LAMPERD LESS LETHAL INC
Form 10-Q
August 14, 2008

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2008**

or

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **000-50011**

# LAMPERD LESS LETHAL INC.
(Exact name of registrant as specified in its charter)

| **Nevada** | **N/A** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **1200 Michener Road, Sarnia, Ontario** | **N7S 4B1** |
| (Address of principal executive offices) | (Zip Code) |

**519-344-4445**
(Registrant s telephone number, including area code)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

or a small reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act

| | |
|---|---|
| Large accelerated filer [ ] | Accelerated filer [ ] |
| Non-accelerated filer [ ] | Smaller reporting company [X] |
| (Do not check if a smaller reporting company) | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act

[ ] YES [X] NO

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

[ ] YES [ ] NO

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

60,009,843 common shares issued and outstanding as of August 12, ,2008

**PART I**

**Item 1. Financial Statements**

**LAMPERD LESS LETHAL INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Canadian Funds)**
**(Unaudited)**

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Accounts receivable | $ 62,368 | $ 23,580 |
| Inventories | 108,919 | 131,900 |
| Sundry | 662 | 1,512 |
| **Total Current Assets** | 171,949 | 156,992 |
| | | |
| **Property and equipment net** | 214,521 | 241,657 |
| **Intangible assets** | 24,297 | 27,625 |
| **TOTAL ASSETS** | $ 410,767 | $ 426,274 |
| | | |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Bank indebtedness | $ 9,601 | $ 7,410 |
| Accounts payable | 252,065 | 216,203 |
| Accrued liabilities | 152,511 | 252,274 |
| Due to shareholders, directors, officers and employees | 511,162 | 289,382 |
| **TOTAL LIABILITIES** | 925,339 | 765,269 |
| | | |
| **STOCKHOLDERS EQUITY (DEFICIENCY)** | | |
| **Common Stock** | | |
| Authorized 1,000,000,000 common stock, US dollar | | |
| $0.001 par value | | |
| Issued and outstanding 60,009,843 common stock | | |
| at June 30, 2008 (December 31, 2007 59,871,043) | 72,226 | 72,087 |
| Additional paid-in capital | 2,795,308 | 2,778,567 |
| **Accumulated Deficit and Comprehensive Loss** | (3,382,106) | (3,189,649) |
| **Total Stockholders Equity (Deficiency)** | (514,572) | (338,995) |
| | | |
| **TOTAL LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **(DEFICIENCY)** | $ 410,767 | $ 426,274 |

*GOING CONCERN*
*CONTINGENCIES AND COMMITMENTS*

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

**LAMPERD LESS LETHAL INC.**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIENCY)**
**(Unaudited)**
**(Canadian Funds)**

| | Number of Common Shares | Par value Common Shares | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders Equity |
|---|---|---|---|---|---|
| **Balance December 31, 2006** | **53,820,158** | **$ 65,947** | **$ 2,331,588** | **$ (2,396,786)** | **$ 749** |
| Issuance of common shares | 6,050,885 | 6,140 | 344,091 | - | 350,231 |
| Net loss for the year | - | - | - | (792,863) | (792,863) |
| Share-based compensation costs | **-** | **-** | 102,888 | **-** | 102,888 |
| **Balance December 31, 2007** | **59,871,043** | $ **72,087** | $ **2,778,567** | $ **(3,189,649)** | $ **(338,995)** |
| Net loss for the quarter | - | - | - | (135,531) | (135,531) |
| Share-based compensation costs | - | - | 4,905 | - | 4,905 |
| **Balance March 31, 2008** | **59,871,043** | $ **72,087** | $ **2,783,472** | $ **(3,325,180)** | $ **(469,621)** |
| Net loss for the quarter | - | - | - | (56,926) | (56,926) |
| Share-based compensation costs | - | - | 4,905 | - | 4,905 |
| Issuance of common shares | 138,800 | 139 | 6,931 | - | 7,070 |
| **Balance June 30, 2008** | **60,009,843** | **72,226** | **2,795,308** | **(3,382,106)** | **(514,572)** |

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

**LAMPERD LESS LETHAL INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Canadian Funds)**
**(Unaudited)**

| | Three-Month Period Ending June 30, 2008 | Three-Month Period Ending June 30, 2007 | Six-Month Period Ending June 30, 2008 | Six-Month Period Ending June 30, 2007 |
|---|---|---|---|---|
| **REVENUE** | $ 123,216 | $ 34,005 | $ 181,089 | $ 78,830 |
| **COST OF GOODS SOLD** | 66,929 | 39,042 | 108,196 | 74,750 |
| **GROSS MARGIN** | 56,287 | (5,037) | 72,893 | 4,080 |
| **EXPENSES** | | | | |
| **Selling and General Administration** | 89,986 | 148,131 | 216,009 | 395,008 |
| **Research and Development** | - | 9,001 | - | 11,254 |
| **Interest loans and advances** | 7,047 | 5,266 | 14,093 | 8,638 |
| **Interest other** | 2,222 | 666 | 4,784 | 727 |
| **Depreciation and Amortization** | 13,958 | 13,688 | 30,464 | 24,299 |
| **TOTAL EXPENSES** | 113,213 | 176,752 | 265,350 | 439,926 |
| **NET LOSS** | $ (56,926) | $ (181,789) | $ (192,457) | $ (435,846) |
| **LOSS PER SHARE** | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.01) |
| **WEIGHT AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** | 59,872,568 | 54,750,007 | 59,871,806 | 54,289,988 |

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

**LAMPERD LESS LETHAL INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Canadian Funds)**
**(Unaudited)**

| | Six-Month Period Ended June 30, 2008 | Six-Month Period Ended June 30, 2007 |
|---|---|---|
| **CASH FLOWS PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (192,457) | $ (435,846) |
| Depreciation and amortization | 30,464 | 24,299 |
| Stock-based compensation | 9,810 | - |
| Net changes in non-cash operating assets and liabilities: | | |
| Accounts receivable | (38,788) | 41,447 |
| Inventories | 22,981 | (18,603) |
| Sundry | 850 | (2,799) |
| Accounts payable and accrued liabilities | 104,947 | 145,447 |
| Net cash used in operating activities | (62,191) | (246,055) |
| | | |
| **INVESTING ACTIVITIES** | | |
| Additions to equipment | - | (36,683) |
| Net cash used in investing activities | - | (36,683) |
| | | |
| **FINANCING ACTIVITIES** | | |
| Borrowings under bank indebtedness - net | 2,191 | - |
| Proceeds from issuance of common stock | - | 86,468 |
| Net proceeds from promissory notes and advances | 60,000 | 207,383 |
| Net cash provided by financing activities | 62,191 | 293,851 |
| | | |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | - | 11,113 |
| **CASH AND CASH EQUIVALENTS, beginning of period** | - | 1,443 |
| **CASH AND CASH EQUIVALENTS, end of period** | $ - | $ 12,556 |
| | | |
| **Supplemental financial information:** | | |
| Shares issued on settlement of liabilities | $ 7,070 | $ 83,843 |
| Income taxes paid | $ - | $ - |
| Interest paid | $ 4,784 | $ 726 |

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

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND GOING CONCERN

***History:*** Lamperd Less Lethal Inc. ( Lamperd or the Company ) was incorporated under the laws of the State of Nevada under the name "Sinewire Networks Inc." on October 4, 2001.

On April 14, 2005 the Company entered into a reverse acquisition with 1476246 Ontario Limited, a company incorporated pursuant to the laws of Ontario, Canada.

***Products:*** The Company is a developer and manufacturer of civil defence products that are designed as less lethal alternatives to conventional weapons. The products include weapon systems and munitions that are designed to incapacitate (as opposed to kill) opponents, and at the same time, ensure the safety of the personnel using the products. In addition, the Company also manufactures shields, service equipment, training gear and accessories. The products are primarily designed for the use by military and law enforcement organizations. The Company also provides less lethal training to police, military and private sector security personnel.

***Going concern*****:** The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles that are applicable to a going concern, meaning that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has sustained operating losses in the first and second quarters of 2008 and in each of the three preceding years, and has a working capital deficiency of $753,390 and an accumulated deficit of $3,382,106 at June 30, 2008. The Company s ability to realize its assets and discharge its liabilities depends on its continued ability to raise additional debt or equity and to reach a profitable level of operations, the outcomes of which cannot be determined at this time. The use of United States Generally Accepted Accounting Principles that are applicable to a going concern, therefore, may not be appropriate. These condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements have been prepared by management in accordance with Generally Accepted Accounting Principles in the United States of America ( US GAAP ).

