

**Safety Medical Products Limited
(Subject to Deed of Company Arrangement)
(ACN 007 817 192)**

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT**

General Meeting to be held at the offices of Minter Ellison Lawyers, Level 10, 25 Grenfell Street, Adelaide, South Australia on 8 November 2010 commencing at 10am.

IMPORTANT NOTICE

The Deed Administrators have given their consent to the Directors convening the meeting and despatching this Notice of Meeting and the accompanying Explanatory Statement, but have taken no part in the preparation of these documents and express no opinion about any of their contents, including but in no way limited to any statements regarding the Recapitalisation Proposal, other than that set out in their report to the Company's Creditors dated 16 July 2010. The Deed Administrators do not accept any responsibility for any disclosure in or failure to include any disclosure in these documents. To the extent permitted by law, the Deed Administrators, their advisors and their respective directors, agents, officers or employees do not accept any responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in these documents. The Deed Administrators make no recommendations about how Shareholders should vote on the resolutions contained in the Notice of Meeting, and have not undertaken any due diligence in relation to the Recapitalisation Proposal. They have relied on discussions with the Directors, Trident and its advisors. The Directors have prepared and take sole responsibility for these documents and have caused the despatch of this Notice of Meeting and the accompanying Explanatory Statement.

This Notice of Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

**RECAPITALISATION PROPOSAL OF
SAFETY MEDICAL PRODUCTS LIMITED
(Subject to Deed of Company Arrangement)
(ACN 007 817 192)**

General Information

This Notice of Meeting and Explanatory Statement sets out information about the proposed recapitalisation of the Company.

Completion of the recapitalisation will result in:

- (a) the restructure of the Company's capital base;
- (b) the raising of working capital for the Company;
- (c) termination of the Deed of Company Arrangement (DOCA) and retirement of the Deed Administrators;
- (d) forgiveness of all provable debts of the creditors of the Company; and
- (e) application for reinstatement to the ASX.

Further details of the Recapitalisation Proposal are provided in Section 2 of the Explanatory Statement. A short explanation of each Resolution to be considered at the General Meeting is set out in Section 3 of the Explanatory Statement. Definitions of capitalised terms used in the Notice of Meeting and Explanatory Statement are set out in Section 6 of the Explanatory Statement.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company.

If the Resolutions are passed and the proposed recapitalisation is completed, the Company would be in a position to seek re-quotation of its securities on ASX. This re-quotation will be subject to compliance with ASX and Corporations Act regulatory requirements.

If Shareholders reject the proposed recapitalisation, it is possible that the Company may proceed into liquidation. In those circumstances, it is unlikely there will be any return to Shareholders.

The Resolutions are therefore important and affect the future of your Company. You are urged to give careful consideration to the Notice of Meeting and the contents of the Explanatory Statement.

NOTICE OF GENERAL MEETING
Safety Medical Products Limited
(Subject to Deed of Company Arrangement)
(ACN 007 817 192)

Notice is given that a General Meeting of Shareholders of Safety Medical Products Limited will be held at the offices of Minter Ellison Lawyers, Level 10, 25 Grenfell Street, Adelaide, South Australia, on 8 November 2010 commencing at 10am

SPECIAL BUSINESS

The business to be transacted at the General Meeting is the proposal of Resolutions 1 to 6 as set out below .

Resolution 1 – Consolidation of Capital

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That subject to Resolutions 2 to 6 (inclusive) being passed and in accordance with section 254H of the Corporations Act, Listing Rules 7.20 and 7.22.1 and the Company's Constitution and for all other purposes, approval be and is hereby given to the consolidation of the Existing Shares and Existing Options in the Company on a 1 for 5 basis as detailed in the Explanatory Statement, with any fractional entitlements being rounded down to the nearest whole number. The Record Date will be 6 Business Days from the date of the General Meeting at which this Resolution is passed.”

Resolution 2 – Reduction of Capital

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That subject to Resolutions 1, and 3 to 6 (inclusive) being passed and in accordance with sections 256B, 256C and 258F of the Corporations Act and for all other purposes, approval be and is hereby given to the capital of the Company being reduced by applying an amount being a portion of the accumulated losses of the Company against the share capital which is considered permanently lost as detailed in the Explanatory Statement.”

Resolution 3 – Issue of New Shares – Trident or its nominees as the Proponent Issue

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to Resolution 1, 2 and 4 to 6 (inclusive) being passed, and in accordance with Listing Rule 7.1 and for all other purposes, approval be and is hereby given to the issue up to 150,000,000 New Shares at an issue price of not less than \$0.005 each per New Share to raise not less than \$750,000 to Trident or its nominees as the Proponent Issue as detailed in the accompanying Explanatory Statement.”

Resolution 4 – Right to apply in respect of the Proponent Issue by the Directors and/or their Associates

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to resolutions 1 to 3 (inclusive) and 5 to 6 (inclusive) being passed, and in accordance with Listing Rule 10.11 and section 208(1) of the Corporations Act and for all other purposes, approval be and is hereby given to allow the Company to issue up to 30,000,000 New Shares at an issue price of not less than \$0.005 each per New Share to the Directors and/or their Associates under the Proponent Issue as detailed in the Explanatory Statement.”

Resolution 5 – Prospectus Issue

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That subject to Resolutions 1 to 4 (inclusive) and 6 being passed and in accordance with Listing Rule 7.1 of the Corporations Act and for all other purposes, approval be and is hereby given to the issue of not less than 170,000,000 and up to 220,000,000 New Shares at an issue price of not less than \$0.01 each to raise up to \$2,200,000 under a Prospectus.”

Resolution 6 – Right to Apply Under the Prospectus Issue by the Directors and/or their Associates

To propose and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to Resolutions 1 to 5 (inclusive) being passed and in accordance with Listing Rule 10.11 and section 208(1) of the Corporations Act and for all other purposes, approval be and is hereby given to allow the Company to issue New Shares to the Directors and/or their Associates under the Prospectus Issue and on the same terms and conditions as those offered under the Prospectus.”

Voting Exclusion Statement

The following voting exclusion statement applies to the Resolutions under the Listing Rules or where applicable, the provisions of the Corporations Act in relation to the following persons (**Excluded Persons**). The Company will disregard any votes on the following Resolutions cast by the following Excluded Persons:

Resolution Number.	Title	Excluded Persons
3	Issue of New Shares – Trident or its nominees as the Proponent Issue	(a) Trident and any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder of ordinary securities, if the resolution is passed, and (b) any of their Associates.
4	Right to apply in respect of the Proponent Issue by the Directors and/or their Associates	The Directors and any Associate of those persons.
5	Prospectus Issue	(a) Any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder of ordinary securities, if the resolution is passed, and (b) any of their Associates.
6	Right to Apply under the Prospectus Issue by the Directors and/or their Associates	The Directors and any Associate of those persons.

However the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it.

Resolutions 1 to 6 (inclusive) are subject to and conditional upon each and every Resolution being passed. Accordingly, the Resolutions should be considered collectively as well as individually. Shareholders are specifically referred to Section 6 of the Explanatory Statement which contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Statement.

