



Press Release

30 September 2011

Armor Designs, Inc.

Interim Results for six months ended 30 June, 2011

Armor Designs, Inc., (“ADI”, “Armor” or the “Company”), a knowledge-based designer, developer and manufacturer of next generation composite protective products, today announces its unaudited interim results for the six months ended 30 June 2011. These results have not been reviewed by the Company's auditors.

Financial and Operating developments

- Sales revenue US\$326k for the six months ended 30 June 2011 (H1 2010: US\$577k)
- Net Losses from operations of US\$3.9m for the six months ended 30 June 2011 (H1 2010 US\$7.8m);
- Equity funds raised of US\$450,000 in March 2011;
- Established accounts export sales financing facility with a credit capacity of US\$0.7m; and
- The Company continues its efforts to correct and strengthen the balance sheet conditions previously announced and described more fully in footnotes 2 and 16 to the financial statements.

Post Balance Sheet Events

As announced on 19 September 2011, the Company successfully closed a transaction specific international and domestic purchase order and inventory bank debt financing for US\$1.0 million 5-year term loan with GBC International Bank and raised a further US\$1.15m in equity.

Commenting on the results, James A. St. Ville, M.D., Executive Chairman of Armor Designs, Inc., said:

“The interim period ending for the six months ending 30 June 2011, was challenging due to the absence of traditional bank financing. Our limited working capital position, combined with global economic turmoil, restrictions in traditional banking products, and difficulty in obtaining purchase order financing inhibited our growth potential significantly. Consequently, Armor made only limited strategic advancements during the interim period ending months 30 June 2011. As previously announced in 2010 and likewise for the interim period ending 30 June 2011, the Company's sales and marketing efforts have been constrained by the requirement to prioritize working capital proceeds to finance purchase orders. However, as announced first on 15 March 2011 and subsequently on 19 September 2011 the Company has now obtained some limited new international and domestic purchase order debt financing for the first time in the Company's history, and the opportunities this gives the Company should be evolving over the next 12 months and beyond”.

The Chairman and Chief Executive's Statement and the interim results for the month ending 30 June 2011 , which are contained below and form part of this announcement, include further important information and disclosures; the announcement should be read in its entirety.

For further information:

Armor Designs, Inc.

James A. St. Ville, M.D., COB, CEO, President

james.st.ville@armordesigns.com

Tel: +1 (602) 275-4633

www.armordesigns.com

Nominated advisor:

Shore Capital & Corporate Ltd.

Anita Ghanekar

Edward Mansfield

Tel: +44 (0) 20 7408 4090

www.shorecap.co.uk

Chairman's and Chief Executive's Statement

The Board is pleased to report Armor Designs Inc.'s interim results for the period ended 30 June 2011. In its second year of commercial operation, the Company continued to offer leading edge ballistic protection products to military, law enforcement and security organizations. The directors accept responsibility for this report

Strategic and Operational Progress

The interim period for the six months ending 30 June 2011 was a difficult time, in that, the Company had not secured banking debt financing for domestic inventory. This combined with our restricted capital base limited the quantity of purchase orders that could be fulfilled. Following the announcement of 19 September 2011 the Company now has for the first time in its history both an international and domestic debt financing facility in place. The Company expects to leverage off the opportunities provided by these debt facilities in the upcoming 12 months.

During this interim period, the Company continued two governmental research and development projects, the first for a new soft body armor and the other for a custom armor material designs. These projects exemplify the versatility and the rapid prototyping capabilities of the VCM proprietary methodology for armor matrix designs. These projects when finished will enable the Company to utilize these designs in future markets that the Company currently does not compete in.

The body armor industry in the U.S. continues to show a slowing in growth during the interim period ending 30 June 2011. Two of the Company's OEM customers have undergone reorganization under U.S. bankruptcy laws. Despite slowing in growth of the armor industry, the Company was still able to put in place traditional bank financing and continue production and day-to-day operations.

Working Capital

For the six months ended 30 June 2011, the Company incurred net losses from operations of approximately US\$3.9 million. Historically, the Company has relied, in part, upon debt financing, loans from related entities and raising new capital to fund its operations. In the past, the Company has been successful in obtaining the capital necessary to meet its obligations; however, there are no assurances that the Company will be able to continue to raise the sufficient funds needed for working capital until such time as the operations can provide positive cash flow.

The Company's ability to continue as a going concern is predicated upon its ability to improve operating results and to continue to fund its cash needs. Management is pursuing ways to improve operating results in order to generate additional cash flow from operations. The Company will consider undertaking further equity fundraisings to provide for working capital. The Company may also consider other forms of non-equity fundraisings for the same purpose which may include debt financing collateralized by the Company's assets. Management has the ability to curtail spending and negotiate payments to third parties, in the event that future funding takes longer than anticipated. There can be no assurance that the Company will be able to raise capital needed to fund its operations or implement management's plans.

The 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 classification of liabilities that may result if the Company is unable to operate as a going concern.

Trading and Market Capitalisation

During the period from 1 January 2011 through to September 2011, the Company issued 106,667 common stock shares at a share price of US\$15 per share. This resulted in US\$1.6m in equity capital investment in the Company. Therefore, from 1 January 2009 through 30 June 2011, the Company issued a total of 557,669 shares, with an equity investment value of US\$8.37m. These shares were issued at a price of US\$15 per share with an implied corporate valuation of US\$405m.

Armor has two lines of stock, Armor Designs Reg D. shares ("ADID") and Armor Designs Reg. S. shares ("ADIS") both of which are traded on the London AIM exchange. During the interim period ending 30 June 2011, the London AIM exchange had a trading volume of 2,500 ADID shares. From October 2008 through the interim period ending 30 June 2011, the AIM exchange had a total trading volume of 11,000 ADID shares. The current ADID share price on the AIM exchange is £1.0 with a market capitalisation of £71.60m.

