained from voting in respect of his own re-election;
- (b) the re-election of Mr Tooth as a Director seeking re-election where, in relation to Resolution 3, Mr Tooth abstained from voting in respect of his own re-election;
- (c) the variation to the terms of the grant of a limited recourse loan to Mr Tie to purchase shares where, in relation to Resolution 5, all Plan Directors abstained from voting in respect of the issue of Plan Shares to Mr Tie; and

- (d) the variation to the terms of the grant of a limited recourse loan to Mr Yunus to purchase shares where, in relation to Resolution 6, all Plan Directors abstained from voting in respect of the issue of Plan Shares to Mr Yunus.

#### **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 2011.

Relevant written questions for Russell Bedford NSW must be received no later than **5.00pm** (Melbourne time) on **Thursday, 16 May 2013**. 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 Suite 650, 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 **2.00pm** (Melbourne time) on **Tuesday, 21 May 2013**. 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; or
  - a director and either a company secretary or other authorised signatory; or
  - 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 on a show of hands as they think fit. Should the proxy vote on a show of hands, the proxy must vote in the way that they were directed to do so.
- 5.9 If the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands.
- 5.10 If the proxy is the chair of the meeting, the proxy must vote on a poll, and must vote in the way they were directed to do so.
- 5.11 If the proxy is not the chair of the meeting, the proxy need not vote on a poll, but if the proxy does so, they must vote as directed to do so.
- 5.12 If a proxy is appointed who is not chair of the meeting, and the appointment of a proxy specifies the way the proxy is to vote on a particular resolution of the meeting and a poll is called, and either of the following apply:
- (i) the appointed proxy is not recorded as attending the meeting on the record of attendance for the meeting; or
  - (ii) the appointed proxy does not vote on the resolution;
- then the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.
- 5.13 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 24 April 2013.

### 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 2012 Annual Report which is available on the Company's website at [www.vitalifesciences.com.au](http://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 in the "Notes to the Notice of Meeting" section.

#### 2.2 Explanation of Resolution 1 - Remuneration Report

The Directors' Report - "Remuneration Report" (**Remuneration Report**) is contained in the Company's 2012 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 2012 Annual Report (see pages 12 to 16 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.

Under Section 250BD of the Corporations Act, a person who is appointed as a proxy must not exercise any undirected proxies on a resolution connected with the remuneration of Key Management Personnel (KMP) if they themselves are, or are a closely related party of, a member of the KMP. As such a person, the Chairman will not exercise any undirected proxies with regard to resolution 1.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* became law on 27 June 2011. The Act amends the Corporations Act to include a “2 strikes” rule that if a company’s remuneration report receives a “no” vote of at least 25% at two consecutive annual general meetings, a spill resolution must then be put to shareholders at the second annual general meeting to determine whether the entire Board must stand for re-election. If the spill resolution is passed (by a normal majority of 50%), the Board must vacate office and stand for re-election at another general meeting which must be convened within 90 days.

### 2.3 Directors' Recommendation

**The Board, each acknowledging their personal interest, unanimously recommends that Shareholders vote in favour of Resolution 1.**

### 3. EXPLANATION OF RESOLUTION 2: RE-ELECTION OF DIRECTOR – VANDA RUSSELL GOULD

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

*“That Vanda Russell Gould, 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 Gould, 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 Gould is being put up for re-election.

3.3 The Nominations Committee of the Company has conducted an assessment of Mr Gould, 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 Gould.

3.4 The following is a profile of Mr Gould:

|                        |   |
|------------------------|---|
| <b>Board position:</b> | Appointed Non-Executive Chairman since 2000   |
| <b>Qualifications:</b> | Masters of Commerce, University of New South Wales, NSW;<br>Bachelor of Commerce, University of New South Wales, NSW;<br>Fellow of the Institute of Chartered Accountants and Fellow of the Certified Practising Accountants.   |
| <b>Experience:</b>     | Mr Gould has broad business experience having practiced as a Chartered Accountant for more than 30 years. As founding Chairman in 1984 of CVC Limited (listed on the ASX) he has overseen investments in several companies including Cyclopharm. Mr Gould is the Chairman of Cyclopharm Limited (also listed on the ASX) and several other private and public companies and educational establishments. |
| <b>Committees:</b>     | Chairman of the Remuneration, Nominations and Audit and Risk Committees.  |

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

**3.5 Directors' Recommendation**

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

**4. EXPLANATION OF RESOLUTION 3: RE-ELECTION OF DIRECTOR – JONATHAN JAMES TOOTH**

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

*"That Jonathan James Tooth, a Director retiring in accordance with rule 8.2 of the Constitution, being eligible and having consented to act, be re-elected as a director of the Company."*

4.2 Mr Tooth was appointed Director on 26 July 2012 to fill a casual vacancy in accordance with rule 8.1 of the Constitution of the Company.

4.3 The Constitution of the Company requires a Director appointed to fill the casual vacancy to retire at the next annual general meeting. Mr Tooth retires and, 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.

The Nominations Committee of the Company has conducted an assessment of Mr Tooth, 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 Tooth.

4.4 The following is a profile of Mr Tooth:

|                        |  |
|------------------------|--|
| <b>Board position:</b> | Appointed Non-Executive Director in July 2012.   |
| <b>Qualifications:</b> | Bachelor of Economics  |
| <b>Experience:</b>     | Mr Tooth has over 20 years experience in providing corporate advisory services to ASX listed and unlisted small cap companies. He is presently a principal of the boutique corporate advisory practice Halcyon Corporate and is a Director of the ASX listed company, Austock Group Limited. |
| <b>Committees:</b>     | Member of the Audit and Risk Committee   |

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

**4.5 Director's Recommendation**

**The Board, other than Mr Tooth (who abstains), recommends that Shareholders vote in favour of Resolution 3.**

## 5. EXPLANATION AND SUMMARY OF RESOLUTION 4: SHARE BUY-BACK

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

*“That pursuant to and in accordance with section 257C of the Corporations Act 2001 (C’wlth), as amended, Rules 7.29 and 7.33 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 15% 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 2014 Annual General Meeting and otherwise on the terms and conditions set out in the Explanatory Statement accompanying the 2013 Annual General Notice of Meeting at which this resolution is to be put.”*

### 5.2 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 is sought to affect an on-market buy-back of Shares subject to conditions, such as the purchase of up to a maximum of 15% of the issued capital by the Company. Such an on-market buy-back would exceed the 10/12 limit.

Resolution 4 authorises an on-market buy-back for the current financial period expiring on whichever is the earlier of:

- the anniversary of the passage of this resolution; or
- the 2014 Annual General Meeting.

- 5.3 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”:

- 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);
- 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
- 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).

- 5.4 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.

- 5.5 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 5.6 (c)).

- 5.6 If the Board makes the relevant announcement the on-market buy-back will be effected on the following terms:
- (a) The maximum percentage of Shares to be bought back is 15%. Based on the number of ordinary shares on issue as at the date of this notice being 56,474,638 shares, the maximum number of Shares to be bought back would be 8,471,955.
  - (b) 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 15% of its ordinary share capital and this can be done on a continuous basis.
  - (c) The Company intends that no offer will be made earlier than 24 May 2013 and the relevant Shares will all have been bought back before the close of business on 23 May 2014, however, the resolution can operate for as long as 12 months or until the next AGM, whichever occurs first.
  - (d) 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.
  - (e) Acceptances, once given, are irrevocable.
  - (f) 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.

5.7 **Advantages of Introducing a Share Buy-back**

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

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

5.8 **Disadvantages of Introducing a Share Buy-Back**

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

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

- 5.9 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 \$1.00 per Share would require maximum funding of approximately \$8,471,955 (assuming full acceptance of the buy-back offer 15%).

- (a) Accepting the on-market Share buy-back may have financial, taxation, or other ramifications for Shareholders depending upon each such Shareholders' personal circumstances and the Board recommends that before accepting any on-market offer, Shareholders should obtain their own professional advice.
- (b) The financial statements of the Company are available on the Company's website at [www.vitalifesciences.com.au](http://www.vitalifesciences.com.au).

- (c) 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 4 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.

#### 5.10 Directors' Recommendation

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

### 6. EXPLANATION AND SUMMARY OF RESOLUTION 5: LONG TERM INCENTIVE PLAN: AMENDMENT TO TERMS OF LIMITED RECOURSE LOAN TO MANAGING DIRECTOR TO PURCHASE ORDINARY SHARES

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

*"That in accordance with Vita Life Sciences Limited's "Long Term Incentive Plan" (Plan), tabled by the Chairman and initialed by him for purposes of identification, approval is given for the Directors to amend the terms of the limited recourse loan to Mr Eddie LS Tie, acting in his capacity as the Managing Director of the Company, so as to remove the no longer appropriate performance hurdle relating to the Tranche of Plan Shares authorized at the 2010 AGM (Tranche B) which has been used to purchase a total of 1,500,000 new, ordinary, fully paid shares in the Company issued to Mr Tie in March 2011 on the terms summarised in the Explanatory Statement accompanying the Notice of the 2013 Annual General Meeting."*

- 6.2 Shareholder approval was previously sought and obtained for the Company's Long Term Incentive Plan (**Plan**) with the purpose of encouraging Directors, officers and employees to share in the ownership of the Company and therefore to retain and motivate those benefiting to drive performance at both the individual and corporate levels. A summary of the Plan as approved is included at item 8 of this Explanatory Statement. The necessary resolution thus having been passed, the Corporations Act now permits financial assistance to be given to Mr Tie, the Managing Director of the Company, to acquire Shares under the Plan.
- 6.3 The Corporations Act regulates the giving of a financial benefit to a related party of a public company (Chapter 2E). Vita Life is such a company and, as a director, Mr Tie is regarded as a related party.