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Company has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5pm (CST) on 6 November 2010. Accordingly, transactions registered after that time will be disregarded in determining Shareholders' entitlement to attend and vote at the General Meeting.

Dated: 7 October 2010

By Order of the Board of Directors



Peter Christie

Chairman

Safety Medical Products Limited

(Subject to Deed of Company Arrangement)

EXPLANATORY STATEMENT TO SHAREHOLDERS

PROPOSAL FOR THE RECAPITALISATION OF SAFETY MEDICAL PRODUCTS LIMITED

(Subject to Deed of Company Arrangement)

ACN 007 817 192

IMPORTANT NOTICE

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the resolutions necessary to implement the Recapitalisation Proposal. The Deed Administrators have given their consent to the Directors convening the meeting and despatching this Explanatory Statement and the accompanying Notice of Meeting, but have taken no part in the preparation of those documents and express no opinion about the Recapitalisation Proposal, other than that set out in their report to the Company's Creditors dated 16 July 2010. The Deed Administrators do not accept any responsibility for any disclosure in or failure to include any disclosure in these documents. To the extent permitted by law, the Deed Administrators, their advisors and their respective directors, agents, officers or employees do not accept any responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in these documents. The Deed Administrators make no recommendations about how Shareholders should vote on the resolutions contained in the Notice of Meeting and in particular, the Deed Administrators have not undertaken any due diligence in relation to the Recapitalisation Proposal. They have relied on discussions with the Directors, Trident and its advisors. The Directors have prepared and take sole responsibility for these documents and have caused the despatch of this Explanatory Statement and the accompanying Notice of Meeting.

Shareholders should read this Explanatory Statement in full and if they have any questions, obtain professional advice before making any decisions in relation to the resolutions to be put to Shareholders at the meeting.

This Explanatory Statement includes information and statements that are both historical and forward-looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. None of the Company, its Directors, the Deed Administrators, or their advisors and their respective directors, agents, officers or employees can assure Shareholders that forecast or implied results will be achieved.

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EXPLANATORY STATEMENT

1 INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in Section 6 of this Explanatory Statement.

2 THE RECAPITALISATION PROPOSAL

2.1 Background

On 15 April 2010, Robert Michael Kirman and Samuel Charles Davies were appointed as joint and several administrators of the Company pursuant to section 436A(1) of the Corporations Act.

At a meeting of the Company's Creditors on 23 July 2010, the Creditors resolved that the Company enter into a Deed of Company Arrangement, which was executed on 13 August 2010. Upon request, a copy of the DOCA is available for inspection at the office of McGrathNicol, Level 13, 99 Gawler Place, Adelaide, South Australia.

On 13 August 2010, the Company and the Deed Administrators entered into a Reconstruction Deed with Trident to facilitate the recapitalisation of the Company referred to below.

The operational and expenditure plans of the Company are summarised in Section 2.4 of this Explanatory Statement.

2.2 Principal Features of the Recapitalisation Proposal

The principal features of the Recapitalisation Proposal are set out below:

- (a) **Consolidation of Capital:** Consolidation of the existing issued capital of the Company on a 1 for 5 basis (See Resolution 1 and Section 3.3).
- (b) **Reduction of Capital:** The capital of the Company to be reduced by applying an amount being a portion of the accumulated losses of the Company against the share capital which is considered permanently lost (See Resolution 2 and Section 3.4).
- (c) **Proponent Issue:** The issue of up to 150,000,000 New Shares to Trident or its nominees, at an issue price of not less than \$0.005 each per Share to raise not less than \$750,000, to be issued by the Company (See Resolutions 3 and 4 and Sections 3.5 and 3.6).
- (d) **Prospectus Issue:** To raise not less than \$1,700,000 and up to \$2,200,000 through the issue of between 170,000,000 and 220,000,000 New Shares in

the Company at a price of not less than \$0.01 each under a Prospectus (See Resolutions 5 and 6 and Sections 3.7 and 3.8).

Completion of the Recapitalisation Proposal will restructure the Company's issued capital and net asset base, provide working capital to finalise and complete the Recapitalisation Proposal and terminate the DOCA, and will allow the Company to continue the existing activities of the Company and to pursue new projects by way of acquisition or investment. Further, due to the DOCA and the Reconstruction Deed, all existing provable debts against the Company will be released, extinguished and barred, with Admitted Creditors claims only able to be met from the Trust Assets in accordance with the terms of the DOCA and the Creditors' Trust Deed.

Following recapitalisation of the Company, the Company will be in a position to make an application for reinstatement to ASX, subject to compliance with ASX and Corporations Act regulatory requirements.

For information on the Company's operational plans following the recapitalisation refer to Section 2.4.

2.3 Indicative Timetable

Set out in the table below is the expected timing for completion of the Recapitalisation Proposal, subject to compliance with all regulatory requirements. These dates are indicative only and may be varied without prior notice.

	2010
General Meeting of Existing Shareholders	8 November
Lodgement of Prospectus with ASIC	9 November
Record Date for Consolidation of Capital	16 November
Proponent Issue – issue of 150 million shares at \$0.05 each	17 November
Payment to Deed Administrators (in accordance with the terms of the DOCA), DOCA effectuated and Deed Administrators retire.	17 November
Prospectus offer opens	20 November
Prospectus offer closes	7 December
Allotment of all New Shares	14 December
Commencement of trading of New Shares on ASX	19 December

2.4 Operational and Expenditure Plans of the Company

The Company proposes to raise sufficient working capital to continue and to expand the existing activities of the Company. As part of the working capital budget, the Company may pursue new projects by way of acquisition or investment.

(a) Capital Raisings

The capital raising of up to \$2,950,000 contemplated by the Resolutions in the Notice of Meeting will be made to enable the recapitalisation of the Company to be completed and to enable the Company to meet its initial objectives and expenditure plans. On successful completion of the capital raising, the Company will make an application to ASX for its Shares to be reinstated on the Official List.

The purpose of the capital raising is to:

- (i) fund the Company's on-going operations;
- (ii) provide funds to examine the possible acquisition and development of other investments, as identified by the Company; and
- (iii) meet the administration costs of the Company and the expenses of the recapitalisation of the Company, including payments for the benefit of Creditors pursuant to the DOCA.

(b) Expenditure Plans and Use of Funds

The Company's review and development plans are the best estimates available to the Company at this time. It is important to recognise that although certain parts of the budget allocations are committed expenditures, work programs are subject to changes in line with emerging results, circumstances and opportunities.

