

11. INDEPENDENT EXPERT'S REPORT



22 September 2008

The Independent Directors
Medical Science Australia Limited
PO Box 1356
MONA VALE NSW 1660

Dear Sir and Madam,

RE: INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE

1. Introduction

The Independent Directors of Medical Science Australia Limited (MSA the Company or the Target) have engaged VMC Global Pty Limited (VMC Global) to prepare an Independent Expert's Report in relation to the off-market bid (the Offer) made by VentureAxess Group Limited (VAG or the Bidder) to acquire all of the ordinary shares and share options of MSA through the issue of new shares and share options in VAG.

The proposed off-market bid is for 100% of the share capital in MSA, with a minimum requirement to obtain at least 90% of the ordinary shares of MSA.

Our Report has been prepared solely for the purpose of assisting the non-associated shareholders of MSA in considering whether or not the proposed off-market bid is fair and reasonable to them.

Section 640(1) of the *Corporations Act, 2001* requires that the Target's Statement to be sent to the shareholders of MSA must be accompanied by an Independent Expert's Report. Mr Geoff Mullins, Mr Emyr Jones and Mr Trevor Nink are Directors of both the Target and the Bidder.

2. Summary of Opinion

2.1 Evaluation of the Proposed Transaction

In our opinion, the Offer is **fair and reasonable** to the non-associated shareholders of MSA.

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Our principle reasons for reaching the above opinion are:

Assessment of the fairness of the Offer

The valuation of MSA shares under the Offer of \$12.2 million to \$13.7 million (\$15.4 million to \$17.2 million on a fully diluted basis) provides a premium over the current valuation of the MSA shares of \$8.6 million to \$9.6 million (\$10.7 million to \$12.0 million on a fully diluted basis). On this basis, VMC Global has determined that the Offer is fair to the non-associated shareholders of MSA.

Assessment of the reasonableness of the Offer

As we have concluded that the Offer is fair we also conclude that it is reasonable. Notwithstanding this conclusion, we have also assessed that the advantages of the Offer to the non-associated shareholders outweigh the disadvantages. A summary of the advantages and disadvantages identified is as follows:

Advantages

- If successful, the proposed takeover bid will result in shareholders and option holders of MSA receiving VAG securities which are currently listed and trading on the NSX. This will provide existing MSA shareholders the opportunity to trade their shares in the future.
- VAG derives income in the form of fund management fees, consultancy fees and success fees. MSA currently only derives income upon the realisation of an investment. The nature of the Merged Entity will result in a greater mix of short and medium term income streams.
- The proposed takeover will result in MSA shareholders maintaining control over MSA whilst simultaneously also gaining control of VAG.
- Being part of a listed company will provide greater access to capital in the future to assist in the commercialisation of investee companies' products. This in turn will help maximise the potential returns available to shareholders.

Disadvantages

- While VAG securities are currently listed on the NSX, they are currently extremely illiquid, resulting in limited opportunities for trading. MSA shareholders who wish to dispose of VAG shares subsequent to the proposed takeover may find it difficult to find a willing buyer for their VAG shares.
- MSA has \$165,000 in convertible loan notes outstanding at the date of this Report. A condition of the loan notes is that upon any listing of MSA securities on a stock market, the loan notes will convert into 1,320,000 ordinary shares in MSA through acceptance of the Offer for example. The conversion will result in a dilution of the ownership interest per share held by existing MSA shareholders.
- MSA currently has 1,259,169 Directors' options on issue, 594,782 exercisable at \$0.10, 306,260 exercisable at \$0.15 and 358,127 exercisable at

\$0.16. Under the Offer, the Directors' options will convert into 594,130 ordinary shares in VAG. The Directors of MSA will receive shares in VAG without having to pay any consideration for them and without having to achieve a higher share price to make exercise of the options feasible. The conversion will also result in the dilution of the ownership interest per share held by existing MSA shareholders.

2.2 General Advice

In forming our opinion, we have considered the interests of the non-associated shareholders of MSA as a whole. This advice therefore does not consider the financial situation, objectives or needs of the individual non-associated shareholders. It is neither practical nor possible to assess the implication of the off-market bid on individual non-associated shareholders as their individual financial circumstances are unknown.

The decision of the non-associated shareholders of MSA as to whether or not to accept the off-market bid is a matter for each individual based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual non-associated shareholders should therefore consider the appropriateness of our opinion before acting on it.

As an individual non-associated shareholder's decision to accept the Offer may be influenced by his or her particular circumstances, we recommend that individual non-associated shareholders consult their financial advisors.

2.3 Other

Our opinion has been based solely on information made available to us up to the date of this Report as set out in Appendix 3. We have not undertaken to update our Report for events or circumstances arising after the date of this Report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this Report including the appendices.

Yours faithfully,



Manda Trautwein
Director
VMC Global Pty Ltd

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FINANCIAL SERVICES GUIDE

Dated 22 September 2008

VMC Global Pty Ltd ABN 65 097 893 957 ("VMC Global" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as financial services licensees.

The FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence (Licence No: 295 872);
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - basic deposit products;
 - deposit products other than basic deposit products;
- debentures, stocks or bonds issued or proposed to be issued by a government;
- interests in managed investment schemes excluding investor directed portfolio services; and
- securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General financial product advice

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither VMC Global, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

From time to time VMC Global may provide professional services including financial advisory services to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, VMC Global Pty Limited, PO Box R1866, Royal Exchange NSW 1225.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposed Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001 or Toll free: 1300 78 08 08 or by facsimile: (03) 9613 6399.

Contact details

You may contact us at Level 4, 6 O'Connell Street, Sydney, NSW 2000 or by telephone on (02) 9235 3444.

1. THE PROPOSED TRANSACTION

1.1 Summary of the Offer

On 14 August 2008, VentureAcess Group Limited (VAG or the Bidder) lodged a Bidder's Statement with the Australian Securities and Investments Commission (ASIC) in relation to an off-market bid (the Offer) to purchase 100% of the ordinary shares and share options in Medical Science Australia Limited (MSA, the Company or the Target).

MSA currently has 68,706,045 fully paid ordinary shares and 14,397,485 share options on issue. In addition, MSA currently has 1,259,169 Directors' share options on issue and \$165,000 of loans, convertible into 1,320,000 fully paid ordinary shares upon the Company listing on a stock market.

The number of fully paid ordinary shares in MSA shown in the Bidder's Statement is 68,634,295. An issue of 31,250 fully paid ordinary shares and the exercise of 40,500 share options in MSA has taken place subsequent to the issue of the Bidder's Statement.

We have been advised that the number of share options in MSA as shown in the Bidder's Statement of 17,023,606 has been misstated. The current number of share options in MSA is 14,397,485.

Under the Offer, MSA security holders will receive issued capital in VAG as follows:

- Ordinary shareholders will receive seven newly issued fully paid ordinary shares in VAG for every six ordinary shares held in MSA;
- Ordinary shareholders will receive 0.97 existing fully paid ordinary shares in VAG by way of a capital distribution from MSA for every six ordinary shares held in MSA;
- Ordinary shareholders will receive 0.61 share options in VAG by way of a capital distribution from MSA for every six ordinary shares held in MSA;
- Ordinary option holders will receive one ordinary option in VAG, exercisable at \$0.20 on or before 31 December 2009, for every ordinary option held in MSA;
- Holders of Directors' share options exercisable at \$0.10 will receive 0.6667 fully paid ordinary shares in VAG for every Directors' share option held in MSA;
- Holders of Directors' share options exercisable at \$0.15 will receive 0.3333 fully paid ordinary shares in VAG for every Directors' share option held in MSA;
- Holders of Directors' share options exercisable at \$0.16 will receive 0.2667 fully paid ordinary shares in VAG for every Directors' share option held in MSA;

- \$165,000 in convertible loan notes will convert into 1,320,000 fully paid ordinary shares in MSA. As noted above, ordinary shareholders will receive seven newly issued fully paid ordinary shares in VAG for every six ordinary shares held in MSA, and a capital distribution from MSA of 0.97 ordinary shares and 0.61 share options in VAG for every six ordinary shares held in MSA. Under the Offer, the convertible loan note holders will receive a total of 1,540,000 newly issued fully paid ordinary shares in VAG, and the transfer from MSA of 213,400 ordinary shares and 134,300 share options in VAG.

1.2 Conditions of the Proposed Transaction

The Offer is subject to the following conditions as set out in the Bidder's Statement:

- Minimum acceptance of at least 90% of the MSA ordinary shareholders before the Closing Date of the Offer;
- Certain confirmations being made about the financial position of MSA for the financial years ended 30 June 2005, 2006 and 2007;
- No material or adverse changes occurring or arising before the Closing Date of the Offer;
- No acquisition, disposal or other financial obligations being incurred by MSA exceeding \$100,000 since 1 July 2006 and no dividends being paid; and
- No prescribed occurrence occurring, as set out in Annexure B of the Bidder's Statement, in relation to MSA between the date of the announcement of the bid and the end of the Offer period.