Under ASX listing rule 10.14, shareholder approval is required in order for a director of a listed company to be issued securities under an employee incentive scheme. Accordingly, approval is being sought for an amendment to the terms of that scheme.

- 6.4 Mr Tie joined the Group as Chief Executive Officer of Vita Healthcare Asia Pacific Sdn Bhd on 27 January 2005 and has been Managing Director of the Company since 1 January 2007. Mr Tie has been instrumental in the development of the Group and its strategic vision.

The Board, other than Mr Tie, met and decided that his interests should more closely align with those of the Company and, for that reason, agreed with Mr Tie that, subject to the appropriate resolution of Shareholders being passed at a Shareholders' meeting, Mr Tie was issued new Plan Shares (Tranche B Shares) as described below.

The provision of the limited recourse loan to Mr Tie was to serve as a reward for his previous years of service to the Company and as an incentive for his continued involvement and support of the business. If the Hurdle under the loan was not achieved, then the shares would be cancelled.

6.5 The new Plan Shares issued to Mr Tie were issued in one tranche (Tranche B) in March 2011 on the following terms, as approved by shareholders at the 2010 AGM:

- Number:** The total number of Plan Shares applied for was 1,500,000.
- Price:** The subscription price was \$0.24 per Share.
- Security:** Limited to the Plan Shares taken up by Mr Tie, the Company was to have no other recourse to Mr Tie for repayment of the loan other than the security provided by the Plan Shares themselves.
- Interest:** Limited to dividends on the Plan Shares.
- Hurdle:** The cumulative profit before tax of VHAP was to be not less than \$8,000,000 for the 3 years ending 31 December 2010, 2011 and 2012 (Cumulative PBT) subject to a right to review the Cumulative PBT upwards by 31 December 2010.
- Term:** From the date of Shareholders' approval until 30 June 2013.

The Hurdle for Tranche B Shares was related to the results of the Group's principal operating unit, the Health division. The Health division's operating results were not impacted by costs or any revenue that related to the Company's then ongoing litigation. Therefore, the Directors were, at the time, of the view that profit hurdles should be linked to the Company's operating business rather than the Company itself.

Application to list the Tranche B Shares was to be made after allotment but the Tranche B Shares were to be held under a standard arrangement in accordance with the Plan, pending satisfaction of the Hurdle set out above.

Mr Tie benefits from this loan in the event that the sale price of the Tranche B Shares is in excess of \$0.24 per Tranche B Share. This is because when he sells the Tranche B Shares, the proceeds are directed first to retire the loan principal and he then only gets to keep any excess over \$0.24. As at 15 April 2013, the Vita Life share price was \$1.00.

- 6.6 During the time period relating to the Hurdle, Mr Tie has been instructed by the Board to continue to expand the Health division into new countries. Mr Tie has set up up new businesses in China, Indonesia, Thailand and Vietnam, plus the introduction of the Multi-Level-Marketing business in Malaysia. These businesses have incurred losses in their start-up phase.
- 6.7 The Health division's three established businesses (in Australia, Malaysia and Singapore) made a Cumulative PBT across the Hurdle's time period of approximately \$8.3m, thus the established arm of the Health division has met the Hurdle of \$8.0m Cumulative PBT. Losses incurred in the establishment of the new businesses have reduced the Cumulative PBT to approximately \$6.7m over the period, thus the Hurdle of \$8.0m Cumulative PBT was not met by the Health division.
- 6.8 The Tranche B Shares issued to Mr Tie in March 2011 were intended as both a reward for his previous work, and as an incentive to align his interests with that of the Company. It should be noted that Mr Tie has effectively put the interests of the Company before his own in relation to the Tranche B Shares, as he has focussed his attention on long term growth in the expansion of the Health division rather than short term maximisation of Cumulative PBT as the Hurdle required. If Mr Tie had focussed on Cumulative PBT from the established businesses and reduced costs from establishing businesses in new geographic areas, the Directors believe that future growth would have been negatively impacted, but the Hurdle would more likely have been met.
- 6.9 The Tranche B Shares, having been issued, have had the positive effect of further aligning Mr Tie's interests with that of the Company. Mr Tie currently owns 4,466,017 unencumbered fully paid ordinary shares (being 7.9% of the Company's issued ordinary capital) plus 1,500,000 encumbered Tranche B Shares in the Company. If the Hurdle is removed and the loan is repaid

unencumbering the Tranche B Shares then his holding will be 5,966,017 shares, being 10.6% of the Company's issued ordinary capital.

- 6.10 In order to fully consider the ramification of the Hurdle, and the full benefit to Mr Tie, should the shareholders vote to remove the Hurdle, the Directors have commissioned a report from Moore Stephens Corporate Finance (Melb) Pty Ltd (included as item 10 of this Explanatory Statement and referred to in this Explanatory Statement as the Report). The Report addresses accounting implications relating to the removal of the Hurdle, plus a theoretical exercise in calculating the benefit to be given to Mr Tie should the Hurdle be removed, noting the degree to which the options are "in-the-money" as at the date of this Notice of Meeting.
- 6.11 Should the shareholders vote to rescind the Hurdle, any subsequent exercise of the Tranche B Shares by Mr Tie will have no effect on the net assets of the Company, however Mr Tie exercising the Tranche B Shares would result in an approximate dilution of \$0.0055 per share (based on net assets as at 31 December 2012) and an approximate dilution of each share's share of the 2012 profit after tax of \$0.0012.
- 6.12 The benefit to be received by Mr Tie is part of his total remuneration. Mr Tie's remuneration package is as follows:
- Mr Tie's salary and superannuation for the 2012 financial year as disclosed in the 2012 financial statements was \$148,070;
  - an amount of \$377,319 was paid to Business Intelligence & Support Inc (a company in which Mr Tie is a director) for consultancy services for the 2012 financial year; and
  - the benefit received under the Long Term Incentive Plan as set out in item 6.13.
- 6.13 The Report further notes Mr Tie has also received remuneration relating to the 1,500,000 Tranche B Shares totalling \$126,000 for the period from shareholder approval at the 2010 Annual General Meeting until the vesting date, 30 June 2013. As disclosed in the 2012 financial statements, Mr Tie received a benefit of \$151,326 for share based payments for the 2012 financial year, of which \$84,104 relates to Tranche B. The \$126,000 has been fully expensed in the Company's financial statements as at 31 December 2012.

As reflected in those financial statements, Mr Tie and his related company received actual remuneration to the value of approximately \$676,715 for the 2012 financial year, which totals approximately 6.2% of the 2012 administration expenditure of the Company.

- 6.14 The Report provides a valuation of Theoretical New Plan Shares, as if the Hurdle were not removed, the Tranche B Shares cancelled and replacement shares issued at the date of this Annual General Meeting with the same terms as the Tranche B Shares (excluding the Hurdle). This serves as a substitute to show the increased value Mr Tie receives should the Hurdle be removed and the shares exercised. The Report values Mr Tie's Theoretical New Plan Shares at \$1,141,137. Pro rated over the period from the 2010 Annual General Meeting, Mr Tie will have effectively received a theoretical benefit of \$366,651 for the 2012 financial year. This would increase the amount as reported in the 2012 financial statements for share based payments to \$433,873.

In the theoretical situation of the Company as at the date of the Annual General Meeting, Mr Tie and his related company would receive for the 2012 financial year benefits totalling approximately \$959,262 (including the pro rated value of the Theoretical New Plan Shares of \$366,651) if the Hurdle is removed and the Tranche B Shares are exercised, which is approximately 8.7% of the 2012 administration expenditure of the Company.

The Directors note that the majority of the extra value Mr Tie receives if Theoretical New Plan Shares were issued at the date of the 2013 Annual General Meeting is due to the increase in share price from the date the Tranche B Shares were originally authorised (\$0.22) to that of the date of the Report (15 April 2013 – \$1.00). As this is a function of Mr Tie's effort and



effectiveness in growing the Company's businesses, the Board believes that the removal of the Hurdle thus enabling Mr Tie to exercise his shares is appropriate.

