

**SUPPLEMENTARY TARGET'S STATEMENT
MEDICAL SCIENCE AUSTRALIA LIMITED
ACN 085 039 818**

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YOUR IMMEDIATE ATTENTION.**

If you are in doubt about how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

IMPORTANT NOTICES

This Supplementary Target's Statement is dated 17 October 2008 supplements, and must be read together with, the Target's Statement of MEDICAL SCIENCE AUSTRALIA LIMITED ACN 085 039 818 (MSA) dated 22 September 2008 in response to the Bidder's Statement of VentureAcess Group Limited ACN 087 426 953 (VAG) dated 14 August 2008.

The definitions and interpretation provisions of the Target's Statement apply to this Supplementary Target's Statement.

A copy of this Supplementary Target's Statement was lodged with the Australian Securities and Investments Commission on 17 October 2008. Neither ASIC nor any of its officers takes any responsibility for the content of this Supplementary Target's Statement.

PROVISION OF UNAUDITED FINANCIAL INFORMATION IN THE TARGET'S STATEMENT

In section 8 of the Target's Statement the Company refers to its inability to comply with its financial reporting requirements and refers to ASIC refusing the request of WHK Horwath to resign as auditors to the Company. MSA would like to make it clear that it had no intention to imply that ASIC was in any way responsible for the inability of the Company to comply with its financial reporting obligations for which it is solely responsible.

On 14 August 2008 ASIC made an application to the Local Court of Sutherland for an Order for MSA to provide its audited financial report for the year ended 30 June 2007 within 28 days of the granting of any Court Order. The Local Court hearing was held on 14 October 2008 and on application by a Barrister representing MSA, the parties agreed that the ASIC application be held over until December 2008.

In section 8 of the Target's Statement the company refers to a shareholder, Jones Family PSF, writing to the Company under Subsection 329(1A) of the Corporations Act requesting that the Directors of MSA convene a General Meeting of the Company to consider and, if thought fit, pass a resolution that WHK Horwath be removed as auditor of MSA. A Notice of General Meeting to be held on 22 October 2008 was enclosed with the Target's Statement to consider the resolution proposed by Jones Family PSF. ASIC has informed MSA that it has failed to comply with a requirement of the Corporations Act to lodge a copy of the letter from Jones Family PSF "as soon as possible" with ASIC. The company has now lodged a copy of this letter with ASIC to comply with the lodgement requirement.

Provided that at the General Meeting called for 22 October 2008 shareholders approve the removal of the present auditors, the Directors of MSA consider that audited accounts for the year ended 30 June 2007 will be prepared and lodged with ASIC approximately 14 days after the General Meeting. Copies of the 2007 MSA audited accounts will be sent to MSA shareholders at the same time as they are lodged with ASIC.

Under the Corporations Act the Company is obliged to prepare and lodge its audited accounts for the year ended 30 June 2008 by 31 October 2008. Provided shareholders of MSA approve the removal of the present auditors at the General Meeting to be held on 22 October 2008 the draft accounts and audit working papers for the year ended 30 June 2008 will shortly thereafter be presented to the replacement auditors for

the audit to commence. However, it is not expected that these audited accounts will be available for lodgement with ASIC by the statutory date of 31 October 2008, but should be available approximately four weeks thereafter.

MATERIAL CHANGE IN THE FINANCIAL POSITION OF MSA

In the final paragraph of Section 8 of the Target's Statement, reference is made that "the financial position of MSA has not materially changed since 30 June 2006 save and except as shown in the unaudited management accounts reproduced above and as noted elsewhere in this Target's Statement". MSA would like to state, for the absence of doubt that the financial position of MSA has materially worsened since 30 June 2006 due to the losses shown in the management accounts, the overdue Loan from Bendigo Bank and the significant debt owed to VentureAxess Fund Managers Limited, a subsidiary of the Bidder.