The interim results of operations are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2008. The accompanying condensed consolidated financial statements are unaudited and, in the opinion of management, contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. The Company s accounting policies and certain other disclosures are set forth in the notes to the annual consolidated financial statements contained in the Company s Annual Report on Form 10-KSB for the year ended December 31, 2007. The accompanying condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto.

***Consolidation*****:** The accompanying condensed consolidated financial statements of the Company include the financial position, results of operations and cash flows of the Company and its wholly-owned subsidiary,

1476246 Ontario Limited. All material inter-company transactions have been eliminated.

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Cash and cash equivalents*:** Cash and cash equivalents include cash and all highly liquid investments purchased with original maturities of three months or less at the date of purchase. At June 30, 2008 and December 31, 2007, the Company had no cash equivalents.

***Inventories*:** Inventories are valued at the lower of cost and net realizable value with cost being determined using the first-in, first-out method.

***Revenue recognition:*** Revenue from product sales is recognized in accordance with Securities and Exchange Commission ( SEC ) Staff Accounting Bulletin No. 104 ( SAB 104 ), Revenue Recognition. Under SAB 104, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met upon shipment to customers. Revenues are recorded net of discounts, rebates and estimated returns. Customer payments received in advance of product shipments are recorded as unearned revenue and are presented in the accompanying condensed consolidated financial statements as a component of accrued liabilities. Shipping and handling costs incurred are included in the cost of revenue.

The Company provides standard warranties for its product for a period of one year from the date of shipment. Estimated warranty obligations are recorded at the time of sale.

***Allowance for doubtful accounts***: The allowance for doubtful accounts is based on the Company s assessment of the collectibility of its customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances and current economic conditions that may affect a customer s ability to pay. The allowance for doubtful accounts amounted to $1,760 at June 30, 2008 and December 31, 2007.

***Property and equipment*:** Property and equipment are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to operations when incurred, while additions and betterments are capitalized. The Company depreciates the costs of these assets over their estimated useful lives. When assets are retired or disposed, the asset s original cost and related accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in income. Depreciation and amortization are generally provided on the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Office, protective and demonstration and computer equipment | 4 years |
| Manufacturing equipment | 10 years |
| Leasehold improvements | over the term of the lease |

***Intangibles*:** The Company s intangible assets comprise a license, trademarks and patents which are accounted for at cost. The license is amortized straight-line over 17 years which is the life of the agreement, and the trademarks and patents are amortized straight-line over 5 years. Should the Company determine that there is permanent impairment in the value of the unamortized portion of an intangible asset, an appropriate amount of the unamortized balance of the intangible asset would be charged to income at that time

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

***Impairment of long-lived assets and long-lived assets to be disposed of:*** In accordance with Statement of Financial Accounting Standard ( SFAS ) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of would be reported at the lower of the carrying amount or fair value less costs to sell.

***Advertising expenses:*** These costs are charged to expense in the period in which they are incurred. Advertising expenses for the six-month period ended June 30, 2008 amounted to $18,595 (six months ended June 30, 2007 - $2,580).

***Use of estimates*****:** The preparation of financial statements in conformity with United States generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Financial statement items subject to significant management judgment include revenue recognition; the valuation of accounts receivable and inventories; the valuation of property and equipment and intangible assets; the completeness of accounts payable and accrued liabilities; the valuation of share compensation expense and warrants; and, deferred income taxes. Actual results may differ from these estimates.

***Income taxes:*** The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax bases of assets and liabilities and net operating loss and credit carry forwards, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. A provision for income tax expense is recognized for income taxes payable for the current period, plus the net changes in deferred tax amounts when applicable.

***Research and development:*** Research and development costs are expensed as incurred in accordance with SFAS No. 2, Accounting for Research and Development Costs. Materials and equipment are capitalized and amortized over their estimated useful lives should management determine that such expenditures meet the criteria under SFAS No. 2 for the capitalization of development costs. Any approved Canadian government tax credits are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation.

***Accounting for stock-based compensation:*** Beginning in fiscal 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-based Payment ( SFAS 123R ), which revises SFAS No. 123, Accounting for Stock-based Compensation, and supersedes Accounting Principles Board Opinion No. 25 ( APB 25 ), Accounting for Stock Issued to Employees. SFAS 123R requires all share-based payments, including grants of employee stock options, be measured at fair value and expensed in the statement of operations over the service period. Prior to fiscal 2006, the Company accounted for its stock-based compensation plans using the intrinsic value method initially prescribed by APB 25. In applying APB 25, no expense was recognized upon grant of stock options under the

Company s stock option plan.

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments*:** The Company s financial instruments comprise cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, promissory notes and other amounts due to shareholders, directors, officers and employees. The fair value of the Company s financial instruments approximates their carrying value due to the short maturity of these instruments.

***Earnings (loss) per common share:*** The Company computes net income (loss) per share in accordance with SFAS No. 128, Earnings per Share. The standard requires presentation of both basic and diluted earnings per share ( EPS ) on the face of the statement of operations. Basic EPS is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the reporting period using the treasury stock method and convertible preferred stock using the if- converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of convertible debt, stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. All potentially dilutive securities have been excluded from the computation of loss per share in the accompanying consolidated financial statements for the periods presented as the effect would have been antidilutive.

***Foreign currency translation:*** The accompanying consolidated financial statements are expressed in Canadian dollars, which is the Company s functional currency. All transactions in foreign currencies have been converted to Canadian dollars as at the date of the transaction. Gains and losses arising upon settlement of foreign currency denominated transactions or balances are included in the determination of net and other comprehensive income. Transactions in foreign currency are translated into Canadian dollars in accordance with the SFAS No. 52, Foreign Currency Translation, as follows:

**i.** monetary items at the rate prevailing at the balance sheet date;
**ii.** non-monetary items at the historical exchange rate;
**iii.** revenue and expenses at the average rate in effect during the applicable reporting period.

***Comprehensive income (loss):*** The Company has adopted SFAS No. 130, Reporting Comprehensive Income ( FAS No. 130 ), which establishes standards for reporting and the display of comprehensive income, its components and accumulated balances. Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners or distributions to owners. Among other disclosures, FAS No. 130 requires that all items that are required to be recognized under the current accounting standards as a component of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income (loss) is displayed in the accompanying condensed consolidated statements of stockholders' deficiency and balance sheet as a component of shareholders' deficiency. To the date of June 30, 2008 there were no transactions affecting other comprehensive income (loss).

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Comparative figures:*** Certain comparative figures have been restated to conform to the basis of presentation adopted for the current period.

***Recent accounting pronouncements*:**

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires issuers to recognize the benefit of a tax position if that position is more likely than not of being sustained on a tax audit, based on the technical merits of the position. The provisions of FIN 48 became effective as of the beginning of the Company s 2008 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The adoption of this statement has not had a material effect on the Company's reported financial position or results of operations.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements ( FAS 157 ). The objective of FAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of FAS 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. In November 2007, the FASB announced an option to defer implementation of some of the requirements of this standard for certain non-financial assets and liabilities.

Beginning January 1, 2008, the Company partially applied FAS 157 as allowed by FASB Staff Position ( FSP ) 157-2, which delayed the effective date of FAS 157 for nonfinancial assets and liabilities. As of January 1, 2008 the Company has applied the provisions of FAS 157 to its financial instruments and the impact was not material. Under FSP 157-2, the Company will be required to apply FAS 157 to its nonfinancial assets and liabilities beginning January 1, 2009. Management is currently reviewing the applicability of FAS 157 to the Company s nonfinancial assets and liabilities and the potential impact that application will have on its consolidated statements.

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Recent accounting pronouncements (continued)*:**

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (Topic 1N), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ( SAB 108 ), which addresses how the effect of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. The provisions of SAB 108 become effective as of the end of the 2007 fiscal year. SAB 108 requires SEC registrants (i) to quantify misstatements using a combined approach which considers both the balance sheet and income statement approaches; (ii) to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors; and (iii) to adjust their financial statements if the new combined approach results in a conclusion that an error is material. SAB No. 108 addresses the mechanics of correcting misstatements that include effects from prior years. It indicates that the current year correction of a material error that includes prior year effects may result in the need to correct prior year financial statements even if the misstatement in the prior year or years is considered immaterial. Any prior year financial statements found to be materially misstated in years subsequent to the issuance of SAB 108 would be restated in accordance with FAS No. 154, Accounting Changes and Error Corrections. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 has not had a material effect on the Company's reported financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 ( FAS 159 ). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of FAS 159 apply only to entities that elect the fair value option. However, the amendment to FAS 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. FAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157, Fair Value Measurements. The adoption of this statement has not had a material effect on the Company's reported financial position or results of operations.