2. SCOPE OF THE REPORT

2.1 Purpose of the Report

Mr Geoff Mullins, Mr Emyr Jones and Mr Trevor Nink are Directors of both MSA and VAG. Section 640(1) of the *Corporations Act, 2001* (Corporations Act) requires that the Target's Statement to be sent to the shareholders of MSA must be accompanied by an Independent Expert's Report, where the bidder and target have common directors.

This Report has been prepared to assist the non-associated shareholders of MSA to assess the Offer presented by VAG. The sole purpose of this Report is to set out VMC Global's opinion as to whether the Offer is fair and/or reasonable to the non-associated shareholders of MSA. This Report should not be used for any other purpose.

Each individual shareholder must take into account his or her own circumstances when deciding whether to accept or reject the Offer. Shareholders should seek their own independent professional advice to assist them in their decision, taking into account their preferences and expectations.

2.2 Basis of Assessment

As there is no legal definition of the expression "fair and reasonable" in the *Corporations Act 2001*, we have considered guidance provided by ASIC Regulatory Guides in assessing whether the Offer is fair and reasonable from the perspective of the non-associated shareholders of MSA.

ASIC Regulatory Guide 111 states that an assessment of what is fair and reasonable should:

- Be judged in all the circumstances of the transaction;
- Compare the likely advantages and disadvantages for the non-associated shareholders if the Offer is agreed to, with the advantages and disadvantages to those shareholders if it is not; and
- Compare the value of the shares and the value of offer price to be paid.

Furthermore, ASIC Regulatory Guide 111 treats "fair" and "reasonable" as two distinct criteria. The offer is "fair" if the value of the consideration is equal to or greater than the value of the securities that are the subject of the offer. The offer will be "reasonable" if it is fair, or, despite being not fair, after considering other significant factors there are sufficient reasons for the shareholders to accept the offer in the absence of any higher bid before the close of the offer.

2.3 Factors Considered in Determining our Opinion

In our opinion, the most appropriate basis on which to evaluate the Offer is to assess the likely overall impact on the non-associated shareholders of MSA and to form a judgement as to whether the expected benefits outweigh any disadvantages that might result from the transaction.

In forming our opinion as to whether the Offer is fair and reasonable to the non-associated shareholders of MSA, we have compared:

- The fair market value of the issued securities in MSA with the value of the consideration offered;
- The advantages and disadvantages to the non-associated shareholders of MSA if the Offer is accepted; and
- The advantages and disadvantages to the non-associated shareholders of MSA if the Offer is not accepted.

2.4 Sources of Information

In preparing this Report and arriving at our opinion, we have considered the information detailed in Appendix 3 of this Report.

We note that an important part of the information base used in forming an opinion of the kind detailed above, is comprised of the opinions and judgements of management. This type of information has been evaluated through analysis, enquiry and review to the extent practical. Often it is not possible, however, to externally verify or validate such information.

The statements and opinions expressed in this Report are made in good faith and have been based on information available as at the date of this Report. On completion of our review, as outlined in the paragraph above, we believe the information to be reliable, accurate, and prepared by MSA on a reasonable basis. We have relied upon information set out in Appendix 3 and have no reason to believe that any material factors have been withheld from us. We have not performed anything in the nature of an audit or financial due diligence on the information provided for this opinion. No warranty of accuracy or reliability is given by VMC Global or its affiliated companies and their respective officers and employees in relation to this information.

The opinions of VMC Global are based on prevailing market, economic and other conditions at the date of the Report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion.

2.5 Valuation Approaches Adopted

ASIC Regulatory Guide 111 "Content of Expert Reports" outlines the appropriate methodologies which a report should consider when valuing assets or securities for the purposes of, amongst other things, takeovers, selective capital reductions, schemes of arrangement, share buy-backs and prospectuses.

These include:

- the Discounted Cash Flow (DCF) methodology and the estimated realisable value of any surplus assets;
- the application of earnings multiples appropriate for the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price might not reflect their value, should 100% of the securities be available for sale; and
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

A summary of each of the approaches considered in the preparation of this Report has been set out in Appendix 4.

In our opinion the recent genuine offers received method is the most appropriate method to apply in the valuation of both MSA and VAG. Our consideration of the valuation methodologies listed above and our basis for selecting a methodology for the valuation of MSA and VAG have been detailed in section 6.1 and section 7.1 respectively.

3. INDUSTRY OVERVIEW

3.1 Industry Overview – Financial Asset Investors in Australia

The financial asset investors industry in Australia consists of those entities predominantly engaged in holding and managing investments in financial assets on their own account.

Financial asset investors offer products to the investing public through the issue of prospectuses or product disclosure statements. These products include investment vehicles such as listed and unlisted public unit trusts (offered by fund managers), listed investment companies, common funds (offered by trustee companies), cash management trusts (offered by banks and other financial institutions) and friendly society products.

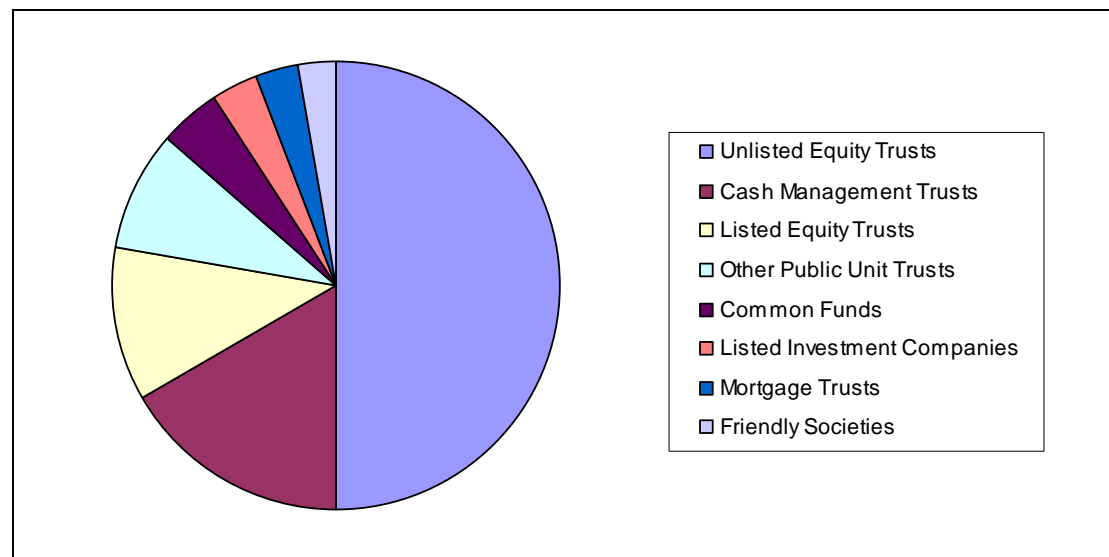
3.2 Segmentation

It is estimated that the total number of establishments within the financial asset investors industry amounted to 6,410 as at 30 June 2007.

As at 31 March 2007, unlisted equity trusts were the most common products offered and made up the largest market segment, comprising approximately 49.9% of industry products, followed by cash management trusts (16.8%) and listed equity trusts (11.0%).

The following table sets out the market segmentation by product as at 31 March 2007:

Products Market Segmentation



Source: IBISWorld, July 2008

3.3 Industry Characteristics

The current problems faced by global credit markets will impact the investment industry's operators and the expected returns on their underlying investments. Consequently, an increase in merger and acquisition activity within the industry is expected, as firms are forced to divest assets and/or look for merger opportunities with other operators in the market.

The industry has experienced significant asset growth as a result of a strong local and global economy in recent years. Growth exceeding that of Gross Domestic Product (GDP) has been achieved by the industry over the last five years. Growth is further driven by an increase in the number and types of products offered by financial asset investors in Australia. Increasing investor confidence and strong economic performance have contributed to the strength of the industry.

The financial asset investors industry has largely benefited from the strong performance of the Australian stock market, foreign exchange rates and government bonds. Although slowing in the 2008 financial year, high levels of merger and acquisition activity, capital raisings and Initial Public Offerings (IPO's) have contributed to the growth of the industry, in particular the five years leading up to 30 June 2007.

Exposure to such factors dictates an inherent volatility in the industry. Turnover is volatile as it is largely dictated by debt and equity markets.

Barriers to entry generally relate to the reputation of the firm, and, its ability to gain access to a large customer base to invest in its products. Customers will seek out proven historical performance in an industry where customer decisions are largely based on the track record or reputation of the firm. Skilled staff and management personnel may be hard to attract and retain. The skills of the professionals in the firm will impact on the performance and profitability of the products on offer.

3.4 Success Factors

Operators in the financial asset investors industry are principally engaged in the management of investment portfolios, products, customers and staff. Each factor must be carefully managed to maximise success and profitability.

