



Press Release

29 September 2008

Armor Designs, Inc.

("Armor Designs" or "the Company")

Interim Results

Armor Designs, Inc., (AIM: ADID, ADIS), a designer and manufacturer of composite armour products targeting numerous sectors, today announces its interim results for the six month period ended 30 June 2008.

Financial and operational highlights (un-audited)

- Secondary Placing raised approximately US\$7 million in June 2008
- Executive team strengthened, with Charles Snyder appointed CEO in April, 2008 and David Seaton joining as CFO in March, 2008
- Relocation to new manufacturing and office facility completed in Q1 2008
- Cash balance as at 30 June 2008: US\$10.8 million

Since the period end

- Scorpion Works (the Company's dedicated expanded R&D facility) established in August 2008 and already achieving rapid success
- Strategic alliance signed with ipCapital group, a leading IP value management consultancy
- NIJ certification of Level 3 armour plates achieved in Q3 2008
- Initial production capacity has been established with two presses now fully installed and in operation

Commenting on the interim results, Charles Snyder, CEO of Armor Designs, Inc., said: "The Board is pleased with the progress made during the period, as the Company has transitioned into commercialisation. The core management team has been strengthened significantly, and

we have established our global sales network to support our commercialisation efforts, initially in the body armour sector. We are pleased to have established our manufacturing facility in Phoenix, and the Placing in June puts the Company in a strong position for future growth.”

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Chairman's Statement

Armor Designs, Inc. (ADI) is first and foremost a knowledge-based, technology-innovation company that develops and manufactures the highest quality armour materials to serve the military, government and commercial sectors on a global basis. Our commitment to state-of-the-art innovation is driven through the application of patented Volumetrically Controlled Manufacturing (VCM) methodologies which are a unique, integrated design and manufacturing approach that optimises parts by varying the mechanical properties of its material, allowing for rapid design and manufacturing of advanced composite materials. We seek to leverage VCM and thus accelerate the design and commercialisation of new products for future applications in the armour industry and beyond.

Having completed our admission to AIM in December 2007 we have focused on establishing our manufacturing base in Phoenix and strengthening our management team to meet the challenges ahead. Our first heat press has been fully operational since March 2008 and our second will be operational in the subsequent period. These presses provide adequate short-term capacity, and further presses will be added as demand grows.

On the management side, I moved over from CEO to Chairman in April following the appointment of Charles Snyder, a seasoned executive who has been brought in to run the day to day business and allow me to concentrate on furthering our R&D efforts and shaping the long term strategy of the Company. Charles has been joined by David Seaton, our new CFO who joined the Company in March as a consultant, before his appointment to the Board in June. Our COO, Ardy Sidhwa's, team has been strengthened by the recruitment of David Laube, our Engineering and Production Director in early Q3 2008. We are continuing to select additional executives to enhance our corporate management team, to place the Company in the strongest possible position for future growth.

Our Scorpion Works R & D team is quickly bedding in and achieving a positive impact having designed, developed, prototyped, tested and subsequently certified two new NIJ Level 3 plates in the space of two months with a number of other projects in varying stages of development. This rapid design to commercialisation of products underscores the true value of VCM and the competitive advantage the Company has over those using traditional R&D methods. The Board is confident that Scorpion Works will continue to leverage VCM and produce a

consistent number of innovative and industry leading products within a wide variety of applications in the years to come.

This maiden reporting year has, however, not been without challenges. In particular, in terms of sales with delays in certifying plates and establishing a global distribution network limiting our sales efforts. However, the initial feedback on the plates now certified is that they have strong market acceptance and are offered at a market competitive price point. This acceptance, along with the strengthening of our sales team and global distribution network, should produce increasing revenues at the back-end of this year.

As anticipated, the Company currently consumes cash through both CAPEX required to establish its manufacturing base as well as ongoing working capital needs yet to be covered by ongoing revenues. We anticipate that the Company will not be cash generative until 2009 and therefore have supplemented the funds raised at the time of the Initial Public Offering (US\$16.0 million) by a secondary Placing in June that raised US\$7.0 million.

James A. St. Ville

Chairman

29 September 2008

Chief Executive's Statement

Overview

In the six months ended 30 June 2008 the Company has made significant progress in establishing the corporate and manufacturing infrastructure to commercialise its initial product offerings. In particular we have established our manufacturing capacity in Phoenix with two heat presses and have recruited the majority of our management team to take the business forward. We also have taken steps to establish our sales network in key global markets. In addition the raising of a further US\$7.0 million in June 2008, and the recent certification of our Level 3 armoured plates puts the Company in a strong position to achieve its objectives in the second half of the financial year.

