

For immediate release

29 May 2009

Shieldtech plc (the "Company" or the "Group")



**Restoration of trading
Proposed Fundraising
Notice of Annual General Meeting**

Shieldtech plc, a specialist provider of products and services to the Homeland Security market, is pleased to announce that the suspension of trading of its Ordinary Shares on the AIM market, which commenced on 1 January 2009, has been lifted with effect from 7.30 a.m. on 29 May 2008.

◆ **Restoration of trading following publication of Report & Accounts for the year ended 30 June 2008**

Under the AIM Rules, a company that does not publish its Report and Accounts within 6 months of the year end has its shares automatically suspended. The Company requested a suspension on 31 December 2008 because the Directors were not able to sign-off on the Company's Report and Accounts for the year ended 30 June 2008 until the completion of a re-financing.

◆ **Injection of £1.1m subject to shareholder approval**

During the period of suspension, the Board has negotiated and secured the injection of additional finance of £1.1 million, to be provided by way of Loan Notes, into the business. This financing is conditional on shareholder approval to be sought at the annual general meeting of the Company. Further information on the financing is set out below, together with the notice of the Annual General Meeting of the Company to be held at 11.00 on 22 June 2009 at the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN.

◆ **Notice of AGM**

Announcements of the Group's annual results to 30 June 2008 and its interim results for the six months to 31 December 2008 preceded this announcement. The annual results have today been posted to shareholders together with a circular giving further details on the financing which also includes the notice of the Annual General Meeting. The annual results, the interim results and the circular are all available on the Company's website: www.shieldtechplc.com.

Tim Wightman, Chairman, commented :

“We are delighted to be in a position to announce the restoration of trading in Shieldtech’s shares. With a more secure financial base, Shieldtech will be able to capitalise on some exciting opportunities through innovation in our product range and our strengthened international sales network. We have laid the groundwork, internally and with key suppliers, to be ready to present new, innovative, cost effective solutions, to existing customers and to new prospects in the UK and overseas.”

For more information please contact:

Shieldtech plc

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Please also note that the Company’s postcode has been changed and so the registered office of the Company is now:

5 Chesford Grange, Woolston, Warrington, Cheshire WA1 4RQ

Capitalised terms used in this announcement are defined at the end of this announcement.

FURTHER DETAILS ON THE FINANCING

The information below is extracted from the circular which has been sent to shareholders which is available on the Company’s website.

1 INTRODUCTION

The Board announced today that Shieldtech proposes to raise £1.1 million, before expenses, by the issue of Loan Notes. It also proposes to issue Warrants to subscribe for 20,625,000 Ordinary Shares at an exercise price of 6 pence per Ordinary Share. As described below, the issue of the Loan Notes and of the Warrants is conditional on, inter alia, Shareholder approval at the Annual General Meeting convened for 11.00am on 22 June 2009. The purpose of this document is to provide you with information on the Investment and further details are set out in paragraph 6 of this letter.

2 BACKGROUND

In the Report and Accounts for the year ended 30 June 2008, which accompany this letter, I reported on the disappointing results for the year and the Operating Loss of £0.7 million before amortisation of intangible fixed assets, share based payments and the charge for the impairment of goodwill. This was the Group’s first financial year following admission to AIM in July 2007. The business we acquired at admission suffered in the first half of that period from weak demand in the UK. Activity levels generally across our market sector were slower than expected owing to the introduction of new ballistic protection standards by the HOSDB. While we had anticipated some disruption in demand in the Admission Document, the publication of the new standards was delayed and subsequent testing by police forces of garments made to the new standards was more prolonged than we had expected. The Board believes

that consequently UK police forces deferred placing orders. We were pleased to win a major contract to supply an overseas defence customer.

In the Interim Results for the six months ended 31 December 2008, which also accompany this letter, I am pleased to report an improved trading performance. Sales at just over £5 million were approximately 105% higher than in the corresponding period to 31 December 2007. The Operating Profit of £0.2 million before amortisation of intangible fixed assets and share based payments compared to the Operating Loss in the corresponding period of £0.6 million before amortisation of intangible fixed assets and share based payments.

During that six month period we concentrated on developing new products which address customers' concerns for the comfort and wearability of body armour systems; and designed a new range of products which addresses such issues as thermal conductivity and user perceptions of temperature and humidity. These new products have the potential to meet the requirements of opportunities globally, not just in the UK. Much of this development has been validated scientifically in conjunction with a leading UK university under a knowledge transfer partnership program. In parallel we continue to expand our range of ballistic, knife and spike protection panels and Aegis now has nineteen product accreditations to the 2007 HOSDB standard.