- 6.15 The Board, other than Mr Tie who absented himself during the deliberations and from voting at the relevant meeting on this matter, considers that to give the remuneration outlined above, in the form proposed, would be reasonable given the Company's current circumstances and those of Mr Tie, vis-à-vis the Company, including the responsibilities involved in, and obligations required as a result of, his office or employment. There are no obvious disadvantages to the Company of Resolution 5 being passed.
- 6.16 An ordinary resolution is required for Resolution 5 which means at least 14 days' notice of this Meeting was required and, to be passed, the Resolution requires an affirming vote by 50% of those present at the Meeting in person, by proxy, attorney or representative and entitled to vote. The relevant voting exclusion statement is set out in item 3 of this Explanatory Statement.
- 6.17 The following disclosures apply to the Tranche B Shares:
- (a) Mr Eddie LS Tie is a director of the Company;
  - (b) The maximum Plan Shares to be purchased pursuant to the Plan by Directors, key employees and officers are 5,428,531 shares based on the number of ordinary shares on issue at the date of the 2010 Annual General Meeting, being 10% of total shares on issue.
  - (c) The price of each share acquired under the Plan proposed in this Notice of Annual General Meeting are \$0.24 for Tranche B, as set out in Explanatory Statement paragraphs 6.5 (Resolution 5);
  - (d) Since the Plan was approved at the 2010 Annual General Meeting, Mr Tie has been issued 3 tranches of Plan Shares for a total of 2,825,000 Plan Shares. In 2011, following shareholders approval at the 2010 Annual General Meeting, Tranche A of 1,000,000 shares was issued with an exercise price of \$0.20 per Share with no hurdle and a vesting date of 30 June 2012. Mr Tie exercised these options and repaid the Limited Recourse Loan of \$200,000 on 20 March 2012. Tranche B is under discussion at this meeting, and its details are summarised at item 6.5 (Resolution 5). The third tranche, with no specific identifier, was issued in May 2012 following shareholder approval at the 2012 Annual General Meeting. This third tranche was 325,000 shares with an exercise price of \$0.20, vesting on 31 December 2012. Mr Tie exercised these options and repaid the Limited Recourse Loan of \$65,000 on 26 November 2012;
  - (e) Assuming that shareholders approve the re-election of directors standing for re-election the names of those directors entitled to participate in the Plan are Messrs. Gould, Tie, Tooth and Townsing. Messrs. Gould and Tooth have renounced any right to receive benefits under Vita Life Sciences Limited's Long Term Incentive Plan.
  - (f) No Plan Directors (including Mr Tie) nor their Associates may vote on the Resolution;
  - (g) The terms of the loans are set out in Explanatory Statement paragraph 6.5 (Resolution 5);
  - (h) Details of any securities issued under the Plan will be published in each annual report relating to a period in which securities have been issued and that approval for the issue of securities is obtained under ASX Listing Rule 10.14;
  - (i) Any additional persons who became entitled to participate in the Plan after the resolution was approved and who were not named in the Notice of Annual General Meeting will not participate until approval is obtained under ASX Listing Rule 10.14; and
  - (j) The Company will not issue the securities later than 3 years after the Annual General Meeting.
- 6.18 From an economic and commercial point of view, by removing the Hurdle and allowing Mr Tie to retain the Tranche B Shares, the Company will effectively allow Mr Tie (per the theoretical

benefit discussed in item 6.14) to obtain a higher benefit than his actual remuneration package, impacting positively on the Company's future remuneration negotiations with Mr Tie. Mr Tie effectively owning a larger proportion of the Company will also further align Mr Tie's interests with those of other shareholders.

6.19 If shareholders do not approve the proposed variation to terms of the grant of the loan, the issue of Tranche B Shares to Mr Tie will not proceed. This may impact the Company's ability to align his interest with those of shareholders, and with the remuneration arrangements of other Directors. The Board would then need to consider alternative remuneration arrangements, including the possibility of a cash payment.

6.20 There are no particular taxation implications for the Company from either the Hurdle being removed or the Hurdle remaining in place.

6.21 **Directors' Recommendation**

**Messrs. Gould and Tooth recommend that Shareholders vote in favour of Resolution 5. Whilst they are Directors of the Company, they have renounced any right to receive benefits under the Vita Life Sciences Limited Long Term Incentive Plan.**

**Mr Tie makes no recommendation as he has a material personal interest in the outcome of the proposed resolution.**

**Mr Townsing makes no recommendation on Resolution 5 because he is a director to whom the benefits of the Long Term Incentive Plan could apply and therefore may have a material personal interest in the outcome of the proposed resolution.**

**7. EXPLANATION AND SUMMARY OF RESOLUTION 6: LONG TERM INCENTIVE PLAN: AMENDMENT TO TERMS OF LIMITED RECOURSE LOAN TO DIRECTOR OF SUBSIDIARY TO PURCHASE ORDINARY SHARES**

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

*"That in accordance with Vita Life Sciences Limited's "Long Term Incentive Plan" (Plan), tabled by the Chairman and initialed by him for purposes of identification, approval is given for the Directors to amend the terms of the limited recourse loan to Mr Daud Yunus, acting in his capacity as a Director of the Company's subsidiary Vita Healthcare Asia Pacific Sdn Bhd, so as to remove the no longer appropriate performance hurdle relating to the Tranche of Plan Shares authorized at the 2010 AGM (Tranche D) which has been used to purchase a total of 325,000 new, ordinary, fully paid shares in the Company issued to Mr Yunus in March 2011 on the terms summarised in the Explanatory Statement accompanying the Notice of the 2013 Annual General Meeting."*

7.2 Shareholder approval was previously sought and obtained for the Company's Long Term Incentive Plan (**Plan**) with the purpose of encouraging Directors, officers and employees to share in the ownership of the Company and therefore to retain and motivate those benefiting to drive performance at both the individual and corporate levels. A summary of the Plan as approved is included at item 8 of this Explanatory Statement. The necessary resolution thus having been passed, the Corporations Act now permits financial assistance to be given to Mr Yunus, Director of a subsidiary of the Company, to acquire Shares under the Plan.

7.3 The Corporations Act regulates the giving of a financial benefit to a related party of a public company (Chapter 2E). Vita Life is such a company and, as a director of a subsidiary, Mr Yunus is regarded as a related party. Approval is being sought to amend the terms of the loan granted to Mr Yunus by removing the Hurdle.

7.4 Mr Daud Yunus has been a non-executive Director of Vita Healthcare Asia Pacific Sdn Bhd, the holding company for the Health division since December 2004. Mr Yunus is also the non-executive Director of six subsidiaries and two associated companies of Vita Healthcare Asia Pacific Sdn Bhd. The difficulties faced by Vita Life are well documented and have far exceeded Directors' expectations at the time Mr Yunus was appointed a director to the aforementioned subsidiaries. There has been a significant effort made to re-establish the Health division business and Mr Yunus is the only senior executive based in Asia that has remained with the group throughout the troubled period. In the period of his appointment up to December 2005, he received no remuneration for his role in Vita Healthcare Asia Pacific Sdn Bhd and its subsidiaries. The provision of this limited recourse loan to Mr Yunus was proposed to serve as a long term incentive for his continued involvement and support for the business.

7.5 The Tranche D Shares issued to Mr Yunus were issued in one tranche on the following terms, as approved by shareholders at the 2010 AGM:

**Number:** The total number of Plan Shares applied for was 195,000.

**Price:** The subscription price was \$0.24 per Share.

**Security:** Limited to the Plan Shares taken up by Mr Yunus, the Company was to have no other recourse to Mr Yunus for repayment of the loan other than the security provided by the Plan Shares themselves.

**Interest:** Limited to dividends on the Plan Shares.

**Hurdle:** The cumulative profit before tax of VHAP was to be not less than \$8,000,000 (Cumulative PBT) for the 3 years ending 31 December 2010, 2011 and 2012 subject to a right to review the Cumulative PBT upwards by 31 December 2010.

**Term:** From the date of Shareholders' approval until 30 June 2013.

The Hurdle for Tranche D Shares was related to the results of the Group's principal operating unit, the Health division. The Health division's operating results were not impacted by costs or any revenue that related to the Company's then ongoing litigation. Therefore, the Directors were, at the time, of the view that profit Hurdles should be linked to the Company's operating business rather than the Company itself.

Application to list the Tranche D Shares was to be made after allotment but the Tranche D Shares were to be held under a standard arrangement in accordance with the Plan, pending satisfaction of the Hurdle set out above.

Mr Yunus benefits from this loan in the event that the sale price of the Tranche D Shares is in excess of \$0.24 per Tranche D Share. This is because when he sells the Tranche D Shares, the proceeds are directed first to retire the loan principal and he then only gets to keep any excess over \$0.24. As at 15 April 2013, the Vita Life share price was \$1.00.