Armor Designs is a technology driven business that applies VCM technology to the design and subsequent manufacture of light weight composite armour that offers similar or better strength than traditional armour but with significant weight advantages. VCM also enables the Company to rapidly design, prototype and commercialise armour solutions much quicker than existing R&D methods thus giving the Company a competitive advantage in bringing new solutions to market.

Our first area of focus is the body armour sector with several products being designed and commercialised already this year with others in differing stages of development for possible commercialisation later in the year. The Company will commercialise solutions within other sectors, including vehicles, aviation and infrastructure sectors in due course, all as a function of applying unique VCM technologies to design the commercialised solutions.

Corporate developments

In April 2008 the Company appointed Alexander David Securities as its sole broker while retaining Zimmerman Adams as its Nominated Advisor. In June 2008 the Company placed 700,000 ordinary shares at US\$10.00, raising US\$7.0 million from the Placing to supplement the US\$16.0 million raised in December 2007 from its Initial Public Offering.

The Placing in June 2008 has strengthened the Company's balance sheet, which will assist in meeting its challenges and goals in the second half of the current year and beyond. In particular, it will help fund the ongoing R&D efforts required to design and commercialise the many product opportunities that the Company has identified. Being in the early stages of its commercialisation roll out, the Company currently does not have any banking facilities that support its working capital needs and so is utilising the funds raised through the June 2008 Placing and December 2007 IPO to meet its ongoing funding needs, including CAPEX.

Financial performance

During the six month period to 30 June 2008 pre-tax losses increased to US\$4.4 million (30 June 2007: US\$1.3 million), reflecting the anticipated establishment of the Company's infrastructure to meet its commercialisation roll out as well as an increased level of R & D activity. In particular General and Administrative expenses have increased to US\$2.9 million (30 June 2007: US\$525,834) with the recruitment of a full management team and support staff required to manufacture, market and manage the products being designed. R&D costs for the period were US\$1.0 million (30 June 2007: US\$413,388) as a result of additional staff having been recruited to accelerate the design and prototyping of new armoured products. The increase in cost base also reflects the relocation of the company into its manufacturing facility in Phoenix, Arizona and the establishment of its manufacturing capabilities.

Capital expenditure also increased to US\$2.1 million with the purchase of two heat presses and ancillary equipment associated with their installation and commissioning.

At the end of June 2008, the Company had cash of US\$10.8 million on hand leaving it in a good position from which to achieve its short term commercial targets.

Summary

The company has made significant progress in transitioning from a development entity to one of commercialisation in the first six months of the year, having recruited the core of its required management team, established its manufacturing capabilities and raising additional finances to meet its ongoing working capital needs. With certified plates now being manufactured, the

Board is confident that the second half of the year will generate material levels of sales and the delivery of enhanced shareholder value.

Charles W. Snyder

Chief Executive Officer

29 September 2008

CONSOLIDATED BALANCE SHEETS
A Development Stage Company
June 30, 2008, December 31 and June 30, 2007

	<u>Unaudited</u> 30-June 2008 US\$	<u>Unaudited</u> December 31, 2007 US\$	<u>Unaudited</u> 30-June 2007 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10,846,431	13,521,453	43,610
Receivable from sale of common stock	1,908,000	3,304,000	-
Contracts and other receivables	54,989	7,763	5,120
Inventory	393,944	-	-
Prepaid expenses and deposits	134,753	67,389	16,281
	<u>13,338,117</u>	<u>16,900,605</u>	<u>65,011</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortisation of			
	<u>1,335,236</u>	<u>122,678</u>	<u>4,433</u>
DEPOSITS			
Equipment	1,817,721	1,005,477	82,068
Other	49,000	49,000	-
	<u>16,540,074</u>	<u>18,077,760</u>	<u>151,512</u>
LIABILITIES AND EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Line of credit - related party	-	2,941,467	3,334,456
Accounts payable	598,154	1,382,318	101,436
Accounts payable, related party	31,786	105,837	334,312
Accrued expenses	408,533	1,109,553	244,815
	<u>1,038,473</u>	<u>5,539,175</u>	<u>4,015,019</u>
CONVERTIBLE BONDS, 10% SERIES A	-	-	4,150,000
EQUITY (DEFICIT)			
Common stock, US\$0.001 par value;	26,623	25,923	22,500
Authorised shares			50,000,000
Issued Shares:			<u>2008</u> <u>2007</u>
			26,622,500 22,500,000
Additional paid-in capital	30,867,171	23,481,171	728,000
Deficit accumulated during development stage	(15,392,193)	(10,968,509)	(8,764,007)
	<u>15,501,601</u>	<u>12,538,585</u>	<u>(8,013,507)</u>
Total Equity (Deficit)	<u>16,540,074</u>	<u>18,077,760</u>	<u>151,512</u>

