



Monday 21st September, 2009

General Manager
The Company Announcements Office
Australian Stock Exchange Limited
Australia Square
Sydney NSW 1215

NEW STRATEGIC ALLIANCE

Dear Sir/Madam,

Safety Medical Products Limited ("SafetyMed"; ASX Code SFP) is pleased to announce it has terminated its current strategic alliance to enable SafetyMed to pursue an exciting new global opportunity. To this end, a letter of intent between SafetyMed and Dispomedicor Zrt has been signed for a joint venture agreement to establish a new high volume state of the art manufacturing facility in Hungary, Europe.

Highlights

- SafetyMed terminates existing strategic alliance agreement with Exelint International Co. ("Exelint") to pursue exciting new global opportunity.
- SafetyMed signs letter of intent with major Hungarian Medical Products Manufacturer, Dispomedicor Zrt ("Dispomedicor") (www.dispomedicor.hu).
- Estimated €25million (Euro dollars) Joint Venture Entity ("JVE") Project for production and worldwide marketing of safety and conventional medical products.
- Core products to include a full range of SafetyMed designed SecureTouch Retractable Syringes and Dispomedicor designed Safety Needles as well as a full range of conventional needles and syringes and other high volume medical devices.
- Significant Hungarian Government involvement expected via grants and Governmental Bank Finance.



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€25 MILLION (AU\$50 MILLION) JOINT VENTURE PROJECT

Under the letter of intent, the project is expected to take the form of a new Hungarian based entity (JVE) in which SafetyMed and Dispomedicor will hold equal share. Equity partners will also be sought to fund part of the proposed JVE.

The JVE will be the planned freehold owner of a 12,000sqmtr site located in central Debrecen, (Hungary's second largest city) upon which the new facility will be built. This site shares a common boundary with one of Dispomedicor's existing facilities with easy access to the sterilisation plant.

In exchange for its equity stake, Dispomedicor will transfer some of its existing syringe manufacturing business to the JVE to take advantage of the latest manufacturing technologies that will be incorporated in the new facility as well as replacing any products currently outsourced.

Intellectual property ("IP") for SafetyMed's and Dispomedicor's safety devices will also be contributed under license to the JVE, as part of the parties planned equity contribution.

SafetyMed will also be required to manage the initial JVE strategic setup as the final part of their initial equity contribution under the letter of intent.

Under the letter of intent, both companies will sell into the JVE at a fair commercial value any relevant hardware and inventory that will be required for production in the new facility. This includes SafetyMed's automated assembly machine as well as an anticipated further three new machines to be built by SafetyMed's subsidiary Baratex Pty Ltd ("ProControl").

SAFETYMED AND DISPOMEDICOR SYNERGIES

Dispomedicor is the largest manufacturer of disposable medical products in Hungary and dominates the local market as well as exporting to more than 30 countries.

It owns one of the two largest Gamma Sterilisation plants in Europe that is based at their Debrecen site and has been in business for over 50 years employing nearly 400 people.

Dispomedicor also manufactures the sterilised feminine hygiene products that SafetyMed imports and markets into Australia under its other JV being Pureste Pty Ltd ("Pureste").

SafetyMed has built a strong relationship with Dispomedicor over the last twelve months whilst building the Pureste business.

During this time Dispomedicor expressed a keen interest in the SafetyMed SecureTouch Retractable Syringe and the synergies that could be gained since both companies had such a similar product range.

Discussions progressed to a point where two of the SafetyMed Directors, Mr. Riemelmoser and Dr. Nicholas visited the Dispomedicor Facilities in Hungary in early August when strategic JVE planning commenced.

HUNGARIAN GOVERNMENT SUPPORT AND INCENTIVES

The Hungarian Government is totally committed to attracting “smart” industry to their country in an effort to provide long term highly skilled employment as well as create import replacement opportunities.

Hungary has ascended to be an active member of the European Union (EU), however has not yet fully qualified for Membership to the Economic and Monetary Union (EMU) and thus cannot adopt Euro Dollar conversion. Unemployment reduction is one of the critical factors for the Hungarian Government to achieve in order to meet its self imposed Euro adoption deadline of 2012.

The Hungarian Government through its Investment and Trade Development Agency has already indicated the JVE would qualify for a 35% grant of the total estimated €25Million project cost.

Dispomedicor has also had advanced discussions with the Hungarian Governmental Bank where potentially a further 60% of project funding would be provided if required.

Other significant incentives including tax breaks and employment subsidies are also available and advice received so far indicates that the JVE meets the required criteria.

To be able to establish a major business such as this in the heart of the second largest city in Hungary prior to their EMU membership should bring with it a host of other advantages once membership is attained.

LEADTIME

It is anticipated that it will take 12 months from securing funding to have the plant fully operational with expectations of sales revenues in the order of €45MILLION (AU\$90 MILLION) achieved by year 5.

As customers of the JVE, SafetyMed and Dispomedicor will retain their current territories and purchase product from the new entity at far more economical rates (given expected synergies). New territories will be opened up and either directly marketed into by the JVE through SafetyMed, or Dispomedicor or the appointment of suitable distributors.

SAFETY MEDICAL and EXELINT

Due to the scope and potential of this venture, SafetyMed has formally terminated the Strategic Alliance Agreement it held with Exelint in the United States.

SafetyMed will continue however to purchase Exel products it supplies into the National Diabetes Services Scheme and Royal District Nursing Services.

IN CONCLUSION

This is the ideal opportunity for SafetyMed to complete its goal of producing and making available for market its full range of Safety Syringes as well as the added benefit of being a partner in the production and sales of a full range of standard syringes and other high volume medical products on a global scale.

Under the proposal, SafetyMed will retain its IP; Australian Production will move offshore; and its Salisbury Facility will be used solely as a sales, storage and distribution centre for the JVE's new medical product range and the Pureste sterilised feminine hygiene products.

For further information please contact:

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About Safety Medical Products Limited

SafetyMed is a company focused on developing and marketing a unique range of innovative Safety Products led by its flagship SecureTouch Retractable Syringe.

About the 'Pureste' feminine hygiene product range

SafetyMed, via its 50% owned subsidiary, Pureste Pty Ltd ('**Pureste**') has developed the first and only range of sterilised tampons, pads and panty liners to be marketed and distributed across Australia through leading retail outlets and pharmacies.

Further information of the Pureste product range please visit: www.pureste.com.au.

About ProControl

SafetyMed, via its 100% owned subsidiary, Baratex Pty Ltd trading as ProControl Systems provides industrial control and automation systems, machine vision, robotic and turn-key solutions.

Further information of the ProControl please visit: www.procontrol.com.au