



The Company Announcements Office
ASX Limited Via E Lodgement

24 September 2012

SAFETY MEDICAL – ACQUISITION OF KISARA GOLD – UPDATE ON DUE DILIGENCE PROCESS

HIGHLIGHTS

- **Geological due diligence on the Silvina Gold Project concluded with positive outcomes.**
- **Key focus on a continuous outcrop of mineralized quartz up to 370m in length and 40 m in width at surface.**
- **Historical samples are very encouraging with a high value of 4.55 g/t Au.**
- **Due diligence work also identified quartz veining and historical artisanal mines along the Silvina trend, for the main part within the Silvina tenements.**

Acquisition of Kisara Gold – Update on Due Diligence Process

The Directors of Safety Medical Products Limited (“**Safety Medical**” or the “**Company**”) are pleased to announce that they have concluded to their satisfaction the initial geological due diligence on the Silvina Gold Project (“**Silvina**”) for the proposed acquisition of Kisara Gold Pty Ltd (“**Kisara**”), an Australian unlisted company, and its wholly owned Brazilian subsidiary Mineração Caiçara Ltda, owner of Silvina.

This process has been delayed but the Company has been working with Kisara and has been granted a 60 day extension on the initial 60 day Due Diligence period.

Silvina was awarded to Mineração Caiçara Ltda following a government tender process that was commenced in late 2011.

The Board is finalising Commercial and legal Due Diligence before making a final determination.

The transaction is subject to shareholder approval being obtained. Immediately following that approval the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and will be placed in trading suspension whilst it re-complies.



Safety Medical Products Limited
Level 24, 44 St Georges Terrace, Perth
Australia, 6000

ACN 007 817 192

Phone: (08) 6211 5099 Fax: (08) 9218 8875

Website: www.safetymed.com.au

ASX Code: SFP

SafetyMed® is a registered trademark of Safety Medical Products Ltd

The key acquisition terms have not changed since the ASX announcement on June 15 and are contained in Appendix One to this announcement.

If shareholder approval is given at the general meeting, the Company will most likely undergo a capital consolidation to assist re-compliance with Chapters 1 & 2 of the ASX Listing Rules at a ratio to be determined in the future. The Consideration Shares and shares to be issued under the capital raising will also be adjusted by the same ratio.

Silvina Gold Project

The Silvina Gold Project, which includes the Silvina Farm lease, 6 adjoining exploration leases and a further 2 exploration lease applications, is located in the region of Rio de Contas, situated in south-central portion of the Chapada Diamantina (see Figures 1 and 2). This part of Chapada Diamantina is known for hosting several types of gold mineralisation.

The gold occurrences in this region are largely associated with shear-hosted quartz veining. Secondary alluvial, eluvial and colluvial deposits were the subject of intense mining activity during the colonial period some 300 years ago. More recently artisanal mining activity has focussed on primary quartz vein mineralization in the region. Quartz veins at Silvina are generally massive, presenting gold in fractures and cavities in the quartz. The most common mineral association is with hematite after pyrite and chalcopyrite and more rarely with tourmaline.

Exploration work by previous operators at Silvina focussed on a continuous outcrop of mineralized quartz up to 370m in length 40 m in width at surface (see figure 3). True width on the primary vein is not known at this time. Historical samples are very encouraging with a high value of 4.55 g/t Au.

Of the historical sampling available to Safety Medical, fifty-four of the 71 adit/trench samples returned >0.1 g/t Au, and 13 of the 45 adit samples (deeper in the quartz vein than the trenches) returned > 1 g/t Au.

A technical review of the project highlighted that work completed by previous operators covered only a small part of the project area. The review also highlighted the existence of quartz veining throughout the region and the presence of historic artisanal mines along the same trend as Silvina, noting that the area has the potential to host gold deposits.

Landsat imagery shows the quartz veins are associated with a regional shear structure which continues for some tens of kilometres, much of which is contained within the Silvina Farm and Caiçara Leases.