In December 2007, the FASB issued Statement No. 141(R), Business Combinations ( FAS 141R ), replacing FAS 141, Business Combinations ( FAS 141 ). This statement retains the fundamental requirements in FAS 141 that the acquisition method of accounting (which FAS 141 termed the *purchase method*) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement clarifies that acquirers are required to expense costs related to any acquisitions. FAS 141R will apply prospectively to business combinations for which the acquisition date is on or after fiscal years beginning December 15, 2008. Early adoption is prohibited. The Company has not yet evaluated the impact, if any, that FAS 141R will have on its financial statements.

Determination of the ultimate effect of this statement will depend on the Company s structure at the date of adoption.

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Recent accounting pronouncements (continued)*:**

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51 ( FAS 160 ). FAS 160 establishes new accounting and reporting standards for the non controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the non controlling interest will be included in consolidated net income on the face of the income statement. FAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. FAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its non controlling interest. FAS 160 is effective for fiscal years beginning on or after December 15, 2008, with retrospective presentation and disclosure for all periods presented. Early adoption is prohibited. The Company currently has no entities or arrangements that will be affected by the adoption of FAS 160. However, determination of the ultimate effect of this pronouncement will depend on the Company s structure at the date of adoption.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 ( FAS 161 ). This Statement requires enhanced disclosures about an entity s derivative and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company currently has no entities or arrangements that will be affected by the adoption of FAS 161. However, determination of the ultimate effect of this pronouncement will depend on the Company s structure at the date of adoption.

3. INVENTORIES

| | | June 30, 2008 | | December 31, 2007 |
|---|---|---|---|---|
| Raw materials | $ | 72,332 | $ | 82,849 |
| Work in process | | 16,891 | | 27,519 |
| Finished goods | | 19,696 | | 21,532 |
| | $ | 108,919 | $ | 131,900 |

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Canadian Funds)**
**June 30, 2008**
**(Unaudited)**

4. PROPERTY AND EQUIPMENT

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| Office equipment | $ 23,547 | $ 23,547 |
| Manufacturing equipment | 218,508 | 218,508 |
| Protective and demonstration equipment | 78,046 | 78,046 |
| Computer equipment | 9,565 | 9,565 |
| Leasehold improvements | 24,577 | 24,577 |
| | 354,243 | 354,243 |
| Accumulated depreciation | 139,722 | 112,586 |
| | $ 214,521 | $ 241,657 |

5. INTANGIBLE ASSETS

| | June 30, 2008 | | | December 31, 2007 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| License agreement | $ 22,122 | $ 4,555 | $ 17,567 | $ 22,122 | $ 3,904 | $ 18,218 |
| Trademarks | 822 | 379 | 443 | 822 | 307 | 515 |
| Patents | 16,607 | 10,320 | 6,287 | 16,607 | 7,715 | 8,892 |
| | $ 39,551 | $ 15,254 | $ 24,297 | $ 39,551 | $ 11,926 | $ 27,625 |

6. ACCRUED LIABILITIES

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| Customer payments received in advance | $ 7,465 | $ 23,123 |
| Legal and accounting | 83,960 | 176,245 |
| Interest | 41,586 | 27,009 |
| Royalties | 10,000 | 5,000 |
| Other | 9,500 | 20,897 |
| | $ 152,511 | $ 252,274 |

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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7. CONTINGENCIES AND COMMITMENTS

**(a)** ***Litigation:*** An action was commenced against the Company for costs relating to professional services of approximately $130,000, including interest. The Company is disputing the original amount of the claim ($113,937) and all interest. Included as a component of accrued liabilities in the accompanying condensed consolidated financial statements is an amount of $73,452 at June 30, 2008 (December 31, 2007 - $113,937). In the six-month period ended June 30, 2008 the Company paid the claimant $40,485 cash. Management s intention is to vigorously contest the balance.

**(b)** ***Employment Contract:*** The Company has an employment contract with an executive, expiring December 31, 2009, which stipulates that in the event of termination other than for just cause, the Company would be obligated to pay to the executive the aggregate of any unpaid salary and an amount equal to the lesser of: (1) three times the annual salary of the executive, and (2) an amount equal to the annual salary multiplied by the number of days between the date of termination and the executive s normal retirement date divided by 365.

**(c)** ***License Agreement:*** The Company entered into a license agreement with the University of Western Ontario ( UWO ), effective April 1, 2005, granting the Company the exclusive rights to make, use, lease, sell, etc. a UWO invention, known as the Less Lethal Ammunitions Projectile (the Projectile ), as well as any associated trade secrets. Lamperd has agreed to pay all approved out-of-pocket expenses incurred by UWO, assume responsibility for future patent prosecution and rights and pay UWO a quarterly royalty commencing April 1, 2006 of three percent of revenue directly attributable to the Projectile. The royalty is subject to minimum royalty obligations as detailed below.

| Year | | Minimum Annual License Fee per Year |
|---|---|---|
| 2008 - 2010 | $ | 10,000 |
| 2011 and thereafter | $ | 20,000 |

Included as a component of accrued liabilities in the accompanying condensed consolidated financial statements are amounts totaling $10,000 at June 30, 2008 (December 31, 2007 - $5,000).

**LAMPERD LESS LETHAL INC.**
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7. CONTINGENCIES AND COMMITMENTS (continued)

**(d)** ***Operating Leases:*** The Company is committed to minimum payments under an operating lease for the land and building that it occupies. The lessor is 1109630 Ontario Ltd., a company owned by a director and vice-president of the Company. The lease expires December 31, 2010 with annual lease payments of $76,800, exclusive of occupancy charges. The Company leases additional space from the same company on a month-to-month basis for a monthly rental of $1,000.

In addition, the Company is committed to minimum payments for a vehicle lease, ending February 2009, requiring annual lease payments of $6,696.

**(e)** ***Industry Risk:*** Products manufactured by Lamperd are typically used in applications and situations that involve a high level of risk of personal injury. Failure to use the Company s products for their intended purposes could result in serious bodily harm or death. As a result, less-lethal products may be subject to product liability claims arising from their design, manufacture or sale. If any such claims are decided against the Company, substantial payments for damages and increases in the cost insurance coverage may result. Any substantial uninsured loss could have a materially adverse effect on the Company s business, financial condition, and results of operations. Management is not aware of any lawsuits ongoing or threatened in regards to products manufactured and sold by the Company other than those disclosed in the notes to the accompanying condensed consolidated financial statements.

The Company cancelled its product liability insurance coverage during fiscal 2006 and then again in 2007. This coverage has not been

reinstated. The Company cannot provide assurances that resources will be available in the foreseeable future to reinstate product liability insurance coverage or, failing that, that adequate resources will be available to cover any potential product liability litigation or claims should any arise.

**(f)** ***Concentrations of Risk and Economic Dependence***: The Company performs ongoing credit evaluations of its customers and, with the exception of certain financing transactions, does not require collateral from its customers. The Company s customers are primarily in the enterprise, service provider and commercial markets. The Company receives certain of its components from sole suppliers. Additionally, the Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of a contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results.

**LAMPERD LESS LETHAL INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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8. FINANCIAL INSTRUMENTS

*Credit risk:* The Company is engaged in the sale of less lethal products, other protective gear, and accessories typically to a small number of major customers, although the composition of this group of customers changes from year to year. Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company performs ongoing credit evaluation of its customers' financial condition and, generally, requires no collateral. At June 30, 2008, 65% of total accounts receivable was due from one customer (December 31, 2007 - 34%; one).

*Currency risk:* The Company is subject to currency risk through its activities in the United States. Unfavourable changes in the exchange rate may affect the operating results of the Company. At June 30, 2008 the Company had United States dollar accounts receivable of $7,341 (December 31, 2007 - $6,462) and $33,151 of United States dollar accounts payable and accrued liabilities (2007 - $20,707). The Company does not actively use derivative instruments to reduce its exposure to foreign currency risk. However, depending upon the nature, amount and timing of foreign currency receipts and payments, the Company may enter into forward exchange contracts to mitigate the associated risks. There were no forward exchange contracts outstanding at June 30, 2008 or December 31, 2007.

*Market risk:* The Company is exposed to certain market risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to an individual security or its issuer or factors affecting all securities traded in the market.

*Interest rate risk:* The Company is exposed to interest rate risk arising from fluctuations in interest rates on its short-term investments. The Company s notes receivable and bridge loans bear interest at fixed rates. Management is of the opinion that the Company is not exposed to significant interest rate risks in respect of these instruments due to their short maturities.