- 7.6 During the time period relating to the Hurdle, Mr Yunus has been instrumental in assisting Mr Tie in setting up new businesses in China, Indonesia, Thailand and Vietnam, plus the introduction of the Multi-Level-Marketing business in Malaysia. These businesses have incurred losses in their start-up phase.
- 7.7 The Health division's three established businesses (in Australia, Malaysia and Singapore) made a Cumulative PBT across the Hurdle's time period of approximately \$8.3m, thus the established arm of the Health division has met the Hurdle of \$8.0m Cumulative PBT. Losses incurred in the establishment of the new businesses have reduced the Cumulative PBT to approximately \$6.7m over the period, thus the Hurdle of \$8.0m Cumulative PBT was not met by the Health division.
- 7.8 The Tranche D Shares issued to Mr Yunus in March 2011 were intended as both a reward for his previous work, and as an incentive to align his interests with that of the Company. It should be noted that Mr Yunus has effectively put the interests of the Company before his own in relation to the Tranche D Shares, as he has focussed his attention on long term growth in the expansion of the Health division rather than short term maximisation of Cumulative PBT as performance Hurdle required. If Mr Yunus had focussed on Cumulative PBT from the established businesses and reduced costs from establishing businesses in new geographic areas, the Directors believe that future growth would have been negatively impacted, but the profit Hurdle would more likely have been met.
- 7.9 The Tranche D Shares, having been issued, have had the positive effect of further aligning Mr Yunus's interests with that of the Company. Mr Yunus currently owns 316,839 unencumbered fully paid ordinary shares (being 0.6% of the Company's issued ordinary capital) plus 195,000 encumbered Tranche D shares in the Company. If the Hurdle is removed and the loan is repaid unencumbering the Tranche D shares then his holding will be 511,839 shares, being 0.9% of the Company's issued ordinary capital.
- 7.10 In order to fully consider the ramification of the Hurdle, and the full benefit to Mr Yunus, should the shareholders vote to remove the Hurdle, the Directors have commissioned a report from Moore Stephens Corporate Finance (Melb) Pty Ltd (the Report). The Report addresses accounting implications relating to the removal of the Hurdle, plus a theoretical exercise in the benefit to be given to Mr Yunus should the Hurdle be removed, noting the degree to which the options are "in-the-money" as at the date of this Notice of Meeting.
- 7.11 Should the shareholders vote to rescind the Hurdle, any subsequent exercise of the Tranche D Shares by Mr Yunus will have no effect on the net assets of the Company, however Mr Yunus exercising the Tranche D Shares would result in an approximate dilution of \$0.0007 per share (based on net assets as at 31 December 2012) and an approximate dilution of each share's share of the 2012 profit after tax of \$0.0001.

7.12 The benefit to be received by Mr Yunus is part of his total remuneration. Mr Yunus's remuneration package is as follows:

- Mr Yunus's salary and superannuation for the 2012 financial year was \$45,244; and
- the benefit received under the Long Term Incentive Plan as set out in item 7.13.

7.13 The Report further notes Mr Yunus has also received remuneration relating to the 195,000 Tranche D Shares totalling \$16,380 for the period from shareholder approval at the 2010 Annual General Meeting until the vesting date, 30 June 2013. As included in the results disclosed in the 2012 financial statements, Mr Yunus received a benefit of \$15,937 for share based payments for the 2012 financial year, of which \$10,933 relates to Tranche D Shares. The full \$16,380 has been fully expensed in the Company's financial statements as at 31 December 2012.

As reflected in those financial statements, Mr Yunus received actual remuneration to the value of approximately \$61,181 for the 2012 financial year, which totals approximately 0.5% of the 2012 administration expenditure for the Company.

7.14 The Report provides a valuation of Theoretical New Plan Shares, as if the Hurdle were not removed, the Tranche D Shares cancelled and replacement shares issued at the date of this Annual General Meeting with the same terms as the Tranche D Shares (excluding the Hurdle). This serves as a substitute to show the increased value Mr Yunus receives should the Hurdle be removed and the shares exercised. The Report values Mr Yunus's Theoretical New Plan Shares at \$148,348. Pro rated over the period from the 2010 Annual General Meeting, Mr Yunus will have effectively received a theoretical benefit of \$47,665 for the 2012 financial year. This would increase the amount as reported in the 2012 financial statements for share based payments to \$52,669.

In the theoretical situation of the Company as at the date of the Annual General Meeting, Mr Yunus would receive for the 2012 financial year benefits totalling approximately \$97,913 (including the pro rated value of the Theoretical New Plan Shares of \$47,665) if the Hurdle is removed and the Tranche D Shares are exercised, which is approximately 0.9% of the 2012 administration expenditure of the Company.

The Directors note that the majority of the extra value Mr Yunus receives if Theoretical New Plan Shares were issued at the date of the 2013 Annual General Meeting is due to the increase in share price from the date the Tranche D Shares were originally authorised (\$0.22) to that of the date of the Report (15 April 2013 – \$1.00). As this is a function, at least in part, of Mr Yunus's effort and effectiveness in growing the Company's businesses, the Board believes that the removal of the Hurdle thus enabling Mr Yunus to exercise his shares is appropriate.

7.15 The Board considers that to give the remuneration outlined above, in the form proposed, would be reasonable given the Company's current circumstances and those of Mr Yunus, vis-à-vis the Company, including the responsibilities involved in, and obligations required as a result of, his office or employment. There are no obvious disadvantages to the Company of Resolution 6 being passed.

7.16 An ordinary resolution is required for Resolution 6 which means at least 14 days' notice of this Meeting was required and, to be passed, the Resolution requires an affirming vote by 50% of those present at the Meeting in person, by proxy, attorney or representative and entitled to vote. The relevant voting exclusion statement is set out in item 3.

7.17 The disclosures in item 6.17, and the statements in items 6.18 to 6.20 inclusive, applying to Mr Tie and the Tranche B Shares apply equally to Mr Yunus and the Tranche D Shares with the following amendments:

- (a) Other than in items 6.17(a) and (d), all references to Mr Tie and Tranche B Shares are replaced by references to Mr Yunus and Tranche D Shares; and
- (b) in relation to Mr Yunus:

- item 6.17(a) reads:  
“Mr Daud Yunus is a director of a wholly-owned subsidiary of the Company.”
- item 6.17(d) reads:  
“Since the Plan was approved Mr Yunus has been issued 2 tranches of Plan Shares for a total of 325,000 Plan Shares in 2011 following shareholders approval at the 2010 Annual General Meeting. Tranche C of 130,000 shares issued with an exercise price of \$0.20 per Share with no hurdle and a vesting date of 30 June 2012. Mr Yunus exercised these options and repaid the Limited Recourse Loan of \$26,000 on 27 March 2012. Tranche D is under discussion at this meeting, and its details are summarised at item 7.5 (Resolution 6).”

#### 7.18 **Directors’ Recommendation**

**Messrs. Gould and Tooth recommend that Shareholders vote in favour of Resolution 6. Whilst they are Directors of the Company, they have renounced any right to receive benefits under the Vita Life Sciences Limited Long Term Incentive Plan.**

**Messrs. Tie and Townsing make no recommendation on Resolution 6 because they are directors to whom the benefits of the Long Term Incentive Plan could apply and therefore may have a material personal interest in the outcome of the proposed resolution.**

#### **8. SUMMARY OF VITA LIFE SCIENCE’S LONG TERM INCENTIVE PLAN – RESOLUTIONS 5 AND 6**

In an effort to retain key employees, directors and officers, the Company adopted a Long Term Incentive Plan on 20 May 2010 (“**Plan**”).

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

##### *Introduction to the Plan*

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

##### *Invitation to Participate and acquisition of Plan shares*

- (i) The maximum Plan Shares to be purchased pursuant to this Plan by Directors, key employees and officers are 5,428,531 shares (or 10% of total shares on issue as the date of the 2010 Annual General Meeting when the current Long Term Incentive Plan was approved by shareholders). Currently, 1,860,000 Shares have been issued under the Plan. The 1,695,000 Shares outstanding for Mr Tie and Mr Yunus will increase this number of Plan Shares on issue to 3,555,000, below that threshold.
- (ii) There may be risks associated with participation in the Plan in that in certain circumstances the Plan shares may lose value and participating employees or officers may not benefit from the investment. The issue of shares may have a dilutionary effect on the share price, as discussed in the Report.
- (iii) Participation in the Plan is by invitation of the Directors. Such invitation to participate is at the absolute discretion of the Directors.
- (iv) There are rules covering the form of invitation and a minimum parcel of 100 shares must be applied for by participating employees or officers.
- (v) There are rules covering the acceptance and allotment of Plan shares. Under no circumstances will shares be allotted if to do so would be in breach of the Corporations Act.

- (vi) Details of any securities issued under the Plan, as approved under listing rule 10.14, will be published in Vita Life's annual report for the period in which the securities have been issued. Any additional persons who become entitled to participate in the Plan after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under ASX listing rule 10.14.

*Financial assistance*

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

assistance in these circumstances, the Company will not in any circumstances be able to make any claim against the participating employee or officer in excess of the value realised for the Plan shares.

- (viii) If the Company is authorised to sell any Plan shares in order to pay any money owing by the participating employee or officer and the proceeds of sale exceed the total amount owing to the Company, the surplus shall be paid by the Company to the participating employee or officer.

#### *Security for Financial assistance*

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

#### *Alteration of the terms and provisions of the Plan*

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

#### *Period of Plan*

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

#### *Expenses*

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

#### *Copy of Plan*

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





### *Other information*

The Vita Life Sciences Limited Long Term Incentive Plan has been utilized to reward other executives for their performance. In March 2011, 8 executives received a total of 1,540,000 Plan Shares, all with an exercise price of \$0.24 and a vesting date of 30 June 2012. Various hurdles were in place, relating to the executive's specific role in Vita Life.

Of these 1,540,000 Plan Shares, 405,000 (totaling approximately 0.7% of the Company's issued share capital) were exercised. The remaining 1,135,000 have been cancelled subsequent to the vesting date.