It is proposed that the funds raised under the capital raising will be applied as follows:

Use of Funds – Expenditure Budget	Year 1	Year 2
Total funds raised	\$2,950,000	
Utilised as follows:		
Review and evaluation of the existing business of the SecureTouch syringe and associated technologies	\$150,000	-
Ongoing development of the SecureTouch Syringe and associated technologies	\$450,000	\$350,000
Identification and consideration of other business opportunities	\$200,000	\$100,000
<i>Total general working capital budget</i>	<i>\$800,000</i>	<i>\$450,000</i>

Payment to the Deed Administrator to satisfy obligations under the DOCA ¹	\$700,000	-
Expenses associated with the recapitalisation proposal	\$375,000	
Total funds utilised	\$1,875,000	\$450,000
Cash at Bank – End of Year	\$1,075,000	\$625,000

1. Deposit of \$35,000 paid by Trident on 6 August 2010.

2.5 Proforma Capital Structure

The proforma capital structure of the Company on completion of the Recapitalisation Proposal is as follows:

Description	Resolution	Number of Shares	% Interest
Existing Shares		82,278,245	100%
1:5 Capital Consolidation	Resolution 1	16,455,649	4.26%
Issue of New Shares – Trident or its nominees as the Proponent Issue – Note (i)(v)	Resolution 3	150,000,000	38.81%
Right to apply in respect of the Proponent Issue by the Directors and/or their Associates – Note (ii)	Resolution 4	0	0
Prospectus Issue - Note (iii)(v)	Resolution 5	220,000,000	56.93%
Right to Apply Under the Prospectus Issue by the Directors and/or their Associates – Note (iv)	Resolution 6	0	0
TOTALS		386,455,649	100%

Notes

- (i) Refer to commentary in Section 3.5 of this Explanatory Statement.
- (ii) Refer to commentary in Section 3.6 of this Explanatory Statement.
- (iii) Refer to commentary in Section 3.7 of this Explanatory Statement.
- (iv) Refer to commentary in Section 3.7 and 3.8 of this Explanatory Statement.
- (v) Securities issued will not result in a breach of Chapter 6 of the Corporations Act.

2.6 Quotation of New Shares On ASX

The Company is already admitted to the Official List, however, trading in the Existing Shares was suspended on 1 March 2010. Following completion of the Recapitalisation Proposal, the Company will apply to ASX for re-quotation of the New Shares. Reinstatement to ASX is at the discretion of ASX and will be subject to compliance with ASX and Corporations Act regulatory requirements. At the date of this Explanatory Statement, ASX has indicated to the Company that on the basis of the information provided to ASX, the Recapitalisation Proposal will not affect the Company being re-admitted to the Official list of the ASX.

2.7 Proforma Statement of Financial Position

Included below is the Pro-Forma Statement of Financial Position for the Company, assuming completion of the Recapitalisation Proposal should all the Resolutions be passed. As the Company is likely to be in a position to continue trading following the Recapitalisation proposal, the Net Assets on a Going Concern basis is the most appropriate methodology for valuing a Company share post completion of the Recapitalisation Proposal.

	NOTE	Unaudited as at 16 July 2010 \$	Pro-Forma if Recapitalisation Proposal approved and completed \$
Assets			
<i>Current</i>			
Cash and cash equivalents	1	53,700	1,828,700
<i>Non-Current</i>			
Intangible Assets	2	200,000	200,000
Total Assets		253,700	2,028,700
Liabilities			
Provision for Priority Expenses		(632,241)	
/ Creditors,	3		0
Secured Creditors	3	(517,242)	0
Unsecured Creditors	3	(471,378)	0
Total Liabilities		(1,620,861)	0
Net Assets/(Liabilities)		(1,367,161)	2,028,700
Shares on issue	4	82,278,245	386,455,649
Value of a Share		(\$0.017)	\$0.005

NOTES:

1. Cash and Cash Equivalents

Cash and cash equivalents have been adjusted for the expected changes that will result from the recapitalisation of the Company. These adjustments are set out below :

Description	Amount
Cash prior to Recapitalisation Proposal	3,700
Cash Received from Trident or its nominee from the Proponent Issue	750,000
Cash Received from Prospectus Issue	2,200,000
Payment to Creditors under DOCA	(700,000)
Payment for reconstruction costs and Prospectus costs	(375,000)
Cash Following Proposal	1,878,700

In addition to the cash items above there is \$50,000 of Surplus Assets included in the unaudited balance sheet which are considered surplus to the Company's plans moving forward, with sale proceeds to be realised for the benefit of the Creditor's Trust.

2. Intangible Assets

The Company owns a number of trademarks including "SafetyMed" and "SecureTouch", as well as several website registrations. There are a number of patents pending for the SecureTouch technologies in regions and countries including Europe, the United States of America, Africa, Australia and New Zealand. The initial patent application was lodged in 2004 with a subsequent application lodged in 2005 for a modified version of the technology.

The Company intends to maintain its suite of patents moving forward and believes an ongoing carrying value of \$200,000 for these assets is not unreasonable given the costs to achieve registrations to date as well as the potential value to be realised from these assets.

3. Provision for Legal and Deed Administrator Fees/Unsecured Creditors

If the Recapitalisation Proposal is approved then the provision for Deed Administrators fees and expenses (including legal costs) and claims of Admitted Creditors will be settled by the total payment of \$700,000 to the Trust Fund, together with the proceeds of sale of the Surplus Assets, in accordance with the terms of the DOCA and the Creditors' Trust Deed (refer Section 2.8).

4. Shares on Issue

Description	Number of Shares
Current shares on issue	82,278,245
Shares on issue following consolidation	16,455,649
Proponent shares issued to Trident or nominees under the Recapitalisation Proposal	150,000,000
Shares issued under the Prospectus	220,000,000
Total Adjustments	386,455,649

2.8 Forgiveness of Creditors' Claims

As part of the Recapitalisation Proposal, the following will be payable by the Company to the Trust Fund as follows:

- (a)** the Trust Fund will be established for the benefit of the Creditors;
- (b)** the sum of \$700,000 will be paid to the Trust Fund, of which \$35,000 has been paid by Trident as a deposit and will be reimbursed to Trident by the Company upon successful re-instatement to the Official List;
- (c)** an amount not less than \$50,000 will be paid to the Trust Fund in respect of the proceeds from the Surplus Assets (as set out in Section 4.7);
- (d)** the trustee of the Trust Fund shall be the Deed Administrators;

Under the DOCA, the Claims of the Admitted Creditors against the Company are released and extinguished on the payments to the Trust Fund and the Admitted Creditors become beneficiaries of the Trust Fund (as set out above).

The DOCA will be fully effectuated after all above payments have been made to the Trust Fund. However, if any such obligations are not performed, the DOCA may be terminated and the Company may be placed in liquidation or alternatively, the Deed Administrators (at their discretion) may elect another proponent to undertake the recapitalisation of the Company (subject to the terms of the DOCA and the provisions of the Corporations Act).

3 GENERAL MEETING

3.1 Action to be Taken by the Existing Shareholders

In order to proceed with the Recapitalisation Proposal, the Company must convene a General Meeting of Existing Shareholders for the purposes of passing the Resolutions in compliance with the requirements of the Listing Rules and the Corporations Act. The Notice of Meeting convening the General Meeting is included at the front of this booklet. Existing Shareholders are encouraged to attend and vote in favour of each of the Resolutions to be put at the General Meeting.

If an Existing Shareholder is not able to attend and vote at the General Meeting, the Existing Shareholder is encouraged to complete the proxy form at the back of this booklet and return it to the Company at the address stated on the proxy form not later than 48 hours before the time specified for the commencement of the General Meeting.