CONSOLIDATED STATEMENT OF OPERATIONS

A Development Stage Company

June 30, 2008, December 31 and June 30, 2007

	Unaudited Oct 5, 2004 to June 30, 2008 US\$	Unaudited June 30, 2008 US\$	Unaudited June 30, 2007 US\$
Revenue	95,150	95,150	-
COGS	324,777	324,777	-
Gross Margin	(229,627)	(229,627)	-
Operating expenses:			
Research and development	8,165,265	1,028,510	413,388
General and administrative	4,923,413	2,913,660	525,834
Selling and marketing	514,014	246,136	28,018
Total operating expenses	13,602,692	4,188,306	967,240
Interest expense	1,559,874	5,751	322,225
Loss before income taxes	15,392,193	4,423,684	1,289,465
Provision for income taxes	-	-	-
Net loss	<u>15,392,193</u>	<u>4,423,684</u>	<u>1,289,465</u>
Basic and diluted loss per share		(0.17)	(0.06)
Shares used in computation of basic and diluted loss per share		25,945,577	22,500,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
A Development Stage Company
June 30 2008, December 31, 2007 and June 30, 2007

	Common Stock US\$	Amount US\$	Additional Paid-In Capital US\$	Deficit Accumulated During the Development Stage US\$	Total US\$
Balances, December 31, 2006	22,500,000	22,500	728,000	(7,474,542)	(6,724,042)
Net loss				(1,289,465)	(1,289,465)
Balances, June 30, 2007	<u>22,500,000</u>	<u>22,500</u>	<u>728,000</u>	<u>(8,764,007)</u>	<u>(8,013,507)</u>
Issuance of common stock in exchange for convertible debt	1,822,500	1,823	8,998,177	-	9,000,000
Issuance of common stock on London AIM net of expenses of US \$2,243,406 Common Stock par 0.001	1,600,000	1,600	13,754,994	-	13,756,594
Net loss	-	-	-	(3,493,967)	(3,493,967)
Balances, December 31, 2007	<u>25,922,500</u>	<u>25,923</u>	<u>23,481,171</u>	<u>(10,968,509)</u>	<u>12,538,585</u>
Issuance of common stock on London AIM net of expenses of US \$186,274 Common Stock par 0.001	700,000	700	6,813,726	-	6,814,426
Stock Compensation	-	-	572,274	-	572,274
Net loss	-	-	-	(4,423,684)	(4,423,684)
Balances, June 30, 2008	<u><u>26,622,500</u></u>	<u><u>26,623</u></u>	<u><u>30,867,171</u></u>	<u><u>(15,392,193)</u></u>	<u><u>15,501,601</u></u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

