

LAMPERD LESS LETHAL INC  
Form 10QSB  
August 16, 2005  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-QSB**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-50011

**LAMPERD LESS LETHAL INC.**

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

1200 Michener Road, Sarnia, Ontario, Canada N7S 4B1

(Address of principal executive offices)

(519) 344-4445

(Issuer's telephone number)

98-0358040

(IRS Employer Identification No.)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. Yes  No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY**

**PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the issuer has filed all documents and reports required to be filed by Section 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 REGISTRANTS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 50,500,000 common shares issued and outstanding as of August 9, 2005

Transitional Small Business Disclosure Format (Check one): Yes  No

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**LAMPERD LESS LETHAL INC.**

**(Formerly Sinewire Networks Inc.)**

**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**JUNE 30, 2005**

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**LAMPERD LESS LETHAL INC.**

**(Formerly Sinewire Networks Inc.)**

**JUNE 30, 2005**

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I

**LAMPERD LESS LETHAL INC.**

**(Formerly Sinewire Networks Inc.)**

**CONSOLIDATED CONDENSED BALANCE SHEETS**

**(Canadian Funds)**

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II

**LAMPERD LESS LETHAL INC.**

**(Formerly Sinewire Networks Inc.)**

**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**

**(Canadian Funds)**

**(Unaudited)**

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**III**

**LAMPERD LESS LETHAL INC.**

**(Formerly Sinewire Networks Inc.)**

**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF OPERATIONS**

**(Canadian Funds)**

**(Unaudited)**

See accompanying notes to financial statements.

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**LAMPERD LESS LETHAL INC.**

**(Formerly Sinewire Networks Inc.)**

**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

(Canadian Funds)

**(Unaudited)**

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**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

**1. DESCRIPTION OF BUSINESS**

Lamperd Less Lethal Inc. ( Lamperd or Company ) was incorporated under the laws of the State of Nevada under the name "Sinewire Networks Inc." on October 4, 2001. On March 21, 2005, the Company changed its 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 National Association of Securities Dealers Inc. ( NASD ) Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under the new stock symbol "LLLI".

On April 14, 2005, the Company entered into a reverse acquisition (Note 17) with 1476246 Ontario Limited ( 1476246 ), a company incorporated pursuant to the laws of the Province of Ontario on November 22, 2001. These financial statements are a continuation of the operations of 1476246.

Lamperd is a developer and manufacturer of civil defense products that are designed as a less lethal alternative to conventional weapons. In addition, Lamperd also manufactures shields, service equipment, training gear and accessories primarily designed for use by military and law enforcement organizations. Lamperd also provides less lethal training to police, military and private sector security personnel.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

These interim financial statements should be read in conjunction with the financial statements for the Company's most recently completed year ended December 31, 2004. They do not include all the disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with United States general accepted accounting principles. These statements have been prepared using the same accounting policies, and methods as those used by the Company in the annual financial statements at the December 31, 2004 accounts and the year then ended. Comparative information for the three and six month periods ended June 30, 2004 are not presented on the statement of operations and statement of cash flows as 1476246 was inactive.

**(a) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and all highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase or are otherwise highly liquid. Substantially all cash and cash equivalents are under the custodianship of one major Canadian financial institution.

**(b) SHORT-TERM INVESTMENTS**

Short-term investments are stated at cost, which approximates market value, and have a term to maturity exceeding three months but less than one year.





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**VI**

**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

**(c) REVENUE RECOGNITION**

Sales are recognized when legal title to the goods has been passed to the customer and collection is reasonably assured. Other amounts received in excess of revenue recognized are recorded as deferred income.

**(d) INVENTORIES**

Inventories are valued at the lower of cost and net realizable value with cost being substantially determined on a first-in, first-out basis.

**(e) PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. Amortization is being provided for on a straight-line basis over the estimated useful life of the assets. The Company periodically compares the carrying value of property and equipment to their net realizable values and charges income with any impairment to net assets. The estimated useful lives of the assets are as follows:

Computer, office, and protective and demonstration equipment	4 years
Manufacturing equipment	10 years
Leasehold improvements	over the term of the lease

**(f) OTHER ASSETS**

Amortization of certain other assets is being provided for on the straight-line basis over the estimated useful life of the assets, as noted below.

Trademarks and copyrights	5 years
Licenses	17 years

Goodwill represents the excess of the cost of the acquisition of assets from Pinetree Law Enforcement Products of Canada Limited over the fair value of the identifiable assets on January 1, 2005. If the company determines that there is permanent impairment in the value of the unamortized portion of the goodwill, as future earnings will not be realized as projected, an appropriate amount of the unamortized balance of goodwill will be charged to income as an impairment charge at that time.

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### LAMPERD LESS LETHAL INC.

#### NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

JUNE 30, 2005

(Canadian Funds)

(Unaudited)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

##### (g) 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. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

##### (h) INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("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.

