

Shrapnel Industries Financial Reports – December 2008





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December Assessment

December was a month of change. Throughout the month of December, many new changes came to Shrapnel Industries. First was a decision to invest some unutilized liquid from cash holdings into two investments, one long and one short-term. Second was the decision to merge all personal assets with the corporation and suspend any dividend payments, thus creating a 100 percent growth company. Lastly, major equipment changes were put into action, which should create much greater profit potentials in our new Security Services division.

New Investments

Mid December, before long-term strategies changed for the corporation, it was decided some liquid funds should be invested externally, so they might generate some kind of return rather than remain idle.

Equity capital was raised via the creation and issuance of 840 pre-IPO shares of SHRAP stock, at ISK 50,000/share. This raised ISK 42 million, which allowed Shrapnel Industries to invest ISK 100 million in a new IPO run by [Citadel Heavy Industries](#). Citadel Heavy Industries has been running moon mining and reactions for some time, and are now moving into capital ship production. Minimal monthly dividends will be paid at a minimum of 5 percent of total investment, with predictions well above this figure.



Approximately one week later, a lucrative short-term investment opportunity was realized in the creation of a [Dynasty Bank](#) 4 month CD. For a second time in the month of December, equity capital was raised via a second issuance of SHRAP stock. 2000 pre-IPO shares were created and issued at ISK 50,000/share. Shrapnel Industries created an ISK 100 million 4 month CD with Dynasty Bank with a 10 percent monthly interest rate. The CD will close on April 12th, at which time the initial funds plus interest paid will be available for new Shrapnel Industries projects.

These two instances of equity financing created an idea for an easier way to generate capital for the corporation. It was time to start up Shrapnel Industries' Security Services division, while at the same time turning SHRAP into a growth stock.

Personal Asset Merger

Late in the month a conclusion was reached whereby personal and corporate assets would be merged. This would allow the corporation to leverage a larger amount of funds for new projects and expansions. On or around December 26th, all non-utilized personal assets were liquidated or reprocessed, all utilized personal equipment was listed with corporate assets, all raw materials were listed with corporate inventories, and all cash was transferred from personal to corporate accounts. The



approximate effect on Shrapnel Industries' balance sheet was an additional ISK 150 million in cash and ISK 600 million in equipment and inventory. Lastly tax was set at 100 percent, which denotes the official start of operations for Shrapnel Industries' Security Services division.

Major Equipment Changes

A few days before the end of the month, it was realized that the Rokh battleship nether void was using as his primary battleship under Security Services was not performing well, considering the missions being given to him by local corporate agents. Analysis showed if his Rokh was changed out with a Caldari Navy Raven, he could complete missions much quicker, thereby greatly increasing his ability to bring in revenue under Security Services.



Nether void's Rokh, SI-SS01 'Judgment' was decommissioned and put up for sale on contract with three Capacitor Control Circuit I rigs still in place for ISK 145 million bid and ISK 155 million buy out. It was bought out that same day, and the ISK transferred to corporate accounts shortly thereafter. All associated weapon systems were put up for sale on the retail market, with an approximate total value of ISK 150 million.

After the ISK from the sale of the Rokh battleship came in, nether void purchased a Caldari Navy Raven fitted with three Capacitor Control Circuit I rigs for ISK 300 million on contract. He then also purchased approximately ISK 40 million in additional equipment to fit the new battleship. On December 31st, the Caldari Navy Raven was commissioned into service as SI-SS11 'Death and Taxes'.

This change will allow nether void to more easily tackle missions concerning the Angel Cartel and Blood Raider pirate factions, as well as being an overall better performing military vessel than the Rokh. We expect revenues from nether void to at least double due to this change in equipment.



Financial Reports – December 2008

Income Statement



Shrapnel Industries

Ticker: [SHRAP]

Established: January 11, 2008

Today's Date: January 1, 2009

- Shrapnel Industries - Income Statement -

For month end:	December 2008	%
REVENUES		
Sales - Production	ISK 22,532,264	9.1%
Sales - Trade	ISK 50,196,560	20.3%
Security Services	ISK 175,080,284	70.7%
Gross Revenues	ISK 247,809,109	
OPERATIONAL EXPENSES		
General	ISK 33,643,594	8.0%
Trade Costs & Goods	ISK 14,243,750	3.4%
Raw Materials	ISK 24,084,997	5.8%
Equipment	ISK 344,849,196	82.5%
Brokerage Fees	ISK 1,187,514	0.3%
Total Expenses	ISK 418,009,052	
OPERATING INCOME (LOSS)	ISK (170,199,943)	
Sales - Assets	ISK 181,828,007	
Interest Income	ISK 1,815	
Investment Income	ISK -	
Interest Expense	ISK -	
GROSS INCOME (LOSS)	ISK 11,629,880	
Taxes	ISK 1,074,723	
NET INCOME (LOSS)	ISK 10,555,157	

**Balance Sheet****Shrapnel Industries**

Ticker: [SHRAP]