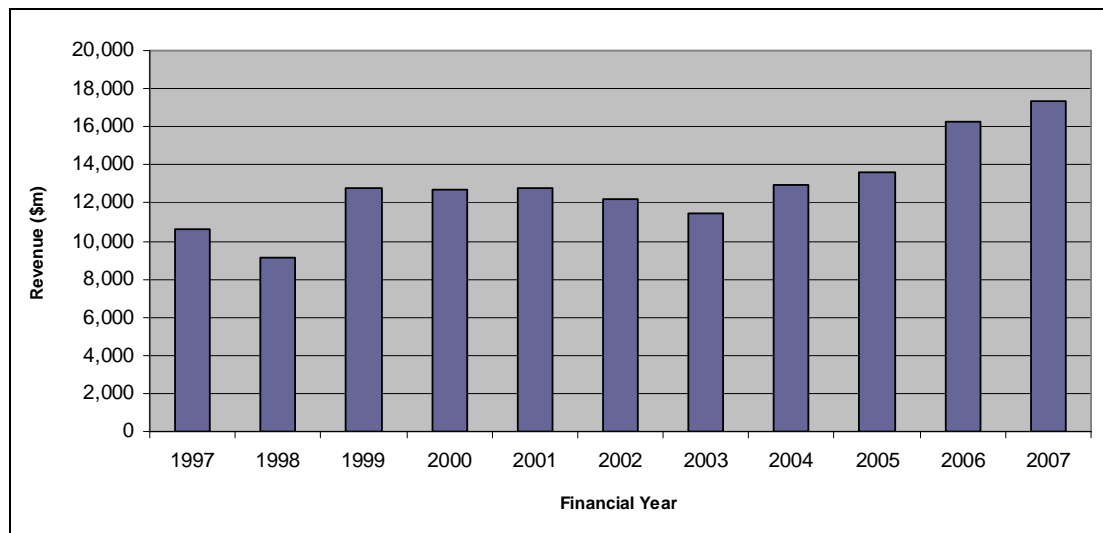
The quality of the assets within the portfolio held by the firm drives both performance and turnover. Careful selection and management of the portfolio is critical to the success of the firm. Diversification to reduce unnecessary risk is regarded as prudent within the industry. Means of performance monitoring, including reporting systems and performance indicators will allow for effective and efficient asset evaluation.

3.5 Historical Industry Performance

The industry has experienced an increase in revenue since the end of the 2003 financial year, averaging revenue growth of 11.1% per annum. This increasing trend has been substantially due to strong local and international economic conditions as well as increasing asset prices.

The following graph sets out the revenue achieved by the financial asset investors industry for the 11 years from 1997 to 2007.

Historical Industry Revenue



Source: IBISWorld, July 2008

Total industry revenue was estimated at \$17.3 billion for the 2007 financial year, with total asset values estimated at \$248.7 billion.

3.6 Outlook

Despite the recent slowdowns in local and overseas markets, IBISWorld estimates that total assets held by operators in the financial asset investors industry will increase to a projected \$332.7 billion in the 2013 financial year. This represents an average growth rate of 5.6% per annum over the next five years. Volatility in global markets is expected to continue, driven by the slowdown of the United States economy, booming Asian markets and increasing commodity prices.

At an estimated 4.9% per annum, industry revenue is forecast to outpace projected GDP growth of 3.1% per annum over the five years to 2013. The popularity of investment products offered by operators within the industry is expected to continue growing, in particular cash management trusts and public unit trusts.

4. PROFILE OF MEDICAL SCIENCE AUSTRALIA LIMITED

4.1 Background

MSA began its operations in Western Australia in 1999 as a seed to early stage venture capital fund. Management of the operations was contracted to VentureAcess Fund Managers Limited (VentureAcess Fund Managers), a subsidiary of VentureAcess Group Limited, in September 2003.

The Company has invested in excess of \$9.5 million in investee companies, with a wide spread of shareholders totalling more than 600. MSA's renewed investment strategy is aimed towards emerging Australian medical science businesses that show the potential to become internationally dominant in their field. MSA is currently preparing the majority of its assets, where the underlying businesses are not involved in the medical science industry, for divestment.

MSA currently owns one subsidiary, two controlled entities and holds an interest in an additional eight investments. For reporting purposes, MSA is consolidated with its sole subsidiary, namely Bridgewater Development Capital Fund Limited and its two controlled entities Heart Assist Technologies and VAG, with the remaining investee companies being treated as other financial assets.

4.2 Investments

MSA currently holds a number of investments as outlined below.

VentureAcess Group Limited

MSA currently holds 11,360,953 ordinary shares in VAG, representing approximately 36.93% of the total issued capital. In addition, MSA currently holds 7,272,487 share options in VAG, representing approximately 40.69% of the total issued share options. Under the Offer, a capital distribution will be made to MSA shareholders, as outlined in Section 1.1 of this Report, in relation to MSA's current investment in VAG. Further information on VAG is provided in section 5 of this Report.

Heart Assist Technologies Pty Limited

MSA holds 38.01% of the issued shares in Heart Assist Technologies Pty Limited (Heart Assist Technologies).

Heart Assist Technologies is a research and development company involved in the development of its proprietary Heart Assist Direct Cardiac Compression Device. Proof of principle has been demonstrated in various animal trials and, subsequently, Heart Assist Technologies is expected to obtain approval for the commencement of human trials within the next two years. Its revolutionary technology is the result of over 10 years' research and development, which was founded at Sydney's Cardiac Technology Centre based at the Royal North Shore Hospital.

The company has received a number of international awards and its technologies have been recognised by various medical societies and journals. Successful human trials are expected to allow access to a large and growing international market for its technology.

SinoWeb Pty Limited

SinoWeb Pty Limited (SinoWeb) is an investment holding company. MSA's 3.62% investment in SinoWeb is as a result of a merger, during the 2008 financial year, between MSA's investee company WebND with an external party, Trusted Delivery Pty Limited.

SinoWeb's products are used within and between businesses and governments in Australia and China for information transfer and communications using the internet. The SinoWeb products are used to design and implement supply-chain and other corporate and community portals for information exchange.

As the nature of the SinoWeb business does not fit with the direction and strategy of MSA, divestment of its stake in the company is currently being considered.

Ceebron Pty Limited

MSA currently holds a 12.16% shareholding in Ceebron Pty Limited (Ceebron), owner and developer of 'The Smart-Trace System', a wireless temperature monitoring system aimed at the transportation of perishable goods. Key information such as identity, temperature, time and location is relayed to a central gateway and distributed to customers via a database server.

Ceebron has recently undertaken a number of capital raisings, including through one of its wholly-owned subsidiaries, to raise additional funds for commercialisation of the technology.

As the nature of the Ceebron business does not fit with the direction and strategy of MSA, the Company is currently reviewing opportunities in relation to the divestment of its stake in Ceebron.

Aquaculture Research and Marketing Pty Limited

Aquaculture Research and Marketing Pty Limited (ARM) is involved in the development of technologies for the commercial harvesting of eggs through the cultivation of Australian Paratemia brine shrimp. Large scale harvesting of the eggs provides a cost effective alternative to the current practice of wild capture of Artemia mainly in the United States and China. Paratemia carries more protein than Artemia.

MSA currently holds a 20.87% interest in ARM, however, in line with MSA's current strategy, negotiations in relation to the potential divestment of the business are being progressed.

XempleX Pty Limited

XempleX Pty Limited (XempleX) provides business modelling software aimed at mining and resources operators. Its technology allows for the easy integration of a number of different modelling constraints.

MSA has been involved with XempleX since concept stage. Commercialisation is currently being achieved through the development of a partner program. XempleX is achieving rapid revenue growth and produced a profit after tax for the 2007 financial year.

Divestment of MSA's 17.53% shareholding in XempleX is planned to occur within the short term, with the possibility of an IPO also being considered.

Other Investments

MSA holds a number of investments in addition to those detailed above, all of which are currently being prepared for divestment where appropriate. The investments are inconsistent with the focus of MSA and have not performed adequately to warrant a continued investment by MSA. These investments have previously been written down to nil value in the MSA accounts. These investments include:

- Data-Cast.net Limited;
- Telroy Pty Limited;
- Lumitex Limited, and
- EON Pty Limited.

4.3 Board & Management

Information regarding MSA's current board and key management personnel is detailed below.

Mr Geoff Mullins, Chairman

Geoff Mullins has been providing corporate advice on the commercialisation of new technologies and ventures for around 25 years. He formed VAG in 2001 which has grown to become both a corporate services and funds management business specialising in the provision of services and investment in Australia's emerging business sector. Geoff is chairman of VAG, VentureAxess Fund Managers, MSA, Heart Assist Technologies and ARM. He is a qualified Barrister.

Geoff is also the chairman of Enterprise Pacific Limited, the company formed to create, promote and develop the Pacific Technology Corridor in Sydney's north. Enterprise Pacific has the backing of local, state and federal governments and both the tertiary and corporate sectors.

Mr Emyr Jones, Non-Executive Director

Emyr Jones has accumulated over 25 years of professional experience as a corporate financial officer in various listed UK companies and as a non-executive director of, and investor in, numerous emerging businesses. He is qualified as a Chartered Accountant in the UK.

Emyr relocated to Sydney in 2001 and formed a mentoring and angel investment business. He joined VAG as a director and shareholder in 2002 and is a director of VAG, VentureAcess Fund Managers, AusUni Pty Limited and SinoWeb and is also Chairman of Ceebron.