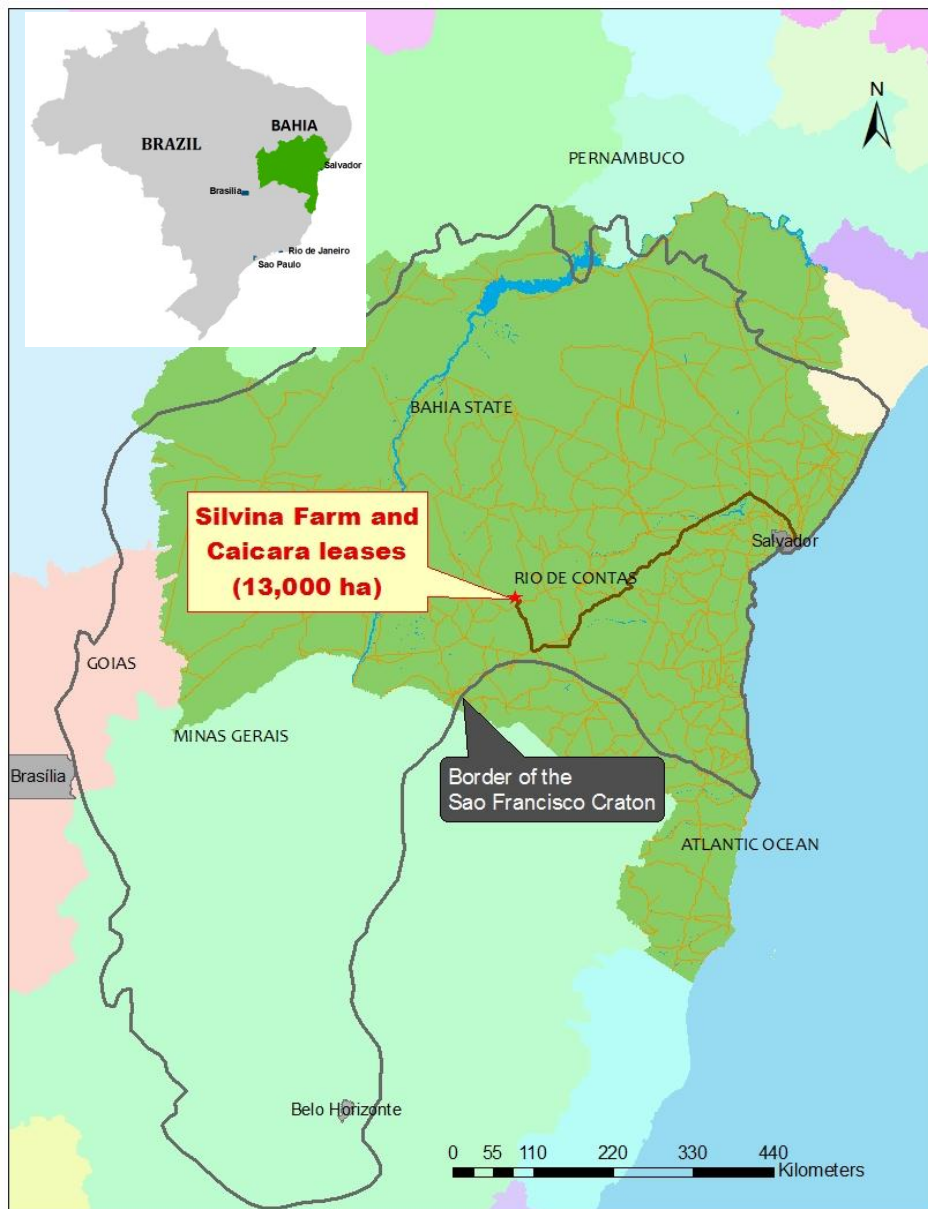
Further work was conducted on behalf of Safety Medical as part of its due diligence process by Messrs Antonio Matias and Dale Brittliffe. During July 2012, the party visited Silvina and several other exploration properties of interest to Caiçara and the resultant report concluded that *"...the properties viewed by Brittliffe and Matias (sic) represent high quality early-stage exploration properties; all may be considered drill ready."*

The review confirmed that physical work on the Silvina quartz vein area to date includes:

- Gridding – 500m baseline with cross lines spaced at 50m;
- Soil Sampling – collection of 125 soil samples at 25 m spacing
- Trenching – ten trenches and other small excavations
- Rock Chip Sampling – channel samples taken from trenches (37 one metre samples – best value 2.15g/t) and underground gallery (47 one metre channel samples – best value 4.55 g/t)

There exists another higher grading gallery sample in the literature (5.50g/t Au). The laboratory assay certificate for this sample, however, lists zero recorded weight for this particular sample. As all other samples in the batch do have recorded weights the outlying sample is considered unverified and has therefore been omitted from the working dataset.