## **9. GLOSSARY OF TERMS**

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

**Annual Report** means the 2012 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;

**Auditor** 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 650, 1 Queens Road, Melbourne, Victoria, 3004, Australia;

**Constitution** means the Constitution of the Company adopted by the Shareholders at the annual general meeting on 19 May 2011;

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

**Cumulative PBT** means the cumulative profit before tax of VHAP 3 years ending 31 December 2010, 2011 and 2012;

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

**Group** means Vita Life and its subsidiaries;

**Hurdle** means performance hurdle as defined in item 6.5, requiring the Cumulative PBT to be not less than \$8,000,000 for the 3 years ending 31 December 2010, 2011 and 2012;

**Meeting** or **Annual General Meeting** means the annual general meeting of Shareholders convened by the Notice of Meeting to be held at 2.00pm on 23 May 2013;

**Notice of Meeting** means the notice of annual general meeting dated 24 April 2013 which accompanies this Explanatory Statement;

**Plan** means the Vita Life Long Term Incentive Plan as approved by Shareholders in the Annual General Meeting on 20 May 2010 and as adopted by the Company and operating as an "employee share scheme" that term is defined in the Corporations Act;

**Plan Directors** means for the purpose of this Notice of Meeting and Explanatory Statement the Directors, other than Messrs. Gould and Tooth who have renounced any right to receive benefits under the Vita Life Sciences Limited's Long Term Incentive Plan;

**Record Date** means the date when Shareholders on the register are entitled to receive a dividend, determined by the directors and announced to the ASX;



**Report** means the report provided by Moore Stephens Accountants & Advisors, as included at item 10;

**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 before 7.00pm (Melbourne time) on 23 May 2013, the date and time of the 2013 Annual General Meeting;

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

**Subsidiaries** mean the subsidiaries of Vita Life; and

**VitaHealth** or **VHAP** or **Health Division** means the vitamins, mineral and food supplements business operated by Vita Healthcare Asia Pacific Sdn Bhd (Incorporated in Malaysia) including Herbs of Gold Pty Limited, and wholly owned by Vita Life.

## 10. EXPERTS' REPORT

See report as attached overleaf, and inclusive from pages 25 to 39 of this Explanatory Statement.

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16 April 2013

The Directors  
Vita Life Sciences Ltd  
Suite 630, 1 Queens Road  
MELBOURNE VIC 3004

Dear Sirs,

**ACCOUNTING FOR THE PROPOSED MODIFICATION TO PERFORMANCE HURDLES FOR  
VITA LIFE SCIENCES LTD INCENTIVE SHARES**

We are pleased to present our report on the accounting implications of the proposed modification to the terms of tranche B and tranche D Incentive Shares of Vita Life Sciences Ltd ("Vita Life" or the "Company").

**1. Executive Summary**

Vita Life has appointed Moore Stephens Corporate Finance (Melb) Pty Ltd ("MSCF") to prepare advice on how the removal of the \$8,000,000 cumulative profit performance hurdle on the tranche B and tranche D long term incentive shares ("Incentive Shares") should be accounted for under Australian Accounting Standard AASB 2 Share Based Payment ("AASB 2"), the effect of the proposed change on the shareholders of Vita Life and to value the benefit to holders of the Incentive Shares of modifying the terms of the Incentive Shares.

The effects of the proposed change are detailed in the following sections of this report and are summarised below:

1. the Incentive Shares will vest immediately if shareholders approve the removal of the Performance Hurdle and the holders of the Incentive Shares will be able to exercise their right to acquire the shares at the exercise price of \$0.24. If the Performance Hurdle is not removed then the Incentive Shares will not vest and will be cancelled by Vita Life;
2. the Incentive Shares will not need to be revalued at the date the Performance Hurdle is removed as only changes in vesting conditions that are market conditions result in a revaluation under AASB 2. The fair value determined at the grant date of the Incentive Shares, \$0.084 per Incentive Share, will remain unchanged;
3. the existing Vita Life shareholders will be diluted as the number of shares on issue would increase by 1,695,000, assuming all Incentive Shares were exercised. For example, if the Incentive Shares had vested and been on issue for the whole of the 2012 financial year, the earnings per share reported by Vita Life at 31 December 2012 would be diluted from \$0.0435 to \$0.0422;
4. an increase in the number of shares on issue may result in a reduction in the market value of a share as the exercise price is less than the market value of a Vita Life share;
5. at the date of this report, the benefit to holders of Incentive Shares of removing the Performance Hurdle is \$1,289,484.

## 2. Background Information

The Incentive Shares were approved by the shareholders of Vita Life at the Annual General Meeting on 23 May 2010 and were issued to managing director Eddie Tie and Daud Yunus, who is a director of Vita Healthcare Asia Pacific Sdn Bhd, 30 March 2011.

A summary of the terms of the Incentive Shares is included in table 1 below:

Table 1 - Option terms

|                             | Tranche B   | Tranche D   |
|-----------------------------|---|---|
| Issued to                   | Eddie Tie   | Daud Yunus  |
| Issue date                  | 30 March 2011   | 30 March 2011   |
| Issue price                 | \$0.00  | \$0.00  |
| Number of options issued    | 1,500,000   | 195,000   |
| Exercise price              | \$0.24  | \$0.24  |
| Share-based payment expense | \$126,000   | \$16,380  |
| Maturity date               | 30 June 2013  | 30 June 2013  |
| Vesting conditions          | The cumulative profit before tax of Vita Healthcare Asia Pacific Sdn Bhd for the 3 years ending 31 December 2010, 2011 and 2012 is not less than \$8,000,000. | The cumulative profit before tax of Vita Healthcare Asia Pacific Sdn Bhd for the 3 years ending 31 December 2010, 2011 and 2012 is not less than \$8,000,000. |

The Incentive Shares can be exercised at any time before the expiration date and are therefore categorised as American options.

The Incentive Shares were valued by the Company at \$0.084 at the grant date in accordance with AASB 2 at the grant date. The resultant share based payment expense, \$142,380, has been recognised progressively by the Company over the vesting period. At the date of the Annual General Meeting the Company will have recognised 100% of the share based payment expense.

For the Incentive Shares to vest, Vita Healthcare Asia Pacific Sdn Bhd, a subsidiary of the Company, had to achieve a cumulative profit before tax of \$8,000,000 for the 2010, 2011 and 2012 financial years ("Performance Hurdle"). This Performance Hurdle has not been met and the Directors of Vita Life (other than Eddie Tie who absented himself from the deliberations and did not vote on this matter) are recommending that the shareholders of Vita Life vote in favour of removing the Performance Hurdle for the terms of the Incentive Shares by voting in favour of resolution 5 and resolution 6 at the 2013 Annual General Meeting.

If shareholders vote in favour of removing the Performance Hurdle the Incentive Shares will vest immediately and Eddie Tie and Daud Yunus will be able to acquire the Incentive Shares by paying the exercise price.

If shareholders do not vote in favour of removing the Performance Hurdle the Incentive Shares will not vest and will be cancelled by the Company.

## 3. Scope of our Report

### 3.1 Scope and purpose of our report

We have been instructed by the Directors of Vita life to prepare a report on:

- a) how to account for the modification to the Incentive Shares by removing the Performance Hurdle and the effect of the proposed change on the shareholders of Vita Life. In particular, we have been asked to determine whether the removal of the Performance Hurdle will result in the Incentive Shares having to be re-valued at the date the Performance Hurdle is removed; and

- b) determine the value of a theoretical option that has the same terms and conditions as the Incentive Shares except it is issued on 23 May 2013 and does not have any vesting conditions.

Our report has been prepared for inclusion in the explanatory statement to the Notice of Meeting of the 2013 Annual General Meeting, to be held on 23 May 2013, to assist the directors and shareholders of Vita Life understand the financial implication, in terms of AASB 2, for the Company and shareholders of modifying the terms of the Incentive Shares by removing the Performance Hurdle. Furthermore, the directors have requested we prepare a valuation of a theoretical option to show shareholders the potential value of removing the Performance Hurdle to the holders of the Incentive Shares had the original Incentive Shares been cancelled and new option issued in their place.

### **3.2 Basis of assessment**

Our report has been prepared in terms of the requirements of:

- Australian Accounting Standard AASB 2 Share-based Payment issued by the Australian Accounting Standards Board; and
- Accounting Professional and Ethical Standard APES 225 Valuation Services (“APES 225”) issued by the Accounting Professional and Ethical Standards Board.

APES 225 defines a valuation engagement as “an engagement... to perform a valuation and provide a valuation report where the member determines an estimate of value of a... security... by performing appropriate valuation procedures and where the member is free to apply the valuation approaches and valuation methods that the member considers appropriate in the circumstances”.

In calculating the value of the theoretical option we have had regard to the methodologies most commonly used to value options. Whilst there are no prescriptive rules that apply, the most logical method is the Binomial Option Pricing model, which provides a more accurate valuation for American options which pay discrete dividends. Appendix contains a summary of the most common option valuation methodologies.

### **4. Accounting for the modifications to the Incentive Shares**

The granting of Incentive Shares to employees of Vita Life in 2010 was a share-based payment transaction as defined in AASB 2, and accounted for in accordance with that Standard.

The services received from employees which are remunerated by way of equity-settled share based payment transactions are recognised over the vesting period with a corresponding increase in equity. In addition, the services received from employees which are remunerated by way of equity-settled share based payment transactions (and the corresponding equity) are measured indirectly by reference to the fair value of the equity instruments at the grant date. When determining the fair value of the Incentive Shares at grant date the Company did not take the Performance Hurdle into account in accordance with AASB 2.19 which says:

*“Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value...”*

At the grant date the Incentive Shares had a value of \$0.084 per share and a total value of \$142,380.