##### (i) TRANSLATION OF FOREIGN CURRENCIES

In accordance with SFAS No. 52, "Foreign Currency Translation", the financial statements of certain affiliates of the Company are measured using local currency (Canadian dollar) as the functional currency. Assets and liabilities have been translated at current exchange rates and related revenue and expenses have been translated at average monthly exchange rates. Gains and losses resulting from the translation of affiliates' financial statements are included as a separate component of shareholders' equity.

##### (j) RESEARCH AND DEVELOPMENT

Research costs and development costs are expensed as incurred.

Approved 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.

##### (k) COSTS OF RAISING CAPITAL

Incremental costs incurred in respect of raising capital are charged against equity proceeds raised.



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**VIII****LAMPERD LESS LETHAL INC.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2005****(Canadian Funds)****(Unaudited)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)****(1) COMPREHENSIVE INCOME**

Statement of Financial Accounting Standards No. 130 ( SFAS 130 ), Reporting Comprehensive Income, establishes standards for the reporting and display of comprehensive income and its components and requires the restatement of all previously reported information for comparative purposes. For the periods ended June 30, 2005, comprehensive income was the same as net earnings.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes two US dollar cashable guaranteed investment certificate ( GIC ). The GIC s are \$100,000 and \$500,000 respectively. Both GIC s have an annual interest rate of 2.96% and mature July 21, 2005.

**4. SHORT-TERM INVESTMENTS**

The short-term investment consists of a cashable guaranteed investment certificates ( GIC ). The \$8,200 GIC matures February 27, 2006 and the \$200,000 GIC matures April 24, 2006. Both GIC s have an annual interest rate of 2.45%,

**5. INVENTORIES**

	June 30 2005 (Unaudited)	December 31 2004 (Audited)
Raw materials	\$80,307	\$ -
Work in progress	1,426	-
Finished goods	<u>17,705</u>	-
	<u>\$99,438</u>	<u>\$ -</u>

**6. PREPAID EXPENSES AND DEPOSITS**

	June 30 2005 (Unaudited)	December 31 2004 (Audited)
Prepaid operating expenses	\$73,524	\$ -
Rent deposits	12,800	-
Vehicle lease deposits	<u>4,064</u>	-

\$90,388

\$ -

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**IX****LAMPERD LESS LETHAL INC.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2005****(Canadian Funds)****(Unaudited)****7. PROPERTY, PLANT AND EQUIPMENT**

	June 30, 2005 (Unaudited)		December 31, 2004 (Audited)	
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Office equipment	\$21,388	\$2,199	\$19,189	\$ -
Manufacturing equipment	178,911	4,894	174,017	-
Protective and demonstration equipment	31,210	3,513	27,697	-
Computer equipment	6,276	455	5,821	-
Leasehold improvements	<u>20,465</u>	<u>2,417</u>	<u>18,048</u>	=
	\$258,250	\$13,478	<u>\$244,772</u>	\$ -

**8. OTHER ASSETS**

	June 30, 2005 (Unaudited)		December 31, 2004 (Audited)	
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Licences	\$22,121	\$650	\$21,471	\$ -
Trademarks and copyrights	1	-	1	-
Goodwill	59,987	nil	59,987	-
	<u>\$82,109</u>	<u>\$650</u>	<u>\$81,459</u>	\$ -

**9. REVENUES**

Revenues for the quarter ended June 30, 2005 include \$37,532 (2004 - \$0) in international sales. The remaining \$ 119,773 is for products sold in Canada (2004 - \$0).

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**LAMPERD LESS LETHAL INC.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2005****(Canadian Funds)****(Unaudited)****10. CONTINGENCIES AND COMMITMENTS****(a) License Agreement**

The company entered into a license agreement with the University of Western Ontario (UWO) which grants the company the exclusive rights to make, have made, use, lease, sell, offer to sell and import UWO invention No. 02-029 known as Less Lethal Ammunitions Projectile (projectile), as well as any trade secrets associated with the projectile. The licence is effective for the period that expires when the last of the terms for which claims under the Licensed Patent Rights expire, unless the agreement is terminated sooner. The agreement is effective as of April 1, 2005. The company has paid an initial licence fee of \$5,000. Lamperd has agreed to pay all 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. The company must pay the difference between the four quarterly royalty payments and the minimum annual royalty within 60 days of any year ending December 31. The required minimum royalty obligations, that equal the annual licence fees, for the next five years are as follows:

<u>Year</u>	<u>Annual Licence Fee</u>
2005	\$0
2006	\$5,000
2007	\$5,000
2008	\$10,000
2009	\$10,000

**(b) Operating Leases**

The Company is committed to minimum payments under net operating leases for land and buildings to 1109630 Ontario Ltd., a related party. The lease expires December 31, 2007. The company has the option to continue the lease on a month-to-month basis thereafter. The future annual minimum lease payments are as follows:

<u>Year</u>	<u>Annual Rent</u>
July, 2005 to December, 2005	\$ 38,800
2006	\$76,800
2007	\$76,800





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**XI**

**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

**10. CONTINGENCIES AND COMMITMENTS (continued)**

The Company is committed to minimum payments for vehicle leases ending between October 2005 and February 2009. The future annual minimum lease payments are as follows:

<u>Year</u>	<u>Annual Payments</u>
July, 2005 to December, 2005	\$4,979
2006	\$6,696
2007	\$6,696
2008	\$6,696
2009	\$558

**(c) Industry Risk**

The 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, the manufacture and sale of less-lethal products may be subject to product liability claims arising from the design, manufacture, or sale of such goods. If any such claims are decided against the company, and the company is found liable, 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 at this time in regards to products manufactured and sold by the company.