Mr Trevor Nink, Non-Executive Director

Trevor Nink has an international executive career spanning the Australasian, Asian, European and North American markets. He has held Chief Executive Officer roles and board positions in numerous companies with combined turnovers of up to \$1 billion in a range of industries. Trevor is currently chairman of Pebble Electronics Pty Limited and Blanter Pty Limited, and a non-executive director of Trackaxle Limited.

Mr Robin Forbes, Independent Non-Executive Director

Robin Forbes has spent many years as a director of, and investment advisor for Hartleys Limited. Robin has first-hand experience with the development and growth of a highly successful Australian technology company, having coordinated the listing on the Australian Stock Exchange of Sarich Technologies Trust in 1984, now Orbital Corp Limited. He was appointed a founding director in 1984 and retired in May 2002. He has also been an active investor in a number of technology companies in Western Australia, including Western Aerospace Limited, Structural Monitoring Systems, Arbortech Pty Limited, Kinetic Limited and Dynamic Digital Depth, Inc.

In November 2002, Robin was appointed to the Board of Solco Ltd and is now serving as its chairman. Solco Ltd manufactures and installs innovative solar water pumping and purification technologies used in the agricultural and mining sectors by remote Aboriginal communities and by Foreign Aid groups.

Robin also chaired a committee appointed by the State Government in the late 1980s to inquire into the venture capital industry and make recommendations to both state and federal governments.

Dame Leonie Kramer, Independent Non-Executive Director

Dame Leonie Kramer has served on numerous public bodies during her distinguished career, including as chair of the Australian Broadcasting Corporation (1982-83), Commissioner of the NSW Electricity Commission (1988-95) and Senior Fellow of the Institute of Public Affairs (1988-96). She has also served on the boards of several large corporations including Western Mining Corporation and ANZ Banking Group. Dame Leonie was Deputy Chancellor of the University of Sydney from 1989 to 1991 and Chancellor from 1991 to 2001.

In 1986 she received the Inaugural Britannica Award for the 'dissemination of learning for the benefit of mankind.' Other awards include an honorary DLitt from the University of Tasmania and honorary LLDs from both the University of Melbourne and the Australian National University. She was appointed Order of the British Empire (OBE) in 1976 and Dame Commander (DCE) in 1983.

Ms Karalyn Day, Company Secretary

Karalyn Day has worked in the venture capital industry for the last eight years, prior to which she managed a Japanese backed investment company. She has past experience as a state sales and channel manager of a publicly listed telecommunications company and in para-legal and legal practice management. Karalyn also has 12 years experience in the health industry and is currently a director of VAG, its subsidiary VentureAxess Fund Managers and Heart Assist Technologies as well as being Company Secretary to various companies in the VentureAxess Group and its investee companies, including MSA.

4.4 Historic Financial Information

The following table sets out the historic Balance Sheets of MSA as at 30 June 2006, 30 June 2007 and 30 June 2008:

MEDICAL SCIENCE AUSTRALIA LIMITED			
CONSOLIDATED BALANCE SHEET			
As at 30th June 2008			
	2008 Unaudited \$	2007 Unaudited \$	2006 Audited \$
CURRENT ASSETS			
Cash and cash equivalents	53,217	48,606	3,244
Trade and other receivables	122,224	50,977	97,850
TOTAL CURRENT ASSETS	175,441	99,583	101,094
NON CURRENT ASSETS			
Other financial assets	6,819,075	9,741,535	12,393,612
Equipment	7,545	6,679	0
Goodwill arising on consolidation	3,656,161	1,650,991	0
Patents	5,806,534	8,295,048	0
TOTAL NON CURRENT ASSETS	16,289,315	19,694,253	12,393,612
TOTAL ASSETS	16,464,756	19,793,836	12,494,706
CURRENT LIABILITIES			
Trade and other payables	626,602	843,903	607,449
Short term borrowings	365,000	410,000	449,890
TOTAL CURRENT LIABILITIES	991,602	1,253,903	1,057,339
NON CURRENT LIABILITIES			
Related parties	385,475	0	0
Deferred tax liabilities	0	1,011,524	552,184
Provisions	329,893	1,106,356	1,200,874
TOTAL NON CURRENT LIABILITIES	715,368	2,117,880	1,753,058
TOTAL LIABILITIES	1,706,970	3,371,783	2,810,397
NET ASSETS	14,757,786	16,422,053	9,684,309
EQUITY			
Contributed equity	9,589,127	9,213,878	6,514,304
Retained earnings	309,877	2,013,364	3,129,035
Option holders equity	39,440	39,440	40,970
Minority interest	4,819,342	5,155,371	0
TOTAL EQUITY	14,757,786	16,422,053	9,684,309

The following table sets out the historic Income Statements of MSA for the years ended 30 June 2006, 30 June 2007 and 30 June 2008:

MEDICAL SCIENCE AUSTRALIA LIMITED			
CONSOLIDATED INCOME STATEMENT			
For the year ended 30th June 2008			
	2008 Unaudited \$	2007 Unaudited \$	2006 Audited \$
Revenue from ordinary activities	77,606	3,558	424
Change in fair value of investments	(2,922,460)	(226,184)	2,525,992
Increase (decrease) in value of patents	(2,488,514)	587,273	0
Expenses from Ordinary Activities			
Administrative expenses	(403,067)	(232,169)	(120,841)
Annual fund manager fee	(96,941)	(234,299)	(169,966)
(Provision)/credit for fund manager success fee	776,463	94,518	(505,199)
Directors fees / share option charge	(120,000)	(118,470)	(17,032)
Listing costs incurred	0	(115,347)	(221,744)
Interest paid	(57,145)	(60,778)	(26,593)
Profit/(Loss) Before Income Tax	(5,234,058)	(301,898)	1,465,041
Income tax (expense) credit	1,011,524	(459,340)	(219,757)
Profit/(Loss) After Income Tax	(4,222,534)	(761,238)	1,245,284
Loss/(profit) attributable to minority interests	2,519,047	(354,433)	0
Profit/(Loss) Attributable to Members	(1,703,487)	(1,115,671)	1,245,284

4.5 Capital Structure

As at the date of this Report, MSA had 68,706,045 ordinary shares on issue. The top 10 shareholders and their respective holdings are shown in the following table.

Summary of Top 10 Shareholders of MSA

Shareholder	No. of Shares	%
Mr Emyr Wyn Jones	8,769,562	12.76%
Mr Emyr Wyn Jones <Jones Family PSF A/C>	5,267,020	7.67%
VAl Pty Ltd	4,409,795	6.42%
Noble Investments Pty Ltd	3,225,000	4.69%
Evalon Investments Pty Ltd	2,500,000	3.64%
Jailaw Pty Ltd	1,800,000	2.62%
Bercol Holdings Pty Ltd <Super Fund A/C>	1,800,000	2.62%
Mr Brian Swan & Mrs Elizabeth Margaret Swan <Paulina Bunning A/C>	1,500,000	2.18%
Mr William John Osbourne	1,175,245	1.71%
Techstart Australia Pty Ltd	1,000,000	1.46%
Top 10 Shareholders	31,446,622	45.77%
Total Shareholders	68,706,045	100.00%

Source: MSA

As at the date of this Report, MSA had 14,397,485 share options on issue. The top 10 option holders and their respective holdings are shown in the following table.

Summary of Top 10 Option Holders of MSA

Option Holder	No. of Shares	%
Noble Investments Pty Ltd	3,125,000	21.71%
Emyr Wyn Jones <Jones Family PSF>	3,125,000	21.71%
Noble Investments Pty Ltd <Noble Inv S/F CFL3 All A/C>	2,700,000	18.75%
Ms Christine Anne Middleton	900,000	6.25%
Mr Peter O'Kelly	606,187	4.21%
Mr Donald Douglas Brown	278,250	1.93%
Leadenhall Australia Limited	261,810	1.82%
ANZ Nominees Limited <Cash Income A/C>	194,087	1.35%
Leadenhall Australia Limited	187,500	1.30%
DCSI Pty Ltd <DCSI Investment A/C>	156,250	1.09%
Top 10 Option Holders	11,534,084	80.12%
Total Option Holders	14,397,485	100.00%

Source: MSA

5. PROFILE OF VENTUREAXESS GROUP LIMITED

5.1 Background

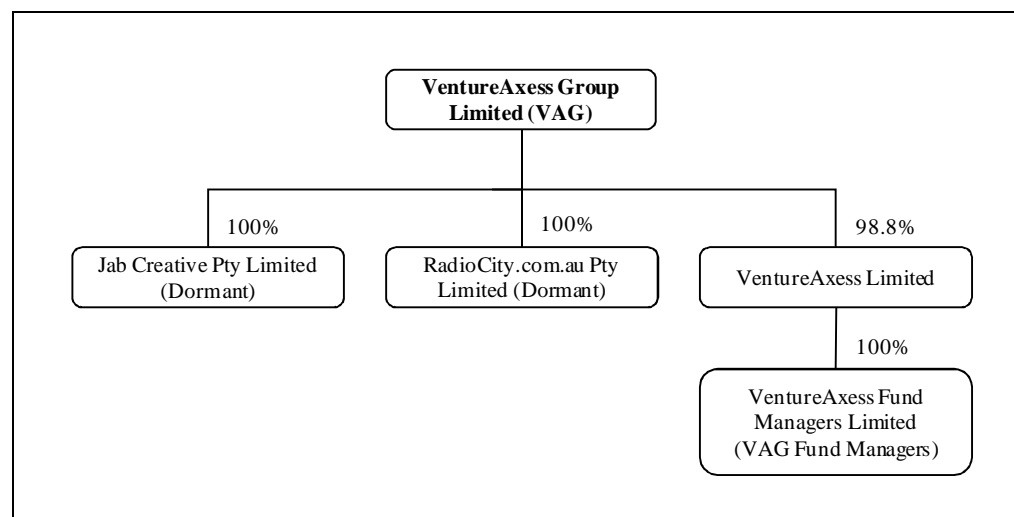
VAG is a funds management and corporate advisory services firm which targets emerging Australian businesses. VAG specialises in maximising its clients' value by providing an 'investor ready' service prior to seeking potential investors on their behalf.