3.2 General Meeting Resolutions

There are 6 Resolutions to be put to the General Meeting.

Resolutions 1 to 6 (inclusive) are ordinary resolutions.

All the Resolutions in the Notice of Meeting are conditional on the passing of each of the other of those Resolutions, so that those Resolutions will not have any effect unless each of the Resolutions is passed.

Certain voting restrictions are imposed in relation to some of the Resolutions as detailed in the accompanying Notice of Meeting under the heading “Voting Exclusion Statement”.

A short explanation of each Resolution is set out in this Section 3.

3.3 Resolution 1 – Consolidation of Capital

Resolution 1 is an ordinary resolution.

It proposes that the issued capital of the Company be altered by consolidating the existing securities on a 1 for 5 basis. The Record Date for determining the consolidation of capital will be 6 Business Days after the date of the General Meeting at which the Resolution is passed. Any fractional entitlements as a result of holdings not being evenly divisible by 5 will be rounded down to the nearest whole number.

Section 254H of the Corporations Act enables a company to convert all or any of its shares into a smaller number of shares by a resolution passed at a general meeting. The conversion proposed by Resolution 1 is permitted under section 254H of the Corporations Act. Please also refer to Section 5.5 for further information in this regard.

The consolidation will not result in any change to the substantive rights and obligations of Existing Shareholders. The purpose of the consolidation of the existing issued capital of the Company is to reduce the number of existing securities on issue. For example, a Shareholder currently holding 1000 Shares will, as a result of the consolidation, hold 200 Shares and an Optionholder currently holding 1000 Options will, as a result of the consolidation hold 200 Options.

The Company's balance sheet and tax position will remain unaltered as a result of the consolidation.

(a) Fully Paid Shares

The Company's issued share capital as a result of the consolidation on a 1 for 5 basis will be as follows:

Shares on Issue – Pre-consolidation	82,278,245
Shares on Issue - Post Consolidation	16,455,649

(b) Options

The Listing Rules require the Company to consolidate the number of Existing Options of the Company on the same 1 for 5 ratio with the exercise price being amended in inverse proportion to that ratio. Accordingly, the Existing Options will be consolidated as follows:

Proposed Consolidation of Existing Options				
	Pre Consolidation		Post Consolidation	
Option Expiry Date (unchanged)	Existing Number	Existing Exercise Price	New Number (1:5 basis)	New Exercise Price (1:5 basis)
31 Dec 2010	35,764,298	\$1.00	7,152,859	\$5.00
31 Dec 2010	313,500	\$0.25	62,700	\$1.25

3.4 Resolution 2 - Reduction of Capital

Resolution 2 is an ordinary resolution, and is designed to reduce the share capital of the Company in accordance with sections 256B, 256C and 258F of the Corporations Act by a portion of the accumulated losses of the Company. Please also refer to section 5.6 for further information in this regard.

The purpose of the reduction of capital is to reduce the amount of capital on issue where the value has been permanently lost or not represented by available assets, provided that the Company does not cancel any Shares. Goodwill has been treated as an “available” asset for the purposes of whether a loss reduction of capital is made out. The accumulated losses are comprised of the amount of goodwill lost as a consequence of the Company being under administration and that which relates to the Company’s assets that have been either sold or discontinued and the trading losses accumulated by the Company.

The Company proposes to effect a reduction of capital by debiting the Company’s capital account by the amount of the Company’s accumulated losses. Under this reduction of capital the Company will not be returning any capital to Shareholders or cancelling any Shares. It will essentially be an accounting entry which will take immediate effect from the passing of Resolution 2.

The reduction of capital does not and will not materially prejudice the Company’s ability to pay the Admitted Creditors, has no direct negative impact on Shareholders (or their shareholding), is not selective between Shareholders and will not affect the number of fully paid shares on issue in the Company. The Company does not have any partly paid shares or convertible securities on issue which may be affected by the reduction of capital.

3.5 Resolution 3 - Issue of New Shares to Trident or its Nominees

Resolution 3 is an ordinary resolution and provides for the issue of up to 150,000,000 New Shares at an issue price of not less than \$0.005 each per New Share to raise not less than \$750,000 for payment to the Trust Fund for the benefit of Creditors.

The shares are to be issued to Trident and/or its nominees. In addition, the Directors have the right to apply for New Shares under the Proponent Issue, subject to the passing of Resolution 4 (see Resolution 4 and Section 3.6).

The issue of New Shares under Resolution 3 is to be approved by Existing Shareholders under the requirements of Listing Rule 7.1 as noted in Section 5.1 of this Explanatory Statement.

For the avoidance of doubt, approval is not being sought under Item 7 of Section 611 of the Corporations Act as Trident have confirmed to the Company that the issue of shares to itself and its nominees will not result in any one entity controlling greater than 20% of the Share Capital of the Company.

The Company will not issue Shares to any one person that would result in that person having voting power of greater than 20% in the Company.

At the time of the General Meeting, ASX trading in the shares of the Company will still be suspended and therefore there is no readily available market value for the New Shares as at the date of this Explanatory Statement. Discussion as to the effect of the Recapitalisation Proposal on the Company and the New Shares to be issued under Resolution 3 is provided in Section 4.6 of this Explanatory Statement.

All of the New Shares referred to in Resolution 3 will, upon issue, rank equally in all respects with the Existing Shares.

A more detailed description of the New Shares to be issued to Trident and/or its nominees can be found in Section 5.1 of this Explanatory Statement.

3.6 Resolution 4 – Right to apply under Proponent Issue by Directors and/or their Associates

Resolution 4 is an ordinary resolution and provides for the issue of New Shares to the Directors and/or their Associates should they elect to apply for New Shares under the Proponent Issue.

Accordingly, Resolution 4 provides for the issue of up to 30,000,000 New Shares at \$0.005 per New Share to the Directors and/or their nominees under the Proponent Issue to raise \$150,000 for payment to the Trust Fund for the benefit of Creditors. The Shares are to be issued to the Directors and/or their Associates.

The issue of New Shares to Directors and/or their Associates under the Proponent Issue will be on the same terms and conditions as the New Shares to be issued under Resolution 3.

The issue of New Shares under this Resolution is to be approved by Existing Shareholders under the requirements of Listing Rule 10.11 and section 208(1) of the Corporations Act as noted in Sections 5.2 and 5.3. Pursuant to Listing Rule 7.2, as Listing Rule 10.11 is being sought, approval under Listing Rule 7.1 is not required.

On the basis of the Proponent Issue of up to 150,000,000 New Shares under Resolution 3, the maximum number of New Shares each Director and/or his Associates may apply for under the Proponent Issue (pursuant to Resolution 4) is set out below :

Director and/or his Associates	Maximum Potential Application for New Shares under the Proponent Issue
Mr Peter Christie	10,000,000
Mr Stephen Hewitt-Dutton	10,000,000
Mr Simon Lill	10,000,000
TOTAL	30,000,000

At the time of the General Meeting, ASX trading in the Shares of the Company will still be suspended and therefore there is no readily available market value for the New Shares as at the date of this Explanatory Statement. Discussions as to the effect of the Recapitalisation Proposal on the Company and the New Shares to be issued under Resolution 4 is provided in Section 4.6 of this Explanatory Statement.