As the Performance Hurdle was not met the Incentive Shares will not vest. The entity would recognise no equity with respect to the Incentive Shares as at 31 December 2012. Any equity recognised by the entity during the 2010 and 2011 financial years in relation to the equity-settled share-based payment transaction would need to be derecognised in the 2012 financial year as an adjustment (credit) to profit or loss and a corresponding adjustment (debit) to the option reserve. This would ensure that, on a cumulative basis, no amount is recognised by the entity for services received from the relevant employees, consistent with the equity instruments not vesting in the employees.

If, at the Annual General Meeting scheduled for 23 May 2013, the shareholders of Vita Life agree to the directors' proposal to modify the Incentive Shares by removing the Performance Hurdle, this would constitute a modification to the terms and conditions on which the Incentive Shares were granted. Modifications of equity-settled share-based payment arrangements are classified under AASB 2 into one of the four following categories:

- a) modifications that increase the fair value of the equity instruments granted (e.g., by reducing the exercise price). An increase in the fair value of the equity instruments granted arises when the fair value of the modified equity instruments is greater than the fair value of the original equity instruments, both measured as at the date of modification;
- b) modifications that increase the number of equity instruments granted;
- c) modifications that alter the vesting conditions in a manner that is beneficial to the employee (e.g., by reducing the vesting period or by eliminating a performance condition other than a market condition – see (a) above); and
- d) modifications that reduce the fair value of the share-based payment arrangement or are otherwise not beneficial to the employee.

The modification to the Incentive Shares proposed by the directors of Vita Life Sciences meets the criteria in (c) above as the Performance Hurdle is not a market condition. In respect of such modifications, AASB 2.B43(c) requires that Vita Life take the modified vesting conditions into account when applying the requirements in AASB 2.19-21. AASB 2.19-21 require, among other things, that:

*...the entity recognise an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and will revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.*

Of significance to Vita Life is that AASB 2.19-21 do not anticipate that the fair value of the Incentive Shares would be remeasured as at the modification date as the Performance Hurdle is not a market condition. Consistent with this, only modifications of equity-settled share-based payment arrangements that increase the fair value of associated equity instruments give rise to the recognition of fair value re-measurements under AASB 2. As the modification proposed by the directors of Vita Life would not increase the fair value of the equity instruments granted, the entity would use the original grant date fair value of the Incentive Shares to measure the equity instruments in the event that the shareholders approve the proposed modification.

In addition, AASB 2.27 & B42 require that:

*...irrespective of any modifications to the terms and conditions of on which the equity instruments were granted... the entity should recognise, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.*

Accordingly, in the event that shareholders in Vita Life approve the proposed modification of the terms of the Incentive Shares, Vita Life should account for the modification as follows:

- recognise no equity in respect of the Incentive Shares as at 31 December 2012 and, cumulatively, recognise no services expense in respect to the transaction over the 2010, 2011 and 2012 financial periods on the basis that none of the Incentive Shares vested in the employees under the original service and performance conditions during this period; and
- on the date of shareholder approval, recognise the effect of the modification in accordance with AASB 2.19-21, in which case the entity recognises the services received in full (and a corresponding increase in equity) measured at an amount equal to the original grant date fair value of an Incentive Share multiplied by the number of Incentive Shares that will now vest in the employees.

Approval of the modifications to the Incentive Shares by shareholders and exercise of both tranches of Incentive Shares would have a dilutionary effect on existing shareholders. Removal of the Performance Hurdle would result in the vesting of 1,695,000 shares and, if exercised, would increase the number of shares on issue. These additional shares will dilute the earnings per share of existing shares on issue. To demonstrate the extent of the dilution on existing shareholders we have recalculated to earnings per share reported by Vita Life in the 31 December 2012 financial report on the basis that the Incentive Shares are included in the ordinary shares on issue and, therefore, included in the calculation of earnings per share. On this basis the earnings per share at 31 December 2012 would be diluted from \$0.0435 to \$0.0422. Furthermore, as the shares would be acquired at a significant discount to their market value, the share market may reflect the dilutionary effect of the Incentive Shares by a reduction in the market value of a share.

The table below summarises the impact on the financial report of Vita Life at 23 May 2013 under the following scenarios:

- shareholders do not approve the modification to the Incentive Shares (Incentive Shares); and
- shareholders approve the modifications to the Incentive Shares (Modified Incentive Shares).

|                                       | Incentive Shares | Modified Incentive Shares |
|---------------------------------------|------------------|---------------------------|
| Grant date value                      | \$0.084          | \$0.084                   |
| Number vested                         | Nil              | 1,695,000                 |
| Cumulative service expense recognised | Nil              | \$142,380                 |
| Cumulative equity recognised          | Nil              | \$142,380                 |
| Dilution of existing shares           | No               | Yes, if exercised         |

## 5. Valuation of a theoretical option

### 5.1 Introduction

As discussed in section 3, the Incentive Shares do not get revalued under AASB 2 when the Performance Hurdle is not a market hurdle. However, removing the Performance Hurdle from Incentive Shares is valuable to the holder of the Incentive Shares, as it allows them to exercise their rights to acquire those shares which would otherwise not have vested.

The directors of Vita Life have asked MSCF to report on the value that Incentive Share holders are receiving by not having to meet the Performance Hurdle of the Incentive Shares. To estimate the value we have used a theoretical option that has a grant date of 23 May 2013 and is, in all other ways, identical to the Incentive Shares after the removal of the Performance Hurdle.

We have used the Binomial Option Pricing model to determine the value of the theoretical option.

### 5.2 Valuation of a theoretical option

A summary of the price of the theoretical option calculated using the Binomial Option Pricing model is outlined in table 2 below:

Table 2 - Option valuation

| Tranches  | Option price<br>\$ | No. of options | Value of options<br>\$ |
|-----------|--------------------|----------------|------------------------|
| Tranche B | 0.761              | 1,500,000      | 1,141,137              |
| Tranche D | 0.761              | 195,000        | 148,348                |

As the option is in-the-money because the share price exceeds the exercise price, the value of the theoretical option is largely the intrinsic value of the option (\$0.76). The time value of the option (\$0.001) is small because there are only 37 days between the 2013 Annual General Meeting and the maturity of the option.

Our opinion is based on market, economic and other factors existing at the date of this report. Such conditions can change significantly in short periods of time. We in no way guarantee, explicitly or otherwise, the future value of the theoretical options. Share markets are inherently uncertain and future events which are beyond the control of the Company can have material effects on the share price of the Company and the volatility of the shares. The future valuation of the options may vary significantly from the value in this report due to movements in the share price and volatility.

### 5.3 Valuation model inputs

The valuation inputs used in the option pricing model are summarised below. Appendix 2 contains information on the most common option pricing methods, including the Binomial Option Pricing model and our reasons for electing to use a Binomial model.

Table 3 – valuation inputs

|                          | Theoretical option    |
|--------------------------|-----------------------|
| Grant date               | 23 May 2013           |
| Exercise price           | \$0.240               |
| Share price <sup>1</sup> | \$1.00                |
| Time to maturity         | 37 days               |
| Risk free rate           | 3.21%                 |
| Volatility               | 77.31%                |
| Time steps               | 37 (calculated daily) |
| Dividends                | Nil                   |
| Vesting conditions       | None                  |

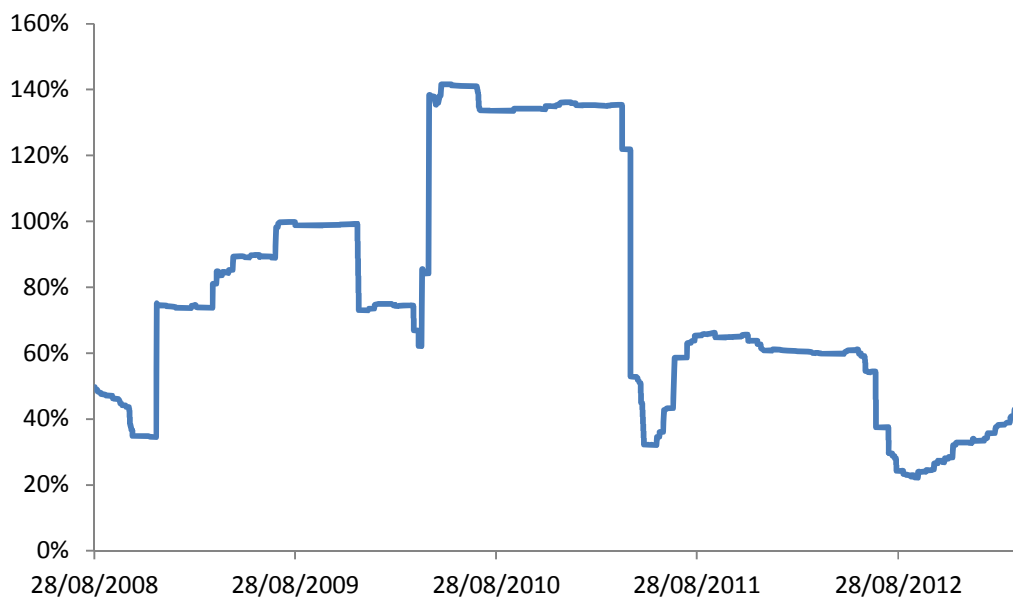
1. The share price is as at 15 April 2013.

