

SAFETY MEDICAL PRODUCTS LIMITED
ACN 007 817 192

PROSPECTUS FOR ATTACHING OPTIONS

INTRODUCTION

This Prospectus relates to the issue of Attaching Options to Shareholders that participate in the Company's share purchase plan announced to ASX on 4 June 2008 (**SPP**), on the basis that Shareholders will receive one free Attaching Option for every two Shares they apply for in the SPP.

This Prospectus is important, requires your immediate attention and should be read in its entirety.

This Prospectus does not take into account your individual investment objectives, financial situation and needs. The information in this Prospectus should not be relied on as the sole basis for any investment decision. You should consult your stockbroker or other professional adviser if you are in any doubt as to the course you should follow.

This Prospectus is dated 20 June 2008. A copy of this Prospectus was lodged with ASIC on 20 June 2008. ASIC and ASX take no responsibility as to the contents of this Prospectus. No Attaching Options will be allotted or issued on the basis of this Prospectus after the expiry date of 20 July 2009.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Definitions of certain capitalised terms used in this Prospectus appear in the Glossary in Section 5.

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QUERIES

Please contact Duncan Gordon, Investor Relations (Office: (08) 8232 8800 or Mobile: 0404 006 444) if you have any queries regarding this Prospectus.

1. DETAILS OF THE ISSUE

1.1 The Issue

The Company is issuing Attaching Options to Shareholders that participate in the SPP, on the basis that Shareholders will receive one free Attaching Option for every two Shares applied for in the SPP.

In order to receive Attaching Options, Shareholders must complete the personalised Application Form that accompanies this Prospectus together with the SPP offer document, in accordance with the instructions on that Form.

The total number of Attaching Options to be allotted will be up to approximately 7,375,000. Entitlements to Attaching Options are not transferable.

Attaching Options being issued pursuant to this Prospectus will be issued and holding statements despatched by no later than 16 July 2008, or such later date as determined by the Directors in accordance with the Listing Rules.

The Company will apply for admission of the Attaching Options to quotation on ASX within 7 days after the date of this Prospectus. The Attaching Options will only be quoted on the ASX if a sufficient number of Shareholders participate in the SPP to enable an issue of at least 100,000 Attaching Options in total to at least 50 holders, thus meeting the minimum spread requirements.

1.2 Purpose of the Issue

Attaching Options are being issued to reward Shareholders for their ongoing support of the Company, and to act as a potential source of future capital for the Company.

Any funds raised by the exercise of Attaching Options will be used for working capital in the ongoing commercialisation and expansion of the Company's suite of safety medical products.

1.3 Terms of the Attaching Options

The Attaching Options will be issued on the following terms:

- (1) Each option entitles the holder (**Optionholder**) to subscribe for one fully paid ordinary share in the Company.
- (2) Each option is exercisable at any time from the date the option is granted until 31 January 2010 (**Expiry Date**) (inclusive of both dates), by giving the Company written notice of exercise in a form acceptable to the Directors, together with the Exercise Price for each option being exercised.

- (3) Some or all of the options may be exercised at any one time or times prior to the Expiry Date provided that no less than 500 options are exercised at any one time.
- (4) The Exercise Price of each option is 25 cents (**Exercise Price**).
- (5) Shares issued pursuant to the exercise of any option will rank in all respects on equal terms with the existing fully paid ordinary shares in the Company.
- (6) No adjustment to the number of shares which each attaching option entitles the Optionholder to subscribe to will be made, except in accordance with paragraph 8 of these terms.
- (7) An option will not entitle the holder to participate in any new issue of Shares by the Company, unless the option has been duly exercised prior to the relevant record date.
- (8) If there is a reconstruction or reorganisation (including consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of the restructure or reorganisation. Any changes to the terms of the options will not result in any benefit being conferred on the Optionholders which is not conferred on the shareholders of the Company.
- (9) The options will be transferable subject to the constitution of the Company and the Act.
- (10) Shares issued pursuant to the exercise of an option will be issued on a date which will not be more than 10 days after the receipt of a properly executed notice of exercise of option and the application moneys in respect of the exercise of the option.

1.4 Rights attaching to Shares

If you exercise your Attaching Options you will be issued Shares in the Company. Full details of the rights attaching to Shares are set out in the Company's constitution, a copy of which may be inspected at the Company's registered office. A summary of the rights follows.

Voting Rights

Subject to any rights or restrictions attached to any class of Shares, at a meeting of members of the Company, on a show of hands each member has one vote and on a poll each member has one vote for each fully paid share they hold and a fraction of a vote for each partly paid share they hold.

Dividends

Subject to the terms on which shares in the Company are on issue, the directors may pay dividends as they see fit.