Figure 1 - Location of the Silvina Gold Project



It is apparent that the main quartz body at Silvina is part of a larger mineralised system, several phases of veining have been identified and the controls on gold mineralisation are not yet fully understood. The Company plans to drill test the project when, and if, shareholders approve the transaction.

To that end Mineração Caiçara has commenced work on clearing old grid lines and remapping of the main vein prospect. Caiçara has also submitted relevant applications for the building of access trails and drill pads, as well as retaining Environmental Consultants, in preparation for first pass confirmatory drilling. The property will be drill ready once shareholders have approved the acquisition.

Figure 2 – Tenement map

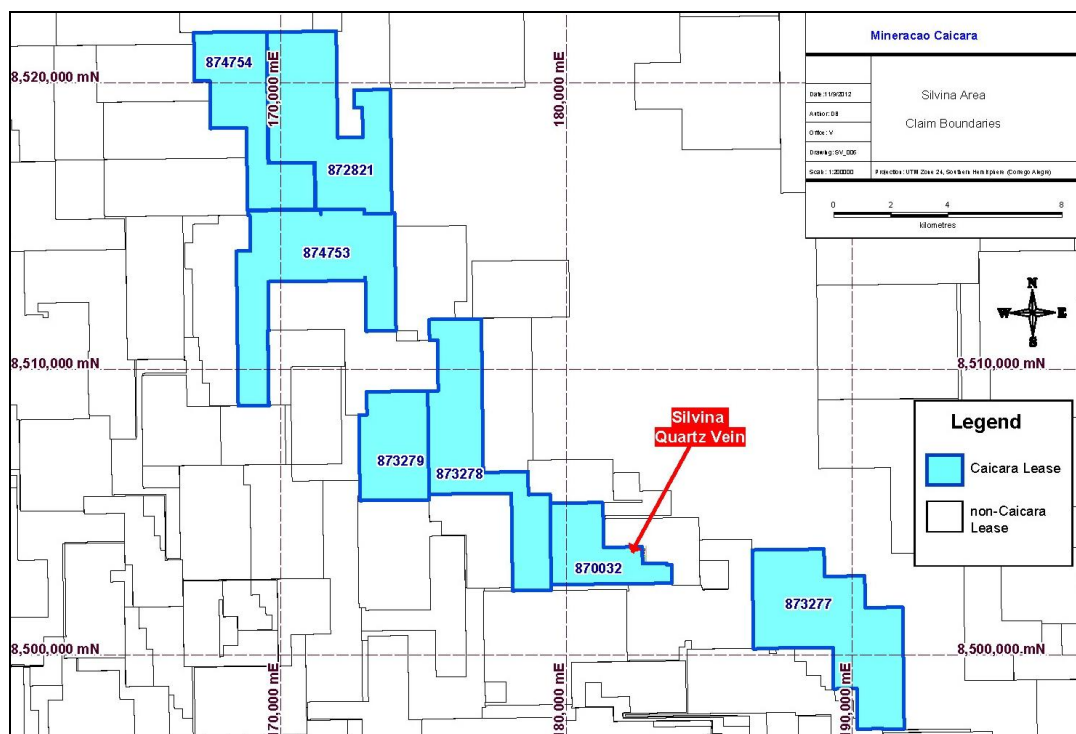
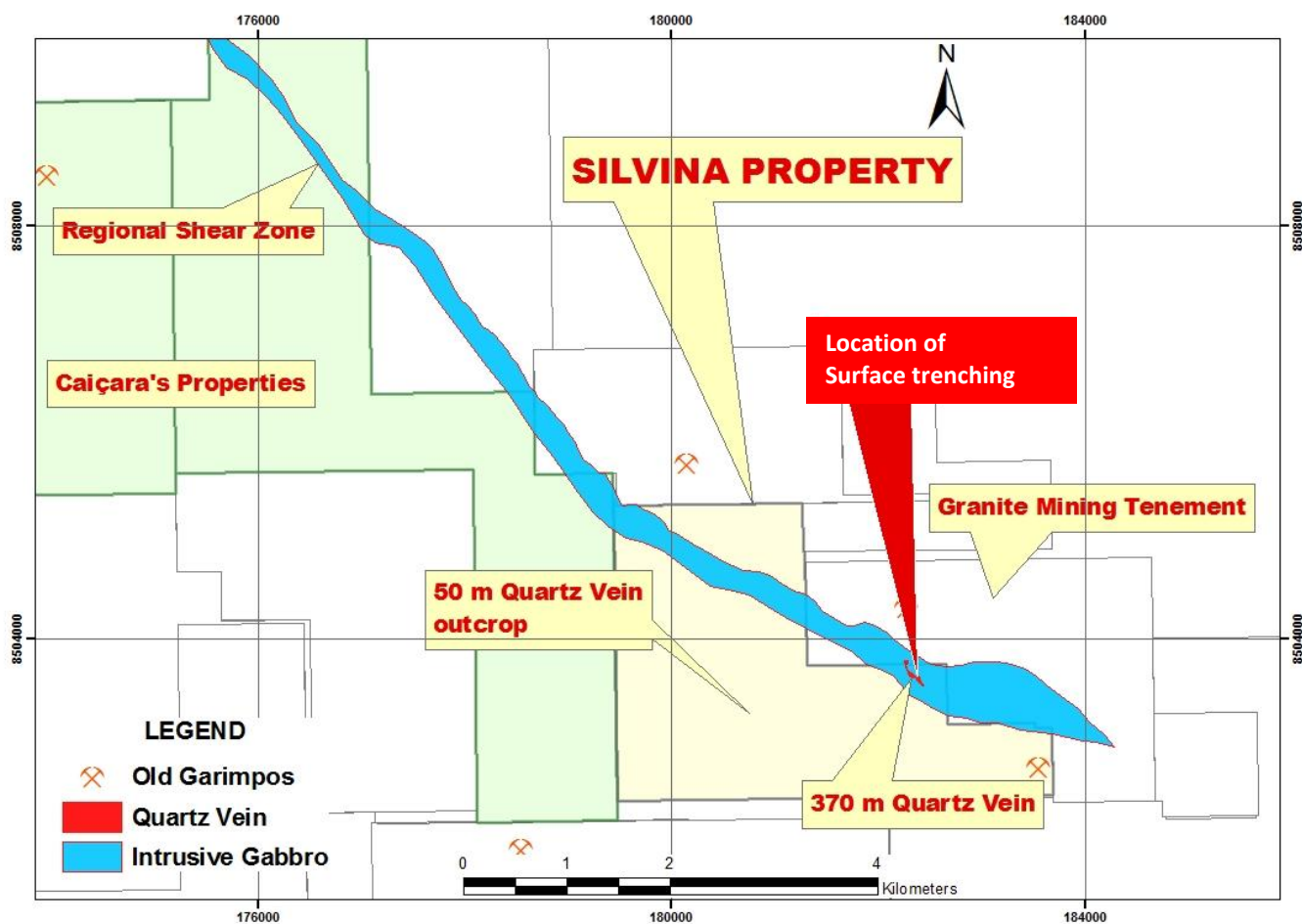


Figure 3 – Silvina geological features



Proposed Timetable for Reconciliation

	Date*
Execution of Share Sale Agreement	30 September 2012
Dispatch of Notice of Meeting	15 November 2012
Lodgement of Prospectus with ASIC	15 December 2012
Meeting of Shareholders to Approve Acquisition	17 December 2012
Suspension of Company's Shares from trading on ASX	18 December 2012
Closure of Prospectus	31 January 2012
Satisfaction of all Requirements of Chapters 1 & 2	5 February 2012
Reinstatement to Trading	7 February 2012

* The above dates are indicative only and are subject to change. The Company will keep shareholders updated on the timing of the implementation of the transaction as it progresses

To re-comply with Chapters 1 and 2 of ASX Listing Rules Safety Medical will prepare and issue a prospectus. Funds raised will be used to conduct exploration on the properties to be acquired, and to cover the ongoing administration costs of the Company.