All of the New Shares referred to in Resolution 4 will, upon issue, rank equally in all respects with the Existing Shares.

3.7 Resolution 5 – Prospectus Issue

Pursuant to the terms of the Recapitalisation Proposal, the Company will seek to raise not less than \$1,700,000 and up to \$2,200,000 at a price per share of no less than \$0.01 per Share under a Prospectus.

Accordingly, Resolution 5 is an ordinary resolution and provides for the issue of up to 220,000,000 New Shares in the Company at a price of not less than \$0.01 each through a Prospectus Issue to raise \$2,200,000.

The issue of New Shares under Resolution 5 is to be approved by Existing Shareholders under the requirements of Listing Rule 7.1 as noted in Section 5.1 of this Explanatory Statement.

For the avoidance of doubt, approval is not being sought under Item 7 of Section 611 of the Corporations Act as it is not anticipated that any one entity will control greater than 20% of the Share Capital of the Company.

The Company will not issue Shares to any one person that would result in that person having voting power of greater than 20% in the Company.

The Prospectus Issue is subject to Shareholders passing Resolution 5, compliance with ASX and Corporations Act regulatory requirements (including conditional approval from ASX for the Company's securities to be reinstated to the Official List) and market factors at that point in time. The cash raised will be used for the relisting, fundraising and professional fees and otherwise will be applied towards the Company's ongoing business and to identify the acquisition and development of opportunities and other investments and to implement the Company's operational and expenditure plans outlined in Section 2.4.

The Prospectus is expected to be issued on or about 9 November 2010 and it is intended that (subject to Shareholders approving this Resolution) the Prospectus is expected to close on 7 December 2010. The issue of New Shares pursuant to the

Prospectus Issue must occur no later than 3 months, or such later date as permitted by the Listing Rules, from the date of the General Meeting.

3.8 Resolution 6 – Right to Apply under the Prospectus Issue by the Directors and/or their Associates

Resolution 6 is an ordinary resolution and provides for the issue of New Shares to the Directors and/or their Associates should they elect to apply for New Shares under the Prospectus Issue.

The issue of New Shares under this resolution is to be approved by Existing Shareholders under the requirements of Listing Rule 10.11 and section 208(1) of the Corporations Act as noted in Sections 5.2 and 5.3. Pursuant to Listing Rule 7.2, as Listing Rule 10.11 is being sought, approval under Listing Rule 7.1 is not required.

The issue of any New Shares to the Directors and/or their Associates under the Prospectus would be on the same terms and conditions as the public offer under the Prospectus and form part of that offer.

On the basis of the proposed public offer under the Prospectus Issue of up to 220,000,000 New Shares under Resolution 5, the maximum number of New Shares that each Director and/or his Associates may apply for under the public offer under the Prospectus Issue (pursuant to Resolution 6) is set out below :

Director and/or his Associates	Maximum Potential Application for New Shares under the Prospectus Issue
Mr Peter Christie	1,000,000
Mr Stephen Hewitt-Dutton	1,000,000
Mr Simon Lill	1,000,000
Total Number of New Shares	3,000,000

4 OTHER INFORMATION

4.1 Scope of Disclosure

The related party provisions of the Corporations Act require that this Explanatory Statement sets out all other information that is reasonably required by Existing Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolutions and which is known to the Company.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions other than as is disclosed in this Explanatory Statement or previously disclosed to Existing Shareholders by the Deed Administrators or by the Company by notification to the ASX.

4.2 Voting Intentions of the Directors

The Directors of the Company are Messrs Christie, Hewitt-Dutton and Lill.

Messrs Christie, Hewitt-Dutton and Lill do not currently hold any Shares in the Company.

Except as otherwise disclosed in this Notice of Meeting and Explanatory Statement the Directors have no interest in the outcome of the Resolutions (other than Resolutions 4 and 6). In this regard, the table below sets out the details of the shareholdings held (directly or indirectly) by the Directors and their Associates and the percentage ownership in the Existing Shares of the Company.

Name of Director	Number of Existing Shares Held	Percentage Interest in Voting Shares
Peter Christie	Nil	Nil
Stephen Hewitt-Dutton	Nil	Nil
Simon Lill	Nil	Nil

4.3 Recommendation by Directors

The Directors recommend (except in respect of Resolutions 4 and 6 in which they make no recommendations due to their personal interest in the outcome of Resolutions 4 and 6) that in the context of the Company's current circumstances and given the Creditors' approval of the Recapitalisation Proposal, the Existing Shareholders should accept the Recapitalisation Proposal and approve the Resolutions to be put to the General Meeting. However, Existing Shareholders must decide how to vote based on the matters set out in the Explanatory Statement.

4.4 Taxation

The Recapitalisation Proposal may give rise to income tax implications for the Company.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal position and none of the Company, the Directors, the Deed Administrators or their advisors and their respective directors, agents, officers or employees accepts any responsibility for any individual Existing Shareholder's taxation consequences on any aspect of the Recapitalisation Proposal.

4.5 Interests of the Directors

The Directors are Messrs Christie, Hewitt-Dutton and Lill. At the date of this Explanatory Statement, Messrs Christie, Hewitt-Dutton and Lill do not hold any interest in the existing securities of the Company. Furthermore, none of the Directors are an Associate of any other.

Under Resolution 4, the Directors and/or their Associates may apply for New Shares under the Proponent Issue under Resolution 4. Further, the Directors and/or their Associates may apply for New Shares under the public offer under the Prospectus Issue under Resolution 6. At the date of this Explanatory Statement, the actual number of New Shares that may be issued to the Directors and/or their Associates is not known.

4.6 Effect of the Recapitalisation Proposal

For the purposes of this Explanatory Statement, the following information is provided for consideration by the Existing Shareholders.

The Company's shares were last traded on ASX on 25 February 2010 and the Deed Administrators were appointed Administrators on 15 April 2010. Prior ASX share trading prices for the Company are not considered a reliable basis to assess the New Shares.

As noted previously, the Company is subject to a DOCA with no further resources to satisfy unsecured creditors. Due to the Company's current state of affairs, the lack of profit history and the immediate lack of a reliable future cash flow from remaining assets, maintainable earnings are not considered a reliable basis to assess the New Shares.

The Deed Administrators of the Company estimate on a liquidation basis, there is a deficiency of funds and the creditors will not receive a return if the Recapitalisation Proposal does not proceed. Therefore, on a liquidation basis, the Existing Shareholders return from the Company is likely to be nil.

Accordingly, the current implicit value of the Existing Shares at the date of this Explanatory Statement would be nil cents.

Based on the proforma Statement of Financial Position disclosed in Section 2.7 of this Explanatory Statement (which assumes the completion of the Recapitalisation Proposal) the estimated net assets after the Recapitalisation Proposal would be equivalent to approximately \$0.005 per New Share.