**(d) Canadian Business Firearms Licence**

The Company requires a valid Canadian Business Firearms Licence (CBFL) to possess, manufacture, repair, store, import, export and sell firearms and ammunition as governed by the Canadian Firearms Act. The CBFL for Lamperd is held in the name of Barry Lamperd. The Company's operations would be materially restricted if Barry Lamperd resigns.

**(e) Distribution Agreements**

The Company has an agreement with R. Nicholls Distributors Inc. granting R. Nicholls Distributors Inc. exclusive rights to distribute the full range of the Company's products throughout Canada. The agreement is renewable on the first day of each year, by mutual agreement, and cancellable by either party with 120 days written notice. Any contingencies for either party, related to the agreement, are not determinable at this time.



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## XII

### LAMPERD LESS LETHAL INC.

#### NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

JUNE 30, 2005

(Canadian Funds)

(Unaudited)

#### 10. CONTINGENCIES AND COMMITMENTS (continued)

(f) Litigation

The Company is aware of a possible claim relating to a letter of agreement dated October 18, 2004 for fiscal advisory and business development services to be provided to the Company to secure financing which was not completed until April 2005. As of June 30, 2005 this claim is an unasserted legal claim. The Company considers it probable that a claim could be asserted subject to satisfactory negotiation of settlement of the claim. A settlement, the amount of which cannot be determined, is being negotiated. Accordingly, accrual for the amount of loss, if any, is not determinable at this time. If a settlement is not reached management will vigorously defend the claim. Costs of the litigation cannot be estimated at this time. Any charges related to this will be recorded when determinable.

(g) Liability Insurance Policy

On June 8, 2005 the company paid an initial deposit of \$64,800 for liability insurance. The total annual premiums for the policy are \$216,000 with the balance payable in monthly instalments of \$19,354 (including \$454 finance charge) from July 7, 2005 to February 7, 2006.

June 23, 2005 the company paid an initial deposit of \$22,680.00 for Liability Coverage for Director and Officers. The total annual premium for this policy is \$63,180.00 with the balance payable in monthly instalments of \$4,662.65 (including \$162.65 finance charge) from July 22, 2005 to March 22, 2006.

#### 11. RELATED PARTY TRANSACTIONS

The Company entered into various transactions with related parties as disclosed in note 10 (b), 16, and 19.

The Company entered into an asset purchase agreement with Pinetree on January 1, 2005 which resulted in a note payable being issued in favour of 1476232 Ontario Limited, a related company of which D Arcy Bell is a principal shareholder. D Arcy Bell is also a principal shareholder and vice-president of 1476246, and a director of Lamperd. The note payable was issued to Pinetree in 2001 in the amount of \$80,000 plus accrued interest at 20% per annum. The note was settled on April 22, 2005 for \$102,400.

The Company entered into an employment agreement with director and President Barry Lamperd. The agreement, dated January 1, 2005, entitles Mr. Lamperd to an annual salary of 125,000.

As disclosed in note 10 (b), the Company has undertaken a lease for land and buildings with 1109630 Ontario Limited, a related company owned by a shareholder and officer of 1476246, and director of Lamperd.



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**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

**11. RELATED PARTY TRANSACTIONS (continued)**

T.R.E.L. Of Sarnia Limited is the primary subcontractor of parts for the Company's launcher systems and is owned in part by Dominic Dicarlo. Dominic Dicarlo is a principal shareholder and vice-president of 1476246, and director of Lamperd. Lamperd paid T.R.E.L. \$69,874 in the second quarter of 2005 for the manufacturing of various components for the Company's products.

Accounts payable include amounts due from related parties as follows:

	June 30 2005 (Unaudited)	December 31 2004 (audited)
T.R.E.L. of Sarnia	\$ <u>24,075</u>	\$-

**12. FINANCIAL INSTRUMENTS**

(a) 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. The Company performs ongoing credit evaluation of its customers' financial condition and, generally, requires no collateral.

There was one customer holding 80.1 % of the outstanding accounts receivable as at June 30, 2005. The Company did not have any accounts receivable for the same period in 2004.

(b) Concentration Risk

A majority of the Company's cash and cash equivalents are with one major Canadian banking institution. Deposits held with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimum risk.

(c) Currency Risk

The Company is subject to currency risk through its activities in the United States of America. Unfavourable changes in the exchange rate may affect the operating results of the Company.