VAG took over the management of MSA in September 2003 through the acquisition of fund managers, TechStart Fund Managers Pty Limited. VAG assumed a 100% interest in the fund, which was subsequently renamed VentureAcess Fund Managers Limited. VentureAcess Fund Managers obtained an Australian Financial Services Licence in 2004.

In 2007, Jab Technologies Limited, a software company listed on NSX Limited (NSX) made an offer to acquire VentureAcess Limited and its wholly owned subsidiary. After gaining a 98.8% stake in VentureAcess Limited, Jab Technologies was renamed VentureAcess Group Limited. As a result of MSA's original 72% shareholding in Jab Technologies Limited, the Company now holds approximately 36.93% of the merged entity, VAG.

VAG currently controls four entities, two of which are dormant. VAG holds a 98.8% shareholding in the remaining two entities, VentureAcess Limited and its wholly owned subsidiary, VentureAcess Fund Managers as shown in the chart below.

Chart – VentureAcess Group Limited Corporate Structure



Source: VAG

5.2 Operations

VAG delivers a range of client services focused on the emerging technology and innovation sectors. Ongoing fees and success fees are earned by the company for the provision of corporate advisory and management consulting services including capital raisings, merger and acquisition transactions, business mentoring, planning and management services.

Through VentureAxess Fund Managers, VAG is working with a wide network of universities, business incubators, venture capitalists and professional services firms to seek out high quality opportunities for the fund to participate in. The growth of the company's fund management operations is fundamental to the future strategy of VAG.

5.3 Board & Management

Information regarding MSA's current board and key management personnel is detailed below.

Mr Geoff Mullins, Chairman

Geoff Mullins has been providing corporate advice on the commercialisation of new technologies and ventures for around 25 years. He formed VAG in 2001 which has grown to become both a corporate services and funds management business specialising in the provision of services and investments in Australia's emerging business sector. Geoff is chairman of VAG, VentureAxess Fund Managers, MSA, Heart Assist Technologies and ARM. He is qualified as a Barrister.

Geoff is also the chairman of Enterprise Pacific Limited, the company formed to create, promote and develop the Pacific Technology Corridor in Sydney's north. Enterprise Pacific has the backing of local, state and federal governments and both the tertiary and corporate sectors.

Ms Karalyn Day, Chief Executive Officer & Company Secretary

Karalyn Day has worked in the venture capital industry for the last eight years, prior to which she managed a Japanese backed investment company. She has past experience as a state sales and channel manager of a publicly listed telecommunications company and in para-legal and legal practice management.

Karalyn also has 12 years experience in the health industry and is currently a director of VAG, its subsidiary VentureAxess Fund Managers and Heart Assist Technologies as well as being Company Secretary to various companies in the VentureAxess Group and its investee companies, including MSA.

Mr Emyr Jones, Executive Director

Emyr Jones has accumulated over 25 years of professional experience as a corporate financial officer in various listed UK companies and as a non-executive director of, and investor in, emerging businesses. He is qualified as a Chartered Accountant in the UK.

Emyr relocated to Sydney in 2001 and formed a mentoring and angel investment business. He joined VAG as a director and shareholder in 2002 and is a director of VentureAxess Fund Managers, AusUni Pty Limited and SinoWeb and is also Chairman of Ceebron.

Mr Richard Green, Independent Non-Executive Director

Richard Green has been actively involved in a number of corporate advisory engagements in Australia and the United Kingdom throughout his career. In particular, Richard was involved in the development of the Pharmacy College of Victoria from a consultancy business into a company with a market capitalisation in excess of \$80 million.

Richard has been an active investor, director and chairman of several corporations, which has included positions in ASX listed companies. He is chairman of Queensland Trustees and Investment Limited and until recently Managing Director of Authorised Investment Fund Limited.

Mr Trevor Nink, Non-Executive Director

Trevor Nink has an international executive career spanning the Australasian, Asian, European and North American markets. He has held Chief Executive Officer roles and board positions in numerous companies with combined turnovers of up to \$1 billion in a range of industries. Trevor is currently chairman of Pebble Electronics Pty Limited and Blanter Pty Limited, and a non-executive director of Trackaxle Limited.

5.4 Historic Financial Information

The following table sets out the historic Balance Sheets of VAG as at 30 June 2006, 30 June 2007 and 30 June 2008:

VENTUREAXESS GROUP LIMITED			
CONSOLIDATED BALANCE SHEET			
As at 30th June 2008			
	2008 Unaudited \$	2007 Audited \$	2006 Audited \$
CURRENT ASSETS			
Cash and cash equivalents	27,686	9,428	123,598
Trade and other receivables	563,805	10,091	41,275
Other	0	0	13,085
TOTAL CURRENT ASSETS	591,491	19,519	177,958
NON CURRENT ASSETS			
Goodwill arising on consolidation	1,953,170	0	0
Property, Plant & Equipment	866	0	37,803
Deferred option expense	0	0	58,140
TOTAL NON CURRENT ASSETS	1,954,036	0	95,943
TOTAL ASSETS	2,545,527	19,519	273,901
CURRENT LIABILITIES			
Trade and other payables	492,597	68,201	164,415
Provisions	0	0	3,791
TOTAL CURRENT LIABILITIES	492,597	68,201	168,206
NON CURRENT LIABILITIES			
Long term borrowings	80,677	173,999	0
TOTAL NON CURRENT LIABILITIES	80,677	173,999	0
TOTAL LIABILITIES	573,274	242,200	168,206
NET ASSETS	1,972,253	(222,681)	105,695
EQUITY			
Contributed equity	4,374,166	2,205,038	2,215,805
Accumulated losses	(2,416,448)	(2,427,719)	(2,206,250)
Option holders equity	0	0	96,140
Minority interest	14,535	0	0
TOTAL EQUITY	1,972,253	(222,681)	105,695

The following table sets out the historic Income Statements of VAG for the years ended 30 June 2006, 30 June 2007 and 30 June 2008:

VENTUREAXESS GROUP LIMITED			
CONSOLIDATED INCOME STATEMENT			
For the year ended 30th June 2008			
	2008 Unaudited \$	2007 Audited \$	2006 Audited \$
Revenues from Continuing Operations			
Fees	266,502	0	0
Sales	4,242	33,059	20,155
Interest received	726	1,796	6,556
Other income	0	0	4,989
Proceeds from sale of fixed assets	0	16,739	0
Debt forgiveness income	0	60,748	0
Total Revenues	271,470	112,342	31,700
Expenses from Continuing Operations			
Advertising	0	0	5,537
Audit fees	5,000	12,000	10,605
Accounting fees	7,027	28,360	0
Borrowing costs	9,161	0	507
Employee benefits	0	2,229	57,717
Consulting fees	2,049	137,326	290,605
Directors' fees	29,303	60,260	13,200
Depreciation	6,196	15,339	8,034
Insurance	11,097	23,478	6,460
Impairment expense	0	0	25,000
Salaries and wages	47,132	0	0
Occupancy expenses	38,022	8,375	15,160
Research and Development	0	0	30,310
Directors' options	0	(38,000)	38,000
Legal fees	2,078	37,823	11,751
Carrying value of assets sold	0	22,464	0
Hire of equipment	0	0	7,374
Computer expenses	0	0	7,363
General administration expenses	102,491	66,146	92,320
Total Expenses	259,556	375,800	619,943
Profit/(Loss) Before Income Tax Expense	11,914	(263,458)	(588,243)
Income tax expense	0	41,989	72,340
Profit/(Loss) After Income Tax	11,914	(221,469)	(515,903)
Profit attributable to minority interests	(643)	0	0
Profit/(Loss) Attributable to Members	11,271	(221,469)	(515,903)

5.5 Capital Structure

As at the date of this Report, VAG had 30,766,514 ordinary shares on issue. The top 10 shareholders and their respective holdings are shown in the following table.