The advantages of passing the Resolutions and subsequent completion of the Recapitalisation Proposal and termination of the DOCA include:

- (a) A net cash injection of approximately \$1,875,000 into the Company, together with negligible liabilities, compared with the current position whereby the Company is under a DOCA and is in a net liability position.
- (b) The net asset backing of a New Share could be expected to increase from nil cents to approximately \$0.005 following completion of the Recapitalisation Proposal.
- (c) The Company's ability to seek re-quotations of its Shares on ASX is enhanced. By obtaining reinstatement to trading of the Company's shares, the Existing Shareholders are offered liquidity to sell their post consolidation shareholdings on ASX.

The principal disadvantage to Existing Shareholders is that their existing shareholdings will be diluted following the Capital Consolidation on a 1:5 basis and the issue of New Shares pursuant to Resolutions 3, 4, 5 and 6. However, this must be balanced with the fact that their existing shareholdings currently have nil value and the fact that, should the Recapitalisation Proposal not proceed, it is probable that the Company will be placed into liquidation. Following completion of the Recapitalisation Proposal, their reduced shareholdings would have value based on the cash injection to the Company and the return to liquidity through re-quotations on the ASX.

4.7 Reconstruction Deed

The Deed Administrators, the Company and Trident entered into a Reconstruction Deed dated 13 August 2010 to recapitalise the Company. The principal terms of the Reconstruction Deed are as follows:

- (a)** Trident and/or its nominees have agreed to participate in the recapitalisation of the Company;
- (b)** the Reconstruction Deed is conditional on and subject to the following:
 - (i) the ASX confirming the Reconstruction Deed will not affect the Company retaining its ASX listing and that the ASX will not impose any requirements on the Company under ASX Listing Rule 11.1.3 in relation to the Recapitalisation Proposal. This was received on 26 August 2010;
 - (ii) Trident paying a deposit of \$35,000 to the Administrators upon execution of the Reconstruction Deed in contribution to the Administrators Fees. This deposit has been paid ("Deposit"); and
 - (iii) the Company's shareholders having passed the required resolutions to reflect the Reconstruction Deed (Resolutions 1 to 6);

If the above conditions are not satisfied or waived by 31 December 2010 (or such later date as the parties may agree) or Trident or the Company cannot meet their obligations under the Reconstruction Deed, the Reconstruction Deed will be at an end and the parties will have no further obligation to each other under the Reconstruction Deed.

- (c)** the Company to convene a meeting of Shareholders to approve:
 - (i) a consolidation of existing issued capital on a 1 for 5 basis (Resolution 1);
 - (ii) a reduction in the Company's share capital by a portion of the accumulated losses of the Company (Resolution 2);
 - (iii) the allotment of the necessary New Shares under the Proponent Issue to complete the Reconstruction Deed and the Prospectus Issue (Resolutions 3 to 6 inclusive); and
 - (iv) such other resolutions as may be reasonably necessary to implement the Recapitalisation Proposal.
- (d)** The Company to issue the New Shares under the Proponent Issue.
- (e)** The Company to issue New Shares to applicants under the Prospectus Issue;
- (f)** The Company to pay \$700,000 less the Deposit (from the proceeds of the issue Proponent Issue) to the Administrators in respect of the Administrators' fees and disbursements and in satisfaction of the Creditors' Claims;
- (g)** Proceeds from the sale of the Surplus Assets will also be paid to the Trust Fund as follows:

- (i) if the net proceeds from the sale of the Surplus Assets (with a reserve price of \$25,000) exceed \$50,000 (net of the selling costs and Property Holding Costs), then the net proceeds are to be paid into the Trust Fund;
 - (ii) if the net proceeds do not exceed \$50,000 then Trident shall pay any shortfall required to ensure the minimum amount in respect of the Surplus Assets paid into the Trust Fund is \$50,000; or
 - (iii) if the reserve price of \$25,000 is not met or if the parties agree not to sell the Surplus Assets, Trident will pay or reimburse the Property Holding Costs and pay \$50,000 to the Trust Fund.
- (h) Trident to pay all costs in relation to the Recapitalisation Proposal, with the Company to reimburse Trident of all costs incurred on effectuation of the DOCA and such funds being available.

4.8 Deed of Company Arrangement

On 23 July 2010, pursuant to section 439A of the Corporations Act, a meeting of the Company's creditors was held at which it was resolved that the Company execute a Deed of Company Arrangement ("DOCA"). The Company entered into the DOCA with its Creditors on 13 August 2010.

The DOCA approved by creditors of the Company provided the following:

- (a) The Administrators causing the Company to enter into a recapitalisation proposal with a third party to raise funds for the benefit of Creditors.
- (b) The Trust Fund to be established for the benefit of the Creditors pursuant to the terms of the Creditors' Trust Deed.
- (c) The Trust Fund is to receive \$700,000 (inclusive of the \$35,000 Deposit paid by Trident) and a minimum amount of \$50,000 in respect of the sale of the Surplus Assets (as set out in Section 4.7) (collectively referred to as the "Contributions").
- (d) The provable debts of the Company to Creditors are to be forgiven ("Forgiveness") and in consideration of the Forgiveness, the Creditors become beneficiaries of the Trust Fund.
- (e) The DOCA will be fully effectuated after payment of the Contributions to the Trust Fund.
- (f) Should the arrangements under the DOCA fail, then the Company may be wound up, or the Administrators may elect an alternative proponent to undertake the recapitalisation of the Company (subject to the terms of the DOCA and the provisions of the Corporations Act).

5 REGULATORY REQUIREMENTS

The General Meeting has been called to approve specific aspects of the Recapitalisation Proposal in accordance with the Listing Rules and the Corporations Act which are summarised below.

5.1 Listing Rule 7.1

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. The limitation is to 15% of a company's capital in any 12 month period.

Listing Rule 7.1 provides that a company must not, without shareholder approval, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The total number of New Shares that may be issued under Resolutions 3, 4, 5 and 6 is 370,000,000 New Shares.

As the proposed issue of New Shares under Resolutions 3 and 5 will result in an issue of more than 15% of the Company's capital in a 12 month period, shareholder approval is required under Listing Rule 7.1 for the issue of New Shares under Resolutions 3 and 5.

Pursuant to Listing Rule 7.2, if Listing Rule 10.11 shareholder approval is being sought, approval under Listing Rule 7.1 is not required. Accordingly, as Listing Rule 10.11 shareholder approval is being sought for Resolutions 4 and 6, approval under Listing Rule 7.1 is not required for Resolutions 4 and 6.

(a) Resolution 3

Approval is being sought under Listing Rule 7.1 in relation to Resolution 3 which is the issue of up to 150,000,000 New Shares in the Company at a price not less than \$0.005 each, to raise not less than \$750,000 under the Proponent Issue. The determination of the allottees is at the sole discretion of Trident. Apart from the Directors (see Resolution 4), the allottees will not be related parties of the Company.

Following the approval of the issue of these New Shares referred to above, the Company will still have the capacity to issue 15% of its expanded share capital over the next 12 months as those New Shares once issued will be excluded from the calculation under Listing Rule 7.1.