PERCENTAGE CONTROL OF THE ENLARGED ENTITY

MSA would draw the attention of shareholders to the top of page 38 of the Independent Expert's Report where it is stated that 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. We set out below the holdings of substantial shareholders, Director's (both VAG and MSA) and their associates, on the basis of 100% acceptance of the offer and on a fully diluted basis assuming the exercise of all share options. Substantial shareholders are defined as those holding more than 5% of the issued share capital and also on a fully diluted basis.

VentureAxess Group Limited assuming 100% acceptance	100% acceptance		Fully diluted	
Substantial shareholders, Directors and their associates	Shareholding	%	Shareholding	%
Geoff Mullins	2,837,969	2.53	4,785,304	3.32
Karalyn Day	884,350	0.79	1,371,327	0.95
Emyr Jones	20,675,498	18.45	26,955,683	18.68
Richard Green	-	-	-	-
Robin Forbes	2,212,286	1.97	2,373,681	1.64
Leonie Kramer	486,523	0.43	520,835	0.36
VA Holdings Pty Ltd (associate of G Mullins, K Day and E Jones)	5,700,000	5.09	8,700,000	6.03
VA 1 Pty Ltd (associate of G Mullins, K Day and E Jones)	5,857,678	5.23	6,306,007	4.37
Noble Investments Pty Ltd	4,283,875	3.82	7,736,750	5.36

CHANGES IN DIRECTORSHIPS

On 4 October 2008 Trevor Nink resigned as a Non-executive Director of both VentureAxess Group Limited and Medical Science Limited. Because of his directorship of both companies Trevor was not regarded as an Independent director of MSA.

On 11 October 2008 Geoff Mullins resigned as Chairman of MSA due to conflicts of interest. Following his resignation Geoff, a Barrister, represented Medical Science Australia Limited at the Sutherland Local Court hearing sought by ASIC on 14 October 2008, as referred to above.

Following the above resignations, the three person Board of Medical Science Australia Limited has a majority of Independent Non-executive Directors.

PRO-FORMA BALANCE SHEET OF VENTUREAXESS GROUP LIMITED

The pro-forma balance sheet of VentureAxxess Group Limited at 30 June 2008 incorporating the acquisition of 100% of Medical Science Australia Limited is shown below:

As at 30 June 2008	Notes 1	VentureAxxess Group Limited (unaudited) \$	Medical Science Australia Limited (unaudited) \$	Consolidation Adjustments \$	Pro-forma Consolidated \$
Assets					
Current assets					
Cash and cash equivalents		27,686	25,531	-	53,217
Trade and other receivables	2	563,805	278,187	(741,634)	100,358
Total current assets		591,491	303,718	(741,634)	153,575
Non-current assets					
Investment in VAG	3	-	1,480,789	(1,480,789)	-
Other financial assets		-	6,819,075	-	6,819,075
Goodwill arising on consolidation	4	1,953,170	-	3,388,812	5,341,982
Property, plant and equipment		866	6,679	-	7,545
Patents		-	5,806,534	-	5,806,534
Total non-current assets		1,954,036	14,113,077	1,908,023	17,975,136
Total assets		2,545,527	14,416,795	1,166,389	18,128,711
Liabilities					
Current liabilities					
Trade and other payables	2	194,205	1,115,003	(739,775)	569,433
Short term borrowings	5	-	365,000	(165,000)	200,000
Total current liabilities		194,205	1,480,003	(904,775)	769,433
Non-current liabilities					
VA Holdings Pty Ltd	2	68,238	-	35,301	103,539
Related parties	2	310,831	43,567	(37,160)	317,238
Provisions			329,893		329,893
Total non-current liabilities		379,069	373,460	(1,859)	750,670
Total liabilities		573,274	1,853,463	(906,634)	1,520,103
Net assets (liabilities)		1,972,253	12,563,332	2,073,023	16,608,608
Equity					
Contributed equity	6	4,374,166	9,589,127	1,437,951	15,401,244
Accumulated losses		(2,416,448)	(674,512)	674,512	(2,416,448)
Option holder equity			39,440	(39,440)	-
Minority interest		14,535	3,609,277	-	3,623,812
Total equity		1,972,253	12,563,332	2,073,023	16,608,608