9. RELATED PARTY TRANSACTIONS

(i) A company controlled by a director and vice president of the Company is a subcontractor of parts for certain of the Company s products. The Company purchased from this corporation $0 during the six-month period ended June 30, 2008 (2007 - $2,120) for the manufacturing of various components and purchases for the Company. At June 30, 2008 and December 31, 2007, $6,327 was outstanding to this company and is included as a component of due to shareholders, directors, officers and employees in the accompanying condensed consolidated financial statements.

(ii) As discussed in note 7(d) to the accompanying condensed consolidated financial statements, the Company rents its premises from a corporation controlled by a director and vice president of the Company. Total rent expense incurred to this corporation in the six-month periods ended June 30, 2008 and 2007 was $44,400. Rent for the six-month period ended June 30, 2008 has not been paid and is included in due to shareholders, officers, directors and employees in the accompanying condensed consolidated financial statements (Note 10 (ix)). Rent for 2007 was satisfied by the issuance of stock in the Company.

**LAMPERD LESS LETHAL INC.**
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9. RELATED PARTY TRANSACTIONS (continued)

(iii) The Company received legal services from a shareholder in the amount of $18,500 during the 2007 fiscal year, (2008 - $0) of which $9,500 is outstanding and is included as a component of due to shareholders, officers and employees in the accompanying condensed consolidated financial statements(Note10(ix)).

| | | June 30, 2008 | Dec 31, 2007 |
|---|---|---|---|
| (i) | Promissory notes due to shareholders, unsecured, bearing interest at 15% per annum, due December 2007. The notes contain a penalty provision on failure to pay at the maturity date of 2% on the unpaid balance. | $ 50,000 | $ 50,000 |
| (ii) | Promissory notes due to a shareholder, unsecured, bearing interest at 15% per annum, and are repayable April 2008. The note contains a penalty provision on failure to pay at the maturity date of 2% on the unpaid balance. | 30,000 | 30,000 |
| (iii) | Demand promissory note with a principal of $50,000 due to a shareholder, bearing interest at 8% per annum and secured by a General Security Agreement over all assets of the Company. This note bore a lender s fee of $6,000, which was expensed during 2007, resulting in net proceeds to the Company of $44,000. The interest rate increased to 12% on January 1, 2008, plus an additional $2,000 lender s fee, on any unpaid balance. The Company repaid $25,000 of the loan during fiscal 2007. | 25,000 | 25,000 |
| (iv) | Promissory notes due to shareholders, unsecured, bearing interest at 15% per annum, repayable as to principal and interest on April 11, 2008. | 20,000 | 20,000 |
| (v) | Demand promissory note with a principal of $80,000 due to a director, bearing interest at 10% per annum. Principal payments were due in monthly instalments commencing June 30, 2007 of not less than $750. This note bore a lender s fee of $5,000, which was expensed during 2007, resulting in net proceeds to the Company of $75,000. No principal payments have been made to date. | 80,000 | 80,000 |
| (vi) | Promissory note to shareholder, bearing interest at 12% per annum and due April 2009. | 2,000 | 2,000 |
| (vii) | Promissory note to a company controlled by a shareholder of the Company, bearing interest at 15% per annum, due March 2009. | 20,000 | - |
| (viii) | Promissory note due to a company controlled by a shareholder of the Company, bearing interest at 12% per annum, due upon payment of certain receipts from customers. | 40,000 | - |
| (ix) | The Company is indebted to certain employees, directors and shareholders for services, salaries, rent, consulting fees and for amounts advanced to the Company. These amounts are non-interest bearing and are repayable on demand. | 244,162 | 82,382 |
| | | $ 511,162 | 289,382 |

**LAMPERD LESS LETHAL INC.**
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11. STOCK INCENTIVE PLAN

Effective October 1, 2006, the Company adopted the 2006 Stock Option Plan ( SOP ), amending the Company s 2005 SOP under which no stock-based compensation had ever been awarded. The 2006 SOP is designed to reward directors, employees and consultants for their long-term contributions to the Company and provide incentives for them to remain with the Company. The number and frequency of stock-based awards are determined by the Company s board of directors based on competitive practices, operating results of the Company, and government regulations.

The maximum number of common shares issuable over the term of the 2006 SOP is limited to 2 million shares. The SOP permits the granting of stock options to directors, employees and consultants of the Company and its subsidiaries and affiliates. Options granted under the SOP have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and expire no later than ten years from the grant date. The stock options under the SOP generally become exercisable for 25% of the option shares one year from the date of grant and then rateably over the following 36 months. However, the administrator of the SOP has the authority to modify these terms.

The following SOP table summarizes the changes in options outstanding and the related prices for the shares of the Company s common stock issued as of June 30, 2008:

| | Number of Options | Weighted Average Exercise Price US dollars |
|---|---|---|
| January 1, 2007 | 200,000 | 0.10 |
| Granted June 2007 | 650,000 | 0.08 |
| July 2007 | 250,000 | 0.10 |
| December 2007 | 500,000 | 0.04 |
| June 30, 2008 | 14,514 | 0.05 |
| June 30, 2008 | 1,614,514 | $ 0.07 |

Options Outstanding and Exercisable at June 30, 2008:

| Options Outstanding | | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices US dollars | Shares | Expiry date | Exercise Price US dollars | Shares | Exercise Price - US dollars |
| $ 0.04 | 500,000 | Dec. 2012 | $ 0.04 | 250,000 | $ 0.04 |
| 0.10 | 250,000 | July 2012 | 0.10 | 187,500 | 0.10 |
| 0.05 | 14,514 | June 2011 | 0.05 | 14,514 | 0.05 |
| 0.08 | 650,000 | June 2012 | 0.08 | 650,000 | 0.08 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 0.10 | 100,000 | Nov. 2008 | | 0.10 | 66,667 | | 0.10 |
| 0.10 | 100,000 | Dec. 2013 | | 0.10 | 66,667 | | 0.10 |
| | 1,614,514 | | $ | 0.07 | 1,235,348 | $ | 0.08 |

**LAMPERD LESS LETHAL INC.**
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11. STOCK INCENTIVE PLAN (continued)

The fair value of the options has been estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the options were: dividend yield 0%; expected volatility 144%; risk-free interest rate - 4.1%; and an expected life of 5 -7 years. Total stock-based compensation costs for the six-month period ended June 30, 2008 amounted to $9,810 (June 30, 2007 - $0).

12. CAPITAL STOCK

Transactions during the year in the Company s capital stock are as follows:

| Date | Number of shares issued | Par value common shares | Additional paid-in capital |
|---|---|---|---|
| Balance January 1, 2007 | 53,820,158 | $ 65,947 | $ 2,331,588 |
| March 31, 2007 (i) | 422,982 | 488 | 53,233 |
| May 1, 2007 (ii) | 750,000 | 750 | 85,718 |
| June 30, 2007 (iii) | 374,900 | 399 | 29,523 |
| December 31, 2007 (iv) | 3,077,528 | 3,078 | 120,023 |
| December 31, 2007 (v) | 250,000 | 250 | 9,750 |
| December 31, 2007 (vi) | 250,000 | 250 | 9,750 |
| December 31, 2007 (vii) | 925,475 | 925 | 36,094 |
| 2007 stock-based compensation | 0 | 0 | 102,888 |
| Balance December 31, 2007 | 59,871,043 | $ 72,087 | $ 2,778,567 |
| 2008 stock-based compensation | 0 | 0 | 9,810 |
| June 30, 2008 (viii) | 138,800 | 139 | 6,931 |
| Balance June 30, 2008 | 60,009,843 | $ 72,226 | $ 2,795,308 |

(i) Shares issued to a corporation owned by a director of the Company in lieu of repayment of loans outstanding at March 31, 2007.

**LAMPERD LESS LETHAL INC.**
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12. CAPITAL STOCK (continued)

(ii) Issued in a private placement offering at US $0.10 a unit which included common stock purchase warrants entitling the holder to acquire up to 1,000,000 common shares in the company at US $0.08 per share, expiring April 30, 2010.

(iii) Shares issued to a corporation owned by a director of the Company in lieu of repayment of loans outstanding at June 30, 2007.

(iv) Shares issued to a corporation owned by a director of the Company in lieu of payment for services rendered to the Company during 2007.

(v) Shares issued to an employee of the Company as an incentive bonus.

(vi) Shares issued to a consultant in lieu of payment for services rendered to the Company during 2007.

(vii) Shares issued to the president of the Company in lieu of payment for services rendered during 2007.

(viii) Shares issued to a consultant in lieu of payment for services rendered to the Company during 2008.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**FORWARD-LOOKING STATEMENTS**

This quarterly report contains forward-looking statements. Forward-looking statements are statements that relate to future events, future financial performance or are otherwise projections of future results. In some cases, you can identify forward-looking statements by terminology such as may , should , expects , plans , anticipates , b estimates , predicts , potential or continue or the negative of these terms or other comparable terminology. Th statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section of this quarterly report on Form 10-Q entitled Risk Factors , that may cause our company s or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in Canadian Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

Unless otherwise specified in this quarterly report, all dollar amounts are expressed in Canadian dollars and all references to common shares refer to shares of our common stock.