The Company does not actively use derivative instruments to reduce its exposure to foreign currency risk. However, dependant on 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, 2005.

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**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

12. FINANCIAL INSTRUMENTS (continued)

d) Fair Value of Financial Assets and Liabilities

The carrying amounts of the Company's financial assets and liabilities including cash and cash, equivalents, accounts receivable, investment tax credit recoverable, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items.

13. ECONOMIC DEPENDENCE

During the quarter, two customers represented 82.46% of sales (2004 0 %).

14. SHARE VOTING AGREEMENT

On March 1, 2005, Barry Lamperd, D Arcy Bell, Dominic Dicarlo, Bruce Strebinger, and Mercer Investments entered into a share voting agreement. The voting agreement transfers voting rights of Bruce Strebinger and Mercer Investments (new shareholders) to the founding shareholders Barry Lamperd, D Arcy Bell, and Dominic Dicarlo. The agreement is valid until the earlier of April 1, 2008, the agreement is terminated by written agreement, dissolution or bankruptcy of the Company, or if the new shareholders cease to hold or own beneficially or of record at least 5% of the voting securities in the capital of the company.

15. LOSS PER SHARE

Loss per share is calculated on the basis of the weighted average number of common shares outstanding for the three months ended June 30, 2005 totalling 50,285,714 shares (June 30, 2004 4,000) and for the six months ended June 30, 2005 totalling 49,646,409 shares (June 30, 2004 4,000).

Diluted loss per share is not calculated as the effect would be anti-dilutive.



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**LAMPERD LESS LETHAL INC.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****JUNE 30, 2005****(Canadian Funds)****(Unaudited)****16. PURCHASE OF ASSETS OF PINETREE LAW ENFORCEMENT PRODUCTS OF CANADA LIMITED**

On January 1, 2005, Lamperd purchased the business assets of Pinetree Law Enforcement Products of Canada Limited ( Pinetree ). The assets included equipment, inventory, receivables, stock in trade, intellectual property, licences, agreements, and trademarks. The allocation of the purchase price of Pinetree s assets is as follows:

Cost of purchase	
Assumption of accounts payable to the Receiver General of Canada	\$69,546
Issuance of note payable to 1476232 Ontario Limited	<u>102,400</u>
Total cost of asset purchase	<u>171,946</u>
Allocation of purchase cost (At fair market value)	
Accounts receivable (net of allowance for doubtful accounts)	\$12,130
Inventory raw materials	25,407
Shop equipment	16,300
Office furniture and equipment	10,000
Computer equipment	1,000
Protective and demonstration equipment	25,000
Licence agreements	22,121
Trademarks and copyrights	<u>1</u>
Total allocations to Current, Fixed and Other Intangible Assets	<u>111,959</u>

Balance of cost of purchase allocated to Goodwill	\$59,987
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**17. REVERSE ACQUISITION OF LAMPERD LESS LETHAL INC. (FORMERLY SINEWIRE NETWORKS INC.)**

On March 24, 2005, the Company entered into a Share Exchange Agreement with Lamperd Less Lethal Inc. ( Lamperd ) under their former name Sinewire Networks Inc., Patrick Ward, Hani Zabaneh, and the shareholders of 1476246 as outlined in a Share Exchange Agreement. The Share Exchange Agreement contemplated Lamperd acquiring all of the issued and outstanding shares of 1476246.

Under the Share Exchange Agreement, Lamperd acquired all 100,000,000 issued and outstanding common stock of 1476246, effective as of April 14, 2005, in exchange for the issuance by Lamperd of 26,000,000 shares of common stock to the shareholders of 1476246. One share of Lamperd was issued for every 3.8461538 common shares of 1476246. As of April 14, 2005, 1476246 legally became a wholly owned subsidiary of Lamperd



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**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

**17. REVERSE ACQUISITION OF LAMPERD LESS LETHAL INC. (FORMERLY SINEWIRE NETWORKS INC.) (continued)**

As a result of the share exchange, and subsequent private placement of shares (note 18), the former shareholders of 1476246 hold 26,000,000 (51.5%) of Lamperd's 50,500,000 outstanding shares and because the operations of 1476246 represents the only business operations of the combined company, the acquisition of 1476246 is deemed to be a reverse acquisition for accounting and financial statement purposes.

Starting with the periodic report for the quarter in which the acquisition was consummated, Lamperd will file quarterly and annual reports based on a December 31, 2004 fiscal year end. Financial statements issued subsequent to April 14, 2005 will depict the operating results of 1476246, including the acquisition of Lamperd

**18. PRIVATE PLACEMENT OF SHARES**

Lamperd issued 1,500,000 shares to Higgs Investment Group, Inc. pursuant to a private placement under a Subscription Agreement dated April 14, 2005, between Lamperd and Higgs Investment Group, Inc. The purchase price was \$1 per unit. Each unit consists of one common share of Lamperd and two common share purchase warrants. Each common share purchase warrant is immediately exercisable and entitles Higgs Investment Group, Inc. to purchase one common share for a period of 24 months commencing from April 14, 2005. The warrants are exercisable at a price per share of US \$1.25 for twelve months following April 14, 2005, and US\$1.40 thereafter. The units issued to Higgs Investment Group Inc. were issued with reliance upon an exemption from registration in an offering of securities in an offshore transaction to persons who are not United States persons pursuant to Regulation S under the United States Securities Act of 1933, as amended. \$250,000 USD of the subscription proceeds were previously provided to 1476246 by way of a convertible loan owed to Higgs Investment Group Inc.