During the interim period ending 30 June 2011, the AIM exchange had a trading volume of 5,450 of Armor ADIS shares. From October 2008 through the interim period ending 30 June 2011, the AIM exchange had a total trading volume of 6,250 ADIS shares. . The current ADIS share price on the AIM exchange is £1.0 with a market capitalisation rate of £71.60m.

Outlook

Armor Designs, has a cautious outlook for the short to medium term future. Over the next twelve months, the Company will benefit from and fully implement the purchase order financing that has taken over a year to put in place. Management anticipates achieving slow steady growth in the longer term once the margins from the purchase orders are realized and the Board is able to focus on its sales and marketing programs. The Company will continue its efforts to increase sales, continue research and development programs, reduce costs and improve margins. In conjunction with this, Armor Designs, Inc. will continue to strengthen its traditional banking relationships and continue to raise additional working capital as it deems necessary.

James A. St. Ville

COB, CEO, & President
29 September 2011

The financial statements have been prepared by the directors and have not been reviewed by the Auditors.

ARMOR DESIGNS, INC.
Consolidated Balance Sheets
Unaudited

	30 June	
	2011	2010
	US\$	US\$
ASSETS		
Current Assets:	10,275	132,154
Cash and cash equivalents		
Accounts receivable, net	8,657	90,000
Inventory	149,533	290,356
Prepaid expenses and deposits	191,404	87,821
Total current assets	359,869	600,331
Notes receivable, related party	278,423	278,423
Property and equipment, net	3,378,304	4,413,018
Equipment deposits	-	105,827
Total Assets	4,016,596	5,397,599

LIABILITIES AND EQUITY (DEFICIT)

	2011	2010
	US\$	US\$
Current Liabilities:		
Accounts payable	2,232,469	1,975,110
Accounts payable, related party	3,187,541	1,677,878
Accrued expenses	1,099,090	413,850

Accrued expenses, related party	472,000	292,000
Deferred revenue	91,720	-
Notes payable, related party	556,490	510,000
Notes payable	964,717	353,131
Total current liabilities	8,604,027	5,221,969
Commitments and contingencies		
Equity (deficit):		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 27,025,136 and 26,786,801 issued and outstanding in 2011 and 2010, respectively	27,025	27,025
Additional paid-in capital	52,204,032	48,447,321
Deficit accumulated during development stage	(56,818,487)	(48,298,717)
Total equity (deficit)	(4,587,429)	175,630
Total Liabilities and Equity (Deficit)	4,016,596	5,397,599

The accompanying notes are an integral part of the consolidated financial statements.

ARMOR DESIGNS, INC.
Consolidated Statements of Operations

	<u>Unaudited</u>		
	From 30 September 2004 (Inception) to 30 June 2011	Six Months Ended 30 June 2011	2010
	US\$	US\$	US\$
Revenue	2,521,259	325,967	576,991
Cost of goods sold	10,869,045	1,641,684	1,963,644
Gross margin	(8,347,786)	(1,315,717)	(1,386,653)
Operating expenses:			
Research and development	11,371,111	71,213	636,434
General and administrative	32,529,513	2,420,197	5,666,487
Selling and marketing	2,082,853	5,425	122,271
Other	333,653	8,075	(6,344)
Total operating expenses	46,317,130	2,504,909	6,418,848
Other income (expense)			
Interest income (expense), net	(1,808,322)	(86,765)	(68,944)
Loss on investment, net	(345,249)		-
Total other income (expense)	(2,153,571)	(86,765)	(68,944)
Loss before income taxes	(56,818,487)	(3,907,392)	(7,874,445)
Provision for income taxes	-	-	-
Net loss	(56,818,487)	(3,907,392)	(7,874,445)

Basic and diluted loss per share	<u>\$ (.145)</u>	<u>\$ (.29)</u>
Shares used in computation of basic and diluted loss per share	<u>26,906,969</u>	<u>26,793,155</u>

The accompanying notes are an integral part of the consolidated financial statements

ARMOR DESIGNS, INC.
Consolidated Statements of Changes in Equity (Deficit)

	Common Stock Shares	Common Stock Amount US\$	Additional Paid-In Capital US\$	Deficit Accumulated During the Development Stage US\$	Total US\$
30 September 2004	-	-	-	-	-
Issuance of Common Stock	22,500,000	22,500	727,900	-	750,400
Net loss	-	-	-	(1,854,065)	(1,854,065)
31 December 2004	22,500,000	22,500	727,900	(1,854,065)	(1,103,665)
Net loss	-	-	-	(3,220,019)	(3,220,019)
31 December 2005	22,500,000	22,500	727,900	(5,074,084)	(4,323,684)
Member contributions	-	-	100	-	100
Net loss	-	-	-	(2,400,458)	(2,400,458)
31 December 2006	22,500,000	22,500	728,000	(7,474,542)	(6,724,042)
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	1,600,000	1,600	13,754,994	-	13,756,594
Net loss	-	-	-	(3,493,967)	(3,493,967)
31 December 2007	25,922,500	25,923	23,481,171	(10,968,509)	12,538,585
Issuance of common stock on London AIM, net of expenses of US\$489,786	601,800	602	6,527,613	-	6,528,215
Issuance of common stock by majority shareholder	-	-	3,614,985	-	3,614,985
Stock-based compensation	-	-	3,720,889	-	3,720,889
Net loss	-	-	-	(17,756,461)	(17,756,461)
31 December 2008	26,524,300	26,525	37,344,658	(28,724,970)	8,646,213
Private placement of common stock	215,000	215	1,499,785	-	1,500,000
Common stock subscribed, not issued	-	-	1,350,000	-	1,350,000
Exercise of restricted stock	47,501	47	(47)	-	-
Stock-based compensation	-	-	1,771,764	-	1,771,764
Net loss	-	-	-	(11,699,302)	(11,699,302)
31 December 2009	26,786,801	26,787	41,966,160	(40,424,272)	1,568,675
Private placement of common stock	148,334	148	2,224,852	-	2,225,000
Common stock subscribed, issued	90,001	90	(90)	-	-
Common stock subscribed, not issued	-	-	450,000	-	450,000
Stock-based compensation	-	-	5,700,861	-	5,700,861
Net loss	-	-	-	(12,486,823)	(12,486,823)
31 December 2010	27,025,136	27,025	50,341,783	(52,911,095)	(2,542,287)
30 June 2011					
Stock-based compensation	-	-	\$1,712,250	-	\$1,712,250
Additional Paid In Capital	-	-	\$150,000	-	\$150,000
Net loss	-	-	-	(3,907,392)	(3,907,392)
30 June 2011	27,025,136	27,025	52,204,032	(56,818,487)	(4,587,429)