We have also strengthened our export sales structure and a network of agents and distributors is being developed, mainly across Europe and the Middle East, where markets offer the potential of substantial contracts, the requirements of which are met by our new products. In February 2009 Aegis achieved accreditation status with the United Nations and is now qualified to participate in certain tenders conducted under UN auspices.

Current trading and prospects are covered in paragraph 4 of this letter.

3 REASONS FOR THE PROPOSALS

In May 2008, the Bank reduced the Group's overdraft facility in response to the losses made to that date and indicated its requirement for additional finance to be injected into the business in order to ensure the Bank's continued support.

Since then the Group has returned to a profitable level of trading, has managed its financial affairs robustly, particularly as regards working capital, and has operated within the reduced overdraft facility. The Company has been engaged for some months in discussions with the Bank and other parties concerning an injection of additional finance into the business. Throughout this period the Bank has continued to provide working capital support to enable the discussions to be completed.

The proposed issue of Loan Notes will further improve the Company's financial position and provide, with the Bank's ongoing support, the working capital required by the Group. The Bank has offered, conditional upon, among other things, completion of the Investment, to provide new banking facilities to the Group. Without the additional funding from the Investment, the Board believes the Bank could withdraw its support which could, in the absence of alternative funding being secured, put the continuity of the business in jeopardy.

Against this background, the Board is pleased to announce the Investment which they believe will improve the financial position of the Company and should enable the Board to continue to develop the business and thereby safeguard and increase Shareholder value in the medium to long term.

4 CURRENT TRADING AND PROSPECTS

We have maintained the progress in terms of sales revenue that we achieved in the first half of the financial year. The Board expects an improved trading performance in the year to June 2009. The euro:£ exchange rate has a major impact on our material costs, however, as we believe it does for our competitors in the UK market and this has affected gross margins adversely. In response we have increased our selling prices as well as maintaining a tight control on overhead costs to assist profitability.

It is expected that the contract for the supply of certain body armour systems for the Metropolitan Police will be put out to tender this autumn. Aegis is one of four companies qualified to participate in pre-tender discussions during which new products have been developed for review. The results of this tender may have an influence on the procurement strategies of other UK police forces, which will have the option of purchasing under the Metropolitan Police framework agreement or may choose to continue with their own framework agreements and contracts. Aegis is monitoring the situation carefully and expects to have products available to meet both eventualities.

With a more secure financial base, the Board is confident that the Group will be able to capitalise on some exciting opportunities. We have laid the groundwork, internally and with key suppliers, to be ready to present new, innovative, cost effective solutions, to existing customers and to new prospects in the UK and overseas.

5 THE INVESTORS

The background to the Investors is as follows:

- **Bruce Gordon** – From 2001 to 2008 he was a senior partner of Deloitte LLP responsible for the southern region. His clients included a number of FTSE100 and FTSE350 companies. He was a member of the UK board of partners and served on various board committees. Prior to joining Deloitte in 2001 he was the UK regional managing partner at Arthur Andersen. He is the founder of Thames Valley Capital Limited, a company which advises venture capital funds.
- **Steven Jenkins** – He was a founder and major shareholder of Aegis and a member of its senior management team from 1990 until he sold part of his shareholding to other members of the Aegis management team and retired from the management in 2004. He sold his remaining shares to Shieldtech at the time of the Admission. He is currently a 9.3% shareholder in Shieldtech.
- **Derek James** – is a private individual.

6 DETAILS OF THE INVESTMENT

6.1 Loan Notes

It is proposed that the Company enter into the Loan Note Instrument to create £1,100,000 8% fixed rate secured loan notes 2011 and that these be issued to the Investors in the following proportions:

Investor	Number of Loan Notes to be issued
Bruce Gordon	800,000
Steven Jenkins	200,000
Derek James	100,000

The Loan Notes will be secured by debentures granted by each Group Company and guarantees and indemnities granted by the Subsidiaries. The Loan Notes and the Loan Note Security are subject to the terms of the Intercreditor Agreement and the Loan Notes are subordinated to the Bank.

The Loan Notes contain a right to appoint a director. It is proposed that on completion of the Investment Pommy Sarwal will be appointed as Director.

Pommy Sarwal (aged 58) is a non executive member of the Boards of The Port of London Authority, British Waterways Limited, Infrastructure India plc, Christie Group plc, The Money Portal Limited and Hyde Housing Association. He is Chair of the Audit Committees of The Port of London Authority, The Money Portal Limited and Chatham Historic Dockyard. Previously he was from 2002 – 2006 Corporate Finance Partner at Deloitte & Touche; from 1998 – 2002 Head of the Infrastructure and Utilities industry team at Andersen Corporate Finance; and from 1987 - 1998 he was Corporate Finance partner at Binder Hamlyn and lead client service partner for a number of its publicly listed and large privately held corporate clients.

