

APPENDIX 1 – HISTORICAL & PRO-FORMA FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | | | Pro forma adjustment (which includes all subsequent events) 30-Jun-14 | Pro forma Figures 30-Jun-14 |
|----------------------------------|------|-----------------------------------|---|--|-----------------------------------|
| | Note | Audited SFP 30-Jun-14 \$ | Reviewed 3D Medical Ltd 30-Jun-14 \$ | \$ | \$ |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash & Bank Balances | 3 | 566,836 | 208,160 | 3,119,965 | 3,894,961 |
| Trade & Other Receivables | 4 | 7,469 | 80,153 | (45,066) | 42,556 |
| Total Current Assets | | <u>574,305</u> | <u>288,313</u> | <u>3,074,899</u> | <u>3,937,517</u> |
| Non-Current Assets | | | | | |
| Deferred Acquisition Costs | 5 | 50,000 | - | (50,000) | - |
| Other Receivables | 6 | - | 167,669 | 109,754 | 277,423 |
| Property, Plant & Equipment | 7 | - | - | 12,928 | 12,928 |
| Total Non-Current Assets | | <u>50,000</u> | <u>167,669</u> | <u>72,682</u> | <u>290,351</u> |
| Total Assets | | <u>624,305</u> | <u>455,982</u> | <u>3,147,581</u> | <u>4,227,868</u> |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Trade & Other Payables | 8 | 85,799 | 143,293 | (119,672) | 109,420 |
| Total Current Liabilities | | <u>85,799</u> | <u>143,293</u> | <u>(119,672)</u> | <u>109,420</u> |
| TOTAL LIABILITIES | | <u>85,799</u> | <u>143,293</u> | <u>(119,672)</u> | <u>109,420</u> |
| NET ASSETS | | <u>538,506</u> | <u>312,689</u> | <u>3,267,253</u> | <u>4,118,448</u> |
| EQUITY | | | | | |
| Capital and Reserves | | | | | |
| Issued Capital | 9 | 3,151,893 | 595,501 | 2,757,102 | 6,504,496 |
| Accumulated Losses | 10 | (2,613,387) | (282,812) | 510,151 | (2,386,048) |
| TOTAL EQUITY | | <u>538,506</u> | <u>312,689</u> | <u>3,267,253</u> | <u>4,118,448</u> |

Notes to and Forming Part of the Consolidated Financial Statements

Note 1. Summary of significant accounting policies

(a) Basis of Accounting

The consolidated financial statements of Safety Medical Products Limited (SFP or the Group) have been prepared in accordance with the measurement and recognition (but not the disclosure) requirements of Australian Accounting Standards, Australian Accounting Interpretations and the Corporations Act 2001.

The consolidated financial statements have been prepared on an accruals basis, are based on historical cost and except where stated do not take into account changing money values or current valuations of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of the Consolidated Statement of Financial Position requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Statement of Financial Position are disclosed where appropriate.

The financial information has been prepared on the basis of a going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Consolidated Statement of Financial Position as at 30 June 2014 is in accordance with the Company's reviewed financial position at that date. The pro forma Consolidated Statement of Financial Position as at 30 June 2014 represents the reviewed financial position and adjusted for the transactions discussed in Note 2 to this report. The Consolidated Statement of Financial Position should be read in conjunction with the notes set out in this report.

(b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(c) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(d) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) **Acquisition of Subsidiaries and Businesses**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

The acquisition of 3D Medical Ltd ("3D Medical"), has been reflected in the pro forma Consolidated Statement of Financial Position as at 30 June 2014. In accounting for the acquisition, the Group has taken guidance from the principles of AASB 3 Business Combinations ("AASB 3") and determined that 3D Medical would be deemed to be the acquirer for accounting purposes. Accordingly, the transaction is accounted for as a reverse asset acquisition. As a result, the pro forma Consolidated Statement of Financial Position as at 30 June 2014 has been prepared as a continuation of the 3D Medical's financial statements, with 3D Medical (as the accounting acquirer) accounting for the acquisitions as from 30 June 2014 (for the purposes of the pro forma Consolidated Statement of Financial Position). As the activities of the legal acquirer (Safety Medical Products Limited) would not constitute a business based on the requirements of AASB 3, any excess of the deemed consideration over the fair value of the acquisitions, as calculated in accordance with the reverse acquisition accounting principles, cannot be taken to goodwill and has been expensed.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Profit or Loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) **Investments & Financial Instruments**

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as gains and losses from investment securities.

(i) **Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) **Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(h) Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. The amounts are unsecured and are usually paid within 30 days.

(i) Issued Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

(k) Other Receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effect interest method, less provision for impairment.

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

3D Medical has recorded a prepayment as a Non-Current Asset in its financial statements. The prepayment relates to a Memorandum of understanding between the company and EchoPixel Inc. The prepayment has a finite life of up to six years commencing 1 August 2014.