ARMOR DESIGNS, INC.
Consolidated Statements of Cash Flows

	<u>Unaudited</u>		
	<u>From 30</u>		
	<u>September 2004</u>		
	<u>(Inception) to</u>		
	<u>30 June</u>		<u>Six months ended June</u>
	<u>2011</u>	<u>2011</u>	<u>2010</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Cash flows from operating activities:			
Net loss	(56,818,487)	(3,907,392)	(7,874,445)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>			
Depreciation and amortization	2,650,214	512,783	524,284
Stock-based compensation	16,520,749	1,712,250	4,256,400
Forgiveness of note receivable, related party	365,000		
Changes in assets and liabilities:			
Accounts receivable and other receivables	(8,657)	20,465	49,168
Inventory	(149,534)	147,575	(52,562)
Prepaid expenses and deposits	15,033	(87,515)	56,668
Notes receivable, related party	(643,423)	-	(871)
Accounts payable and accrued expenses	6,230,023	355,336	932,902
Deferred revenue	91,720	(70,865)	-
Net cash used in operating activities	(31,747,362)	(1,317,363)	(2,108,456)
Cash flows from investing activities:			
Purchase of property and equipment	(6,234,955)	-	-
Net cash used in investing activities		-	-
Cash flows from financing activities:			
Payments on line of credit - related party	(5,435,554)		
Borrowings on line of credit - related party	5,435,554		
Note payable payments - related party	(168,000)	-	(20,000)
Note payable proceeds - related party	1,485,566	780,566	20,000
Note payable payments	(320,246)	-	(5,525)
Note payable proceeds	1,284,963	372,354	-
Proceeds from issuance of convertible bonds	9,000,000	-	2,225,000
Proceeds from the sale of common stock and stock subscriptions	25,809,809	-	2,225,000
Member contributions	900,500	150,000	
Net cash provided by financing activities	37,992,592	1,302,920	2,219,175
Net increase (decrease) in cash and cash equivalents	10,275	(14,443)	110,719
Cash and cash equivalents:			
Beginning	-	24,718	21,435
Ending	10,275	10,275	132,154
Supplemental cash flow information:			
Cash paid for interest	165,858	86,765	68,944
Supplemental disclosure of non-cash investing and financing activities:			
Conversion of bonds into common stock and warrants	9,000,000	-	-
Application of deposits to purchases of equipment	2,431,186	56,827	\$

The accompanying notes are an integral part of the consolidated financial statements.

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 Subsidiary was organized 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 armor products to the defense and law enforcement industries. The Company's focus is primarily on introducing next generation armor based on patented Volumetrically Controlled Manufacturing (VCM) technology.

The Company continues to focus on transitioning from a development stage entity to commercialization of its products. The focus of the Company's efforts is the generation, testing, manufacture and marketing of armor products. The Company's success will depend on its ability to effectively develop, manufacture, obtain certification, and market innovative armor for military and law enforcement use.

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

Note 2 - Going concern:

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business as they become due.

For the six months ended 30 June, 2011, the Company incurred net losses from operations of approximately US\$3.9 million and has accumulated approximately US\$56.8 million (unaudited) in net losses from 30 September 2004 to 30 June 2011. Additionally, during the period from 30 September 2004 to 30 June 2011, the Company had negative cash flows from operating activities of approximately US\$31.7 million (unaudited). The Company's current liabilities exceed its current assets by approximately US\$4.6 million as of 30 June 2011. Historically, the Company has relied, in part, upon debt financing, loans from related entities and raising new capital to fund its operations. In the past, the Company has been successful in obtaining the capital necessary to meet its obligations; however, there are no assurances that the Company will be able to continue to raise the sufficient funds needed for working capital until such time as the operations can provide positive cash flow.

The Company's ability to continue as a going concern is predicated upon its ability to improve operating results and to continue to fund its cash needs. Management is pursuing ways to improve operating results in order to generate additional cash flow from operations. The Company will consider undertaking further equity fundraisings to provide for working capital. The Company may also consider other forms of non-equity fundraisings for the same purpose which may include debt financing collateralized by the Company's assets. Management has the ability to curtail spending and negotiate payments to third parties, in the event that future funding takes longer than anticipated. There can be no assurance that the Company will be able to raise capital needed to fund its operations or implement management's plans.

The 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 classification of liabilities that may result if the Company is unable to operate as a going concern.

Note 3 - Significant accounting policies:

Basis of presentation

The Company has adopted the Financial Accounting Standards Board (FASB) Codification (Codification). The Codification is the single official source of authoritative literature regarding US GAAP recognized by the FASB to be applied to nongovernmental entities. All of the Codification's content carries the same level of authority.

Principles of consolidation

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

Accounting estimates

The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as net sales and expenses reported for the periods presented. The most significant estimates relate to inventory obsolescence, long-lived assets, stock-based compensation, and income taxes. The Company regularly assesses these estimates and actual results may differ significantly from these estimates.

Cash and cash equivalents

For purposes of the consolidated balance sheets and statements of cash flows, the Company considers all highly liquid debt instruments 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.

Fair value of financial instruments

Financial instruments, consisting of cash, accounts receivable, accounts payable, accrued expenses, and fixed rate short-term debt are recorded at cost, which approximates fair value based on the short term maturities of these instruments at 31 December 2010 and 2009.

Guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs to valuation techniques used to measure fair value. These levels, in order of highest to lowest priority are described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

- Level 2 - Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 - Prices that are unobservable for the asset or liability and are developed based on the best information available in the circumstances which might include the Company's own data.

Accounts receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Based on historical experience and a review of individual customer balances, the Company has recorded an allowance for uncollectible accounts as of 30 June 2011 and 2010, of US\$0 and US\$0, respectively.

Inventory valuation

Inventories are valued at the lower of cost or market with cost determined using the First-In, First-Out (FIFO) method. Inventory balances at 30 June 2011 and 2010 were as follows:

	2011	2010
	US\$	US\$
Raw Materials	22,317	50,914
Work in Process	36,839	117,758
Finished Goods	90,377	121,684
Total Inventory	149,533	290,356

Property and equipment

The Company's policy is to capitalize all equipment, either moveable or fixed, with a unit acquisition cost of US\$1,000 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.

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. Leasehold improvements are amortized using the straight-line method over the remaining term of the facility lease, which is generally less than the remaining useful life. Depreciation and amortization expense for the six months ended 30 June 2011 and 2010 was US\$512,783 and US\$524,284, respectively.

Revenue recognition

The Company sells its armor products primarily to the defense and law enforcement industries. A portion of the Company's products are also sold through third party distributors or resellers. The Company recognizes revenue on product sales when persuasive evidence of an arrangement with the customer exists, title to the product passes to the customer (usually occurs at the time of shipment), the sales price is fixed or determinable, and collectability of the related billing is reasonably assured. Advance payments from customers are deferred and

recognized when the related products are shipped and all other recognition criteria have been met.

Shipping costs

Shipping costs include charges associated with delivery of goods from the Company's facilities to its customers and are reflected in cost of goods sold. Shipping costs paid to the Company by its customers are recorded as revenue.

Product warranties

Estimated future warranty obligations related to certain products will be provided by charges to operations in the period in which the related revenue is recognized. The Company has not established a reserve for warranty obligations as warranty claims have been insignificant.

Research and development

Research and development costs are expensed as incurred and are detailed in Note 6.

Stock-based compensation

The Company records stock-option expense for all share-based awards to employees and others based on estimated fair values. The Company records stock appreciation rights (SAR's) and restricted stock units (RSU's) at fair value based on the quoted price of the stock at the grant date. Compensation expense includes the calculated fair value of equity awards vested during the reporting period.

Loss per share

The income (loss) per share accounting guidance provides for the calculation of basic and diluted income (loss) per share. Basic income per share includes no dilution and is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the periods presented. Diluted income (loss) per share reflects the potential dilution that could occur if outstanding stock options were exercised utilizing the treasury stock method.

Income taxes

The Company accounts for income taxes using the asset and liability method, recognizing temporary differences between the financial reporting and tax bases of its assets and liabilities. This method results in deferred income tax assets and liabilities at the consolidated 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 realizable in future periods with all tax benefits associated with losses incurred having been reserved. The Company has no unrecognized tax benefits.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. Tax years that remain subject to examination by major tax jurisdictions date back to the year ended 31 December 2007. The Company and its subsidiary are subject to the following significant jurisdictions: U.S. Federal and Arizona. The statute of limitations for a particular tax year for examination by the Internal Revenue

Service is three years and four years in its state jurisdiction. As of 30 June 2011, there are no known items which would result in a material accrual related to where the Company has federal or state attributable tax positions.

Recent accounting pronouncements

In January 2010, the FASB issued authoritative guidance that requires new disclosures regarding activity in Level 3 fair value measurements, including information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. This guidance is effective for fiscal years beginning after 15 December 2010. The Company does not expect that the adoption of this standard will have a material impact on the disclosures for fair value measurements.

Note 4 - Public offering and stock split:

On 20 December 2007, the Company effected a 450 for 1 stock split. Each holder of record as of that date received 450 shares for each share of common stock held. The par value of US\$0.001 per share did not change with the stock split. The accompanying consolidated financial statements reflect this transaction retroactively.

On 31 December 2007, the common shares of the Company were admitted to trading on the AIM Market of the London Stock Exchange (Admission). The Company raised US\$16,000,000, before expenses, by issuing 1,600,000 common shares at a price of US\$10 per share pursuant to a placing (the "Placing") in conjunction with the Admission. These shares constitute approximately 6.0% of the Company's share capital at 31 December 2007. At admission, the Company had 25,922,500 common shares in issued shares and a market capitalization of US\$259,225,000 at the placing price of US\$10.

The Placing shares were not registered under the US Securities Act of 1933 (the "Securities Act"). The shares were 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 1,600,000 common shares issued in connection with the Admission 1,275,000 were issued in reliance on Regulation S and 325,000 were issued in reliance on Regulation D.

Upon admission to AIM, the conversion features of outstanding convertible bonds were triggered. 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. A total of 1,822,500 common shares and 1,822,500 warrants were issued as a result of the conversion (see Note 5). Each warrant granted entitled the holder to purchase one Common Share at a price per share of 125% of the placing price of US\$10, or US\$12.50, exercisable on or before 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. In December 2010, the Board of Directors agreed to extend the exercise term of the warrants to 31 December 2012. There was no material impact to the consolidated financial statements as a result of extending the warrant exercise term.

During the period ended 31 December 2008, the Company received subscriptions for 701,800 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 constituted approximately 2.6% of the Company's share capital at 31 December 2008. As of 31 December 2008, funds in the amount of US\$5,810,078 were collected from this sale of common stock and 601,800 shares were issued. Funds in the amount of US\$1,189,922 were included in the Balance Sheet as a

receivable from the sale of stock as of 31 December 2008. The amounts outstanding as of 31 December 2008 were collected during the year ended 31 December 2009 and the remaining 100,000 shares were issued.

During the period ended 31 December 2009 the Company raised US\$1,500,000 by issuing 100,000 common shares at a price of US\$15 pursuant to a private placement. In addition, during the period ended 31 December 2009, the Company collected US\$1,350,000 related to shares subscribed but not issued as of 31 December 2009. The shares subscribed but not issued were issued during the period ended 31 December 2010.