Summary of Top 10 Shareholders of VAG

Shareholder	No. of Shares	%
Medical Science Australia Ltd	11,360,953	36.93%
V A Holdings Pty Ltd	5,700,000	18.53%
Mr Geoff Mullins	2,236,442	7.27%
ANZ Nominees Limited <Cash Income A/C>	2,211,375	7.19%
Mr Emyr Jones <Jones Family PSF A/C>	1,491,375	4.85%
Ms Laurie Kobler <Kobler Super Fund A/C>	1,200,000	3.90%
Ms Karalyn Day	884,350	2.87%
William Osborne & Nongkran Osborne	800,000	2.60%
JW & SL Martin Pty Ltd	500,000	1.63%
Organic Recyclers Environmental Services Pty Ltd	500,000	1.63%
Top 10 Shareholders	26,884,495	87.40%
Total Shareholders	30,766,514	100.00%

Source: VAG

As at the date of this Report, VAG had 17,886,840 share options on issue. The top 10 option holders and their respective holdings are shown in the following table.

Summary of Top 10 Option Holders of VAG

Option Holder	No. of Shares	%
Medical Science Australia Ltd	7,272,487	40.66%
V A Holdings Pty Ltd	3,000,000	16.77%
Mr Geoff Mullins	1,913,023	10.70%
ANZ Nominees Limited <Cash Income A/C>	1,195,698	6.69%
Mr Emyr Jones	1,000,000	5.59%
Mr Emyr Jones <Jones Family PSF A/C>	720,000	4.03%
Ms Laurie Kobler <Kobler Super Fund A/C>	600,000	3.35%
Ms Karalyn Day	486,977	2.72%
William Osborne & Nongkran Osborne	400,000	2.24%
Ms Anne Tan Sok Lang	214,286	1.20%
Top 10 Option Holders	16,802,471	93.95%
Total Option Holders	17,886,840	100.00%

Source: VAG

6. VALUATION OF MEDICAL SCIENCE AUSTRALIA LIMITED

In our opinion, the current market value of the issued shares in MSA on an undiluted and fully diluted basis is between \$0.125 and \$0.140 per share.

Our assessment of the value is detailed in the remainder of this section.

6.1 Valuation Methodologies

In our opinion the recent genuine offers received method is the most appropriate method to apply to the valuation of the issued capital of MSA. Various valuation methodologies have been considered in the valuation of MSA as detailed below.

A summary of each of the available valuation methodologies has been set out in Appendix 4.

The Discounted Cash Flow (DCF) method

No reliable estimates of future cash flows are available to conduct a DCF valuation of the business carried out by MSA.

Capitalisation of future maintainable earnings

MSA does not have a stable trading history which would enable the application of the capitalisation of future maintainable earnings valuation method. An earnings based valuation is not appropriate in the case of MSA as the profits of enterprises such as MSA, engaged in investing activities, can fluctuate dramatically between periods based on changes in the underlying investments of the entity. Moreover, historical performance does not provide an appropriate indication of expected future performance in the case of MSA as all of its investee companies are in the start-up phase.

The quoted price for listed securities

Despite being a public company, MSA's shares are not currently listed on any stock exchange. Accordingly a valuation based on the Company's securities trading prices would not be feasible.

Orderly realisation of assets

The orderly realisation of assets valuation methodology takes into account the estimated value of the net assets on a going concern basis. This methodology is suitable for the valuation of an investment holding company where the underlying assets have been recorded at fair market value.

We were unable to apply the orderly realisation of assets valuation methodology due to the following limitations:

- The carrying values of goodwill on consolidation of its subsidiary and controlled entities and of its investments in associates comprise the majority of the net assets of MSA. Independent valuations of the investee companies,

to the extent that they are available, are outdated and do not take into account current market conditions. Consequently, we are unable to verify these carrying values;

- We are advised that since the last independent valuations were obtained, most investee companies have not progressed their commercialisation activities due to a lack of available funds. This may indicate a possible impairment of the carrying values of goodwill and investments in associates;
- Due to time constraints we have been unable to form our own view as to the value of the investee companies. Moreover, no reliable estimates of future cash flows are available to enable us to apply the DCF valuation method to the investee companies. The majority of investee companies have a net asset deficiency and negative historic earnings. Consequently we are also unable to apply the orderly realisation of assets or the capitalisation of future maintainable earnings valuation methods to the investee companies.

Any recent genuine offers received

MSA undertook two capital raisings in February and April 2008 where new shares were offered to existing shareholders. The issue price of the new securities provides a basis for the valuation of the Company as it indicates what value purchasers are willing to pay for a share of the Company.

We consider that a valuation based on the price paid for recently issued capital in MSA is an appropriate method for determining the value of the Company as the capital raisings represent genuine offers received by the Company.

6.2 Valuation – Recent Genuine Offers

In order to determine the valuation of the issued shares in MSA, we have given consideration to the most recent share issues undertaken by the Company. Private share placements were undertaken in February and April 2008.

Capital Raising – February 2008

MSA invited existing shareholders to take part in a private share placement in February 2008 to raise funds to allow the Company to publicly list on the NSX. Under the offer, MSA sought to raise \$500,000 through the issue of 5,000,000 ordinary shares at a price of \$0.10 per share. The offer was initially presented to the existing sophisticated shareholders of the Company with a minimum application amount of \$50,000 or 500,000 shares per subscriber, and a minimum total subscription of \$300,000 (3,000,000 shares).

\$331,202.80 was raised through the issue of 3,312,028 shares at a price of \$0.10 per share to 26 individual shareholders. The shares were allotted on 29 April 2008, representing 4.96% of the issued capital of MSA immediately following the allotment.

Capital Raising – April 2008

A subsequent private share placement was offered to the remaining MSA shareholders in April 2008 due to the shortfall in the abovementioned capital raising. A further \$300,000 was sought by MSA through the issue of 3,000,000 ordinary shares at a value of \$0.10 per share. A minimum application of \$1,000 (10,000 shares) was prescribed for the offer.

\$46,500.00 was raised through the issue of 465,000 shares at a price of \$0.10 per share to 17 individual shareholders. The shares were allotted on 27 June 2008, representing 0.69% of the issued capital of MSA immediately following the allotment.

Control Premium

Whilst the capital raisings above can be used to establish the fair market value of the issued capital in MSA, a control premium needs to be factored into the valuation where it relates to the acquisition of 100% of the issued capital in the Company. The control premium reflects the additional benefits a willing buyer will receive from gaining full control over the voting power of the Company.

Studies based on takeovers on stock exchanges such as the Australian Securities Exchange (ASX) indicate a historical average control premium of between 25% and 40%. The actual control premiums paid vary widely between transactions, depending on the individual circumstances of the transaction, the buyer and the seller, and general market conditions at the time of the offer.

6.3 Valuation Summary

Based on the capital raisings undertaken by MSA in 2008, we have calculated the fair market value of the issued shares in MSA on an undiluted and fully diluted basis to fall within the range of \$0.125 to \$0.140 per share as set out in the table below.

	Undiluted		Fully Diluted	
	Low Range	High Range	Low Range	High Range
Price per share under capital raising	\$0.100	\$0.100	\$0.100	\$0.100
No of ordinary shares on issue	68,706,045	68,706,045		
No of fully diluted ordinary shares on issue			85,682,699	85,682,699
Implied equity valuation	\$6,870,605	\$6,870,605	\$8,568,270	\$8,568,270
Control Premium	25.00%	40.00%	25.00%	40.00%
Adjusted equity valuation	\$8,588,256	\$9,618,846	\$10,710,337	\$11,995,578
Adopted valuation range	\$0.125	\$0.140	\$0.125	\$0.140

7. VALUATION OF VENTUREAXESS GROUP LIMITED

In our opinion, the current market value of the issued shares in VAG on an undiluted and fully diluted basis is between \$0.134 and \$0.150 per share.

Our assessment of the value is detailed in the remainder of this section.

7.1 Valuation Methodologies

In our opinion the recent genuine offers method is the most appropriate method to apply in the valuation of the issued capital of VAG. Various valuation methodologies have been considered in the valuation of VAG as detailed below.

A summary of each of the approaches considered in the preparation of this Report has been set out in Appendix 4.

The Discounted Cash Flow (DCF) method

No reliable estimates of future cash flows are available to conduct a DCF valuation of the business carried out by VAG.

Capitalisation of future maintainable earnings

VAG does not have a stable trading history which would enable the application of the capitalisation of future maintainable earnings valuation method. Moreover, the changing nature of the business will result in changes in the future earnings of the company.

VAG intends to develop its venture capital operations through VentureAxess Fund Managers. Accordingly, an earnings based valuation would not be appropriate as the earnings of enterprises engaged in investing activities can fluctuate dramatically between periods based on changes in the underlying assets of the entity.

The quoted price for listed securities

VAG's securities are listed on the NSX, however, the company's shares are not sufficiently liquid for the quoted price to form the basis of a valuation of the company. VAG's shares have not traded on the NSX since the 2nd of June 2006 at which time the price per share traded was \$0.150. Since that time the company has undergone significant corporate restructuring and changes in its strategic focus.

Orderly realisation of assets

The orderly realisation of assets valuation methodology takes into account the estimated value of the net assets on a going concern basis.

In our opinion, the orderly realisation of assets method is not appropriate for the valuation of VAG as the majority of the net assets of the company consist of its investment in VentureAxess Limited and VentureAxess Fund Managers, both of which are recorded at cost as opposed to fair market value.