As used in this quarterly report, the terms we , us , our , our company and Lamperd mean our company, Lamper Lethal Inc. and our wholly owned subsidiary 1476246 Ontario Limited, unless otherwise indicated.

*Corporate History*

We were incorporated under the laws of the State of Nevada under the name Sinewire Networks Inc. on October 4, 2001. On March 21, 2005, we changed our name to Lamperd Less Lethal Inc. The name change was recorded by the Secretary of State of the State of Nevada on March 21, 2005, and took effect with the Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under our new stock symbol LLLI .

The address of our principal executive office is 1200 Michener Road, Sarnia, Ontario N7S 4B1. Our telephone number is (519) 344-4445.

*Our Current Business*

Our company is a developer, reseller and manufacturer of civil defense products that are designed as a less lethal alternative to conventional weapons. The products include weapon systems and munitions that are designed to incapacitate as opposed to kill opponents, and at the same time, ensure the safety of the personnel using the products. In addition, our company manufactures or acquires for resale, shields, service equipment, training gear and accessories. The products are primarily designed for the use by military and law enforcement organizations. Our company also offers less lethal training to police, military, utility companies and private sector security personnel. Training can be provided by experienced military and police contractors in addition to trained civilian contractors which are retained as required by our company with permission from their respective agencies. The training programs offered by our company incorporate the most current less lethal techniques and equipment, including our own products.

The launchers consist of a hand held model called the Defender I, a longer version called the Defender II, a revolving shotgun launcher called the RSG-20, Homeland Defender 2 shot, and the Military Peace Keeper, or MPK version, that combines lethal and less lethal technologies in one launcher. The launchers fire 5 rounds except for our new product the Homeland Defender which fires 2 rounds. The five types of munitions developed for use by

the launchers, as well as certain conventional weapons, consist of sock rounds, WASP synthetic rounds, distractionary rounds, liquid incapacitant rounds, and training rounds.

Our market is primarily comprised of military forces and law enforcement organizations in Canada and the United States. In Canada, our products are primarily sold to distributors who distribute its products to end users on an exclusive basis. We have been granted a Canadian Business Firearms License, which allows the company to manufacture, repair, store, import, export and sell its proprietary products.

Our products are sold in the United States through a network of distributors. Our munitions have been approved by the Joint Less-lethal Weapons program in the United States. The program was established in order to provide certain personnel with a variety of non-lethal weapons products. In furtherance of the marketing and sales of our products, we have been assigned a NATO Commercial and Government Entity Code which enables us to sell military supplies to NATO member countries.

On July 16, 2007, we entered into a letter of intent dated July 5, 2007 to enter into a joint manufacturing agreement with Lumenyte International Corporation to develop an undercarriage camera inspection system.

On May 1, 2008, we entered into an exclusive agreement and collaboration with FN Herstal, of Belgium. Under the agreement, FN Herstal has agreed to showcase their FN 303 Launcher on our Firearms Training System simulator. FN Herstal will also employ the Firearms Training System simulator to market and demo their FN 303 Launcher and reference our company for promotional purposes.

***Our Products***

Launchers

We have developed five proprietary projectile launchers. Each of the launchers is compatible with our line of proprietary less lethal munitions including the WASP composite rounds, sock rounds, training rounds, distractionary rounds and liquid incapacitant rounds. Four launchers fire 5 rounds and one launcher fires 2 rounds. The ability of an operator to fire more than a single round provides greater security in hostile situations.

1. Defender I: The Defender I is our standard launcher product. The launcher fires munitions from a cylinder that holds five rounds. The launcher is a compact and lightweight product that fires 20 gauge rounds.

2. Defender II: The Defender II is a longer version than the Defender I and also fires munitions from a cylinder that holds 5 rounds. The launcher fires 20 gauge rounds and has a longer barrel which provides for improved accuracy and greater effectiveness at longer ranges.

3. RSG-20: The RSG-20 is a revolving shotgun version developed for the United States market and designed to fire five 20 gauge cartridges.

4. Military Peace Keeper: The MPK version combines lethal and less lethal technologies in one launcher and fires five rounds. The launcher is lightweight and contains a laser system for increased accuracy.

5. Homeland Defender: The Homeland Defender is our 2 shot launcher. This launcher is light weight and small enough to be carried as second weapon.

Munitions

We manufacture six types of proprietary munitions used by the launchers. Each of the munitions is made in 20 gauge, 12 gauge, 37mm and 40mm and 50 caliber sizes. In addition, our munitions are compatible with other 20 gauge, 12 gauge, 37mm, 40mm and 50 caliber conventional weapons delivery systems. The munitions are designed to ensure the safety of the operator and incapacitate rather than kill an opponent.

WASP Composite Rounds

The WASP round is our most technologically advanced product. The round consists of a projectile made from a rubber composite material that does not harden in colder climates and possesses energy dissipation attributes, resulting in a safer and more accurate projectile. The composite material allows it to be used in temperatures ranging from minus 50 degrees Celsius to 100 degrees Celsius. The chemical composition of the projectile dissipates energy upon impact, thus inflicting a level of force that is sufficient to temporarily incapacitate but not kill the intended opponent. The projectile is patent pending in Canada and the United States. The projectile was developed in partnership with the University of Western Ontario. The University of Western Ontario granted us an exclusive world-wide license to the technology pursuant to a license agreement dated January 30, 2005. The license agreement is effective for the term the patent rights are protected, subject to certain conditions. In consideration for the grant of license, we ve agreed to pay all out-of-pocket expenses incurred by the University of Western Ontario, assume responsibility for future patent prosecution and rights and pay the University a royalty commencing on April 1, 2006 of three percent of revenue directly attributable to the projectile. The royalty is subject to minimum royalty obligations of $5,000 per year for each of the second and third years following the entry into the license agreement, $10,000 per year for the fourth to sixth years, and $20,000 thereafter. Our Company has accrued $5,000 as of June 30, 2008 in connection with the 2008 royalty obligation.

Sock Rounds

The sock round fires a pouch or beanbag projectile filled with lead pellets or iron powder depending on the environmental requirements. Each sock round contains a proprietary tail attached to the end of the round which stabilizes the round for increased accuracy. The composition of the projectile allows for the dissipation of energy upon impact which reduces the chances of injury of the intended target. The projectile is intended to be aimed at the abdomen and hits the intended target with sufficient force to knock the opponent down, but generally not enough to cause permanent injury.

Distractionary Rounds

The distractionary round is an alternative to conventional stun grenades and provides a bright flash combined with a 135 decibel noise, used to disorient and temporarily blind opponents without causing permanent damage.

Liquid Incapacitant Rounds

Incapacitant rounds fire either a liquid or powder form of pepper spray designed to temporarily blind and incapacitate opponents without the need for officer contact. Firing the incapacitant rounds from a launcher provides greater safety to the operator and provides more range than traditional spray delivery methods.

Training Rounds

Training rounds are non-lethal munitions used by military and law enforcement organizations to carry out training exercises amongst themselves in preparation for hostile or combat situations.

Additional Products

We manufacture and distribute products in addition to launchers and munitions, including:

Specialized Mobil Armed Robot Technology System or SMART System which combines the Defender launcher technology with an integrated human-robot interface control platform. The SMART System is designed to deliver less

lethal, lethal and chemical weapon systems. Communication is facilitated by a 360 degree camera and a proprietary sighting system mounted to the robotic platform.

Firearm Training System, (FTS) is a simulation training systems, to develop both fundamental basic and judgmental skills for lethal / less lethal applications through computerized video hit projections. The FTS training scenario can be customized to the customer needs.

Lumenyte Lamperd Undercarriage Camera Inspection System (LLUCIS) This portable system utilizes 5 digital video cameras along with Lumenyte patent pending LED lighting array which provides full non glare illumination

completely devoid of shadows which could disguise the IED. All images are digitally recorded to the computerized control system. The user can resize individual video windows these videos can be saved to a desired video format or to individual images with GPS and time stamps. All this can be done from a safe location, nearby or remotely monitored via the internet from across the world.