During the period ended 31 December 2010, the Company raised US\$2,225,000 by issuing 148,334 shares of common stock at a price of US\$15 (the "Placing Price") pursuant to a private placement. The net proceeds were used for working capital needs. In addition, during the period ended 31 December 2010, the Company collected US\$450,000 related to shares subscribed but not issued as of 31 December 2010. These shares were issued subsequent to 31 December 2010 as described in Note 16.

As of 30 June 2011, the Company had 27,025,136 common shares in issue and a market capitalization of US\$37,973,291 based on the Company's closing stock price of US\$1.40 (trading price of £.875 converted utilizing an exchange rate of 1.604) on 30 June 2011.

Note 5 - Warrants and options:

Warrants for 1,822,500 shares of Common Stock were outstanding at 30 June 2011. Each warrant entitled the holder to purchase one Common Share at a price per share of US\$12.50, with an original expiration date of 31 December 2009. On 31 December 2009 the Company's Board of Directors extended the exercise term of these warrants from 31 December 2009 to 31 December 2010. In December 2010, the Company's Board of Directors extended the exercise terms of these warrants from 31 December 2010 to 31 December 2012. There was no material impact to the consolidated financial statements as a result of extending the warrant exercise term.

The Company issued stock awards to various advisors 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 RSUs, SAR's, and Stock Options. Awards may be made under the Plan with shares of common stock not to exceed 10% of the issued share capital of the Company at the date of the award.

The Company recognizes compensation expense using the straight-line method for stock option awards that vest ratably over the vesting period. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the period ended 30 June 2011 and 2010, the Company has recorded stock-based compensation expense as follows:

	2011	2010
	US\$	US\$
Restricted Stock Units (RSU's)	1,684,362	4,228,676
Stock Appreciation Rights (SAR's)	27,888	27,724
Non-Qualified Stock Options	-	-
	<u>1,712,250</u>	<u>4,256,400</u>

The fair value of stock options and SAR's was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended 30 June 2011
Expected options term (years)	5
Risk-free interest rate	1.62%
Dividend yield	-
Volatility	33.75%

The table above is based on the Company's use of (i) the expected life of the awards representing the weighted-average period the awards are expected to remain outstanding; (ii) the risk-free interest rate assumption based upon observed interest rates appropriate for the weighted average expected option life of the Company's employee stock options; (iii) the dividend yield assumption based on the Company's history and expectation of dividend payouts; and (iv) historical volatility of the selected peer group as the expected volatility in the Black-Scholes model.

There were no SAR's or stock options granted during the period ended 30 June, 2011.

A summary of the Company's activity for RSU's, SAR's, and non-qualified stock options for the years ended 30 June 2011 and 2010 follows:

	RSU's	SAR's		Stock Options		
	Units	Weighted Average Exercise Price per Share US\$	Shares	Weighted Average Exercise Price per Share US\$	Shares Under Option	Weighted Average Exercise Price per Share US\$
31 December 2008	543,500	\$ -	166,100	\$ 10.00	1,300,000	\$ 10.00
Granted in 2009	41,505	-	56,000	8.05	23,385	8.05
Exercised in 2009	(47,501)	-	-	-	-	-
Forfeited in 2009	(150,000)	-	-	-	-	-
31 December 2009	387,504	-	222,100	9.51	1,323,385	9.97
Granted in 2010	1,300,000	-	-	-	-	-
Exercised in 2010	-	-	-	-	-	-

Forfeited in 2010	-	-	(2,250)	10.00	-	-
31 December 2010	1,687,504	\$ -	219,850	\$ 9.50	1,323,385	\$ 9.97
30 June 2011	1,687,504	\$ -	219,850	\$ 9.50	1,323,385	\$ 9.97

A summary of the Company's RSU's, SAR's, and non-qualified stock option activity and related full grant date fair value is as follows:

	RSU's		SAR's		Stock Options	
	Units	US\$	Shares	US\$	Shares Under Option	US\$
	31 December 2008	543,500	5,064,840	166,100	554,929	1,300,000
Granted in 2009	41,505	380,296	56,000	145,108	23,385	60,596
Exercised in 2009	(47,501)	(430,150)	-	-	-	-
Forfeited in 2009	(150,000)	(1,230,938)	-	-	-	-
31 December 2009	387,504	3,784,048	222,100	700,037	1,323,385	2,521,416
Granted in 2010	1,300,000	9,431,986	-	-	-	-
Exercised in 2010	-	-	-	-	-	-
Forfeited in 2010	-	-	(2,250)	(4,815)	-	-
31 December 2010	1,687,504	\$ 13,216,034	219,850	\$ 695,222	1,323,385	\$ 2,521,416
30 June 2011	1,687,504	\$ 13,216,034	219,850	\$ 695,222	1,323,385	\$ 2,521,416

Based on the Company's closing stock price of US\$1.40 (trading price of £.875 converted utilizing an exchange rate of 1.604) on 30 June 2011, the last day of trading in the period, there were no in-the-money options exercisable at 30 June 2011.

A summary of the Company's RSU's, SAR's, and non-qualified stock option activity and related value of grant date vesting is as follows:

	RSU's		SAR's		Stock Options	
	Units	US\$	Shares	US\$	Shares Under Option	US\$
	Nonvested at 31 December 2008	408,875	\$ 3,808,657	125,325	\$ 417,799	-
Granted in 2009	41,505	380,296	56,000	145,108	23,385	60,596
Vested in 2009	(119,057)	(1,169,299)	(147,525)	(446,656)	(23,385)	(60,596)
Forfeited in 2009	(150,000)	(1,231,629)	-	-	-	-
Nonvested at 31 December 2009	181,323	1,788,025	33,800	116,251	-	-
Granted in 2010	1,300,000	9,431,986	-	-	-	-
Vested in 2010	(734,412)	(5,551,246)	(15,775)	(55,686)	-	-
Forfeited in 2010	-	-	(2,250)	(4,815)	-	-
Nonvested at 31 December 2010	746,911	\$ 5,668,765	15,775	\$ 55,750	-	\$ -
Available to be exercised at 31 December 2010	<u>940,593</u>		<u>204,075</u>		<u>1,323,385</u>	
Available to be exercised at 30 June 2011	<u>940,593</u>		<u>204,075</u>		<u>1,323,385</u>	

The following table shows unrecognized compensation expense related to unvested RSU's and SAR's outstanding as of 30 June 2011. This table does not include an estimate for future grants that may be issued.