The New Shares to be issued under Resolution 3 shall be issued no later than three months from the date of the General Meeting.

All of these New Shares will, on issue, rank equally in all respects with the Existing Shares (post consolidation).

(b) Resolution 5

Approval is being sought under Listing Rule 7.1 in relation to Resolution 5 which is the issue of up to 220,000,000 New Shares in the Company at a price not less than \$0.01 each under the Prospectus Issue. The determination of the allottees is at the sole discretion of Trident. Apart from the Directors (see Resolution 6), the allottees will not be related parties of the Company.

Following the approval of the issue of these New Shares referred to above, the Company will still have the capacity to issue 15% of its expanded share capital over the next 12 months as those New Shares once issued will be excluded from the calculation under Listing Rule 7.1.

All of these New Shares will, on issue, rank equally in all respects with the Existing Shares (post consolidation).

5.2 Listing Rule 10.11

Chapter 10 of the Listing Rules contains certain provisions in relation to transactions between a company and 'persons in a position of influence'. Listing Rule 10.11 provides that a company must not issue equity securities to a 'related party' without the approval of holders of ordinary securities by ordinary resolution. The term 'related party' is defined for these purposes to include a related party within the meaning of section 228 of the Corporations Act and a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

(a) Resolution 4

The right to apply for New Shares pursuant to the Proponent Issue by the Directors under Resolution 4 requires approval in accordance with Listing Rule 10.11. The Directors are considered to be 'related parties' of the Company within the terms of the Listing Rules. Therefore, the portion of New Shares to be issued to the Directors pursuant to Resolution 4 falls within the ambit of Listing Rule 10.11.

For the purposes of Listing Rule 10.13, the following information is provided in relation to Resolution 4:

- (i) The related parties to whom New Shares will be issued to are the Directors and/or their Associates.
- (ii) The maximum number of New Shares to be issued to related parties are as follows:

Related Party	New Shares
Mr Peter Christie	10,000,000
Mr Stephen Hewitt-Dutton	10,000,000
Mr Simon Lill	10,000,000
TOTAL	30,000,000

- (iii) The New Shares to the Directors will be issued at a price of not less than \$0.005 each which will be under the same terms and conditions as those offered to Trident and/or its nominees under the Proponent Issue.
- (iv) The New Shares shall be issued to the Directors and/or their Associates under the Proponent Issue no later than one (1) month from the date of the General Meeting.
- (v) The New Shares to be issued to the Directors under the Proponent Issue will be issued in consideration of the Directors collectively paying \$150,000.

Pursuant to Listing Rule 7.2, if Listing Rule 10.11 shareholder approval is being sought, approval under Listing Rule 7.1 is not required.

(b) Resolution 6

The right to apply for New Shares pursuant to the Prospectus Issue by the Directors under Resolution 6 also requires approval in accordance with Listing Rule 10.11.

For the purposes of Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (i) The related parties to whom New Shares will be issued are the Directors.
- (ii) The maximum number of New Shares to be issued to related parties are as follows:

Related Party	New Shares
Mr Peter Christie	1,000,000
Mr Stephen Hewitt-Dutton	1,000,000
Mr Simon Lill	1,000,000
TOTAL	3,000,000

- (iii) The New Shares to the Directors will be issued at a price of not less than \$0.01 each which will be under the same terms and conditions as those offered to the public under the Prospectus Issue.
- (iv) The New Shares shall be issued under the Prospectus Issue no later than one (1) months from the date of the General Meeting.

Pursuant to Listing Rule 7.2, if Listing Rule 10.11 shareholder approval is being sought, approval under Listing Rule 7.1 is not required.

5.3 Section 208 of the Corporations Act

Section 208(1)(a) of the Corporations Act prohibits the Company from giving a financial benefit (including an issue of shares and options) to a related party of the Company without approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the related party or by an Associate of the related party.

The Directors are considered to be 'related parties' of the Company within the terms of section 208 of the Corporations Act. Accordingly, the Company is seeking the approval of Shareholders under section 208 of the Corporations Act in respect of the Shares being issued to the Directors under Resolutions 4 and 6.

It is necessary, pursuant to section 219 of the Corporations Act, to provide the following information that pertains to related parties in the Explanatory Statement:

- (a) The related parties to whom the proposed Resolutions would permit financial benefits to be given are the Directors (under Resolutions 4 and 6). The issue of New Shares to these parties and their Associates is discussed in sections 3.6, 3.8 and 5.2.
- (b) The financial benefits to be given is the difference between the value of a Share in the Company if the Recapitalisation Proposal is approved, being \$0.005, and that amount paid for the New Shares to the Directors, being \$0.005 and \$0.01 as discussed in Sections 3.6, 3.8 and 5.2. Therefore, the value of the financial benefits to be given is approximately nil per Share (in respect of the \$0.005 raising pursuant to Resolution 4) and \$0.005 per Share (in respect of the \$0.01 raising pursuant to Resolution 6). Further commentary on the effect of the Recapitalisation Proposal on the Company and the issue of the New Shares is provided in Sections 4.6 of this Explanatory Statement.
- (c) The issue of the New Shares under Resolutions 4 and 6 will occur no later than one (1) month from the date of the General Meeting.
- (d) Appropriate voting exclusion statements are included in the attached Notice of Meeting.
- (e) Other than as set out in this Explanatory Statement, there is no further information which the Existing Shareholders would reasonably require in order to decide whether or not it is in the Company's interests to pass Resolutions 4 and 6.
- (f) The Directors make no recommendations in relation to Resolutions 4 and 6 due to the personal interest they have in the outcome of these Resolutions.

5.4 The Issue of New Shares to the Directors

The issue of Shares to the Directors under Resolution 4 are being made in consideration for the Directors collectively paying up to \$150,000 and will be offered to the Directors at the same issue price as those Shares issued to Trident or its nominees under Resolution 3. The issue of the Shares under Resolution 6 are being made on the same terms and conditions as those Shares being offered under the Prospectus Issue. The Directors have extensive experience in managing listed companies and the Shares being issued under Resolutions 4 and 6 have been made

to ensure the Directors have a direct interest in the capital of the Company. Please refer to sections 3.6, 3.8 and 5.2 for further terms regarding these Shares.

5.5 Section 254H of the Corporations Act

In Resolution 1, the Company proposes to consolidate its existing issued capital in the Company on a 1 for 5 basis in accordance with section 254H of the Corporations Act. Under section 254H of the Corporations Act, a company may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting of the company.

5.6 Section 256B of the Corporations Act

In Resolution 2, the Company proposes to alter the capital of the Company by reducing it where the value has been permanently lost by applying an amount being a portion of the accumulated losses of the Company. Under sections 256B and 256C of the Corporations Act, a reduction of capital of this nature must be approved by a resolution passed at a general meeting of the Company.