A Development Stage Company

June 30, 2008, December 31 and June 30, 2007

	Unaudited Oct 5, 2004 to June 30, 2008 US\$	Unaudited June 30, 2008 US\$	Unaudited June 30, 2007 US\$
RECONCILIATION OF NET LOSS TO NET CASH			
USED IN OPERATING ACTIVITIES:			
Net loss	(15,392,193)	(4,423,684)	(1,289,465)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation & amortisation	65,135	60,853	467
Stock based compensation	572,274	572,274	
Research and development costs charged against line of credit - related party	-	-	64,839
Changes in assets and liabilities:			
Contracts and other receivables	(1,962,989)	1,348,774	274,202
Inventory	(393,944)	(393,944)	-
Prepaid expenses and deposits	(183,752)	(67,363)	(1,281)
Accounts payable and accrued expenses	1,038,473	(1,559,235)	(164,305)
Net cash used in operating activities	<u>(16,256,996)</u>	<u>(4,462,325)</u>	<u>(1,115,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(1,400,372)	(1,273,412)	(4,900)
Deposits paid for property and equipment	<u>(1,817,721)</u>	<u>(812,244)</u>	<u>(82,068)</u>
Net cash used in investing activities	<u>(3,218,093)</u>	<u>(2,085,656)</u>	<u>(86,968)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on line of credit - related party	(5,435,554)	(2,941,467)	(357,500)
Borrowings on line of credit - related party	5,435,554	-	362,000
Proceeds from sale of convertible bonds	9,000,000	-	1,175,000
Proceeds from sale of common stock	20,571,020	6,814,426	1,175,000
Members' contributions	<u>750,500</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>30,321,520</u>	<u>3,872,959</u>	<u>2,354,500</u>
Net increase (decrease) in cash and cash equivalents	10,846,431	(2,675,022)	1,151,989
Cash and cash equivalents:			
Beginning of period		<u>13,521,453</u>	<u>66,621</u>
Ending of period		<u>10,846,431</u>	<u>1,218,610</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

A Development Stage Company

June 30, 2008, December 31 and June 30, 2007

	Unaudited Oct 5, 2004 to June 30, 2008 US\$	Unaudited June 30, 2008 US\$	Unaudited June 30, 2007 US\$
Supplemental cash flow information			
Cash paid for interest	1,389,986	5,751	322,225
Supplemental disclosure of non-cash investing and financing activities			
Conversion of bonds into common stocks and warrants	9,000,000	-	-

NOTE 1 - NATURE OF BUSINESS

Armor Designs, Inc. (the Parent) was incorporated in Delaware on 30 March 2006. On 1 January 2007, 100% of the membership interests of Armor Designs LLC (the Subsidiary) were exchanged for common stock of the Parent.

The exchange does not meet the definition of a business combination, and, as such, purchase accounting does not apply. For purposes of the statement of changes in equity (deficit) and for computation of earnings per share, the exchange (including the issuance of common stock) has been presented retroactively.

The Subsidiary was organised in Delaware on 30 September 2004. The financial statements prior to incorporation of the Parent represent activities of the Subsidiary. The Parent and Subsidiary (collectively the Company) are engaged in the business of developing, manufacturing and marketing innovative armour products to the defense and law enforcement industries. The Company's focus is primarily on introducing next generation armour based on patented Volumetrically Controlled Manufacturing (VCM) technology.

The Company was a development stage entity during 2007 and has commenced a commercialisation process during 2008. The focus of the Company's efforts is the generation, testing and manufacture of armour products. The Company's success will depend on its ability to effectively develop and manufacture innovative armour for military and law enforcement use.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

These interim financial statements have been prepared in accordance with accounting policies generally accepted in the United States of America ("US GAAP"). These interim financial statements are presented in US dollars, unless otherwise stated.

The interim financial statements for the six-month period ended 30 June 2008 and 2007 are unaudited. In the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly in accordance with US GAAP the financial position, results of operations and cash flows for all periods presented have been made. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

The interim financial statements follow the same accounting policies and methods of application as the financial statements for the year ended 31 December 2007. These interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's 2007 Annual Report.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all cash balances with original maturities of less than 90 days to be cash equivalents. While cash held by financial institutions may at times exceed federally insured limits, management believes that no material credit or market risk exposure exists due to the high quality of the institutions. The Company has not experienced any losses on such accounts.

Inventory Valuation Method

The Company uses a First-in, First-out (FIFO) inventory valuation method for these interim financial statements.

Property and Equipment

Depreciation is provided using the straight-line method over an estimated useful life of three years for computer equipment and seven years for capital equipment. Amortisation of leasehold improvements is provided using the straight-line method over the remaining life of the lease on the Company's current facility. Depreciation and amortisation expense amounted to US\$60,853 and US\$467 for the periods ended 30 June 2008 and 2007, respectively.

Stock-Based Compensation

The Company records stock-based compensation in accordance with SFAS 123(R), Share-Based Payment. SFAS 123(R) requires the measurement and recognition of compensation expense in the financial statements for all share-based awards to employees based on estimated fair values. This statement was adopted using the modified prospective method. Under this method, compensation expense includes the estimated fair value of equity awards vested during the reported period. For the period ended 30 June 2008, the Company has recorded a US\$548,124 and US\$24,150 expense for Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs) respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method recognising temporary differences between the financial reporting and tax bases of its assets and liabilities as set forth in SFAS 109, *Accounting for Income Taxes*. This method results in deferred income tax assets and liabilities at the balance sheet date measured by the statutory tax rates in effect as enacted. The Company's deferred income tax assets include certain future income tax benefits net of appropriate valuation allowances. Recognition of deferred tax assets is limited to amounts considered by the Company to be more likely than not realisable in future periods with all tax benefits associated with losses incurred having been reserved.