	Amount
	<u>US\$</u>
2011	\$ 1,603,243
2012	<u>2,378,160</u>
Total	<u>\$ 3,981,403</u>

As outlined in the Placing Document, Hawthorne & York International, Ltd. (HYI), the principal shareholder in the Company, has gifted 3.4 million shares of its share ownership in the Company, for distribution to a number of individuals who have primarily assisted HYI in the years prior to bringing the Company to market. This equity compensation plan is separate from the 2007 Omnibus Incentive Plan approved by security holders. The shares gifted have been transferred into an irrevocable trust controlled by an independent trustee that will be used to distribute awards to the recipients. Of the 3.4 million total shares, 450,000 have been issued in the form of shares of common stock, 1.3 million have been awarded in the form of non-qualified stock options, 100,000 have been awarded in the form of SAR's, and 1,550,000 remain available for future issuance as share equivalents (non-qualified stock options and restricted stock units).

During the year ended 31 December 2008, HYI transferred 3,000,000 of its shares of the Company's stock into a securities investment portfolio account. The securities investment portfolio account into which the shares have been transferred enables borrowing against all shares within this portfolio account and, therefore, from time-to-time, some or all of the shares within this portfolio account, including some shares of the Company, could be subject to creditor liability. As of 30 June 2011, HYI has not divested any shares.

Note 6 - Research & development costs:

Expenditures for research activities relating to product development are charged to expense as incurred. Research and development costs for the six months ended 30 June 2011 and 2010 were US\$71,213 and US\$650,547, respectively.

Note 7 - Related party transactions:

Hawthorne & York International, Ltd.

Since inception, the Subsidiary, Armor Designs, LLC, has conducted business through transactions with a related corporation, HYI, owned by James A. St. Ville, Chairman of the Board of the Company. HYI owns approximately 81% of Armor Designs, Inc. as of 30 June 2011, including 11% held in an irrevocable trust.

During 2004, the Subsidiary entered into a services agreement with HYI whereby HYI provides interim research and development services, including labor, subcontracting,

consulting, equipment and technical upgrades, materials, and other related research and development activities.

Hawthorne & York International, Ltd. - continued

Also during 2004, the Subsidiary, entered into a contract with HYI for use of certain licensed technological products and processes, as described in Note 9 of these consolidated financial statements. Billings from the related party for the use of licensed technology, and research and development services conducted on behalf of the Subsidiary were US\$500,000 and US\$627,886 for the periods ended 30 June 2011 and 2010, respectively.

Included in the accompanying consolidated balance sheets are accounts payable of US\$1,921,982 and US\$765,588 due to the related party at 30 June 2011 and 2010, respectively, for billings related to the use of licensed technology and research and development activities.

The Subsidiary paid rent and other facility occupancy costs on behalf of the related party for the periods ended 31 December 2010 and 2009. Facility occupancy costs incurred on behalf of the related party for the periods ended 31 December 2010 and 2009 were US\$56,040 and US\$50,262, respectively. Costs paid on behalf of the related party are reimbursed in full by the related party.

The Company maintains independent management and human resources. The Company has also entered into a lease for independent facilities. The Company continues to utilize the related party for select research and development activities.

In May 2009, the Company entered into a US\$185,000 note payable with HYI. In December 2010, the note was amended to increase the principal balance to US\$202,000. This note bears interest on unpaid principal balances at a rate of 8% per annum. As of 30 June 2011 the outstanding balance on this note was US\$202,000.

Aztec IP, LLC

The Subsidiary entered into a contract on 13 September 2004 with Aztec IP, LLC, a company owned by James A. St. Ville, for use of licensed patents as described in Note 9 of these consolidated financial statements. Billings from the related party for the use of this licensed technology were US\$250,000 and US\$128,000 for the period ended 30 June 2011 and 2010, respectively. Included in the accompanying consolidated balance sheets are accounts payable of US\$642,000 and US\$142,200 due to Aztec IP, LLC at 30 June 2011 and 2010, respectively.

Philip A. Clement

In December 2009 the Company entered a US\$325,000 secured note payable with Philip A. Clement, Interim CEO of the Company. During the period ended 31 December 2010, the principal was increased to US\$335,000. This note bears interest on unpaid principal balances at a simple interest rate of 1% per month, is due on demand, and contains certain affirmative covenants. As of 31 December 2010 and 2009, the outstanding balance on this note was US\$335,000 and US\$325,000, respectively, and the Company was not in compliance due to lack of general liability insurance (see Note 9) but received a waiver. In addition to this note payable and included in the accompanying consolidated balance sheets are accounts payable of US\$398,403 and US\$286,836 due to Mr. Clement related to services performed as Interim Chief Executive Officer of the Company at 30 June 2011 and 2010, respectively.

James A. St. Ville

Included in the accompanying consolidated balance sheets are accounts payable of US\$114,830 and US\$115,678 due to James A. St. Ville for billings related to general and administrative expenses at 30 June 2011 and 2010, respectively.

Charles Snyder

On 3 July 2008 the Company executed a Multiple Advance Revolving Credit Note with Mr. Charles Snyder, former Chief Executive Officer of the Company. The Note provided Mr. Snyder the ability to borrow up to US\$1,000,000 at a Stated Interest Rate of 1% per annum. The Note is secured by a Deed of Trust, Assignment of Rents, Security Agreement, Fixture Filing and Stock Pledge Agreement. Following Mr. Snyder's resignation from the Company in June 2009, 50% of the outstanding balance on the note totaling \$730,000 was forgiven by the Company and is included as compensation cost in general and administrative expenses. As of 31 December 2010, the outstanding balance to the Company was US\$178,423 and was due from Mr. Snyder on 22 December 2009. As of 30 June 2011, this loan remains outstanding.