Future Issues of Shares

Subject to the Act, the ASX Listing Rules and the Company's constitution, under the control of the directors, the Company may issue shares and grant options over unissued shares in the Company. The Company may issue preference shares on terms approved by special resolution. The Company may reduce its share capital, buy-back Shares in itself and convert its Shares into a larger or smaller number of shares.

Share Transfers

Subject to the Company's constitution, a shareholder may transfer a Share by an instrument of transfer in any common form or other form approved by the directors and in the case of CHESS Approved Securities, in accordance with the CHESS Rules.

The Company must not prevent, delay or interfere with generation of a proper ASTC transfer or the registration of a paper-based transfer in registrable form where permitted by the Act or the Listing Rules; however, the Company may ask ASTC to apply a holding lock to prevent a proper ASTC transfer, or refuse to register a paper-based transfer. Subject to the Act and the Listing Rules, the directors may suspend registration of transfers of shares in the Company at the times and for the periods they decide. The periods of suspension must not exceed 30 days in any calendar year.

Variation of rights

The rights and privileges attaching to Shares can be altered by special resolution of the shareholders. A special resolution is a resolution passed by a majority of not less than 75% of those present and voting.

Rights on Winding Up

If on a winding up there are enough assets to repay all capital to shareholders, all capital must be repaid to the shareholders and any surplus must be distributed among the shareholders in proportion to the amounts paid on their respective shares before the winding up began.

Subject to any special rights or restrictions attached to shares, on a winding up, the liquidator may, with the sanction of a special resolution of shareholders, distribute among the shareholders the whole or any part of the property (in its actual state) of the Company and decide how to distribute the property as between the shareholders or different classes of shareholders.

2. INFORMATION ABOUT THE COMPANY

2.1 General

This Prospectus is issued pursuant to section 713 of the Act as a prospectus for the offer of continuously quoted securities.

The Company is a “disclosing entity” for the purposes of the Act. As such, it is subject to regular reporting and disclosure obligations under the Act and ASX Listing Rules.

The Company’s announcements are available on its website (refer to the Corporate Directory) as well as the ASX website (www.asx.com.au). In addition, copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, any Regional Office of ASIC.

The Company will provide a copy of each of the following documents free of charge, to any person on request prior to 9 July 2008, or such later closing date under the SPP as the Directors may determine in accordance with the Act and the ASX Listing Rules:

- 2.1.1 the annual financial report of the Company for the financial year ended 30 June 2007 (being the last audited financial statements for a financial year of the Company lodged with ASIC before the date of the Prospectus);
- 2.1.2 the half yearly financial report of the Company for the 6 months ending 31 December 2007; and
- 2.1.3 any continuous disclosure announcements made by the Company after the date of the lodgement of the annual financial report for the financial year ended 30 June 2007 and before the lodgement of this Prospectus with ASIC. A list of these continuous disclosure announcements is annexed to this Prospectus.

Alternatively, the above documents can be obtained from the ASX website (www.asx.com.au) or from the Company’s website (refer to the Corporate Directory).

2.2 Market Prices of Shares

The lowest and highest market sale prices of Shares on ASX during the 3 months immediately before the date of this Prospectus, and the respective dates of those sales were 8.1 cents on 17 June 2008 and 18.1 cents on 20 March 2008. The last sale price for Shares on ASX before the date of this Prospectus was 8.5 cents.

2.3 Capital Structure of the Company

As at the date of this Prospectus, the Company has on issue 74,060,072 Shares. The Company also has on issue:

- 20,107,150 listed options exercisable at 20 cents each expiring on 31 December 2008;
- 35,764,300 listed options exercisable at \$1.00 each expiring on 31 December 2010;
- 313,500 unlisted options exercisable at 50 cents each expiring on 31 December 2010; and
- 7,750 unlisted Convertible Notes.

As stated above, the Issue will result in the Company having on issue up to an additional 7,375,000 Attaching Options on the terms set out in paragraph 1.3. The Issue will not raise immediate cash funds for the Company as the Attaching Options to be issued pursuant to this Prospectus will be issued for no consideration. If all of the Attaching Options that may be issued pursuant to this Prospectus are exercised, the Company will raise additional funds of up to \$1,843,750 and result in the Company having on issue up to an additional 7,375,000 million Shares.

3. RISK FACTORS

As with all investments, investors should be aware that the market price of securities in the Company may fall as well as rise. The potential returns of the Company will be exposed to risks specific to the Company and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the following particular risks. Prior to exercising the Attaching Options, option holders should carefully consider all risks including the following, as well as other information contained in this Prospectus.