We are advised that no recent independent valuations of these entities are available.

Any recent genuine offers received

VAG undertook a capital raising over four tranches from March 2008 to August 2008. The issue prices of the new securities provide a basis for the valuation of the company as it indicates what value purchasers are willing to pay for a share of the company.

We consider that a valuation based on the average price paid for recently issued capital in VAG is an appropriate method for determining the value of the company as the capital raisings represent genuine offers received by the company.

7.2 Valuation – Recent Genuine Offers

In order to determine the valuation of the issued shares in VAG, we have given consideration to the most recent share issue undertaken by the company. A private share placement was completed in August 2008.

Capital Raising

VAG invited new and existing shareholders to take part in a private share placement to provide working capital to the company for implementation of its short-term growth and development goals. Under the offer, VAG sought to raise \$522,000 through the issue of 4,350,000 ordinary shares at an issue price of \$0.12 per share. Every two shares issued included one free option, with an exercise price of \$0.20 on or before 31 December 2009.

The offer did not allow for any oversubscriptions. A minimum application amount was set at \$500.00 or 4,167 shares, being the minimum value of a marketable parcel for shares traded on the NSX.

The offer was initially set to close on 30 June 2008, however, shares were allotted over four tranches, with the last allotment taking place 19 August 2008. In total, \$64,203.72 was raised under the offer through the issue of 535,031 ordinary shares at a price of \$0.12 per ordinary share and 267,525 share options at an exercise price of \$0.20 on or before 31 December 2009 as follows:

- 10 March 2008 – 232,104 ordinary shares and 116,051 share options were issued and quoted on the NSX;
- 8 May 2008 – 204,573 ordinary shares and 102,290 share options were issued and quoted on the NSX;
- 27 June 2008 – 77,519 ordinary shares and 38,765 share options were issued and quoted on the NSX; and
- 19 August 2008 – 20,835 ordinary shares and 10,419 share options were issued and quoted on the NSX.

On 19 August 2008 1,000,000 ordinary shares (with no attaching options) were also issued at \$0.10 per share to two investors, raising \$100,000.

The new shares issued under the above capital raisings represent 4.99% of the total issued shares of VAG immediately following the announcement of the offer. This equates to 4.73% on a fully diluted basis. No related parties to MSA participated in the capital raising.

The attaching bonus share options issued in VAG were well out of the money at the time of issue with an exercise price of \$0.20. We consider the value of the share options, if any, to be insignificant in determining a valuation based on the capital raising.

Control Premium

Whilst the above capital raising can be used to establish the fair market value of the issued capital in VAG, a control premium needs to be factored into the valuation where it relates to the acquisition of 100% of the issued capital in the company. The control premium reflects the additional benefits a willing buyer will receive from gaining full control over the voting power of the company.

ASIC Regulatory Guide 111 requires that an assessment is needed to determine whether a scrip takeover is in effect a merger of entities of equivalent value, where control of the merged entity will be shared equally between the bidder and target. Where such a case exists it may be justifiable to use an equivalent approach to valuing the securities of the bidder and the target. Under the Offer, MSA shareholders will acquire approximately 79.3% of the total capital of the Merged Entity on a fully diluted basis. The Offer represents a merger of the two entities as opposed to a controlling acquisition by the Bidder. We are of the opinion that a control premium is appropriate in determining the equity value of VAG equal to that used in the valuation of MSA, being 25% to 40%.

7.3 Valuation Summary

Based on the capital raisings undertaken by VAG in 2008, we have calculated the fair market value of the issued shares in VAG on an undiluted and fully diluted basis to fall within the range of \$0.134 to \$0.150 per share as set out in the table below.

	Undiluted		Fully Diluted	
	Low Range	High Range	Low Range	High Range
Price per share under capital raising	\$0.107	\$0.107	\$0.107	\$0.107
No of ordinary shares on issue	30,766,514	30,766,514		
No of fully diluted ordinary shares on issue			48,653,354	48,653,354
Implied equity valuation	\$3,292,017	\$3,292,017	\$5,205,909	\$5,205,909
Control Premium	25.00%	40.00%	25.00%	40.00%
Adjusted equity valuation	\$4,115,021	\$4,608,824	\$6,507,386	\$7,288,272
Adopted valuation range	\$0.134	\$0.150	\$0.134	\$0.150

8. EVALUATION OF THE OFFER

8.1 Assessment of Fairness of the Offer

ASIC Regulatory Guide 111 defines a takeover bid as being 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. This comparison should be made assuming 100% ownership of the target, irrespective of whether the consideration is scrip or cash.

Set out in the tables below is our assessment of the current value of the issued shares in MSA and the VAG valuation of the issued shares in MSA based on acceptance of the Offer.

Valuation Summary - Undiluted

	MSA Shares			VAG Shares		
	No of MSA Shares	Low Range \$0.125	High Range \$0.140	No of VAG Shares	Low Range \$0.134	High Range \$0.150
Valuation of MSA	68,706,045	\$8,588,256	\$9,618,846			
Valuation of MSA under the Offer						
- VAG shares for MSA shares				80,157,053	\$10,741,045	\$12,023,558
- Capital distribution of VAG shares				11,107,477	\$1,488,402	\$1,666,122
Total	68,706,045	\$8,588,256	\$9,618,846	91,264,530	\$12,229,447	\$13,689,679

Valuation Summary – Fully Diluted

	MSA Shares			VAG Shares		
	No of MSA Shares	Low Range \$0.125	High Range \$0.140	No of VAG Shares	Low Range \$0.134	High Range \$0.150
Valuation of MSA	85,682,699	\$10,710,337	\$11,995,578			
Valuation of MSA under the Offer						
- VAG shares for MSA shares				80,157,053	\$10,741,045	\$12,023,558
- Capital distribution of VAG shares				11,107,477	\$1,488,402	\$1,666,122
- VAG options for MSA options				14,397,485	\$1,929,263	\$2,159,623
- Capital distribution of VAG options				6,985,115	\$936,005	\$1,047,767
- VAG shares for MSA Directors' options				594,130	\$79,613	\$89,120
- VAG shares for MSA loan notes shares				1,540,000	\$206,360	\$231,000
- Capital distribution of VAG loan notes shares				213,400	\$28,596	\$32,010
- Capital distribution of VAG loan notes options				134,200	\$17,983	\$20,130
Total	85,682,699	\$10,710,337	\$11,995,578	115,128,859	\$15,427,267	\$17,269,329

Subject to 100% acceptance of the Offer, MSA shareholders will hold 82.8% of the issued shares in the Merged Entity and 79.3% of the Merged Entity on a fully diluted basis.

The valuation of MSA shares under the Offer of \$12.2 million to \$13.7 million (\$15.4 million to \$17.2 million on a fully diluted basis) provides a premium over the current valuation of the MSA shares of \$8.6 million to \$9.6 million (\$10.7 million to \$12.0 million on a fully diluted basis). On this basis, VMC Global has determined that the Offer is fair to the non-associated shareholders of MSA.

8.2 Assessment of Reasonableness of the Offer

As we have concluded that the Offer is fair we also conclude that it is reasonable. Notwithstanding this conclusion, we have also assessed that the advantages of the Offer to the non-associated shareholders outweigh the disadvantages. Advantages and disadvantages identified is as follows:

Advantages for the Non-Associated Shareholders

Shares to be Listed on the NSX

MSA is an unlisted public company. Accordingly, the issued shares and share options of MSA are not listed on a public exchange which would enable shareholders to trade their shares in MSA.

If successful, the proposed takeover bid will result in shareholders and option holders of MSA receiving VAG securities which are currently listed and trading on the NSX. This will provide existing MSA shareholders the opportunity to trade their shares in the future.

The Merged Entity will provide greater diversification

The operations of the Merged Entity will provide greater diversification to shareholders and should therefore reduce the overall level of risk pertaining to their investment.

VAG derives income in the form of fund management fees, consultancy fees and success fees. MSA currently only derives income upon the realisation of an investment. The nature of the Merged Entity will result in a greater mix of short and medium term income streams.

Gaining control of VAG

The proposed takeover will result in MSA shareholders maintaining control over MSA whilst simultaneously also gaining control of VAG.

Greater access to capital in the future

Being part of a listed company will provide greater access to capital in the future to assist in the commercialisation of investee companies' products. This in turn will help maximise the potential returns available to shareholders.

Disadvantages for the Non-Associated Shareholders

Lack of liquidity in VAG shares and options

If successful, the proposed takeover bid will result in shareholders and option holders of MSA receiving VAG securities which are currently listed and trading on the NSX.

While VAG securities are currently listed on the NSX, they are currently extremely illiquid, resulting in limited opportunities for trading.

MSA shareholders who wish to dispose of VAG shares subsequent to the takeover bid may find it difficult to find a willing buyer for their VAG securities.

Trigger of convertible loan conditions

MSA has \$165,000 in convertible loan notes outstanding at the date of this Report. A condition of the loan notes is that upon any listing of MSA securities on a stock market, the loan notes will convert into 1,320,000 ordinary shares in MSA.

Should the proposed takeover bid be successful, the loan notes' conversion conditions will be triggered and the holders will receive shares in VAG.