**19. CONSULTING AGREEMENTS**

The Company entered into two consulting agreements on April 23, 2005.

The first agreement is with 1476232 Ontario Limited ( 1476232 ), a related company. The agreement entitles 1476246 to use the personnel of 1476232 for the purpose of business, legal and accounting management services, on an as needed basis. The monthly fee of \$3,000 commenced May 1, 2005.

The second agreement is with Dominic Dicarolo, a vice-president, and principal shareholder of 1476246, and director of Lamperd. The agreement entitles 1476246 to obtain from the contractor professional services, mechanical advice, and consultation, on an as needed basis. The monthly fee of \$3,000 commenced May 1, 2005.



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**XVII**

**LAMPERD LESS LETHAL INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**(Canadian Funds)**

**(Unaudited)**

**19. CONSULTING AGREEMENTS (continued)**

The consulting agreements are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and is the consideration what would be agreed to in an arm's length transaction.

**20. CAPITAL STOCK**

During the current quarter, the Company issued 1,500,000 common shares from treasury to Higgs Investment Group, Inc. as described in note 18. The purchase price was \$1 per unit. Each unit consists of one common share of Lamperd and two common share purchase warrants. Each common share purchase warrant is immediately exercisable and entitles Higgs Investment Group, Inc. to purchase one common share for a period of 24 months commencing from April 14, 2005. The 3 million warrants are exercisable at a price per share of US \$1.25 for twelve months following April 14, 2005, and US\$1.40 thereafter. No warrants were exercised in the quarter ended June 30, 2005.

**21. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**22. SUBSEQUENT EVENTS**

The Company entered into an agreement, effective August 2, 2005, with Tactical Operational Support Services LLC ( TOSS ) granting TOSS exclusive rights to distribute the full range of the Company's products throughout Puerto Rico and the Dominican Republic. The initial term of the agreement is for 90 days following the effective date of the agreement and can be extended by Lamperd after each 30 day period for an additional 30-day period. The agreement entitles TOSS to a 20% commission on baseline prices indicated in the quotations provided by Lamperd, and a 90% commission on all residual unit sales amounts above Lamperd's baseline prices.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

**Introduction**

Our financial statements are stated in Canadian dollars (CDN\$) and are prepared in conformity with generally accepted accounting principles in the United States of America for interim financial statements.

As used in this quarterly report, the terms "we", "us", "our company", and "Lamperd" mean Lamperd Less Lethal Inc., unless otherwise indicated. All dollar amounts refer to CDN dollars unless otherwise indicated.

THE FOLLOWING DISCUSSION AND ANALYSIS PROVIDES INFORMATION WHICH OUR MANAGEMENT BELIEVES IS RELEVANT TO AN ASSESSMENT AND UNDERSTANDING OF OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION. THIS DISCUSSION SHOULD BE READ TOGETHER WITH OUR FINANCIAL STATEMENTS AND THE NOTES TO FINANCIAL STATEMENTS WHICH ARE INCLUDED IN THIS REPORT, AND WITH OUR COMPANY'S FORM 10-KSB.

**Forward-Looking Statements**

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our 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 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 NASD Inc.'s Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under our new stock symbol LLLI .

**Our New Business**

On April 21, 2005, we acquired all of the 100,000,000 issued and outstanding common stock of 1476246 Ontario Limited, an Ontario corporation, having effect from April 14, 2004, pursuant to the terms of a share exchange agreement dated March 24, 2005 between us, the Ontario company, Patrick Ward, Hani Zabaneh and the shareholders of Ontario company.

As consideration for the shares of the Ontario company, we issued 26,000,000 shares of our common stock to the shareholders of the Ontario company on the basis of one share of our company for every 3.8461538 common shares of the Ontario company. As a result of this transaction, the Ontario company became a wholly-owned subsidiary of our company. For financial statement purposes, the Ontario company (the acquired entity) is regarded as the predecessor entity as of April 14, 2005.

Our company is now a developer and manufacturer of civil defence 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 also manufactures shields, service equipment, training gear and accessories. The products are primarily designed for the use by military and law enforcement organizations. Our company also provides less lethal training to police, military and private sector security personnel. Training is provided by our 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 and the Military Peace Keeper, or MPK version, that combines lethal and less lethal technologies in one launcher. The launchers fire 5 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.

### **Our Products**

#### **Launchers**

We have developed four 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. The three launchers fire 5 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.