3.1 General Market Conditions

The price of the underlying Shares issued on exercise of Attaching Options on ASX may rise or fall due to numerous factors including:

- general economic conditions, including inflation rates and interest rates;
- variations in the local and global markets for listed shares in general;
- changes to government policy, legislation or regulation;
- competition in the industry in which the Company operates; and
- general operational and business risks.

In particular, the share prices of many companies have in recent times been subject to wide fluctuations, which in many circumstances arise by reason of matters outside the control of the Company, including global hostilities and tensions and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the underlying Shares issued on exercise of Attaching Options.

3.2 Future Capital Requirements

The Company may require additional capital to fund further development and commercialisation of the Company's range of products. The Company's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to it will vary according to a number of factors including (without limitation) stock market and industry conditions and demand for products in the Company's range.

3.3 Loss of Key Personnel

The Company's success depends on the competencies of its Directors and senior management. The loss of one or more of the Directors or senior management could have a materially adverse effect on the Company's business, financial position and results of operations. The resulting impact from such an event would depend on the quality of any replacement.

3.4 Government and Regulatory Policies, Legislation and Regulation

The business of manufacturing and distributing a medical product is increasingly exposed to significant legislative compliance issues, including regulatory requirements which are administered by the Therapeutic Goods Association in Australia and the Food and Drug Authority in the United States. The Company must comply with all applicable regulatory requirements in respect of its products. There is a risk that certain regulatory requirements or circumstances could change and adversely impact on the economic viability of the Company's products.

3.5 Intellectual Property

The Company's success depends, in part, on its ability to hold and expand, patent protection and maintain trade secret protection and operate without infringement on the proprietary of third party rights or having third parties infringe the Company's rights. There can be no guarantee that the Company will be successful in obtaining all patents for which it applies. If the patents are not granted, it may be possible for a third party to imitate or obtain and use the Company's products without the Company's authorisation or to develop and market similar technology independently.

3.6 Technology

The Company's success depends on its ability to maintain and develop its existing products so that it can continue to be a competitor in the global market place. This requires an awareness of technological developments in the industry. The Directors believe that the Company is in a position to keep itself abreast of the major technological advancements; however, there can be no guarantee that the Company will successfully develop and manufacture new products or that the new products will be accepted by the market place.

3.7 International Business

The Company conducts its business internationally. The risks in doing business on an international level include (but are not limited to), unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, longer payment cycles, political instability, fluctuations in currency exchange, technology exports and import restrictions or prohibitions and seasonal reductions in business activity. There is no guarantee that any one or more of these factors will not adversely affect the Company's business.

3.8 Agreements with Third Parties

The Company is and will be subject to various contracts and agreements with third parties. There is a risk of financial failure or default by a counterparty to these arrangements. Any breach or failure may lead to penalties or termination of the relevant contract. In addition, the Company's interest in the relevant subject matter may be jeopardised.

4. ADDITIONAL INFORMATION

4.1 Interests in securities

The securities of the Company in which Directors have Relevant Interests are:

Director	Shares	Options (SFPO)	Options (SFPOA)	Convertible Notes
Mr John Riemelmoser	10,801,900	5,020,000	5,400,950	3,000
Mr John Darley	671,146	1,000,000	335,573	2,000
Dr Joseph Nicholas	660,000	1,025,000	330,000	

Note:

SFPO class options are exercisable at 20 cents each before 31 December 2008.

SFPOA class options are exercisable at \$1.00 each before 31 December 2010.

4.2 Director fees

The Company has paid or agreed to pay remuneration to the Directors as follows:

Director	Remuneration (inclusive of superannuation) (2006 – 2007 Financial Year)	Remuneration (inclusive of superannuation) (2007 – 2008 Financial Year)
Mr John Riemelmoser	NIL ¹	NIL ¹
Mr John Darley	\$85,968	\$85,968
Dr Joseph Nicholas	\$43,500	\$43,500

¹ Mr John Riemelmoser does not receive director fees but receives a salary as a full time employee of the Company. In the 2006-2007 Financial Year, his salary received was \$301,228 (inclusive of superannuation). For the 2007-2008 Financial Year, Mr Riemelmoser is entitled to receive \$301,228 (inclusive of superannuation).

4.3 Expenses of the Issue

The total expenses connected with the Issue, including legal and other advisory fees, listing, printing and other miscellaneous expenses are estimated to be approximately 3 – 4% of the capital raised by the issue of Shares under the SPP.

4.4 Taxation

The potential tax effects relating to the Issue on the holder of Shares will vary between shareholders. You should satisfy yourself of possible tax consequences by consulting your own professional tax advisers.