The conversion will result in the dilution of the ownership interest per share held by existing MSA shareholders.

Directors' options will convert into VAG shares, not VAG options

MSA currently has 1,259,169 Directors' options on issue, 594,782 exercisable at \$0.10, 306,260 exercisable at \$0.15 and 358,127 exercisable at \$0.16. Under the Offer, the Directors' options will convert into 594,130 ordinary shares in VAG.

The Directors of MSA will receive shares in VAG without having to pay any consideration for them and without having to achieve a higher share price to make exercise of the options feasible.

The conversion will also result in the dilution of the ownership interest per share held by existing MSA shareholders.

Implication to Non-Associated Shareholders if the Offer is not accepted

We have considered some of the implications to non-associated shareholders of MSA if the proposed takeover bid is not accepted as detailed below:

- The issued shares of MSA will continue to be unlisted with no current alternative options available to existing MSA security holders to trade their shares.

- Non-associated shareholders will not benefit from an increase in the diversification of operations which would be achieved if the proposed takeover is successful. MSA will continue to realise revenue only on the disposal of investment assets.
- Non-associated shareholders will not benefit from gaining control of the operations of VAG that would be achieved if the proposed takeover is successful. Non-associated shareholders will retain control over the operations of MSA.
- Non-associated shareholders will not benefit from the greater access to future capital as a result of MSA shareholders gaining control of VAG, a company listed on the NSX. This lack of access to capital may restrict the potential returns available to MSA from its investments in the future.
- The conversion conditions attached to the \$165,000 convertible notes on issue by MSA will not be triggered. Accordingly, the convertible notes will remain a liability of MSA, and MSA will continue to accrue interest on the balance outstanding.
- Non-associated shareholders will continue to benefit from the performance hurdles implied in the conditions of the Directors' share options. Non-associated shareholders will further benefit from the expected funding where the aforementioned options are exercised.

8.3 Conclusion in Relation to the Offer

After giving consideration to the above advantages and disadvantages we consider that the proposed takeover bid as set out in section 1 is **fair and reasonable** to the non-associated shareholders of MSA.

APPENDIX 1 – ABBREVIATIONS AND DEFINITIONS

ARM	Aquaculture Research & Marketing Pty Limited ABN 40 089 243 710
ASIC	The Australian Securities and Investments Commission
ASX	The Australian Securities Exchange Limited ABN 98 008 624 691
Bidder	VentureAcess Group Limited ABN 42 087 426 953
Bidder's Statement	The Bidder's Statement for Medical Science Australia Limited prepared by VentureAcess Group Limited, dated 14 August 2008
Ceebron	Ceebron Pty Limited ABN 30 088 385 577
Closing Date	3 October 2008, as set out in the Bidder's Statement
Company	Medical Science Australia Limited ABN 30 085 039 818
Corporations Act	The Corporations Act 2001
DCF	Discounted Cash Flow
Director	A Director of Medical Science Australia Limited at the date of this Report
GDP	Gross Domestic Product
Heart Assist Technologies	Heart Assist Technologies Pty Limited ABN 18 091 821
IPO	Initial Public Offering
Merged Entity	The proposed merged entity comprising Medical Science Australia Limited and VentureAcess Group Limited
MSA	Medical Science Australia Limited ABN 30 085 039 818
NSX	NSX Limited ABN 33 089 447 058
The Offer	The offer made by VentureAcess Group Limited to acquire the issued capital of Medical Science Australia Limited as set out in the Bidder's Statement
Related Party	Has the meaning as provided in the Corporations Act
Report or Independent Expert's Report	This document prepared by VMC Global dated 22 September 2008
SinoWeb	SinoWeb Pty Limited ABN 94 124 676 624

Independent Expert's Report and Financial Services Guide

Target	Medical Science Australia Limited ABN 30 085 039 818
VAG	VentureAcess Group Limited ABN 42 087 426 953
VentureAcess Fund Managers	VentureAcess Fund Managers Limited ABN 63 088 006 106
VMC Global	VMC Global Pty Limited ABN 65 097 893 957 AFS Licence 295 872
XempleX	XempleX Pty Limited ABN 82 091 014 952

APPENDIX 2 – QUALIFICATIONS AND DECLARATIONS

Qualification

VMC Global has extensive experience in the provision of corporate finance advice, particularly with respect to mergers and acquisitions.

VMC Global holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The individual responsible for the preparation of this Report is Mrs Manda Trautwein.

Manda Trautwein is a director of VMC Global and an active Member of the Institute of Chartered Accountants and its Forensic Accounting and Business Valuation Special Interest Groups. She holds a Bachelor of Commerce degree and a Master of Applied Finance degree from Macquarie University and a Master of Applied Taxation degree from the University of New South Wales. Manda has played a key role in a number of corporate advisory projects including valuations of shares and businesses for a variety of applications.

Declarations

The statements contained in this Report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, VMC Global provided draft copies of this Report to MSA for comment as to factual accuracy, as opposed to opinions, which are the responsibility of VMC Global alone. Changes made to this Report as a result of these reviews have not changed the opinion reached by VMC Global.

Interests

VMC Global is entitled to receive a fee for the preparation of this Report of up to \$20,000 plus GST. Except for this fee, VMC Global has not received and will not receive any pecuniary or other benefit, whether direct or indirect, for or in connection, with the preparation of this Report.

APPENDIX 3 – SOURCES OF INFORMATION

In preparing this Independent Expert Report, VMC Global has been provided with and has considered the following sources of information:

- a) VAG Bidder's Statement, 14 August 2008;
- b) Management accounts of MSA for the year ended 30 June 2008, including consolidation worksheet and management accounts for its subsidiaries and its investee companies;
- c) Financial statements of MSA for the years ended 30 June 2006 and 30 June 2007, including financial statements for its subsidiaries and its investee companies;
- d) Shareholder and option holder registers of MSA;
- e) MSA Information Memorandum, February 2008;
- f) MSA Private Share Placement Memorandum, March 2008;
- g) Various enquiries with the management of MSA;
- h) Management accounts of VAG for the year ended 30 June 2008, including consolidation worksheet and management accounts for its subsidiaries;
- i) Financial statements of VAG for the years ended 30 June 2006 and 30 June 2007, including financial statements for its subsidiaries;
- j) Shareholder and optionholder registers of VAG;
- k) VAG Offer Information Memorandum, 11 December 2008;
- l) Various enquiries with the management of VAG;
- m) Information available on the corporate website of VAG, accessed September 2008, <http://www.ventureaxess.com>;
- n) Publicly available information regarding VAG;
- o) IBISWorld Industry Report '*Financial Asset Investors in Australia*', 22 July 2008;
- p) Wayne Lonergan, '*The Valuation of Businesses, Shares and Other Equity*', 4th Edition, Allen & Unwin 2003;
- q) Publicly available information regarding comparable Australian listed companies;

APPENDIX 4 – OVERVIEW OF VALUATION METHODOLOGIES

Discounted Cash Flow (DCF) Method

The DCF approach is technically a superior methodology since it allows for fluctuations in future performance to be recognised. This methodology derives the enterprise value of an entity by discounting its expected future cash flows.

In applying the DCF valuation methodology consideration must be given to the following factors:

- The estimated future cash flows of the business for a reasonable period including an assessment of the underlying assumptions;
- An estimate of the terminal value of the business at the end of the forecast period; and
- The assessment of an appropriate discount rate that quantifies the risk inherent in the business and reflects the expected return which investors can obtain from investments having equivalent risks.

Capitalisation of Estimated Future Maintainable Earnings

The capitalisation of estimated future maintainable earnings method is useful as a primary valuation technique where the DCF methodology can not be used. This method derives the equity value of an entity and requires consideration of the following factors:

- Selection of an appropriate level of estimated future maintainable earnings having regard to historical and forecast operating results, and adjusting for non-recurring or non-business items of income and expenditure in addition to any known factors likely to affect the future operating performance of the business;
- Profits arising from the assets surplus to the operation of the sustainable business are eliminated and the assets, net of any liabilities relating thereto, treated incrementally; and
- Determination of an appropriate capitalisation multiple having regard to the market rating of comparable companies or businesses, the extent and nature of competition in the industry, quality of earnings, future growth opportunities, asset backing and relative investment risk.

Orderly Realisation of Assets

The orderly realisation of assets valuation methodology takes into account the estimated value of the net assets on a going concern basis. It is normally used as a secondary valuation method to derive the equity value of an entity and as a basis for determining the level of goodwill implied in DCF and capitalisation of estimated future maintainable earnings valuations.

The orderly realisation of assets approach is usually used as the primary valuation technique where businesses are not currently making a profit but may do so in the future, or where the capitalisation of estimated future maintainable earnings or discounted cash flow methodologies yield a lower value than that of the net assets.

Quoted Market Price

The quoted market price method requires an analysis of the quoted price of listed securities, where there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.

This valuation method is suitable where the quoted price of a listed entity's securities is closely related to the underlying value of the net assets of the entity.

Genuine Offers

This method requires the consideration of any recent genuine offers received by the target for any business units or assets as a basis for the valuation of those business units or assets.