#### **Munitions**

We manufacture five types of proprietary munitions used by the launchers. Each of the munitions is made in 20 gauge, 12 gauge, 37mm and 40mm sizes. In addition, our munitions are compatible with other 20 gauge, 12 gauge, 37mm and 40mm 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.

#### Sock Rounds

The sock round fires a pouch or beanbag projectile filled with lead pellets. 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. This product is an alternative to stun grenades that are traditionally used for the same purpose.

#### 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 the 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. The product can also be customized in accordance with the requirements of the end-user.

#### *The Market*

Military and law enforcement organizations represent our primary target markets. Corrections personnel, commercial airlines and private security firms and guard services represent potential secondary markets for its



products. Our company intends to focus on the primary target markets and establish operations and revenues before pursuing secondary markets.

#### Law Enforcement Organizations

Federal, provincial/state and local law enforcement agencies in Canada and the United States currently represent the primary target market for our less lethal products. The law enforcement market is essentially comprised of regular forces, as well as special and tactical forces. Although both divisions can utilize our products, our company has determined that the special and tactical operations market provides more potential for a company of our size and experience. The regular forces market is considerably larger in terms of demand, and is generally supplied by large established firms who offer both conventional and less lethal products. Our company intends to concentrate our efforts almost exclusively on special and tactical operations. After we have achieved market acceptance of our products in the special and tactical forces market, our company may then determine whether to actively pursue the regular forces market.

In targeting special and tactical operations of law enforcement in the United States, our company intends to pursue law enforcement organizations that serve local populations of 250,000 people or more. Our company has determined not to pursue organizations who serve smaller communities because the need and budget for less lethal products in such communities is minimal. In Canada, however, law enforcement organizations tend to be national or regional, except in larger metropolitan centers. Municipalities with a population over 30,000 generally do not have their own police force but are controlled by larger forces such as the Royal Canadian Mounted Police in Canada. Our company has determined that every police officer in Canada represents a potential end user for our products.

To date, sales of our products to law enforcement organizations include munitions, except for the WASP round, shields, service equipment and training gear accessories.

#### Military

Military forces in North American represent another key market for our less lethal products. The military forces, similar to law enforcement organizations, are composed of regular forces, as well as special and tactical operations. For the same reasons as the law enforcement market, our company intends on focussing on developing sales with the special and tactical divisions of the military before pursuing the regular forces market.

To date, our sales to military forces include munitions, except for the WASP round, shields, service equipment, training gear and accessories. No commercial sales of WASP rounds have been made due to our past inability to produce such rounds in commercial quantities. However, we have received an order for 10,000 WASP rounds from ALS Technologies to supply the United States military forces to be used for evaluation purposes by the United States military s general forces.

#### Potential Secondary Markets

Although we have not yet targeted this market, the private security, corrections, and guard services market represents considerable potential demand for less lethal products. This market represents a broad range of individuals, including bodyguards, commercial and government building security guards and commercial money carrier employees.

Following the events of September 11, 2001, the United States commercial airline industry implemented security measures to protect its passengers and crew. Such measures included reinforcement of cockpit doors, increased airport security, and the testing of effective devices for storage and use on airlines. We are pursuing this market currently, it represents another potential niche market for its less lethal products.

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### Sales And Marketing Strategy

#### Overview

We have developed a line of less lethal products and now seek to focus our efforts on the expansion of our operations. To achieve growth of operations, we plan to hire key employees and develop marketing materials to promote its product line. Additionally, we seek to concentrate our efforts on gaining the requisite approval to sell our products to the military and law enforcement organizations in the United States and on promoting retail sales and establishing distribution channels for our products. To facilitate growth, we intend to market its product line and continue the development of our comprehensive training program. In addition, we seek to enhance and streamline our manufacturing infrastructure and efficiencies to support product demand.

Our priority is expanding our operations and creating awareness and demand for our less lethal products. Given the market demand, our primary objective in the short-to-medium terms is establishing our company as the primary supplier of less lethal products to the special and tactical forces of the military and law enforcement organizations in Canada and the United States. The broad geographic span of our target market and emphasis on development and expansion has resulted in our focus on developing distribution alliances and partnerships as the preferred means of business development. Our company intends to leverage external resources to minimize overhead and to seek market development by tapping into existing client pools of distributors and marketing partners. These arrangements may take the form of commercial agreements or joint ventures. While expanding our direct sales, we simultaneously intend to enter into non-exclusive distribution and marketing agreements with a number of partners in order to increase our market share.

Military forces and law enforcement organizations represent our primary target markets. In each of these markets, the decision to purchase our products is normally made by a committee of individuals. Depending upon the size and cost of the order, the decision may involve political decision-makers such as city council members, various levels of government and a host of military committees and organizations. The process by which such committees or organizations decide to purchase our products is a time consuming process. The approval process is also lengthened by the testing phase that an approving body or organization may require before final approval is granted. Although our company has focussed on the two specified markets, we anticipate that we will require significant time, money and resources to develop significant sales within such markets.