A summary of the principal terms of the Loan Note Instrument is set out in paragraph 1 of Part 2 of this circular.

6.2 Warrants

It is proposed that the Company issue 20,625,000 Warrants to subscribe for Ordinary Shares of the Company to the Investors in the following proportions:

Investor	Number of Warrants to be issued
Bruce Gordon	15,000,000
Steven Jenkins	3,750,000
Derek James	1,875,000

If the Loan Notes are redeemed in their entirety prior to the date falling 6 months from the date of issue of the Warrants then 1 out of every 5 Warrants held by each Investor shall automatically be cancelled.

The Warrants have an exercise price of 6p (subject to certain adjustments) and are exercisable in whole or in part, at any time following the date falling 6 months from the date of issue of the Warrants. The Warrants will lapse to the extent not exercised by the fifth anniversary of the date of issue.

In the event of the full exercise of the Warrants the new Ordinary Shares thereby created would represent 28.1% of the Company's enlarged share capital.

A summary of the principal terms of the Warrants is set out in paragraph 2 of Part 2 of this circular.

7 DETAILS OF THE REFINANCING

Conditional upon, among other things, completion of the Investment, the Bank has offered to provide Bank Facilities comprising:

7.1 a £250,000 sterling net Overdraft Facility; and

7.2 a £900,000 LIBOR Term Loan Facility.

The Bank Facilities will be secured by debentures granted by each Group Company and a composite guarantee to be entered into by each Group Company.

The Bank Facilities and the Bank Security are subject to the terms of the Intercreditor Agreement and are ranked ahead of the Loan Notes and the Loan Note Security.

8 COMPLETION

It is anticipated that, subject to the passing of the resolutions, completion of the Investment and Refinancing will take place on 24 June 2009.

RECOMMENDATION

The Board considers the terms of the Investment and the other proposals contained within this circular to be in the best interests of the Company and its Shareholders as a whole and accordingly recommends that you vote in favour of the resolutions at the AGM. The Company has received undertakings from all the Directors, except Adrian Bradshaw, to vote their own beneficial holdings amounting to 808,461 Ordinary Shares in favour of the resolutions, which represent approximately 1.5% of the Ordinary Shares. The Company has received undertakings in respect of an additional 21,056,104 Ordinary Shares amounting to 39.9% of the Ordinary Shares to vote in favour of the resolutions.

NOTICE OF ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 11.00am on 22 June 2009 at the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN. You will be asked to consider and pass the resolutions below.

Ordinary Business

To consider and if thought fit pass resolutions 1 to 4 (inclusive) as ordinary resolutions and resolution 5 as a special resolution.

- 1 To receive and consider the Directors' Report and Accounts for the year ended 30 June 2008.
- 2 THAT, subject to and conditional upon the passing of resolution 6, Pommy Sarwal be appointed as a Director of the Company in accordance with the Company's articles of association with effect from completion of the Investment (as defined in Resolution 6 below).
- 3 To re-appoint Grant Thornton UK LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which Report and Accounts are laid and to authorise the Directors to determine their remuneration.
- 4 THAT the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £449,466.81 provided that this authority shall expire on the date immediately preceding the fifth anniversary of the date of the passing of this resolution, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to section 80 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

- 5 THAT, subject to and conditional upon the passing of resolution 4, the Directors be and hereby empowered, pursuant to the authority conferred upon them by the passing of resolution 4 above, to allot equity securities (as defined in section 94 of the Act) for cash as if the section 89(1) of the Act did not apply to any such allotment provide that this power shall be limited to:
- 5.1 the issue of 20,625,000 Warrants to subscribe for Ordinary Shares to Bruce Gordon, Steven Jenkins and Derek James in accordance with the terms of the Warrants as summarised in Part 2 of the circular to Shareholders accompanying this document (the “**Circular**”) a copy of which is produced to the meeting and initialled by the Chairman for the purposes of identification only;
- 5.2 the allotment (otherwise than pursuant to sub-paragraph 5.1) of equity securities in connection with a rights issue or other pro rata offer in favour of holders of Ordinary Shares in the capital of the Company where the equity securities respectively attributable to the interest of all the Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body;
- 5.3 the allotment (otherwise than pursuant to sub-paragraphs 5.1 and 5.2 above) of equity securities up to an aggregate nominal amount of £52,788.22,

and shall expire on the date immediately preceding the fifth anniversary of the date of the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Special Business

To consider and if thought fit pass resolution 6 as an ordinary resolution and resolution 7 as a special resolution.