Established: January 11, 2008

Today's Date: January 1, 2009

- Shrapnel Industries - Balance Sheet -

	December 31, 2008		%
ASSETS	ISK	1,604,084,500	
Current Assets	ISK	533,770,752	33.3%
Cash	ISK	122,629,198	7.6%
Accounts Receivable	ISK	-	0.0%
Inventories	ISK	311,141,554	19.4%
Short-Term Investments	ISK	100,000,000	6.2%
Fixed Assets	ISK	1,070,313,748	66.7%
Property and Equipment	ISK	759,252,748	47.3%
Intangible Assets	ISK	211,061,000	13.2%
Long-Term Investments	ISK	100,000,000	6.2%
LIABILITIES and EQUITY	ISK	1,604,084,500	
Liabilities	ISK	-	0.0%
Accounts Payable	ISK	-	0.0%
Bank Loans	ISK	-	0.0%
Issued Debt Securities	ISK	-	0.0%
Shareholders' Equity	ISK	1,604,084,500	100.0%
Share Capital	ISK	192,000,000	12.0%
Capital Reserves	ISK	-	0.0%
Dividends	ISK	-	0.0%
Retained Earnings	ISK	1,412,084,500	88.0%



Commentary

Income Statement

December's income statement is full of oddities. The primary oddities include:

- Lack of production income
- Large equipment expenses
- Large asset sales figures

This month's lack of production income is due to a general change in product line planned for the near future. In order to prepare for this new product and also a bigger project planned for the near future; Shrapnel Industries has focused most of December on ramping up the new Security Services division. We expect production income to surge back to near expected levels in the month of January.

Equipment expenses were grossly inflated this month due to the purchase of a Caldari Navy Raven. This new battleship drastically increases the revenue generating ability of our Security Services division. This new battleship has already been fitted and commissioned. So far this new ship has been used to complete two missions, achieving record results.



This equipment change out has also resulted in an unusual increase in asset sales in the month of December. The new Navy Raven replaces the Rokh, which was sold for ISK 155 million. The sale of the Rokh constitutes the lion's share of this month's asset sales figures. Along with the battleship sale, various weapon systems used on the Rokh and other unused equipment was sold.

Balance Sheet

Balance sheet figures are fairly normal. Cash reserves are low at ISK 122.6 million or 7.6 percent. Typically cash reserves should be between 15 and 20 percent of total assets. Property and equipment totals are high as well, which can be directly linked to the weapon systems recently decommissioned from the 'Judgment' still on the retail market. The approximate value of these weapon systems is ISK 200 million. The sale of these modules will alleviate both issues by lowering equipment totals while also raising cash reserves.

General Change in Strategy

There have been two major changes in Shrapnel Industries' business strategy. The first and biggest strategic change is the decision to move away from munitions as a primary product and into a new product line, which will remain undisclosed at this time. This change prompted another major change, being the ramping up of the Security Services division, with taxes now at 100 percent.

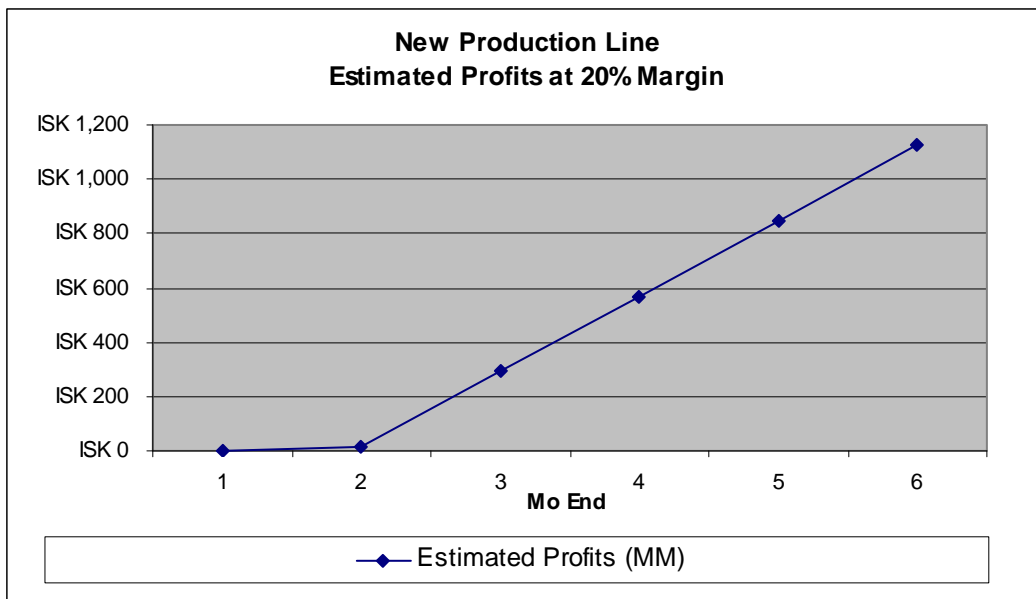


New product line

For some time, Shrapnel Industries has been focused on the sale of munitions, either produced in our factories or procured via contracts with local faction agents. With the New Year comes a change to those traditional markets for Shrapnel Industries. We have refocused our sites on a larger market, and are in the process of changing our divisions to accomplish the goal of generating start up capital as well as a dry run project to work out any difficulties in the overall plan before it is put into motion.