Notes to Pro-forma Balance Sheet at 30 June 2008

1. The Balance Sheet of VentureAcess Group Limited is as shown on page 28 of the Independent Expert's Report, adjusted to show greater breakdown of balances with inter group and related parties. The Balance Sheet of Medical Science Australia Limited as shown on page 22 of the Independent Expert's Report is a consolidated balance sheet including VentureAcess Group Limited as a controlled entity. The balance sheet of Medical Science Australia Limited used for this pro-forma excludes VentureAcess Group Limited as a controlled entity.
2. Offsetting of inter group balances, principally the amount owing by Medical Science Australia Limited to VentureAcess Fund Managers Limited, a subsidiary of VentureAcess Group Limited. These adjustments net out to zero.
3. Reflects the in specie distribution by Medical Science Australia Limited to its shareholders of the holding in shares of VentureAcess Group Limited.
4. Goodwill arising on the consolidation/acquisition of Medical Science Australia Limited arises as follows:

	\$	\$
Cost of acquisition of Medical Science Australia Limited (see 6 below)		11,027,078
Net assets acquired: Total equity per MSA accounts	12,563,332	
Less: Minority interests	(3,609,277)	
VAG shares distributed in specie	(1,480,789)	
Add: Loan Notes converted to MSA shares	165,000	
Total assets acquired	7,638,266	(7,638,266)
Goodwill arising on consolidation		3,388,812

5. Reflects the conversion of the MSA Loan Notes into MSA ordinary shares
6. Movement in contributed equity

	Ordinary Shares	Value at 13.4¢ per share (\$'s)	Contributed Equity (\$'s)
VAG issued share capital at 30 June 2008	29,745,679		4,374,166
Issued on acquisition of MSA:			
For MSA ordinary shares	80,157,053	10,741,105	
For MSA Directors options	594,130	79,613	
For MSA Loan Note holders	1,540,000	206,360	
Cost of the acquisition of MSA		11,027,078	11,027,078
Pro-forma VAG issued share capital at 30 June 2008	112,036,862		15,401,244

CLARIFICATION OF VALUATION OF MSA 2009 SHARE OPTIONS

The MSA Directors agreed with the considered opinion of the Independent Expert that the value of the VAG share options were insignificant. Whilst the VAG share options are listed on the NSX there have been no trades since listing and the resulting difficulty of creating a volatility factor, the short period to exercise of the options (31 December 2009) and that they are currently significantly out of the money makes the use of the Black-Scholes model (a commonly used share option valuation formula) inappropriate. Likewise the MSA Directors consider that the similar lack of trading in unlisted MSA options (no volatility factor), the short period to exercise of the options (31 December 2009) and that they are also significantly out of the money again makes the use of the Black-Scholes model inappropriate.

CLARIFICATION OF RECENT GENUINE OFFERS IN INDEPENDENT EXPERT'S REPORT

Of the 3,312,028 MSA ordinary shares allotted at \$0.10 per share on 29 April 2008, shares amounting to 1,250,000 were subscribed for by two Directors of MSA. All other subscriptions were on an arms length basis at the same price. All other issues of MSA ordinary shares and VAG ordinary shares referred to in the Independent Expert's Report for valuation based on recent genuine offers were on an arms length basis.

TAXATION CONSIDERATIONS

Section 9 of the Bidder's Statement referred to the general taxation considerations for Medical Science Shareholders who sell their Medical Science ordinary shares by way of transfer to VentureAxess Group Limited under the terms of the offer. The MSA Directors endorse the taxation considerations referred to in the Bidder's Statement. However, no taxation considerations were referred to in relation to the proposed in specie distribution of VAG ordinary shares held by MSA to the MSA shareholders.

The following is a summary of the expected Australian taxation consequences of an in specie distribution to those MSA shareholders holding such MSA shares on capital account. The views expressed in this summary are not intended to be specific advice to MSA shareholders.