Robert McConnell

On 3 December 2008 the Company loaned Mr. Robert McConnell, Vice President of the Company, US\$100,000. The Company had received a non-interest bearing Promissory Note reflecting the commitment to repay the loan in full by 30 June 2009. Effective 24 June 2010, the Company entered an agreement to extend the maturity date of this loan to 3 January 2012.

The Note provides the Company the ability to offset the amount of the loan against the stock in the Company held by Mr. McConnell. As of 30 June 2011, the outstanding balance owed to the Company was US\$100,000.

David Seaton

Included on the Company's consolidated balance sheets as of 30 June 2011 and 2010 is a liability of US\$292,000 and US\$312,000, respectively, relating to accrued fees for David Seaton, former contract CFO.

Other related parties

The remaining balance of US\$274,051 and US\$70,521 in accounts payable - related party and accrued expenses - related party at 30 June 2011 and 2010 relates to reimbursable expenses or fees due to Directors incurred during the year.

Note 8 - Property, plant, and equipment:

As of 30 June 2011 and 2010, the Company capitalized and was depreciating fixed assets per the following schedule:

Expected Life, in Years	2011 US\$	2010 US\$
-------------------------------	--------------	--------------

Computer equipment	3	107,828	107,828
Computer software	3	138,425	138,425
Equipment	7	4,446,864	4,446,864
Production molds	3	309,769	309,769
Furniture & Fixtures	7	34,121	34,121
Leaseholds	3 to 5	991,511	991,511
		<hr/>	
Subtotal:		6,028,518	6,028,518
Less: Accumulated depreciation and amortization		(2,650,214)	(1,615,500)
		<hr/>	
Total:		\$ 3,378,304	\$ 4,413,018
		<hr/>	

Note 9 - Commitments and contingencies:

Leases

In December 2007, the Company entered into an operating lease agreement for its facility located at 4645 S. 35th Street in Phoenix, Arizona. Rental expense for the periods ending 31 December 2010 and 2009 was US\$527,714 and US\$539,490, respectively. As of 31 December 2010, the Company was in default of its rental agreement as a result of the Company not paying the full amount of rent, as defined in the operating lease agreement. Effective May 2011, the Company was notified that they no longer had access to the facility until an agreed upon amount was paid for past due rent. In September 2011, the Company executed a settlement agreement with the landlord whereby the Company is allowed access to the facility for a period of 90 days from the date of the agreement in order to allow the Company to resume operations as well as relocate operations to a different facility. As part of the agreement, if the Company has not vacated the facility by the expiration of the 90 days, the Company would be in default of the settlement agreement and could face possible penalties and additional rents. The Company believes it will be able to relocate its operations and vacate the facility before the expiration of the agreement.

Under the current terms of the lease agreement, the Company is required to pay rent through December 2012 as follows:

	<u>US\$</u>
Years ending 31 December:	
2011	565,052
2012	582,175
	<hr/>
	1,147,227
	<hr/> <hr/>

License agreements

Effective 13 September 2004, the Subsidiary entered into a contract with HYI for use of certain licensed technological products and processes owned by the related party, until 13 September 2009, at which time the contract will automatically renew for five-year terms. The Subsidiary is obligated to pay 4% of gross sales on a quarterly basis to the related party subject to a maximum amount payable of US\$7,000 per quarter for the first 18 months after the Company commences production or sub-licenses. Beginning April 1, 2010 this contract provides for a guaranteed minimum fee to HYI of US\$250,000 per quarter.

License agreements - continued

In addition, the Subsidiary entered into a contract on 13 September 2004 with Aztec IP, LLC 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-licenses. Beginning April 1, 2010 this contract provides for a guaranteed minimum fee of US\$125,000 per quarter. This contract has the same expiration and renewal dates as the HYI agreement discussed above. The following table summarizes the amounts due under these contracts.

	HYI US\$	Aztec IP, LLC US\$
Years ending 31 December:		
2011	1,000,000	500,000
2012	1,000,000	500,000
2013	1,000,000	500,000
2014	750,000	375,000
	3,750,000	1,875,000

Insurance

Effective November 2010, the Company elected to cancel its general liability insurance with a third-party provider and become self-insured. For the year ended 30 June 2011, there have not been any claims filed against the Company for which they are liable.

Note 10 - Notes payable

In February 2009, the Company executed a Commercial Loan Agreement with Republic Bank and Trust for a Commercial Revolving Draw Loan of up to US\$400,000. The loan accrues interest at 6.00% per annum and has a maturity date of 19 February 2010. Effective 19 February 2010 the Company entered an agreement with Republic Bank and Trust to extend the maturity date of this loan to 19 February 2011. In December 2010, the note agreement was amended to increase the amount available to draw to US\$550,000 and extend the maturity date to 22 November 2011. The loan is guaranteed by HYI, which also provided security in the form of a deposit/share account. As of 31 December 2010 and 2009, the outstanding balance on this loan was US\$550,000 and US\$309,440, respectively.

In March 2009, the Company executed a US\$200,000 note payable with Arizona Business Bank with an original maturity date of 10 May 2009. The note bears interest on unpaid principal balances at a rate of 7.00% per annum, subject to certain adjustments. This note is secured by substantially all of the Company's tangible and intangible assets. During the year ended 31 December 2009 the terms of the note were changed to extend the maturity date to 10 January 2010. During the year ended 31 December 2010 the maturity date of this note was extended to 10 July 2010. As of 31 December 2010 and 2009, the outstanding balance on this note was US\$42,363 and US\$49,516, respectively. Subsequent to 31 December 2010, the note was paid in full.