### 5.4 Volatility

Future volatility is unobservable and therefore must be calculated based on historical volatility. We have analysed the historical 12-month volatility of Vita Life from 25 August 2008, which was the first date there were 12-months of historical returns from which volatility could be calculated.

The historical 12-month rolling volatility of Vita Life from 25 August 2008 to 15 April 2013 is set out below:

Figure 1 – Vita Life’s 12-month rolling volatility





**5.5 Dividends**

Vita Life has forecast it will pay dividends in October 2013 and March 2014. As these dates fall outside the valuation period they have no effect on the valuation.

**6. Other Matters**

This report should be read in conjunction with the Notice of Meeting and Explanatory Statement dated on or about 16 April 2013.

The decision whether to approve the removal of the Performance Hurdle from the terms of the Incentive Shares is a matter for individual shareholders to consider. Shareholders who are in any doubt as to the effect of the change on their personal circumstances should consult their own professional adviser.

Yours sincerely

**Moore Stephens Corporate Finance (Melb) Pty Limited**



**Grant Sincock**  
Director

**APPENDIX 1 - AASB 2 Guidelines**

The objective of AASB 2 is to “specify the financial reporting by an entity when it undertakes a share-based payment transaction.”

**1. Fair Value**

Paragraph 11 states that for transactions with employees, an entity is required to measure the fair value of the options (or other equity instruments) granted because it is typically not possible to reliably estimate the fair value of employee services received.

Fair value means the “the amount for which an...equity instrument granted could be exchanged between knowledgeable, willing parties in an arm’s length transaction.”

Paragraph 17 explains that if market prices are not available, an entity shall estimate the fair value of the options (or other equity instruments) granted using a valuation technique to estimate what the price of those equity instruments would have been in an arm’s length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments, and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

Paragraph B4 notes that if traded options with similar terms and conditions do not exist, the fair value of the options granted shall be estimated by applying an option pricing model.

**2. Vesting Conditions**

AASB 2 classifies vesting conditions as either:

- **Market conditions** - generally where the vesting or exercise price depends on an entity’s share price or share price relative to the share prices of other entities (eg. ROI hurdles); or
- **Other conditions** - examples are target sales growth and minimum service period.

The accounting treatment differs depending on whether the vesting conditions are market conditions or other conditions, as summarised below:

| Accounting Treatment  |  |
|---|--|
| Market Conditions   | Other Conditions   |
| <ul style="list-style-type: none"> <li>○ Market conditions <b>are</b> taken into account when estimating the fair value of the equity instruments granted.</li> <li>○ The likelihood of satisfying market conditions <b>affects</b> the fair value of equity instruments, but <b>does not affect</b> the number of equity instruments in the determination of the expense (ie. use equity instruments granted).</li> <li>○ An entity recognises an expense irrespective of whether the market conditions are satisfied, unless other conditions are not satisfied. If the market conditions are not satisfied, there is <b>no profit or loss revision</b> on vesting date.</li> </ul> | <ul style="list-style-type: none"> <li>○ Other conditions <b>are not</b> taken into account when estimating the fair value of the equity instruments granted.</li> <li>○ The likelihood of satisfying other conditions <b>does not affect</b> the fair value of equity instruments, but <b>does affect</b> the number of equity instruments in the determination of the expense (ie. use equity instruments expected to vest).</li> <li>○ Other conditions are taken into account by adjusting the number of equity instruments expected to vest on each reporting date. Ultimately, the <b>cumulative expense is based on the actual number of equity instruments that vest.</b></li> </ul> |

### 3. Vesting Period

If the equity instruments granted vest immediately, the employee is not required to complete a specified period of service before becoming entitled to those equity instruments unconditionally. In the absence of evidence to the contrary, the entity shall presume that services rendered as consideration for the equity instruments have been received. In this case, on grant date the entity shall recognise the full expense, with a corresponding increase in equity.

However, if the equity instruments granted do not vest until the employee completes a specified period of service, the entity shall presume that the services to be rendered as consideration for those equity instruments will be received in the future, during the vesting period. The entity shall account for those services as they are rendered by the employee during the vesting period, with a corresponding increase in equity.

Vesting period means “the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.” (our underlining).

Vesting conditions mean “the conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met...”

## APPENDIX 2: Valuation methodology and selection

### 2.1 Definition of value

Our assessment is based on “fair value”, defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

This definition implies that the circumstances of the valuation are hypothetical, without regard to the identity of either the buyer or the seller. Accordingly, the specific circumstances of a particular party are not taken into account (e.g. special value) to the extent that such circumstances do not apply to other parties. This is because, hypothetically, a purchaser that can extract unique special value is unlikely to fully include the special value in an offer price where such value is not available to other parties.

### 2.2 Overview of valuation methods

The most common methodologies utilised in the valuation of options are the Black-Scholes model, simulation models and market-based approaches.

#### 2.2.1 Black-Scholes model

The Black-Scholes model is derived from an assumption of no arbitrage and has been used widely in practice to price European options. The concept underlying the equation is that one can hedge the option perfectly by buying and selling the option in the correct proportions, therefore eliminating risk. Without modification, the Black-Scholes model can only be used to calculate the value of European options; however, as American calls on non-dividend paying are effectively the same as European calls, the Black-Scholes model can also be used to value these American calls.<sup>1</sup>

The Black-Scholes model assumes that stock returns are lognormally distributed and prices follow a geometric Brownian motion with constant measures of volatility and the risk-free rate. In doing so it provides a model which is simple to use whilst producing an accurate option valuation.

The Black-Scholes model calculates a European call price as:

*Figure 2 - Black-Scholes equation*

$$C = N(d_1)S - N(d_2)Ke^{-rt}$$

Where:

$$d_1 = \frac{\ln\left(\frac{S}{K}\right) + \left(r + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

The inputs in these equations are:

|   |   |                     |
|---|---|---------------------|
| C | = | Call price          |
| S | = | Current share price |
| K | = | Exercise price      |
| r | = | Risk-free rate      |
| t | = | Time to expiry      |
| σ | = | Volatility          |

<sup>1</sup> American calls on non-dividend paying stocks are effectively the same as European calls because it is illogical to exercise an American call early unless there are dividends on the stock and the call holder wishes to collect those dividends. If there are no dividends, the call holder can simply sell the call options, rather than exercise, and collect the time value of money plus the intrinsic value of the option. If they exercise, the call holder is effectively giving away the time value of the call options.

The key assumption underlying the Black-Scholes model is volatility. Volatility is the only assumption which cannot be observed directly (although when valuing the options of unlisted companies, the current share price is also often unobservable). For listed stocks, volatility can be calculated through analysis of historical volatility of the stock; however, for illiquid or unlisted stocks it is common to analyse the volatility of comparable companies when determining the volatility assumption. This analysis involves taking the average of historical volatility of comparable companies.

**2.2.2 Simulation models**

The most common simulation model for pricing options is the Binomial model, which is a simplified version of the Monte-Carlo model.

The Binomial model generates option prices based on a simulation of price movements over a pre-determined number of time-steps up to the maturity date. The model calculates the value of the share if it moves up or down based on the volatility of the stock. The probability of the stock moving up is calculated as:

Figure 3 - Binomial equation

$$p = \frac{e^{\frac{rt}{n}} - d}{u - d}$$

Where

$$u = e^{\sigma\sqrt{\frac{t}{n}}}$$

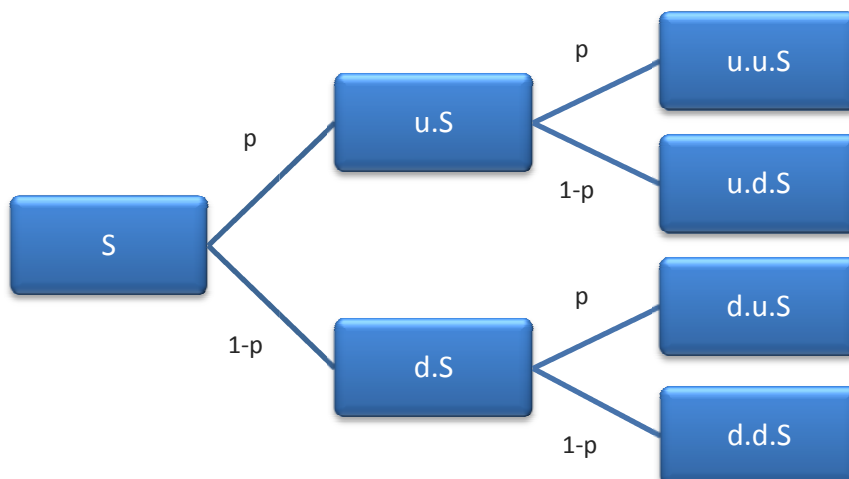
$$d = e^{-\sigma\sqrt{\frac{t}{n}}}$$

The inputs in these equations are:

- p = Probability of an increase in the share price in the next period
- r = Risk-free rate
- t = Time to maturity
- n = Number of time periods between valuation date and maturity date
- u = Up-factor
- d = Down-factor
- σ = Volatility

This methodology produces a binomial tree, of which an illustrative example is provided below:

Figure 4 - binomial tree



Where

- p = Probability of an increase in the share price in the next period
- S = The share price as at the option valuation date
- p = The probability of the share price increasing in the next time step
- u = Up-factor
- d = Down-factor

Within each cell on the binomial tree, the value of the option is calculated and a present value of the option is produced at the first time period.