- 6 THAT, subject to and conditional upon the passing of resolutions 4 and 5, the issue of £1,100,000 8% fixed rate secured loan notes 2011 and 20,625,000 Warrants in accordance with the terms of the Loan Note Instrument and Warrants (the “**Investment**”) as summarised in Part 2 of the circular (a copy of which is produced to the meeting and initialled by the Chairman for the purposes of identification only) be and it is hereby approved and that the Directors be and they are hereby authorised to enter into and complete the Investment, subject to such immaterial modifications as the Directors may deem appropriate, and to execute, sign and do all such other documents, deeds, acts and things as may be necessary or desirable to complete the Investment.
- 7 THAT the articles of association produced to the meeting and initialled by the Chairman of meeting for the purpose of identification only be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

29 May 2009

By order of the Board

Robert William Denton

Company Secretary

Registered Office:
5 Chesford Grange
Woolston
Warrington
Cheshire
WA1 4RQ

Registered in England and Wales No. 1423125

Notes

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than not less than 48 hours before the time for holding the meeting.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a Shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. In accordance with Regulation 41 of the Uncertificated Securities Act 2001 to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6.00pm on 20 June 2009 (or, in the event of any adjournment, 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00am on 20 June 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

“Admission Document”	the admission document issued by the Company on 19 June 2007;
“Aegis”	Aegis Engineering Limited;
“AIM”	the AIM operated by the London Stock Exchange;
“AGM” or Annual General Meeting”	the annual general meeting of the Company convened at 11.00am on 22 June 2009 at the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN;
“Bank” or “HSBC”	HSBC Bank plc;
“Bank Debenture”	the debentures to be granted in favour of the Bank by each member of the Group as security for the performance of the Company’s obligations under the Bank Facilities;
“Bank Guarantee”	the composite guarantee to be entered into in favour of the Bank by the Group as security for the performance of the Company’s obligations under the Bank Facilities;
“Bank Facilities”	the Overdraft Facility and the Term Loan Facility;
“Bank Security”	the Bank Debentures and the Bank Guarantee;
“Board”	the board of directors of the Company;

“Company” or “Shieldtech”	Shieldtech Plc;
“Directors”	the directors of the Company, whose names are set out on in the circular;
“Existing Articles”	the articles of association of the Company as at the date of this circular;
“Form of Proxy”	the form of proxy enclosed with this circular for use in connection with the AGM;
“Group”	the Company and the Subsidiaries and “Group Company” shall mean any of them;
“HOSDB”	Home Office Scientific Development Branch;
“Intercreditor Agreement”	the Intercreditor agreement to be entered into between (1) the Bank; (2) the Investors; and (3) the Group;
“Investment”	the subscription for the Loan Notes and Warrants by the Investors;
“Investors”	Bruce Gordon, Steven Jenkins and Derek James and “Investor” shall mean any of them;
“Lead Noteholder”	Bruce Gordon or such other person as holds more than 50% in nominal value of the Loan Notes originally held by Bruce Gordon as are then outstanding;
“Loan Note Debentures”	the debentures to be granted in favour of the holders of the Loan Notes by each of the Group Companies as security for the performance of the Company’s obligations under the Loan Notes;
“Loan Note Guarantees”	the guarantees and indemnities to be granted in favour of the holders of the Loan Notes by each of the Subsidiaries as security for the performance of the Company’s obligations under the Loan Notes;
“Loan Note Instrument”	the instrument constituting up to £1,100,000 8% fixed rate secured loan notes 2011 details of which are set out in paragraph 1 of Part 2 of this circular;
“Loan Notes”	the loan notes to be issued pursuant to the Loan Note Instrument;
“Loan Note Security”	the Loan Note Guarantees and the Loan Note Debentures;

“New Articles”	has the meaning set out in paragraph 5 of Part 3 of this circular;
“Ordinary Shares”	the 52,788,223 ordinary shares in the capital of the Company, having a nominal value of 1p each;
“Overdraft Facility”	the £250,000 sterling net overdraft facility to be entered into between (1) HSBC; and (2) the Group;
“Refinancing”	the refinancing of the Group’s existing banking facilities with the Bank details of which are set out in paragraph 7 of Part 1 of this circular;
“Registrar”	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU;
“Subsidiaries”	Aegis and Aegis Engineering Holdings Limited and “Subsidiary” shall mean any of them;
“Subsidiary”, “Subsidiary Undertaking”, “Associated Undertaking” and “Undertaking”	have the meanings respectively ascribed to them in the Companies Act 2006;
“Term Loan Facility”	the £900,000 LIBOR term loan facility to be entered into between (1) HSBC; and (2) the Group; and
“Warrants”	the Warrants to subscribe for Ordinary Shares, to be issued by the Company to the Investors details of which are set out in paragraph 2 of Part 2 of this circular.