Principles of Consolidation

The financial statements include the accounts of Armor Designs, Inc. and Armor Designs, LLC. All material intercompany balances and transactions have been eliminated in consolidation.

NOTE 3 - PUBLIC OFFERING AND STOCK SPLIT

On 31 December 2007, the common shares of the Company were admitted to trading on the AIM Market of the London Stock Exchange ("Admission"). Upon Admission, Capita Registrars (Jersey) Limited began serving as the Registrar of the Company.

Market Demand Arrangements were put in place in connection with the Placing on 31 December 2007 to meet potential demand for investors subsequent to the original placement. The placing document made available up to 3,000,000 common shares. The common shares issued pursuant to the Market Demand Arrangements issued represent approximately 2.5 percent of the Enlarged Share Capital of the Company.

The Company raised US\$7,000,000, before expenses, during the period ended June 2008 by issuing 700,000 common shares at a price of US\$10 per share pursuant to Market Demand Arrangements put in place in conjunction with the Admission. These shares constitute approximately 2.6 percent of the Company's share capital at 30 June 2008. Funds in the amount of US\$5,742,000 were collected from the sale of common stock as of 30 June 2008. Funds in the amount of US\$1,908,000 remain to be collected as of 30 June 2008.

At admission on 31 December 2007, the Company had 25,922,500 common shares in issue and a market capitalisation of US\$259,225,000 at the placing price of US\$10.00. As of 30 June 2008, the Company had 26,622,500 common shares in issue and a market capitalisation of US\$266,225,000 at the placing price of US\$10.00.

The placing shares are not registered under the US Securities Act 1933. The shares are only offered (i) outside the United States to non-US persons in reliance on Regulation S under the Securities Act and (ii) within the US to Accredited US investors in reliance on Regulation D under the Securities Act. Of the 2,300,000 common shares issued due to the IPO 1,515,000 were issued in reliance on Regulation S and 785,000 were issued in reliance on Regulation D.

Upon admission to AIM, the conversion features of outstanding convertible bonds were triggered (see Note 4). Each convertible bond unit issued converted to 2.025 shares of Common Stock and 2.025 warrants to purchase one share of Common Stock in the Company. Each warrant granted entitled the holder to purchase one Common Share at a price per share of 125 percent of the placing price of \$US10, or US\$12.50, exercisable on the second anniversary of admission or the date of any secondary issue of Common Shares by the Company following admission. All Bond Warrants expire if they are not exercised on the Warrant Exercise Date. A total of 1,822,500 common shares and 1,822,500 warrants were issued as a result of the conversion.

NOTE 4 - CONVERTIBLE BONDS

During 2006, the Company began issuing 10% series A convertible bonds. Through 31 December 2006, the Company raised US\$2,975,000 from the sale of these bonds at par. During 2007 the Company raised an additional US\$6,025,000 for a cumulative US\$9,000,000 through 31 December 2007. The bonds carried an original maturity date of 31 March 2011. Interest was payable semi-annually in May and November, beginning 1 November 2006. Interest expense related to the convertible bonds amounts to US\$525,755 and US\$118,642 for the years ended 31 December 2007 and 2006, respectively. All convertible bonds have been converted into common stock effective 31 December 2007. As such, no interest charges have been accrued during the period.

The bonds were automatically convertible into shares of the Company's common stock in the event that any of the following occur: the consummation of an initial public offering or substantial private investment, the sale of all or substantially all of the assets of the Subsidiary or holding company, or an optional conversion event in which the Subsidiary has the option to call the bonds at par value, plus any accrued and unpaid interest after 31 December 2007. The conversion rate of the bonds was dependent on the type of conversion event noted above. The bonds expressed that each share of converted stock would carry a warrant to purchase another share of stock at 125% of a price to be determined. Upon Admission to AIM on 31 December 2007, the above conversion features were triggered and all convertible bond units were converted into common shares (see Note 3). Upon conversion, bondholders received 20,250 common shares for each US\$100,000 bond unit held. The same rate was used for the issuance of the warrants. A total of 1,822,500 common shares and 1,822,500 warrants were issued upon conversion.