The Binomial model can be used to calculate the value of both European and American options, with only slight variations in the methodology required to adjust for the different option types. Adjustments can also be made to the binomial model for dividends, whether paid based on yield or discrete payments.

The Monte-Carlo method follows a similar approach using a geometric Brownian motion to model the movement of stock prices; however, the underlying methodology is much more complicated, allowing for greater customisation to price various types of options. These option types include Asian options, bond options, lookback options and swaptions.

### **2.2.3 Market-based approaches**

Some options are listed on public exchanges, such as options on BHP, CBA and NAB. These options can therefore be valued using either the current option price or the VWAP over a 30, 60 or 90 day period.

## **2.3 Selection of method**

We have elected to use the Binomial Option Pricing model in our valuation of the theoretical option. The Binomial model allows for a more accurate valuation of American options than an adjusted Black-Scholes model as it allows for analysis of the choice between early exercise and holding the options to maturity at each node on the binomial tree.

**APPENDIX 3: Sources of information**

- Capital IQ;
- Vita Life Sciences Ltd “Notice of Annual General Meeting and Explanatory Statement” 23 May 2010;
- Vita Life Sciences Ltd draft “Notice of Annual General Meeting and Explanatory Statement” 23 May 2013;
- other publicly available information; and
- correspondence with and between MSCF and management of Vita Life Sciences Ltd.

**APPENDIX 4: Glossary of terms**

|                    |   |
|--------------------|---|
| AASB 2             | Australian Accounting Standard AASB 2 Share-based Payment   |
| American option    | An option which can be exercised at any date before maturity  |
| APES 225           | Accounting Professional & Ethical Standards Board Statement 225 “Valuation Services”  |
| Company            | Vita Life Sciences Ltd  |
| European option    | An option which may only be exercised on the maturity date  |
| Incentive Shares   | Long term incentive shares issued to Eddie Tie and Daud Yunus in Vita Life Sciences Ltd on 30 March 2011  |
| MSCF               | Moore Stephens Corporate Finance (Melb) Pty Ltd   |
| Performance Hurdle | The vesting condition on the Incentive Shares that requires Vita Healthcare Asia Pacific Sdn Bhd achieve cumulative profit before tax of \$8,000,000 over the financial years ending 31 December 2010, 2011 and 2012 in order for the Incentive Shares to vest. |
| ROI                | Return on Investment  |
| Vita Life          | Vita Life Sciences Ltd  |
| VWAP               | Volume Weighted Average Price   |

## **ANNEXURE 1: Disclosures**

### **Qualifications and Independence**

The individuals responsible for preparing this report on behalf of Moore Stephens are Grant Sincock, Director, B.Com CA and Alex Fabbri, Director B.Ec. CA. Grant has 16 years experience at performing valuations, Investigating Accountant's Reports, Review of Directors' Forecasts and Independent Expert's Reports. Alex is an experienced corporate advisor with many years advising companies on equity and debt capital raisings, mergers and acquisitions and strategic matters.

Neither Moore Stephens, its related entities any Director thereof, nor any individual involved in the preparation of the report has any financial interest in the outcome of the resolutions 5 and 6 at the 2013 Annual General Meeting which could be considered to affect our ability to render an unbiased opinion. Moore Stephens will receive a fee of approximately \$5,500 (exclusive of GST) plus disbursements for the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the outcome of any share sales.

Neither Moore Stephens, its related entities any Director thereof, nor any individual involved in the preparation of the report received any commissions nor other benefits in connection with the preparation of this report, except for the fees referred to above.

### **Declaration**

This report has been prepared at the request of Vita Life solely for the purpose set out in the main body of this report. Moore Stephens authorises the use of this report solely for this purpose. This report should not be used for any other purpose without our prior written consent.

### **Disclaimer**

The statements and opinions contained in this report are given in good faith. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence), is assumed by MSCF, its directors, employees, related bodies, contractors or agents (jointly "*Associates*") in the preparation of this report.

In the preparation of its deliverable MSCF has relied substantially on the information (including assumptions) provided by representatives, service providers and/or advisors of Vita Life. MSCF has not carried out any form of audit or other verification procedures on the accounting, business or other records or information received. MSCF takes no responsibility for any errors or inaccuracies in the information presented or the conclusions expressed in this report which arise as a result of errors or inaccuracies in the information or assumptions received by MSCF. In addition, MSCF does not express an opinion on the probability or sustainability of budgets, forecasts or projections provided by Vita life or sourced from third parties, if any.

MSCF does not take any responsibility for any events or changes in any conditions affecting its work after the date of its report, and MSCF assumes no obligation to revise its report to reflect any such events or changes in conditions.

### **Limitation of Liability**

To the extent permitted by law, the limit of liability of MSCF and its Associates, including without limitation liability for negligence, in any way arising from or connected with this engagement, regardless of the form of action, shall be limited to three times the total amount paid by Vita Life to MSCF in relation to this engagement.

To the extent permitted by law, Vita Life agrees to release MSCF and its Associates from all claims arising from or in connection with this engagement to the extent that MSCFs' (and its Associates) liability in respect of such claims would exceed three times the total amount paid by Vita Life to MSCF in relation to this engagement.



**Third Parties**

MSCF acknowledge that this report will be included in the explanatory statement to the Notice of Meeting which will be sent to shareholders of Vita Life. Nothing produced by MSCF or its Associates is to be made available by Vita Life to any other party in any way whatsoever (other than Vita Life's professional advisors) without our prior written permission. MSCF accepts no responsibility to any third party. Vita Life agrees and undertakes that it will make the provisions as to the limitation of liability known to anyone to whom it may disclose anything produced by MSCF.

**Indemnity**

Vita Life indemnifies and holds harmless MSCF, its Associates or any other person who is sought to be made liable in excess of the limit of liability described above against all losses, claims, damages, litigation and liabilities of whatever kind, including negligence, that may be made by any person in respect of any activity arising from or connected with this engagement (including any work outsourced to a specialist and legal and other costs incurred by MSCF).

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## 11. SHAREHOLDER ENQUIRIES

Shareholders with questions regarding the Notice of Meeting or this Explanatory Statement should contact the Company Secretary on +61 3 9828 0500 (or alternatively +61 2 9032 3000) 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) 9828 0500

Facsimile: (03) 9820 5957

[www.vitalifesciences.com.au](http://www.vitalifesciences.com.au)  
[enquiries@vitalifesciences.com.au](mailto: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 the individual or body corporate named, or if left blank, the Chairman of the Annual General Meeting of the Company to be held on **Thursday, 23 May 2013 at 2.00 pm** (Melbourne time) at Level 1, 1 Queens Road, Melbourne, Victoria, 3004 Australia to act generally at the meeting on my/ our behalf and 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 below, item 4.

**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 Remuneration Report   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2   | Re-election of director (Mr Vanda Gould)  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3   | Re-election of director (Mr Jonathan Tooth)   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4   | Share Buy Back  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5   | Long Term Incentive Plan: Amendment of terms of limited recourse loan to Managing Director to purchase ordinary shares      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6   | Long Term Incentive Plan: Amendment of terms of limited recourse loan to Director of Subsidiary to purchase ordinary shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**IMPORTANT: For Resolutions 1, 5 and 6**

**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 1, 5 or 6 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 any resolution 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 1, 5 or 6 and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of these Resolutions where by law he is able to do so.

Each Resolution 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.

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, apart from those restrictions placed on the Chairman regarding resolutions 1, 5 and 6.

**\* If you mark the Abstain box for an 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 below to enable your directions to be implemented.

|   |   |   |
|---|---|---|
| Individual or Securityholder 1                          | Securityholder 2  | Securityholder 3  |
| <input style="width: 100%; height: 20px;" type="text"/> | <input style="width: 100%; height: 20px;" type="text"/> | <input style="width: 100%; height: 20px;" type="text"/> |
| Individual/Sole Director and<br>Sole Company Secretary  | Director  | Director/Company Secretary                              |
| .....   | .....   | ...../...../.....                                       |
| Contact Name  | Contact Daytime Telephone                               | Date  |

**How to complete this Proxy Form**

- 1 Your Name and Address**  
 The 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 they choose. 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 the power of attorney 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 (or where there is no Company Secretary) can also sign. Please indicate the office held by signing in the appropriate space.

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

not later than **2.00 pm** (Melbourne time) on **Tuesday, 21 May 2013**, 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.

|  |   |
|--|---|
| <b>Documents may be lodged:<br/>by posting, delivery or facsimile to Vita Life<br/>Sciences Limited at the address opposite:</b> | <b>Suite 630, Level 6,<br/>1 Queens Road, Melbourne, Victoria, 3004<br/>Facsimile: (+613) 9820 5957</b> |
|--|---|

**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.**

## **SHAREHOLDER ENQUIRIES**

Shareholders with questions regarding the Proxy Form should contact the Company Secretary on +61 3 9867 2811 (or alternatively +61 2 9032 3000) 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](http://www.vitalifesciences.com.au)  
[enquiries@vitalifesciences.com.au](mailto:enquiries@vitalifesciences.com.au)