(l) **Deferred Acquisition Cost**

Deferred acquisition costs relate to costs involved in evaluation the potential assets. The Company capitalized these costs until a decision is made on whether the transaction will proceed. If the Company does not proceed with the acquisition, at that point costs are written off.

(m) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables in the statement of financial position are shown inclusive of GST.

Note 2. Actual and Proposed Transactions to Arrive at the Pro-Forma Financial Information

The pro-forma financial information has been included for illustrative purposes to reflect the position of Safety Medical Products Limited on the assumption that the following transactions had occurred as at 30 June 2014:

- (a) The consolidation of the existing issued shares of Safety Medical Products Limited as at 30 June 2014 of 855,868,074 and shares issued post year end as part of the share purchase plan of 220,000,000 totalling 1,075,868,074 to 107,586,601 based on a 10:1 ratio;
- (b) The issue of 175,000,000 post-consolidation ordinary shares at \$0.02 and 72,945,060 post-consolidation options having an exercise price of \$0.05 expiring 18 months after completion and 43,486,387 post-consolidation options having an exercise price of \$0.05 expiring 24 months after completion to related and unrelated 3D Medical Vendors as consideration for the Acquisition;
- (c) The issue of 81,772,000 post-consolidation ordinary shares at an offer price of \$0.05 each to raise \$4,088,600 pursuant to the prospectus;
- (d) The payment of expenses of the public issue totalling \$520,000 excluding GST for the capital raising.
- (e) The issue of 8,750,000 post-consolidation ordinary shares for facilitation fees and advisory fees; and
- (f) Significant transactions represent post year end to 31 October 2014 included:
 - Safety Medical Products Limited raised \$440,000 through share purchase plan, advanced loans to 3D Medical Limited of \$510,000, as well as making deferred acquisition payments of \$100,000 to 3D Medical Limited and incurring operating expenses of \$204,694.
 - 3D Medical Limited raised \$18,750 through the issue of shares, incurred capital raising costs of \$5,091, received \$610,000 in funds from Safety Medical Products Limited, which was utilized to make additional prepayments to EchoPixel Inc for \$109,754, \$12,928 of additions in plant and equipment, net receipts of debtors and repayment of creditors of \$45,066 and \$69,672 respectively and incurring net expenditures of \$450,312.

Note 3. Cash assets

Pro forma Figures

30- Jun-14

\$

| | |
|---|------------------|
| SFP - Balance at 30 June 2014 | 566,836 |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| 3D Medical - Balance at 30 June 2014 | 208,160 |
| Funds raised from Prospectus | 4,088,600 |
| Expenses of the issue | (520,000) |
| Significant transactions post year end (Note 3.1) | <u>(448,635)</u> |
| Closing balance | <u>3,894,961</u> |

Note 3.1:

The significant transactions represents the accumulated impact of transactions that took place post year end as disclosed in Note 2 (f) of this report.

Note 4. Trade and Other Receivables

| | Pro forma Figures |
|--|--------------------------|
| | 30- Jun-14 |
| | \$ |
| SFP – Balance at 30 June 2014 | 7,469 |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| 3D Medical - Balance at 30 June 2014 | 80,153 |
| Significant transactions post year end – 3D Medical (Note 4.1) | <u>(45,066)</u> |
| | <u>42,556</u> |

Note 4.1:

Subsequent to year end, 3D Medical received repayment of debtors of \$50,802 and incurred additional GST receivable of \$5,736 due to subsequent expenses incurred.

Note 5. Deferred Acquisition Costs

| | Pro forma Figures |
|---|--------------------------|
| | 30- Jun-14 |
| | \$ |
| SFP - Balance at 30 June 2014 | 50,000 |
| Significant transactions post year end – SFP (Note 5.1) | 50,000 |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| Elimination of SFP on consolidation (Note 5.1) | <u>(100,000)</u> |
| | <u>-</u> |

Note 5.1:

3D Medical made an additional payment of \$50,000 post year end. As part of the acquisition, these deferred acquisition costs were derecognised and formed part of the deemed consideration disclosed in Note 10 of this report.

Note 6. Other Receivables

Pro forma Figures
30- Jun-14

| | |
|--|----------------|
| | \$ |
| SFP - Balance at 30 June 2014 | - |
| Significant transactions post year end – SFP (Note 6.1) | 510,000 |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| Elimination of SFP balance on consolidation (Note 6.1) | (510,000) |
| 3D Medical– Balance at 30 June 2014 | 167,669 |
| Significant transactions post year end – 3D Medical (Note 6.1) | 109,754 |
| | <u>277,423</u> |

Note 6.1:

The significant transactions post year end included:

- SFP advanced loans to 3D Medical of \$510,000, which was eliminated on consolidation.
- 3D Medical made additional prepayments to EchoPixel Inc for \$109,754.