NOTE 5 - WARRANTS AND OPTIONS

Warrants for 1,822,500 shares of Common Stock and Options for 507,900 shares of Common Stock were outstanding at the time of the Admission. Exercise of any of these warrants or options would have a commensurately dilutive effect on the holdings of the previously issued Common Shares.

On 31 December 2007, the Company issued stock awards to various equity owners and key employees as a means of attracting and retaining quality personnel. The award holders have the right to purchase a stated number of shares at the exercise price determined in the agreement. These options are issued under the Armor Designs, Inc 2007 Omnibus Incentive Plan (Plan). The Plan allows the Company to issue Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs). Awards may be made under the Plan over shares of common stock not to exceed 10% of the issued share capital of the Company at the date of the award. The total number of awards outstanding at 31 December 2007 under the Plan was 438,500 RSUs and 69,400 SARs. (No further awards were made during the period ended 30 June 2008).

In accordance with disclosure requirement under SFAS 123(R), the estimated full grant-date fair value of the Restricted Stock Units is US\$4,385,000 using the Black-Scholes method. Utilising the Black-Scholes method the Company assumes 3.0% volatility, 0% dividend rate and 3.29% risk free rate for all options and warrants.

Terms of Restricted Stock Unit Agreements

Date of Grant	31 December 2007
Exercise Price per share of Common Stock	US\$0
Expiration Date	31 December 2017
Vesting Schedule	25% annually on the first, second, third and fourth anniversaries of the Date of Grant. Vesting is accelerated in full upon Change in Control

In accordance with disclosure requirement under SFAS 123(R), the estimated full grant-date fair value of the Stock Appreciation Rights is US\$193,233 using the Black-Scholes method.

Terms of Stock Appreciation Right Agreements

Date of Grant	31 December 2007
Exercise Price per share of Common Stock	An amount equal to the per Share Listing Price of US\$10.00 or the Per Share Private Investment Price (as applicable)
Expiration Date	31 December 2017
Vesting Schedule	25% annually on the first, second, third and fourth anniversaries of the Date of Grant. Vesting is accelerated in full upon Change in Control

In accordance with disclosure requirement under SFAS 123(R), the estimated full grant-date fair value of the warrants is US\$20 using the Black-Scholes method.

Terms of Warrants

Date of Grant	31 December 2007
Exercise Price per share of Common Stock	US\$12.50
Expiration Date	31 December 2009
Warrant Exercise Date	The earliest to occur of 31 December 2009, or the date, if any, of any further issuance of Common Stock by the Company in a public offering or other material transaction.

A compensation expense of US\$548,124 for RSU's and US\$24,150 for SAR's was recognised during the first half of 2008 as the first vesting period occurs in 2008. Compensation expense per FAS 123R requirements will be recognised rateably over the four-year period.

The following table shows unrecognised compensation expense related to unvested RSUs and SARs outstanding as of 31 December 2007. This table does not include an estimate for future grants that may be issued.

Fiscal Year Ended 31 December:	Amount US\$
2008	572,274
2009	1,144,558
2010	1,144,558
2011	<u>1,144,559</u>
Total	<u>4,005,949</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Since inception, the Subsidiary, Armor Designs, LLC, has conducted business through transactions with a related corporation, Hawthorne & York International, Ltd. (HYI), owned by James A. St Ville, HYI owns approximately 84 percent of Armor Designs, Inc. subsequent to Admission.

During 2004, the Subsidiary entered into a services agreement with the related party whereby the related party provides interim research and development services, including labour, subcontracting, consulting, equipment and technical upgrades, materials, and other related research and development activities.

The services agreement, as it relates to research and development activities, is structured in the form of a Line of Credit with interest on unpaid invoices for services charged at an annual rate of 9%. The outstanding balance of the Line of Credit as of 30 June 2008 was US\$0, and accrued interest totalled of US\$0.

Billings from the related party for general and administrative expenses, use of licensed technology, and research and development services conducted on behalf of the Subsidiary were as follows:

Period ended 30 June 2008 and 30 June 2007	US\$209,713	US\$244,959
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Included in the accompanying consolidated balance sheets is accounts payable of US\$31,786 due to the related party at 30 June 2008, for billings related to general and administrative and research and development activities.