New subsidiary and IPO

Currently the plan to roll out the new product line includes both the creation of a new subsidiary as well as an IPO offering to generate additional equity capital. Our latest analysis on the project shows an investment percentage of 40 to 50 percent Shrapnel Industries and 50 to 60 percent external investors. The plan is also showing approximate margins of 20 percent. This project will also require the procurement of a freighter at an estimated cost of ISK 800 to 900 million, which Shrapnel Industries plans on purchasing before the IPO launch.



Revenue generation goals

This new project will require approximately ISK 1.35 billion in capital. This is a very large figure for our company to generate, but we are certain we can achieve this level of revenue within an acceptable amount of time. Our new Security Services division will be tasked with the lion's share of this goal. The new Navy Raven

should help greatly. We also expect a large amount of revenue out of our Production department via the dry run project as well as some ongoing munitions production and sales. Lastly we expect large revenue figures from our Trade Sales division, which will be due in large part to sales of assets received via trade deals between Security Services and the faction agents they work for.



January Strategy

Revenue Projections

January should be a very good month for Shrapnel Industries. We will continue to sell un-needed assets, to include a large ammo blueprint set, as well as the remaining weapons systems from the 'Judgment'. Projected cash flow from asset sales in January is ISK 250 million.

With the new Navy Raven on the job, Security Services should see record revenues in January. In the first couple of hours it brought in ISK 20 million in revenue and mission awards alone. Projected Security Services revenues for January are ISK 300 million.

Production revenues will be up somewhat from December numbers, but will still not be up to their potential due to the ramp up of the dry run project. Blueprints for this pilot project are expected to be purchased and sent to the labs any day now. Projected production revenues for January are ISK 100 million.

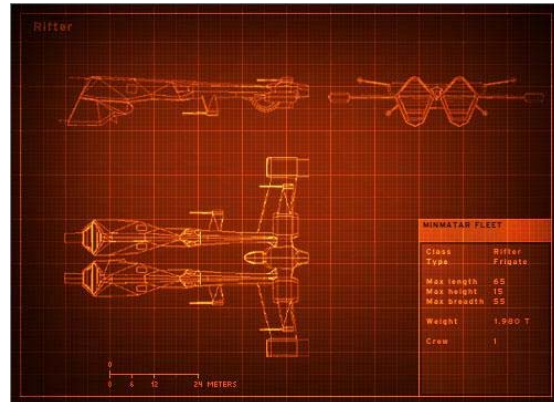
Trade sales should be up in January, as we ramp up Security Services. We will be leveraging every faction agent trade option possible, and so will have a large amount of trade products to sell on the retail market. Projected trade revenues for January are ISK 200 million.

Goals

One of our primary goals for January is to bring the subsidiary corporation

online and train up the two employees we have chosen to staff this new venture. We project the initial costs of this start up to be roughly ISK 35 million, with an additional ISK 100 million if we decide to go ahead and start training up one of our employees to pilot a freighter.

Our second goal for the month will be the ramp up of the dry run pilot project, which is directly related to the subsidiary corporation start up. Blueprint purchase and research will start out immediately. Both blueprint research and corporation setup will proceed simultaneously.



Once these two objectives are met, our last goal of the month is to run one set of new product through the factories, list them to retail markets, and sell as much of this first batch as possible. From this we should be able to fine tune the new production plan.

This is a lot of work for one month's time, but we are confident we can make it happen.



Appendix A: General Information

Shrapnel Industries was formed on January 11th, 2008 by nether void and Daelen Arniman. The original business plan was centered on supplying munitions and weapon systems to clients through wholesale purchase agreements.

Today, Shrapnel Industries operates in the fields of munitions production, security services, and procurement and trade of factional munitions. With revenues rising quickly, Shrapnel Industries is poised to take on a larger market share and expand its current realm of operation. Headquartered out of Haajinen XII – Moon 20, Shrapnel Industries plans to spread its operating facilities to all major empire hubs.

Executive Officers



Nether void
Chief Executive Officer

Nether void started his pod pilot career as a lowly miner shooting Scordite and Pyroxeres rocks in Lonetrek. He then moved on to a career in security services working for the Caldari Navy. After reaching high standings with the Navy, he decided to create his own business building munitions and other wartime products for other pilots like himself.



Daelen Arniman
Chief Operations Officer

Daelen started off his pod pilot career providing security services to the Gallente Navy. Not long after he began working for the Gallente Navy, he left to work for the Caldari Navy. He's an accomplished combat pilot, and is now also looking to go into business building wartime products. He's been studying production for some time now under the direction of nether void.