4.5 Consents

Registries Limited has given its written consent and at the date of this Prospectus had not withdrawn its written consent to being named in this Prospectus as share registry (Australia) for the Company in the form and context in which it is named.

Registries Limited takes no responsibility for any part of this Prospectus other than being named as Share Registrar to the Company. Registries Limited has not caused or authorised the issue of this Prospectus or has in any way been involved in the making of the issue of Attaching Options.

Each Director has consented to the lodgment and issue of this Prospectus.

5. GLOSSARY

In this Prospectus, unless the context otherwise requires:

\$ means Australian dollars (and references to cents are to Australian cents);

Act means *Corporations Act 2001* (Cth);

ASIC means the Australian Securities and Investments Commission;

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532;

ASX means ASX Limited ABN 98 008 624 691;

ASX Listing Rules means the Listing Rules of ASX;

Attaching Options means the options to be issued pursuant to this Prospectus;

Company means Safety Medical Products Limited ACN 007 817 192;

Convertible Notes means convertible notes issued by the Company on the terms summarised in its announcement to ASX dated 20 February 2008;

Directors means the directors of the Company;

Eligible Shareholder means a holder of Shares on 18 June 2008 having an address on the Company's register in Australia or New Zealand;

Issue means the issue of Attaching Options under this Prospectus;

Listing Rules means the Listing Rules of ASX;

Options means options to acquire Shares;

Prospectus means this document dated 20 June 2008;

Relevant Interest has the meaning given in the Act;

Shareholders means a holder of Shares;

Shares means fully paid ordinary shares in the capital of the Company; and

SPP means the Company's share purchase plan announced on 4 June 2008.

6. **CORPORATE DIRECTORY**

Safety Medical Products Limited

ACN 007 817 192

25 Fenden Road
Salisbury Plain, South Australia 5109

Phone: (08) 8285 5226

Fax: (08) 8285 3228

Internet: www.safetymed.com.au

Directors

Mr John Darley (Executive Chairman)

Mr John Riemelmoser (Managing Director, CEO)

Dr Joseph Nicholas (Non Exec. Director)

Secretary

Mr Bruce Hocking

Share Registrar

Registries Limited

Level 7, 207 Kent Street
Sydney, New South Wales, 2000

Phone: 1300 737 760

Fax: 1300 653 459

7. **ANNEXURE – CONTINUOUS DISCLOSURE NOTICES**

Date	Description
26/09/2007	Appendix 3B
02/10/2007	Date of Annual General Meeting
04/10/2007	Rights Issue - Dispatch of Entitlement and Acceptance Forms
15/10/2007	Chairman - Mr John Darley
16/10/2007	Market Update
23/10/2007	Proxy Form
23/10/2007	Notice of Annual General Meeting
24/10/2007	Non-renounceable Rights Issue - Under Subscriptions
29/10/2007	Appendix 3Y - Change of Directors Interest Notice
29/10/2007	Appendix 3Y - Change of Directors Interest Notice
29/10/2007	Appendix 3Y - Change of Directors Interest Notice
29/10/2007	Appendix 3B
30/10/2007	Appendix 4C - quarterly
07/11/2007	Investor Presentation
09/11/2007	Appendix 3B
14/11/2007	Securities released from escrow
15/11/2007	TGA Approval for SecureTouch Automated Assembly Machine
23/11/2007	Results of Meeting
23/11/2007	Chairman Mr John Darley
23/11/2007	Chairman's Address to Shareholders
23/11/2007	CEO Presentation to AGM
27/11/2007	Appendix 3B
28/11/2007	Appendix 3B
29/11/2007	Appendix 3B
03/12/2007	Details of Share Registry address
10/12/2007	Marketing Update
18/12/2007	Appendix 3B
18/01/2008	Market Update
30/01/2008	Appendix 4C - quarterly
18/02/2008	Approval to supply syringes in national diabetes program
18/02/2008	News Release - Approval to supply syringes
20/02/2008	Issue of Convertible Notes
22/02/2008	Financial Results for six months to 31 Dec 2007
22/02/2008	Half Yearly Report and Accounts
27/02/2008	Commencement of Syringe Orders

Date	Description
27/02/2008	Commencement of Syringe Orders
13/03/2008	Notice of General Meeting sent to shareholders
13/03/2008	Notice of General Meeting
13/03/2008	Notice of General Meeting Proxy Form
31/03/2008	Health Department approval to increase NDSS product range
18/04/2008	Results of Meeting - 18 April 2008
23/04/2008	Market Update
30/04/2008	Appendix 4C - Quarterly report
04/06/2008	Convertible Note Issue, Share Purchase Plan, Attaching Option
05/06/2008	Appendix 3B - Convertible Notes