**Plan of Operation and Cash Requirements**

*Results of Operations*

*Three month Summary ending June 30, 2008 and 2007*

| | Three Months Ended June 30 | |
|---|---|---|
| | **2008** | **2007** |
| Revenue | $ 123,216 | $ 34,005 |
| Selling and General Administration | $ 89,986 | $ 148,131 |
| Research and Development | - | 9,001 |
| Interest Expense | $ 9,269 | $ 5,932 |
| Depreciation and Amortization | 13,958 | 13,688 |
| Net Profit / Loss | $ (56,926) | $ (181,789) |

*Revenue*

During the three month period ended June 30, 2008 we earned revenues of $123,216. Since inception, we have earned revenues of $1,128,083. Our revenue increased by 262% during the three month period ended June 30, 2008 compared to the same period in 2007 due to increase sales with our FTS system and large Military order from R. Nicholls.

*Expenses*

Our operating expenses for the three month periods ended June 30, 2008 and June 30, 2007 are outlined in the table below:

| | Three Months Ended June 30 | |
|---|---|---|
| | **2008** | **2007** |
| Selling General and Administrative | $ 89,986 | $ 148,131 |
| Research and Development | $ - | $ 9,001 |
| Interest loans and Advances | $ 7,047 | $ 5,266 |
| Interest Other | $ 2,222 | $ 666 |
| Depreciation and Amortization | $ 13,958 | $ 13,688 |

Operating expenses for the three months ended June 30, 2008 of $113,213 decreased by 36% as compared to the comparative period in 2007 primarily as a result of lower salaries and consulting cost-savings measures and lower professional fees.

*Six month Summary ending June 30, 2008 and 2007*

| | Six Months Ended June 30 | |
|---|---|---|
| | **2008** | **2007** |
| Revenue | $ 181,089 | $ 78,830 |
| Selling and General Administration | $ 216,009 | $ 395,008 |
| Research and Development | - | 11,254 |
| Interest Expense | $ 18,877 | $ 9,365 |
| Depreciation and Amortization | 30,464 | 24,299 |
| Net Profit / Loss | $ (192,457) | $ (435,846) |

*Revenue*

During the six months June 30, 2008 we earned revenues of $181,089. Since inception, we have earned revenues of $1,128,083. Our revenue increased by 130% during the six month period ended June 30, 2008 compared to the same period in 2007 due to increase sales with our FTS system and large Military order from R. Nicholls.

*Expenses*

Our operating expenses for the three month periods ended June 30, 2008 and June 30, 2007 are outlined in the table below:

| | Six Months Ended June 30 | |
|---|---|---|
| | **2008** | **2007** |
| Selling General and Administrative | $ 216,009 | $ 395,008 |
| Research and Development | $ - | $ 11,254 |
| Interest loans and Advances | $ 14,093 | $ 8,638 |
| Interest Other | $ 4,784 | $ 727 |
| Depreciation and Amortization | $ 30,464 | $ 24,299 |

Operating expenses for the six months ended June 30, 2008 of $265,350 decreased by 39% as compared to the comparative period in 2007 primarily as a result of lower salaries and consulting cost-savings measures and lower professional fees.

Equity Compensation

During the six months ended June 30, 2008, 14,514 stock options were awarded and 138,800 common shares were issued to two consultants for service rendered.

Liquidity and Financial Condition

| **Working Capital** | **At June 30, 2008** | **At Dec 31, 2007** | **Percentage Increase/ Decrease** |
|---|---|---|---|
| Current Assets | $ 171,949 | $ 156,992 | 9.53 % |
| Current Liabilities | $ 925,339 | $ 765,269 | 20.92 % |
| Working Capital | $ (753,390) | $ (608,277) | 23.86 % |

**Cash Flows**

| | **Six Months Ended June 30, 2008** | **Six Months Ended June 30, 2007** |
|---|---|---|
| Net Cash Flows from Operating Activities | $ (62,191) | $ (246,055) |
| Net Cash Flows from Investing Activities | $ - | $ (36,683) |
| Net Cash Flows from Financing Activities | $ 62,191 | $ 293,851 |
| **Increase (Decrease) in Cash During the Period** | $ **-** | $ **11,113** |

There was an increase of $2,191 in bank indebtedness for the six months ended June 30, 2008 compared with an increase in cash of $11,113 for the six months ended June 30, 2007 which was largely due to the decrease in promissory note proceeds.

In the next twelve months we anticipate spending $200,000 on management consulting and $750,000 on general and administrative. Our cash on hand at June 30, 2008 was $Nil. We plan to raise additional capital required to meet immediate short-term needs and to meet the balance of our estimated funding requirements for the twelve months, primarily through the private placement of our securities.

*Cash Requirements*

We anticipate that we will expend approximately $960,000 during the twelve-month period ending June 30, 2009 to fund our operations. These expenditures are broken down as follows:

Estimated Funding Required During the Twelve Month Period Ending June 30, 2009

| | |
|---|---|
| Operating Expenses | |
| Management and Consulting | $ 200,000 |
| General and Administrative | 750,000 |
| Total Operating Expenses | $ 950,000 |
| Capital Expenditures | $ 10,000 |

*Future Financings*

We anticipate continuing to rely on funds received on the sale of our common stock as well as loans from our share holders in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will achieve any additional funds from the sale of our common stock or arrange for debt or other financing to fund our planned business activities. We presently do not have any arrangements for additional financing from potential line of credit.

As noted, we are pursuing various financing alternatives to meet our immediate and long-term financial requirements, which we anticipate will consist of further private placements of equity securities and advances from

related parties or shareholder loans. We plan to rely on shareholder loans and private placements to meet our short term cash requirements. We have not entered into any definitive agreements with any shareholders or related parties for the provision of loans or advances. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, or generate significant material revenues from operations, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

*Going Concern*

We anticipate that additional funding will be required in the form of equity financing from the sale of our common stock. At this time, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock or through a loan from our directors to meet our obligations over the next twelve months. We do not have any arrangements in place for any future debt or equity financing.

Due to the uncertainty of our ability to meet our current operating cash requirements, in their report on the annual financial statements for the year ended December 31, 2007, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

As a result, there will also be substantial doubt about our ability to continue as a going concern as the continuation of our business will be dependent upon obtaining further financing and achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of the stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

*Contractual Obligations*

All contractual obligations have been disclosed in the Financial Statement.

*Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

*Recently Issued Accounting Standards*

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires issuers to recognize the benefit of a tax position if that position is more likely than not of being sustained on a tax audit, based on the technical merits of the position. The provisions of FIN 48 become effective as of the beginning of the Company s 2008 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The adoption of this statement has not had a material effect on our company's reported financial position or results of operations.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements ( FAS 157 ). The objective of FAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted

accounting principles, and expands disclosures about fair value measurements. FAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of FAS 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. In November 2007, the FASB announced an option to defer implementation of some of the requirements of this standard for certain non-financial assets and liabilities.

Beginning January 1, 2008, we partially applied FAS 157 as allowed by FASB Staff Position ( FSP ) 157-2, which delayed the effective date of FAS 157 for nonfinancial assets and liabilities. As of January 1, 2008 the Company has applied the provisions of FAS 157 to its financial instruments and the impact was not material. Under FSP 157-2, the Company will be required to apply FAS 157 to its nonfinancial assets and liabilities beginning January 1, 2009. Management is currently reviewing the applicability of FAS 157 to our nonfinancial assets and liabilities and the potential impact that application will have on its consolidated statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (Topic 1N), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ( SAB 108 ), which addresses how the effect of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. The provisions of SAB 108 become effective as of the end of the 2007 fiscal year. SAB 108 requires SEC registrants (i) to quantify misstatements using a combined approach which considers both the balance sheet and income statement approaches; (ii) to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors; and (iii) to adjust their financial statements if the new combined approach results in a conclusion that an error is material. SAB No. 108 addresses the mechanics of correcting misstatements that include effects from prior years. It indicates that the current year correction of a material error that includes prior year effects may result in the need to correct prior year financial statements even if the misstatement in the prior year or years is considered immaterial. Any prior year financial statements found to be materially misstated in years subsequent to the issuance of SAB 108 would be restated in accordance with FAS No. 154, Accounting Changes and Error Corrections. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 has not had a material effect on our reported financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities -Including an Amendment of FASB Statement No. 115 ( FAS 159 ). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of FAS 159 apply only to entities that elect the fair value option. However, the amendment to FAS 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. FAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157, Fair Value Measurements. The adoption of this statement has not had a material effect on our reported financial position or results of operations.