MSA shareholders who are residents of Australia for tax purposes, and who hold their MSA shares as capital assets, may be eligible for de-merger relief. If so:

- The distribution of the VAG ordinary shares is not expected to be assessable income or exempt income for MSA shareholders.
- The receipt of the VAG ordinary shares could constitute a Capital Gains Tax (CGT) event for MSA shareholders. MSA shareholders can choose to defer the CGT consequences of this CGT event. No capital gain or loss is expected to therefore arise upon the distribution of the VAG ordinary shares to MSA shareholders.
- The cost base and reduced cost base for CGT purposes of MSA shares and VAG ordinary shares is expected to be determined individually by each shareholder. This is achieved by reasonably apportioning the cost base and reduced cost base of the MSA shares held by MSA shareholders just before the distribution between the MSA shares and the VAG ordinary shares received from the distribution.
- MSA shareholders must base their apportionment on the anticipated or actual market values of the MSA and VAG ordinary shares just after the distribution.
- In reality MSA shareholders will see the cost base of their original shareholding in MSA reduced by the amount attributed to the in specie distribution of VAG shares. As the reduced cost base of their original shareholding in MSA has become the attributable cost base for the VAG ordinary shares received under the offer, the original cost base of the MSA shareholding becomes the cost base of the total VAG shares received by way of the VAG offer and the in specie distribution of the VAG ordinary shares.
- Each VAG ordinary share acquired as part of the in specie distribution will be deemed to have been acquired at the time the underlying MSA share was acquired for tax purposes. Upon the subsequent disposal of the VAG ordinary shares acquired as part of the in specie distribution certain shareholders (such as individuals and superannuation funds who are deemed to have held their shares for at least 12 months) may be entitled to discounted CGT treatment.

Shareholders who do not choose such de-merger relief are expected to have similar tax consequences as those outlined above, with two exceptions:

- If the capital component of the distribution received by a shareholder exceeds the shareholder's cost base in their MSA shares, a capital gain may arise to the shareholder; and
- The VAG ordinary shares received as part of the distribution are expected to have been acquired at the date of distribution, rather than being deemed to have been acquired at the time the MSA shareholder acquired the underlying MSA shares. This is expected to preclude eligibility for discounted CGT treatment until after such time as the shareholder has held the distributed VAG ordinary shares for at least 12 months.

The above comments only consider the implications to MSA shareholders under Australian tax law. Some shareholders may be subject to the tax laws of certain overseas jurisdictions and should seek their own advice as to any implications to them under those overseas tax laws.

VAG TRADING HALT ON THE NSX

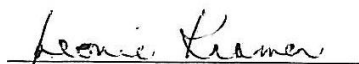
MSA Directors wish to draw the attention of MSA shareholders to the voluntary trading halt requested on 1 October 2008 by VAG to the listing of their ordinary shares and share options on the National Stock Exchange of Australia pending further announcement to the NSX regarding the offer for Medical Science Australia Limited. On 14 September 2008 VAG made a Preliminary Announcement of their financial results for the year to 30 June 2008, but they have yet to file their Audited Accounts for the same period.

EXTENSION TO THE OFFER PERIOD BY THE BIDDER

To allow MSA shareholders to consider the content of this Supplementary Target's Statement the Bidder has indicated that they will extend the current Closing Date of the offer by 7 days from 24 October 2008 to 31 October 2008. Nothing has come to the attention of the Independent Directors of MSA that would lead them to reconsider their recommendation for MSA share and option holders to accept the offer from VentureAxess Group Limited.

Any share or option holder who has already accepted the offer from VAG may if they wish withdraw their acceptance following receipt of this Supplementary Target's Statement – such share or option holder should contact the Bidder on the Offer Enquiry Line (02) 9999 0720 for information on how to withdraw their acceptance. In accordance with legal requirements, calls to this number will be recorded.

SIGNED for and on behalf of Medical Science Australia Limited by Dame Leonie Kramer who is authorized so to sign pursuant to a resolution passed at a meeting of the Directors held on 17 October 2008.



Handwritten signature of Leonie Kramer in cursive script, written in black ink on a white background.