Appendix 4E Commentary

Full Year Results of Vita Life Sciences Limited and its controlled entities ("Company") for the 12 months ended 31 Dec 2007

Financial Overview

The Company's sales revenue increased by 6.3% to $11.84m when compared to 2006 as a result of higher sales for the Health divisions' health supplement products in its established Australian, Malaysian and Singaporean markets. As 58% of total revenue was derived from Asian markets, sales revenue was negatively impacted by currency translation due to the stronger Australian dollar (averaging about 5% higher than 2006). Revenue based on local currencies for health supplement products compared to 2006 was up by: 2% in Australia, 8% in Singapore and 16% in Malaysia.

Gross profit margins also improved in 2007 because of tight controls and sales mix. Through reformulation of some established products manufacturing costs were reduced and the introduction of new products with higher margins gross profit increased to $6.78m in 2007 (2006: $5.89m).

Operating expenses were contained and resulted in earnings before interest and tax ("EBIT") of $3,949 (2006:$8.70m). Comparison of the 2007 results with 2006 is not relevant as it included gains from the sale of an asset for $11.79m.

EBIT for 2007 was favourably impacted by non-recurring "other income" of $0.56m. This other income consisted mainly of proceeds from the settlement of legal actions and recovery of receivables previously written off. The table below summarises the Company's adjusted EBIT by division from its continuing operations.

	Continuing Operations		
	Health $	Investment $	Total $
Year ended 31 December 2007			
Result			
Segment profit before interest and tax	146,623	(18,232)	128,391
Unallocated revenue/ (expenses)			(124,442)
Profit before interest and tax			3,949
Interest expense (net)			(303,368)
Share of loss of associate			(24,454)
Loss before income tax			(323,873)
Income tax benefit			119,608
Net loss for the year			(204,265)

Net interest expense for 2007 was $ 0.36m (2006: $1.75m). The substantial reduction in interest costs was a result of the Company reducing borrowings to $0.82m at December 2007 (Dec 2006: $8.14m).

The Company's loss after tax was $0.20m for 2007. Comparison with the profit of $9.67m in 2006 is not relevant as the 2006 result includes profit from the sale of an asset.

The successful capital raising of $6.66m in July 2007 resulted in the Company's net assets increasing to $2.88m at 31 December 2007 (2006: net liabilities of $2.14m). Whilst the net tangible assets per share of the Company remained constant at $0.25 per share (2006: $0.26 per share), the capital raising laid the foundations for the Company's expansion. Refer "Review of Operations" below.

Operating cash inflow increased to $1.89m, contributed by proceeds of $4.00m from disposal of an asset whilst cash receipts from customers in 2007 were similar to 2006 levels.

Operational outflows comprised inventory related purchases ($0.57m the net of inventory and trade payables) and other non-trade obligations ($2.3m) being primarily expenses associated with the development of the Health division's new operations, the Company's capital raising and legal costs.

The table below reconciles the Company's earnings before interest, tax, depreciation and amortisation to cash flow in the financial statements.

Earnings Before Interest, Tax, Depreciation & Amortisation	(119,236)
Changes in working capital:	
Decrease in receivables	541,501
Increase in inventories	(283,018)
Decrease in other assets	3,966,918
Decrease in trade payables	(287,777)
Decrease in other payables and accruals	(2,296,620)
Decrease in income tax payables	(150,765)
Decrease in other liabilities	(48,775)
Other revenue	562,097
Adjustment for non-cash income & expenses	184,741
	2,069,066
Interest (net)	(303,368)
Tax Benefit	119,608
Operating Cashflow	1,885,306
Investing Cashflow	(175,824)
Financing Cashflow	(3,117,993)
	(1,408,511)

Review of Operations

Health Division

The foundations for expansion of the Company's principal operating business, the Health division, were put in place in 2006 and 2007 and the opportunity is to capitalise on the established market position for the groups' health supplements in Australia and several Asian countries. Good progress was made towards meeting this medium term objective in 2007. This is reflected by:

i. Sales revenue up by 6.3%;
ii. Gross profit margins improved to 57%;
iii. Profit of $0.16m before interest and tax.

These financial milestones were achieved against the backdrop of expensing costs associated with the development of new operations including:

i. The launch of sales in Thailand;
ii. The launch of the Multi Level Marketing business in Malaysia;
iii. The launch of the Pharma Direct business in Malaysia; and
iv. The securing of most regulatory approvals to enable Herbs of Gold (Shanghai) Co Ltd, a wholly owned subsidiary, to commence business within China in 2008.

By the end of 2007 these new initiatives had began to positively contribute to Health division sales and gross profit but not to profit. The Company is budgeting for these new operations to produce a small profit in 2008.

The Health divisions' established Herbs of Gold and VitaHealth brands, sold in Australia, Malaysia and Singapore, were profitable in all three countries in 2007. A total of 23 new products were launched in these countries in 2007 and the Company is budgeting for higher levels of profit from each of these business units in 2008.

Investment division
The Company has an investment of $1.04m in a 352 home and 20 shop property project in Malaysia. During the second half of 2007, construction commenced and sales launched for phase 1a of the project. The sale of homes was slower than expected as a result of tightening credit for housing and consumer loans.

Due to the start up phase of the property project the Investment division did not recognise any sales revenue but did expense $18,232 of costs.

The outlook for the project continues to be positive and the Company is budgeting for the Investment division to contribute a small profit in 2008.

Legal
The events of the past that lead to substantial litigation are now well behind the Company. In Malaysia the Company continues with the 2 cases but unlike past cases they do not require a substantial investment, either in terms of management time or financial resources.

Outlook for 2008

The Company enters 2008 with considerable optimism, focused on its Health business and confident of improved financial performance. Positive sales revenue trends that commenced towards the end of 2007 and continued through to the date of this report indicate the Company's budget for a profit in 2008 is well founded barring a decline in consumer spending arising from tighter credit conditions.

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