In December 2007, the FASB issued Statement No. 141(R), Business Combinations ( FAS 141R ), replacing FAS 141, Business Combinations ( FAS 141 ). This statement retains the fundamental requirements in FAS 141 that the acquisition method of accounting (which FAS 141 termed the *purchase method*) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement clarifies that acquirers are required to expense costs related to any acquisitions. FAS 141R will apply prospectively to business combinations for which the acquisition date is on or after fiscal years beginning December 15, 2008. Early adoption is prohibited. We have not yet evaluated the impact, if any, that FAS 141R will have on its financial statements. Determination of the ultimate effect of this statement will depend on the our structure at the date of adoption.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51 ( FAS 160 ). FAS 160 establishes new accounting and reporting standards for the

noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. FAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair

value of the noncontrolling equity investment on the deconsolidation date. FAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. FAS 160 is effective for fiscal years beginning on or after December 15, 2008, with retrospective presentation and disclosure for all periods presented. Early adoption is prohibited. We currently have no entities or arrangements that will be affected by the adoption of FAS 160. However, determination of the ultimate effect of this pronouncement will depend on our structure at the date of adoption.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 ( FAS 161 ). This Statement requires enhanced disclosures about an entity s derivative and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We currently have no entities or arrangements that will be affected by the adoption of FAS 161. However, determination of the ultimate effect of this pronouncement will depend on our structure at the date of adoption.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles used in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financials.

**Item 3. Quantitative Disclosures About Market Risks**

As a smaller reporting company , we are not required to provide the information required by this Item.

**Item 4. Controls and Procedures.**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal accounting and financial officer (our president) to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2008, the end of the six month period year covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our president, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

There have been no significant changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal

controls over financial reporting.

## PART II - OTHER INFORMATION

**Item 1. Legal Proceedings.**

A Statement of Claim on February 1, 2007 has been filed against our company by Mintz & Partners LLP for the amount of $103,248. In the first six months period ended June 30, 2008 the Company paid the claimant $40,485 cash, which Management believes to be the fair value of the claim. Management is contesting the remainder of the claim. Proceedings have being requested to be held in the City of Toronto, in the Province of Ontario at the Ontario Superior Court of Justice.

Item 1A. Risk Factors

Risks Related To Our Business

*We operate in a highly-competitive industry and our failure to compete effectively may adversely affect our ability to generate revenue.*

Management is aware of similar products which compete directly with our products and some of the companies developing these products have significantly greater financial, technical and marketing resources, larger distribution networks, and generate greater revenue and have greater name recognition than us. These companies may develop products superior to those of our company. Such competition will potentially affect our chances of achieving profitability, and ultimately adversely affect our ability to continue as a going concern. Some of our competitors conduct more extensive promotional activities and offer lower prices to customers than we do, which could allow them to gain greater market share or prevent us from increasing our market share. In the future, we may need to decrease our prices if our competitors continue to lower their prices. Our competitors may be able to respond more quickly to new or changing opportunities, technologies and customer requirements. To be successful, we must carry out our business plan, establish and strengthen our brand awareness through marketing, effectively differentiate our product line from those of our competitors and build our distribution network. To achieve this we may have to substantially increase marketing and research and development in order to compete effectively. Such competition will potentially affect our chances of achieving profitability, and ultimately adversely affect our ability to continue as a going concern. Due to minimal revenue and lack of cash flow we cancelled the product liability insurance policy in July of 2006. We have subsequently reinstated our product liability insurance on May 1, 2007. On July 26, 2007, we cancelled our product liability coverage. We cannot make assurances that resources will be available in the foreseeable future to cover any potential product liability litigation or claims should any arise during the period that our company was self-insured.

*Rapid technological changes in our industry could render our products non-competitive or obsolete and consequently affect our ability to generate revenues.*

Currently, we derive substantially all of our revenues from the sale of civil defense products and related products using less lethal alternatives to conventional weapons, including launchers and munitions. Such products are characterized and affected by rapid technological change, evolving industry standards and regulations and changing client preferences. Our success will depend, in significant part, upon our ability to make timely and cost-effective enhancements and additions to our technology and to introduce new products and services that meet customer demands. We expect new products and services to be developed and introduced by other companies that compete with our products and services. The proliferation of new and established companies offering less lethal alternative products may reduce demand for our particular products. There can be no assurance that we will be successful in responding to these or other technological changes, to evolving industry standards or regulations or to new products and services offered by our current and future competitors. In addition, we may not have access to sufficient capital for our

research and development needs in order to develop new products and services.

*We could lose our competitive advantages if we are not able to protect our proprietary technology and intellectual property rights against infringement, and any related litigation could be time-consuming and costly.*

Our success and ability to compete depends in part on our proprietary technology incorporated in our products. If any of our competitors copy or otherwise gain access to our proprietary technology or develop similar technologies independently, we would not be able to compete as effectively. We consider our technologies invaluable to our ability to continue to develop and maintain the goodwill and recognition associated with our brand. The measures we take to protect our technologies, and other intellectual property rights, which presently are based upon registered trade marks in addition to trade secrets, may not be adequate to prevent their unauthorized use. Although we rely, in part, on contractual provisions to protect our trade secrets and proprietary know-how, there is no assurance that these agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets will not otherwise become known or be independently developed by competitors. Further, the laws of foreign countries may provide inadequate protection of intellectual property rights. We may need to bring legal claims to enforce or protect our intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and a diversion of corporate resources. In addition, notwithstanding any rights we have secured to our intellectual property, other persons may bring claims against us claiming that we have infringed on their intellectual property rights, including claims that our intellectual property rights are not valid. Adverse determinations in litigation in which we may become involved could subject us to significant liabilities to third parties, require us to grant licenses to or seek licenses from third parties and prevent us from manufacturing and selling our products. Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill associated with our trademarks or require us to make changes to our technologies. Furthermore, we cannot assure you that any pending patent application made by us will result in an issued patent, or that, if a patent is issued, it will provide meaningful protection against competitors or competitor technologies.

*We may not be able to hire and retain qualified personnel to support our growth and if we are unable to retain or hire such personnel in the future, our ability to improve our products and implement our business objectives could be adversely effected.*

To continue our growth, we will need to recruit additional senior management personnel, including persons with financial and sales experience. In addition, we must hire, train and retain a significant number of other skilled personnel, including persons with experience in less lethal munitions engineering and manufacturing. We have encountered competition for these personnel. We may not be able to find or retain qualified personnel, which will have a material adverse impact on our business.

*Our growth could be impaired if we are not able to develop and maintain the relationships we need to implement our international strategy.*

Our growth will depend, in large part, on the success of our international distribution strategy. We have limited experience in marketing and selling our products outside of Canada and the United States. We will depend on partnerships and/or joint ventures in international markets to help us build our international operations and distribution networks. We will depend upon international partners to provide marketing and relationship building expertise, and a base of existing customers. If we are unable to develop and maintain these relationships, or to develop additional relationships in other countries, our ability to penetrate, and successfully compete in foreign markets will be adversely affected.

*We intend to expand our business internationally, and therefore, we are subject to additional financial and regulatory risks.*

Our current and future international operations are and will be subject to various risks, including: foreign import controls (which may be arbitrarily imposed and enforced and which could interrupt our supplies or prohibit customers from purchasing our products); exchange rate fluctuations; the necessity of obtaining government approvals for both new and continuing operations; and legal systems of decrees, laws, taxes, regulations, interpretations and court decisions that we are not familiar with. One component of our strategy is to expand our operations into selected international markets. Foreign countries in which we are actively marketing include the United States and we intend to commence marketing efforts in the United Kingdom in the near future. We, however, may be unable to execute our business model in this market or new markets. Further, foreign providers of competing

products and services may have a substantial advantage over us in attracting consumers and businesses in their country due to earlier established businesses in that country, greater knowledge with respect to the cultural differences of consumers and businesses residing in that country and/or their focus on a single market. As a result, we expect to experience higher costs as a percentage of any revenues that we may generate in the future in connection with the development and maintenance of international sales. In pursuing our international expansion strategy, we face several additional risks, including:

- foreign laws and regulations, which may vary country by country, that may impact how we conduct our business;

- higher costs of doing business in foreign countries;

- potential adverse tax consequences if taxing authorities in different jurisdictions worldwide disagree with our interpretation of various tax laws or our determinations as to the income and expenses attributable to specific jurisdictions, which could result in our paying additional taxes, interest and penalties;

- technological differences that vary by marketplace, which we may not be able to support;

- longer payment cycles and foreign currency fluctuations; and

- economic downturns.

We propose to operate in areas where local government policies regarding foreign entities and the regulation of less lethal products are often uncertain. We cannot, therefore, be certain that we are in compliance with, or will be protected by, all relevant local laws and taxes at any given point in time. A subsequent determination that we failed to comply with relevant local laws and taxes could have a material adverse effect on our business, financial condition, results of operations and liquidity. One or more of these factors could adversely affect our future international operations and, consequently, could have a material adverse effect on our business, financial condition, results of operation and liquidity.