Indicative Capital Structure.

	Number of Shares
Current Issued Capital	396,455,466
Shares to be issued in capital raising, completed as part of the reconciliation with Chapters 1 & 2 of the ASX Listing Rules (Assumes capital raising at \$0.01 – though shares to be issued at \$0.20)	200,000,000
Total Shares on Issue following Completion and reconciliation	596,455,466
Potential shares to be issued under the Share Sale Agreement (subject to satisfaction of Milestones)	360,000,000
Total Issued Shares assuming Milestones satisfied	956,455,466

NB The above table shows the Company's pre and post reconstruction capital structure. The Company is most likely to reconstruct its capital to comply with Chapters 1 and 2 of the ASX Listing Rules which require a capital raising at \$0.20 per share. The above Table is based on a share price of \$0.01 immediately prior to the issuance of the requisite Notice of Meeting and consequently a reconstruction ratio of one share for every 20 held. However if the share price is at a higher price prior to the issuance of the Notice of Meeting then the reconstruction ratio will be reduced accordingly. Further due to existing cash and other tangible assets in the Balance Sheet the capital raising considered in the above Table is \$2M. The capital raising number may be adjusted through the prospectus dependent upon the final position of the Company's tangible assets before the capital raising commences.

Competent Persons Statement

The information in this report that relates to mineral resources and exploration results is based on information compiled and reviewed by Dale Brittliffe P.Ge., a Consulting Geologist to Safety Medical Products Limited. Mr Brittliffe is a member in good standing with the Association of Professional Engineers and Geoscientists of British Columbia, Canada (APEGBC) Non-Resident Licence # 149983. APEGBC is a "Recognised Overseas Professional Organisation" (ROPO) as recognised by JORC.

Mr. Brittliffe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves.” Mr. Brittliffe has given his consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

APPENDIX ONE

Acquisition Terms

The Agreement to acquire 100% of the issued capital of Kisara is made up of consideration as follows:

- Safety Medical has advanced an initial sum of \$100,000 on signing of the Agreement;
- A further \$39,900 is payable on settlement of the purchase, and the Agreement includes provision for the Company, at its discretion, to advance funds to assist Kisara in maintaining its tenement obligations, though it is not an obligation of the Company. To date the Company has advanced \$15,000 against the further consideration of \$39,000; and
- Further share based consideration is payable to the Kisara Shareholders on certain milestones being reached in relation to definition of resources. Milestone payments are as follows:

Milestone	Consideration Shares
Milestone 1 A JORC compliant Mineral Resource of 500koz at 1.8g/t Au Eq	120,000,000
Milestone 2 A JORC compliant Mineral Resource of 750koz at 1.8g/t Au Eq	90,000,000
Milestone 3 A JORC compliant Mineral Resource of 1,000koz at 1.7g/t Au Eq	70,000,000
Milestone 4 A JORC compliant Mineral Resource of 1,250koz at 1.7g/t Au Eq	20,000,000
Milestone 5 A JORC compliant Mineral Resource of 1,500koz at 1.6g/t Au Eq	20,000,000
Milestone 6 A JORC compliant Mineral Resource of 2,000koz at 1.6g/t Au Eq	40,000,000
Total	360,000,000

The terms of the Agreement to acquire Kisara are subject to due diligence, regulatory approvals and final documentation. Settlement of the purchase of Kisara will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules, which cannot occur until the Company has received shareholder approval. The Company will make further announcements to the market in relation to re-compliance as required.

During the period until settlement of the acquisition Safety Medical has no obligation to spend money maintaining the tenements, though it may chose to assist Kisara in preparatory work for drilling. The Company will continue to spend money on due diligence procedures in Brazil which may include some confirmatory work.

Following settlement of the acquisition, Kisara will be entitled to nominate a person for appointment to the Board of Safety Medical. At the date of this announcement, the Kisara shareholders have not decided who they will nominate.