We estimate that we will spend approximately \$5,000 on marketing and sales activities during the balance of our 2005 fiscal year, excluding salaries for internal sales and marketing personnel. Our short term strategy involves establishing and selling products to Canada and the United States. Our long term strategy contemplates our expansion into the United Kingdom, continental Europe, South America, Australia and Africa.

#### North America Distribution

We intend to focus on selling our products through distributors. We have chosen our current distributors, and will select new distributors, based upon their reputation within the industry, credit worthiness, and their distribution network. We intend to maintain tight controls over our distributors to ensure that our standards are upheld.

In Canada, R. Nicholls Distributors Inc. is our primary distributor for the military and law enforcement markets. This arrangement is exclusive and has been formalized by a written agreement R. Nicholls is the largest distributor of less lethal products and primary supplier of military products to the Canadian military and many of the largest law enforcement organizations in Canada.

#### International Distribution

In the United States, Fox Labs International Inc. is the primary distributor of our entire product line. This arrangement is non-exclusive and has not been formalized by a written agreement.



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Training Programs

We have established a comprehensive training program to assist our clients with the use of its products as well as a host of additional programs designed to train and educate participants in matters related to professional security training. Most law enforcement, military and corrections agencies will not purchase less lethal products until a training program is established in order to ensure that appropriate measures have been undertaken to properly train personnel in the use of such products. We currently provide training through personal instruction in respect of a wide range of classes for varying levels of experience. Our company has authorized qualified individuals to train participants at our 15 acre training facility that it leases on an as needed basis for a daily fee.

Promotional Activities

Due to the specialized nature of less lethal products, we focus our promotional activities on specific trade shows and product demonstrations. In addition, we also promote our products to law enforcement organizations through specialty magazines. Advertising is primarily expensed by our distributors and our company expenses a negligible amount on advertising costs at this time.

Results of Operations

Our company posted losses of \$349,649 for the six months ended June 30, 2005. The principal components of the losses were for consulting fees, general and administrative expenses.

Operating expenses for the six months ended June 30, 2005 were \$329,154.

At June 30, 2005, we had a working capital of \$1,176,419

At June 30, 2005, our company's total assets of \$1,556,768 consisted of cash (\$802,587), short-term investments (\$208,200), accounts receivable (\$19,828), inventory (\$99,438), taxes recoverable (\$10,096), prepaid expenses (\$90,388), plant and equipment (\$244,772), and other assets including goodwill (\$81,459).

At June 30, 2005, our company's total liabilities were \$54,118

Our company has no long-term debt and does not regard long-term borrowing as a good, prospective source of financing.

Plan of Operation

Our primary objectives over the 12 months ending June 30, 2006, will be to continue our consideration of other opportunities or initiatives as an extension to our current business.

Cash Requirements

On April 14, 2005 we closed a private placement for the issuance and sale of 1,500,000 units at a purchase price of \$1.00 per unit for total aggregate proceeds of \$1,500,000. Each unit was comprised of one common share and two share purchase warrants to purchase common shares for the additional consideration of \$1.25 per share in the first twelve months and at a price per share of \$1.40 for the remaining twelve months.



**Estimated Funding Required During the Next Twelve Months**

Total General and Administrative	\$420,200
Salaries: \$257,400	
Lease Costs: \$82,800	
General Administrative Expenses: \$80,000	
Operations	
Equipment Costs	\$45,000
Unallocated Working Capital	\$35,000
Total	\$500,200

As at June 30, 2005, we had a working capital of \$1,176,419, which will allow us to continue deployment of our civil defence equipment business and to provide us with approximately \$ 500,200 in working capital to continue our normal operations.

**Going Concern**

Our company has shown losses for the last two quarters. We anticipate that the upcoming approval of our form 6 ATF Licence application, which permits us to sell our products in the United States, will generate revenues and allow the company to operate as a going concern.

**Research and Development**

Our company's research and development efforts are focussed on enhancing our less lethal products including: (i) periodic re-design of products and incorporation of new technologies to improve performance and manufacturability; (ii) design of new product lines for additional specialized applications; and (iii) expansion and adoption of existing products to accommodate the requirements of customer needs. Research and development efforts are conducted in-house.

We anticipate that we will expend approximately \$50,000 on research and development over the next twelve months.

**Purchase or Sale of Equipment**

We anticipate expenditures for an automotive gluing line within the next year, but we are unable to estimate the cost of this equipment at this time.

**Personnel**

As of August 9, 2005, we had 11 full-time employees and no part-time employees. Of those employees, none are covered by collective bargaining agreements.

**Application Of Critical Accounting Policies**

Our unaudited financial statements and accompanying notes have been prepared in conformity with generally accepted accounting principles in the United States of America for interim financial statements. 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 financial statements is critical to an understanding of our financials.