Note 7. Property, Plant and Equipment

| | |
|--|--------------------------|
| | Pro forma Figures |
| | 30- Jun-14 |
| | \$ |
| SFP - Balance at 30 June 2014 | - |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| Significant transactions post year end – 3D Medical (Note 7.1) | 12,928 |
| | <u>12,928</u> |

Note 7.1:

Subsequent to year end, 3D Medical purchased plant & equipment of \$12,928.

Note 8. Trade and Other Payables

| | |
|--|--------------------------|
| | Pro forma Figures |
| | 30- Jun-14 |
| | \$ |
| SFP - Balance at 30 June 2014 | 85,799 |
| Significant transactions post year end – SFP (Note 8.1) | (50,000) |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| 3D Medical – Balance at 30 June 2014 | 143,293 |
| Significant transactions post year end – 3D Medical (Note 8.1) | (69,672) |
| | <u>109,420</u> |

Note 8.1:

The significant transactions post year end included:

- SFP subsequently settled an accrual at balance date for deferred acquisition costs of \$50,000 to 3D Medical.
- 3D Medical settled \$87,083 of creditors and incurred additional payables of \$17,411.

Note 9. Issued Capital

a) Issued and fully paid up Capital

| | Pro forma Figures |
|---|--------------------------|
| | 30- Jun-14 |
| | \$ |
| Issued capital of SFP at 30 June 2014 | 3,151,893 |
| SFP Share Purchase Plan post year end | 440,000 |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| Elimination of SFP on consolidation | (3,591,893) |
| 3D Medical issued capital as at 30 June 2014 | 595,501 |
| 3D Medical capital raising post year end | 18,750 |
| Consideration for the acquisition (Note 9.1) | 2,151,736 |
| Shares issued pursuant to capital raising | 4,088,600 |
| Share issue costs | (525,091) |
| Shares issued pursuant to facilitation and advisory services | 175,000 |
| | <u>6,504,496</u> |

| | Pro forma Figures |
|---|--------------------------|
| | 30- Jun-14 |
| | # |
| Issued capital of SFP as at 30 June 2014 | 855,868,074 |
| SFP Share Purchase Plan post year end | 220,000,000 |
| Share consolidation (ratio 10:1) | (968,281,473) |
| Consideration shares issued (Note 9.1) | 175,000,000 |
| Shares issued pursuant to capital raising | 81,772,000 |
| Advisory and facilitation shares issued | 8,750,000 |
| | <u>373,108,601</u> |

Notes

Note 9.1 Consideration of the acquisition.

SFP issued 175,000,000 post-consolidation shares to the 100% acquisition of 3D Medical.

In accordance with reverse asset acquisition accounting principles the consideration is deemed to have been incurred by 3D Medical in the form of equity instruments issued to SFP shareholders. The acquisition date fair value of this consideration has been determined with reference to the fair value of the issued shares of SFP immediately prior to the acquisition and has been determined to be \$2,151,736 based on 1,075,868,074 shares at the closing share price on 19 June 2014 of \$0.002 per share being the date of execution of the heads of agreement which is immediately prior to the announcement of the transaction.

Note 9.2 Options

In addition to the 175,000,000 post-consolidation shares issued to related and unrelated 3D Medical Vendors additional consideration in the form of options have been issued on terms set out below.

| Holder | Pro forma number of options on issue post-consolidation | Exercise Price \$ | Expiry Date |
|--|---|-------------------|-------------------------------|
| 3D Medical Vendors (tranche 1) | 19,570,629 | 0.05 | 18 months after date of issue |
| 3D Medical Vendors (tranche 2) | 11,667,082 | 0.05 | 24 months after date of issue |
| Unrelated 3D medical Vendors (tranche 1) | 53,374,431 | 0.05 | 18 months after date of issue |
| Unrelated 3D medical Vendors (tranche 2) | 31,819,305 | 0.05 | 24 months after date of issue |

Note 10. Accumulated Losses

| | Pro forma Figures |
|---|--------------------|
| | 30- Jun-14 |
| | \$ |
| SFP accumulated losses at 30 June 2014 | (2,613,387) |
| Significant transactions post year end – SFP (Note 10.1) | (204,694) |
| <i>Adjustments arising from the acquisition of 3D Medical</i> | |
| Elimination of SFP accumulated losses on consolidation | 2,818,081 |
| Recognition of 3D Medical accumulated losses at 30 June 2014 | (282,812) |
| Significant transactions post year end – 3D Medical (Note 10.1) | (450,312) |
| Facilitation and advisory fees | (175,000) |
| Excess deemed consideration on acquisition | <u>(1,477,924)</u> |
| | <u>(2,386,048)</u> |

Note 10.1:

The significant transactions post year end included:

- SFP incurred net operating expenses of \$204,694.
- 3D Medical incurred net operating expenditures of \$450,312.

Note 11. Related Parties

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

Note 12. Commitments and Contingent Liabilities

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in this Prospectus.

Note 13. Subsequent Events

At the date of this report there have been no material events subsequent to balance date that we are aware of, other than those disclosed in this Prospectus.