In December 2010, the Company executed a US\$700,000 note payable with GBC International bank with an original maturity date of 15 May 2012. The note bears interest at

7.50% per annum and is secured by substantially all tangible and intangible assets of the Company. As of 31 December 2010, there were no amounts drawn on the note.

In May 2009, the Company entered into a US\$185,000 note payable with HYI. This note has a maturity date of 31 December 2011 and bears interest on unpaid principal balances at a rate of 8.00% per annum. In December 2010, the note was amended to increase the principal balance to US\$202,000. As of 31 December 2010 and 2009, the outstanding balance on this note was US\$202,000 and US\$185,000, respectively.

In December 2009 the Company entered a US\$325,000 secured note payable with Philip A. Clement, Interim CEO of the Company. This note bears interest on unpaid principal balances at a simple interest rate of 1% per month, has a maturity date of 31 January 2010, and contains certain affirmative covenants. Effective 31 January 2010, the Company entered an agreement with Phillip A. Clement to extend the maturity date of this loan to 31 December 2010. During the year ended 31 December 2010, the maturity of the note was changed to be due on demand and the principal balance was increased to US\$335,000. As of 31 December 2010 and 2009, the outstanding balance on this note was US\$335,000 and US\$325,000, respectively, and the Company was not in compliance with a covenant requiring the Company to maintain general liability insurance and has received a waiver.

Note 11 - Retirement plan:

Employees of the Company that meet certain age and service requirements are eligible to participate in the Armor Designs, Inc. 401(k) and Profit Sharing Plan (formerly the James A. St. Ville, M.D. Savings and Profit Sharing Plan). Employer profit sharing and matching contributions to the 401(k) component of the plan and profit sharing contributions may be made at the discretion of the Company's management. The Company did not make matching or profit sharing contributions for the years ended 30 June 2011 and 2010.

Note 12- Loss per share:

The effect of dilutive securities is not included in the weighted average number of shares outstanding when inclusion would increase the earnings per share or decrease the loss per share. The computation of diluted income (loss) per share equals the basic calculation for the years ended 30 June 2011 and 2010 because all potentially dilutive securities were excluded from the per share computations due to their anti-dilutive effect. The calculation of the weighted average number of shares outstanding and earnings per share are as follows:

Basic Loss Per Share	30 June 2011	30 June 2010
	US\$	US\$
Net loss after tax	(3,907,392)	(7,874,445)
Divided by weighted average shares	26,909,969	26,793,155
Basic loss per share	(0.145)	(0.29)
 Diluted loss per share	 (0.145)	 (0.29)

The number of excluded shares from the calculation of diluted loss per share was 5,053,239 and 3,755,489 for the years ended 30 June 2011 and 2010, respectively, and relate to outstanding SARs, RSUs, stock-options and warrants.

Note 13 - Financing arrangements:

Effective 9 April 2009, the Company entered into an agreement to assign substantially all of its trade accounts receivable to a commercial factor. Under the terms of the factoring agreement, the factor remits invoiced amounts to the Company, up to a maximum credit limit established by the factor for each customer. All accounts sold to the factor are with recourse to the Company. Amounts paid under this agreement, included in the Consolidated Statements of Operations as interest expense, totaled US\$12,250 and US\$22,275 for the years ended 30 June 2011 and 2010, respectively. As of 30 June 2011 and 2010, the Company had accrued US\$7,751 and US\$15,451, respectively, for accounts receivable sold with full recourse.

Note 14 - Common stock:

The Company's shareholders passed a resolution at the Annual Meeting held on 23 September 2008 that empowered 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. The authority granted by this resolution remains in effect as of 31 December 2010. As of 30 June 2011 the Company has not repurchased any shares of the Company's Common Stock.

Note 15 - Income taxes:

For the years ended 31 December 2010 and 2009, the Company recorded no current or deferred income tax provision expense for state or federal taxes.

The provision for income taxes for the years ended 31 December 2010 differ from the amount computed by applying the statutory U.S. federal income tax rate to pre-tax loss as a result of the following:

	US\$	%
Computed tax benefit	(4,820,000)	(38.6)
Permanent items	2,000	-
Credits	(70,000)	(1.2)
Change in valuation allowance for deferred tax assets	4,888,000	39.6
Provision for income taxes	-	-

The Company provides deferred income taxes which reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at 31 December 2010 and 2009 were as follows:

2010	2009
US\$	US\$

Deferred tax assets:

Non-current deferred tax assets (liabilities):

Net operating loss carry forwards	\$ 11,065,833	\$ 9,420,000
Depreciation and amortization	(216,808)	(110,000)
Research and development tax credits	527,520	457,000
	<hr/>	<hr/>
Total non-current	11,376,545	9,767,000
<i>Current deferred tax assets (liabilities):</i>		
Accruals	5,467,724	2,189,000
	<hr/>	<hr/>
Total current	5,467,724	2,189,000
	<hr/>	<hr/>
Total deferred tax assets	16,844,269	11,956,000
Valuation allowance	(16,844,269)	(11,956,000)
	<hr/>	<hr/>
Net deferred tax assets	\$ -	\$ -

The Company has available at 31 December 2010, unused federal net operating loss carry forwards of approximately US\$28,668,897 and state net operating loss carry forwards of approximately US\$28,653,650 which may be applied against future taxable income. The carry forwards begin expiring in 2027 and 2012, respectively.

Since the Company is a development stage entity in the reporting period and future revenues are unpredictable, a valuation allowance equal to net deferred tax benefits associated with the above items has been provided. The valuation allowance increased by US\$4,888,269 in 2010.

Note 16 - Subsequent events:

On 19 September 2011, the Company issued 106,667 subscriptions to purchase 1 share of common stock at a price of US\$15 per subscription. As a result of the subscriptions, the Company raised US\$1,150,000, which was used to secure access to the operating facility and for short term working capital needs. As part of the subscriptions issued, the Company also issued warrants to purchase additional shares of Company common stock at par value. The exercise of these warrants is contingent on future equity raises by the Company, as defined in the agreement, and expires on 31 December 2017.