5.7 ASIC and ASX's Role

Under section 218(1) of the Corporations Act, the Company must lodge with ASIC the Notice of Meeting and the Explanatory Statement at least 14 days before the notice convening a general meeting is given. Under section 218(2) of the Corporations Act, the Company has applied for a period of less than 14 days for the purposes of section 218(1) of the Corporations Act.

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX and ASIC is not to be taken as an indication of the merits of the Recapitalisation Proposal or the Company. ASIC, ASX and its respective officers take no responsibility for any decision an Existing Shareholder may make in reliance on any of that documentation.

6 DEFINITIONS

In this Explanatory Statement:

Administration Date means 15 April 2010, the date on which the Administrators were appointed, or taken to be appointed, as administrators of the Company pursuant to section 436A of the Corporations Act.

Administrators mean Robert Michael Kirman and Samuel Charles Davies jointly and severally, in their capacity as administrators of the Company.

Admitted Creditor means a Creditor whose Claim has been admitted by the Trustees pursuant to the Creditors' Trust Deed.

ASIC means the Australian Securities and Investments Commission.

Assets means all the property of the Company as at the Administration Date, whether or not those assets have been identified by or otherwise made known to the Deed Administrators as at the Administration Date.

Associate has the meaning set out in sections 11 to 17 of the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.

Board means the board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Consolidation means the consolidation of the existing issued capital of the Company on the basis of 1:5 as proposed under Resolution 1 and detailed in Section 3.3 of the Explanatory Statement.

Claim(s) means a debt owing by, or a claim subsisting against the Company in favour of a person, or a debt or claim the circumstances giving rise to which occurred, or any action, suit, causes of action, arbitration, cost, demand, verdict, or judgment at law or in equity or under any statute which arose (whether at law, in equity, whether present, prospective or contingent whether liquidated or sounding only in damages and whether sounding in contract, or tort or however arising) on or before the Administration Date, including any claim arising under a Convertible Note.

Company means Safety Medical Products Ltd (Subject to Deed of Company Arrangement) (ACN 007 817 192).

Constitution means the constitution of the Company.

Convertible Note means a convertible note issued by the Company on or around June 2008.

Corporations Act means the Corporations Act 2001.

Creditor(s) means any person having a Claim against the Company.

Creditors' Trust Deed means the trust deed to be entered into by the Deed Administrators as Trustees, pursuant to the terms of this Deed, for and on behalf of the Company's Creditors.

Deed Administrators means Robert Michael Kirman and Samuel Charles Davies jointly and severally, in their capacity as the deed administrators of the DOCA.

Directors means collectively Messrs Christie, Hewitt-Dutton and Lill.

DOCA means the Deed of Company Arrangement executed on 13 August 2010 between the Company, the Administrators, Trident and National Australia Bank Limited.

DOCA Conditions means the DOCA conditions referred to in Section 4.8.

Existing Options means the options on issue in the Company before the Capital Consolidation.

Existing Shares means the 82,278,245 issued fully paid ordinary shares in the Company before the Capital Consolidation.

Existing Shareholder means the holder of an Existing Share.

Explanatory Statement means the Explanatory Statement accompanying the Notice of Meeting.

General Meeting means the general meeting of the Existing Shareholders convened for the purposes of considering the Resolutions.

Listing Rules means the Listing Rules of the ASX.

New Share(s) means a fully paid ordinary share in the Company after the Capital Consolidation.

Notice of Meeting means the notice convening the General Meeting accompanying this Explanatory Statement.

Official List means the official list of the ASX.

Property Holding Costs means all holding costs in respect of any Surplus Assets, including but not limited to insurance, rent, utilities costs and any relocation costs (as defined in the DOCA).

Proponent Issue means the issue of up to 150,000,000 New Shares in the Company at a price of \$0.005 each to raise not less than \$750,000.

Prospectus means the prospectus to be issued by the Company and referred to in Resolution 5.

Prospectus Issue means the issue of up to 220,000,000 New Shares in the Company at a price of 1 cent each to raise not less than \$2,200,000.

Recapitalisation Proposal means the proposal for the recapitalisation of the Company as described in Section 2 of this Explanatory Statement.

Reconstruction Deed means the Reconstruction Deed executed on 13 August 2010 between Deed Administrators, the Company and Trident.

Record Date means the date the share registry will determine the amount of Existing Shares to be consolidated pursuant to the Capital Consolidation.

Related Party means a party so defined by section 228 of the Corporations Act.

Resolution means a resolution to be considered at the General Meeting as contained in the Notice of Meeting.

Section means a section of this Explanatory Statement.

Share means a fully paid ordinary share in the Company and includes any New Share.

Shareholder means a shareholder of the Company.

Surplus Assets means such plant, equipment and stock at hand owned by the Company not required for re-listing on ASX (as defined in the Reconstruction Deed).

Trident means Trident Capital Pty Ltd (ACN 100 561 733).

Trust means the trust created by the Creditors' Trust Deed.

Trust Assets means the Trust Fund.

Trust Fund means the trust fund established pursuant to the terms of the Creditors' Trust Deed (as referred to in Section 2.8(a) of the Explanatory Statement).

Trustee(s) means Robert Michael Kirman and Samuel Charles Davies jointly and severally, in their capacity as trustees of the Trust.

SAFETY MEDICAL PRODUCTS LIMITED
(Subject to Deed of Company Arrangement)
ACN 007 817 192
PROXY FORM

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Safety Medical Products Limited and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of Safety Medical Products Limited to be held at the offices of MinterEllison Lawyers, Level 10, 25 Grenfell Street, Adelaide, South Australia 5000 at 10am on 8 November 2010 and at any adjournment of that meeting.

☐

The Chairman
of the meeting

(mark with an 'X')

OR

IMPORTANT:

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do **not** wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of each resolution.

If the person you are appointing as your proxy is someone other than the Chairman of the meeting:
Write the name of that person in the box below.

 %

You must specify the % of your votes that you authorise your proxy to exercise if:

If you hold 2 or more Shares in Safety Medical Products Limited you may appoint a second proxy:

Write the name of your second proxy in the box below.

 %

- (a) you have only appointed 1 proxy and do not want him/her to exercise all of your votes; or
(b) if you have appointed 2 proxies under this proxy form.

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of the Company to be held at 10am on 8 November 2010 and at any adjournment of that meeting.

Voting directions to your proxy - Please mark only one of the boxes with an "X" for each resolution to indicate your directions.

Special Business

		For	Against	Abstain
Resolution 1:	Consolidation of Capital	☐	☐	☐
Resolution 2:	Reduction of Capital	☐	☐	☐
Resolution 3:	Issue of New Shares – Trident or its nominees as the Proponent Issue	☐	☐	☐
Resolution 4:	Right to apply in respect of the Proponent Issue	☐	☐	☐
Resolution 5:	Prospectus Issue	☐	☐	☐
Resolution 6:	Right to apply under the Prospectus Issue by the Directors and/or their associates	☐	☐	☐

If you mark the "Abstain" box with an "X" for a particular resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

6 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting, i.e. no later than 10am (CST) on 6 November 2010. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to Trident Capital of Level 24, 44 St Georges Terrace, Perth WA or sent by facsimile to (08) 9218 8875.