The Company maintains independent management and human resources. The Company has also entered into a lease for independent facilities. In January 2008, the outstanding balance of the Line of Credit was repaid, along with all accrued interest due. The Company continues to utilise the related party for select research and development activities, and the Line of Credit remains open.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The Company policy is to capitalise all equipment, either moveable or fixed, with a unit acquisition cost of US\$2,500 or greater and a useful life of two years or more. Acquisition value includes the cost of the equipment and any associated costs incurred to make the equipment usable for the purpose for which it was intended, including installation costs.

As of 30 June 2008, the Company capitalised and was depreciating fixed assets per the following schedule:

	<u>Life</u>	<u>Book Value</u> US\$
Computer equipment	3	91,082
Computer software	3	109,901
Equipment	7	647,923
Production Molds	3	81,024
Furniture & Fixtures	7	23,291
Leaseholds	(Lease)	447,150
Subtotal:		<u>1,400,371</u>
Less: accumulated depreciation and amortisation		<u>(65,135)</u>
Total:		<u>1,335,236</u>

NOTE 8 - COMMITMENTS, LEASE RENEWAL AND PURCHASE OPTIONS

In December 2007, the Company entered into an operating lease agreement for its facility located at 4645 S. 35th Street in Phoenix, Arizona. Under the agreement, the Company is required to pay rent through December 2012 as follows:

Periods ending December 31,	US\$
2008	530,807
2009	539,368
2010	547,930
2011	565,052
2012	<u>582,175</u>
	<u>2,765,332</u>

In December 2007, the Company entered into an Option Agreement to purchase the facility located at 4645 S. 35th Street in Phoenix, Arizona. Under the agreement, the Company was granted the exclusive right and option to purchase the property. The option became effective at the signing of the lease and continues until the earliest to occur of: (a) one hundred twenty (120) days after the Commencement Date under the Lease; or (b) the date the Lease is terminated if such Lease is terminated prior to Company purchasing the property. The purchase price for the property is US\$7,500,000.00. To date, the purchase option has been extended but not exercised.

Effective 13 September 2004, the Subsidiary, Armor Designs, LLC, entered into a contract with Hawthorne & York International, Ltd., a company owned by James A. St Ville (84% ownership of the Company), for use of certain licensed technological products and processes owned by the related party. The Subsidiary is obligated to pay 4% of gross sales on a quarterly basis to the related party until September 13, 2009, at such time the contract will automatically renew for five-year terms subject to a maximum amount payable of US\$7,000 per quarter for the first 18 months after the Company commences production or sub-licences. In addition, the Subsidiary entered into a contract on the same date with Aztec IP, a company owned by James A. St Ville (84% ownership of the Company) for use of licensed patents owned by the related party. Under this contract, the Subsidiary is obligated to pay the related entity 2% of gross sales on a quarterly basis subject to a maximum amount payable of US\$3,000 per quarter for the first 18 months after the Company commences production or sub-licences. This contract has the same expiration and renewal dates.

NOTE 9 - EARNINGS PER SHARE

The Company accounts for income (loss) per share in accordance with SFAS No. 128 "Earnings Per Share". Basic income per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the periods presented. Diluted income per share reflects the potential dilution that could occur if outstanding stock options were exercised utilising the treasury stock method. The calculation of the weighted average number of shares outstanding and earnings per share are as follows:

<u>Basic Earnings Per Share</u>	<u>30 Jun 2008</u>	<u>30 Jun 2007</u>
Net loss after tax	US\$(4,423,684)	US\$(1,289,465)
Divided by weighted average shares	25,945,577	22,500,000
Basic loss per share	US\$(0.17)	US\$(0.06)
Diluted loss per share	US\$(0.17)	US\$(0.06)

For 2008 and 2007, because of our reported net loss, all potentially diluted securities were excluded from the per share computations due to their anti-dilutive effect.

NOTE 10 – SUBSEQUENT EVENT

The Company shareholders passed a resolution at the annual Meeting held on Sept 23, 2008, that empowers the Board to repurchase or otherwise acquire shares of the Company's Common Stock in the open market or in private transactions, with such repurchases not to exceed US\$5,000,000 in the aggregate. The resolution states that no such repurchase shall be made when the capital of the Company is impaired or when such purchase or acquisition would cause any impairment of the capital of the Company.

- Ends -