*Many of our customers have fluctuating budgets, which may cause substantial fluctuations in our results of operations.*

The potential customers for our products may include federal, state, municipal, foreign and military, law enforcement and other governmental agencies. Government tax revenues and budgetary constraints, which fluctuate from time to time, can affect budgetary allocations from these customers. Many domestic and foreign government agencies have in the past experienced budget deficits that have led to decreased spending in defense, law enforcement and other military and security areas. Any future revenues that our company may generate may be subject to substantial periodic fluctuations because of these and other factors affecting military, law enforcement and other governmental spending. A reduction of funding for federal, state, municipal, foreign and other governmental agencies could have a material adverse effect on any future revenues that we may generate.

*Our WASP synthetic round is costly to compound, and our company may not be able to find other subcontractors who are willing to supply our company with this service.*

The WASP synthetic round is made from a proprietary rubber compound and is costly to compound. It may be difficult to find other contractors willing to compound our material. If we are unable to find contractors willing to compound and deliver our material, our revenues will be reduced.

Risks Related To Our Industry

*The products we sell are inherently risky and could give rise to product liability and other claims.*

The products that we manufacture are typically used in applications and situations that involve a high level of risk of personal injury. Failure to use our products for their intended purposes, failure to use or care for them properly, or their malfunction, or, in some limited circumstances, even correct use of our products, could result in serious bodily injury or death. Given this potential risk of injury, proper maintenance of our products is critical. Our products consist of less lethal products such as launchers, munitions, pepper sprays and distraction devices. The manufacture and sale of less-lethal products may be the subject of product liability claims arising from the design, manufacture or

sale of such goods. If these claims are decided against our company and we are founds liable, we may be required to pay substantial damages and our insurance costs, if any, may increase significantly as a result. Also, a significant or extended lawsuit could also divert significant amounts of management s time and energy. We cannot assure you that our insurance coverage, if any, would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, that we will be able to obtain it at a reasonable cost. Any material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

*We are subject to extensive government regulation, and our failure or inability to comply with these regulations could materially restrict our operations and subject us to substantial penalties.*

We are subject to many requirements with respect to the sale in foreign and/or domestic countries of certain of our products. In addition, we are obligated to comply with a variety of federal, state and local regulations, both domestically and abroad, governing certain aspects of our operations and workplace. The inability of our company to comply with such regulations may limit our operations and subject us to substantial penalties and fines.

Risks Related To Our Common Stock

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.*

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If the stock price declines, there can be no assurance that we can raise additional capital or generate funds from operations sufficient to meet our obligations. We believe the following factors could cause the market price of our common stock to continue to fluctuate widely and could cause our common stock to trade at a price below the price at which you purchase your shares:

- actual or anticipated variations in our quarterly operating results;

- announcements of new services, products, acquisitions or strategic relationships by us or our competitors;

- trends or conditions in the less lethal products industry;

- changes in accounting treatments or principles;

- changes in earnings estimates by securities analysts and in analyst recommendations;

- changes in market valuations of other less lethal product companies; and

- general political, economic, regulatory and market conditions.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, could materially adversely affect the market price of our common stock.

*If we issue additional shares in the future, it will result in the dilution of our existing shareholders.*

Our certificate of incorporation authorizes the issuance of 1,000,000,000 shares of common stock. Our board of directors has the authority to issue additional shares up to the authorized capital stated in the certificate of incorporation. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares will result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional

shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change of control of our corporation.

*If a market for our common stock does not develop, shareholders may be unable to sell their shares.*

There is currently a limited market for our common stock, which trades through the Over-the-Counter Bulletin Board quotation system. Trading of stock through the Over-the-Counter Bulletin Board is frequently thin and highly volatile. There is no assurance that a sufficient market will develop in the stock, in which case it could be difficult for shareholders to sell their stock.

*Trading of our stock may be restricted by the Securities and Exchange Commission s penny stock regulations which may limit a stockholder s ability to buy and sell our stock.*

The Securities and Exchange Commission has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors . The term accredited investor refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer s confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

In addition to the "penny stock" rules promulgated by the Securities and Exchange Commission, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information.**

On April 3, 2008 we engaged new auditors as our independent accountants to audit our financial statements. Our Board of Directors approved the change of accountants to Danziger Hochman Partners LLP Licensed Public Accountants, an independent firm of Chartered Accountants..

On March 31, 2008, our independent auditors Gregory J. Barber CPA. P.C. informed us that they could no longer conduct the December 31, 2007 year end audit because of staffing issues.

During our most recent fiscal year, and any subsequent interim periods preceding the change in accountants, there were no disagreements with Gregory J. Barber CPA. P.C, who were appointed on July 26, 2006, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope procedure. The report on the financial statements prepared by Gregory J. Barber CPA. P.C, for the last fiscal years did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principals, except that Gregory J. Barber CPA. P.C expressed in their report substantial doubt about our ability to continue as a going concern.

We have engaged the firm of Danziger Hochman Partners LLP, as of April 3, 2008. Danziger Hochman Partners LLP was not consulted on any matter relating to accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements.

**Item 6. Exhibits.**

*Exhibits required by Item 601 of Regulation S-K.*

| Exhibit | Description |
|---|---|
| **3.** | ***Articles of Incorporation and By-laws:*** |
| 3.1 | Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2, filed on March 27, 2002). |
| 3.2 | Restated Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2, filed on March 27, 2002). |
| 3.3 | Bylaws (incorporated by reference from our Registration Statement on Form SB-2, filed on March 27, 2002). |
| 3.4 | Certificate of Amendment filed with the Nevada Secretary of State on January 31, 2005. (Incorporated by reference from our Current Report on Form 8-K, filed on February 1, 2005). |
| 3.5 | Certificate of Amendment filed with the Nevada Secretary of State on March 21, 2005 (Incorporated by reference from our Current Report on Form 8-K, filed on March 31, 2005). |
| **10.** | **Material Contracts** |
| 10.1 | Share Exchange Agreement dated March 18, 2005, among our company under our former name Sinewire Networks Inc., 1476246 Ontario Limited doing business as Lamperd Less Lethal, Patrick Ward, Hani Zabaneh and the principal shareholders as set out in the share exchange agreement (incorporated by |

| | |
|---|---|
| | reference from our Current Report on Form 8-K, filed on March 31, 2005). |
| 10.2 | Employment Agreement dated January 1, 2005 between 1476246 Ontario Limited and Barry Lamperd (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |
| 10.3 | Addendum to Employment Agreement made January 1, 2005 between 1476246 Ontario Limited and Barry Lamperd (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |

| Exhibit | Description |
|---|---|
| 10.4 | Asset Transfer Agreement dated January 1, 2005 between 1476246 Ontario Limited and Pinetree Law Enforcement Products Ltd. (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |
| 10.5 | License Agreement dated January 20, 2005 between 1476246 Ontario Limited and The University of Western Ontario (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |
| 10.6 | Voting Agreement dated March 1, 2005 between Barry Lamperd, D Arcy Bell, Dominic DiCarlo, Bruce Strebinger, Mercer Investments Inc. and 1476246 Ontario Limited (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |
| 10.7 | Consulting Agreement dated April 23, 2005 between 1476246 Ontario Limited and Dominic DiCarlo (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |
| 10.8 | Consulting Agreement dated April 23, 2005 between 1476246 Ontario Limited and 1476232 Ontario Limited (incorporated by reference from our Current Report on Form 8-K, filed on May 13, 2005). |
| 10.9 | Letter of Intent dated May 18, 2005 between Lamperd Less Lethal Inc. and Taylor s & Co. Inc. (incorporated by reference from our Current Report on Form 8-K filed on May 27, 2005). |
| 10.10 | Geographic Exclusive Commissioned Sales Agent Agreement dated as of August 2, 2005 (incorporated by reference from our Current Report on Form 8-K filed on August 8, 2005). |
| 10.11 | Agreement with FN Herstal entered into on May 1, 2008 (incorporated by reference from our Current Report on Form 8-K filed on June 4, 2008). |
| **21.** | **Subsidiaries of the Small Business Issuer** |
| 21.1 | 1476246 Ontario Limited |
| **14.** | **Code of Ethics** |
| 14.1 | Code of Business Conduct and Ethics (incorporated by reference from our Annual Report on Form 10-KSB, filed on March 30, 2004). |
| **31.** | **302 Certification** |
| 31.1* | Section 302 Certification under Sarbanes-Oxley Act of 2002 of Barry Lamperd. |
| **32.** | **906 Certification** |
| 32.1* | Section 906 Certification under Sarbanes-Oxley Act of 2002 of Barry Lamperd. |

**filed herewith*

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LAMPERD LESS LETHAL INC.**
(Registrant)

Dated: August 13, 2008

/s/ *Barry Lamperd*
**Barry Lamperd**
President and Director
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)