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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Basic loss per share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

#### **Risk Factors**

In addition to other information in this current report, the following risk factors should be carefully considered in evaluating our business because such factors may have a significant impact on our business, operating results, liquidity and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those projected in any forward-looking statements. Additional risks and uncertainties not presently known to us, or that we currently consider to be immaterial, may also impact our business, operating results, liquidity and financial condition. If any of the following risks occur, our business, operating results, liquidity and financial condition could be materially adversely affected. In such case, the trading price of our securities could decline, and you may lose all or part of your investment.

#### **Risks Related To Our Business**

Our business plan calls for significant expenses necessary to continue the development of our business and expand our position in the market.

*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.

*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 defence products and related products using less lethal alternatives to conventional weapons, including launchers and munitions. Such products are

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characterised 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.

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*Our WASP synthetic round is difficult and costly to manufacture, and our company may not be able to find any subcontractors who will supply our company with this component.*

The WASP synthetic round is made from a proprietary rubber compound and is difficult to manufacture. The material causes high wear-rates on both tooling and machinery. Currently, the compound is moulded by subcontractors. It may be difficult, however, to find subcontractors willing to mould and supply this component. If we are unable to find subcontractors willing to manufacture and deliver the product, 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 found 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;

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- 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.

*The National Association of Securities Dealers Inc., or NASD, has adopted sales practice requirements, which may limit a stockholder's ability to buy and sell our shares.*

In addition to the penny stock rules described above, the NASD has adopted rules requiring 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, the NASD believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit our shareholders' ability to buy and sell our stock and which may have an adverse effect on the market for our shares.

*Most of our assets and a majority of our directors and officers are outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or any of our directors or officers.*

Although we are organized under the laws of the State of Nevada, our principal executive office is located in Sarnia, Ontario, Canada. Outside the United States, it may be difficult for investors to enforce judgments against us obtained in the United States in any such actions, including actions predicated upon civil liability provisions of federal securities laws. In addition, some of our officers and directors reside outside the United States, and a majority of the assets of these persons and our assets are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against us or such persons judgments predicated upon the liability provisions of the United States securities laws. There is substantial doubt as to the enforceability against us or any of our directors and officers located outside the United States in original actions or in actions of enforcement of judgments of United States courts or liabilities predicated on the civil liability provisions of United States federal securities laws.

### **ITEM 3. CONTROLS AND PROCEDURES.**

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, being June 30, 2005, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our president and chief executive officer. Based upon that evaluation, our president and chief executive officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report. There have been no significant changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our president and chief executive officer as appropriate, to allow timely decisions regarding required disclosure.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

The Company is aware of a possible claim relating to a letter of agreement dated October 18, 2004 for fiscal advisory and business development services to be provided to the Company to secure financing which was not completed until April 2005. As of June 30, 2005 this claim is an unasserted legal claim. The Company considers it probable that a claim could be asserted subject to satisfactory negotiation of settlement of the claim. A settlement,





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the amount of which cannot be determined, is being negotiated. Accordingly, accrual for the amount of loss, if any, is not determinable at this time. If a settlement is not reached management will vigorously defend the claim. Costs of the litigation cannot be estimated at this time. Any charges related to this will be recorded when determinable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

In connection with the April 21, 2005 closing of the share exchange between our company and the Ontario company (effective as of April 14, 2005), we issued 26,000,000 shares of our common stock to the former shareholders of the Ontario company in reliance upon an exemption from registration in an offering of securities in an offshore transaction to persons who are not United States persons pursuant to Regulation S under the United States Securities Act of 1933, as amended.

Also in connection with the closing, we issued 1,500,000 units to Higgs Investment Group pursuant to a private placement under a subscription agreement dated April 14, 2005, between our company and Higgs Investment Group. Each unit consisted of one common share in the capital of our company and two common share purchase warrants. Each common share purchase warrant is immediately exercisable and entitles Higgs Investment Group to purchase one share of our common stock for a period of 24 months commencing from April 14, 2005 at a price per share of US \$1.25 for the next twelve months following April 14, 2005, and a price per share of US \$1.40 thereafter. The units issued to Higgs Investment Group were issued in reliance upon an exemption from registration in an offering of securities in an offshore transaction to persons who are not United States persons pursuant to Regulation S under the United States Securities Act of 1933, as amended.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

The following exhibits, required by Item 601 of Regulation S-B, are being filed as part of this quarterly report, or are incorporated by reference where indicated:

- 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 Wireless Service Provider Agreement (incorporated by reference from our Registration Statement on Form SB-2, filed on March 27, 2002).
- 10.2 Promissory Note (incorporated by reference from our Registration Statement on Form SB-2, filed on March 27, 2002).
- 10.3 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).
- 10.4 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).
- 10.5 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).
- 10.6 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).
- 10.7 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).
- 10.8 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).
- 10.9 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).
- 10.10 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).
- 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 Lamperd. \*
- \* Filed herewith.
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**SIGNATURES**

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In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LAMPERD LESS LETHAL INC.**

By: /s/ Barry Lamperd

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Barry Lamperd

President and Director

(Principal Executive Officer, Principal Financial

Officer and Principal Accounting Officer)

Date: August 15, 2005