

**Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the interim six month period ended
June 30, 2006
(Unaudited- Prepared by Management)
(in United States Dollars)**

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended June 30, 2006.

NOTICE TO THE READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Omni-Lite Industries Canada Inc. and the accompanying interim consolidated balance sheet as at June 30, 2006 and the interim consolidated statements of earnings, retained earnings and cash flows for the six month period ended are the responsibility of the Company's management.

These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Meyers Norris Penny LLP.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

signed "David F. Grant"

David F. Grant
Chief Executive Officer
Cerritos, California, USA
August 29, 2006

signed "Timothy C. Wang"

Timothy C. Wang
Chief Financial Officer
Cerritos, California, USA
August 29, 2006

Omni-Lite Industries Canada Inc.
Consolidated Interim Balance Sheets
(Unaudited – Prepared by Management)
(in United States Dollars)

As at	June 30, 2006	December 31, 2005 (audited)
Assets		
Current		
Cash	\$ 40,325	\$ 456,676
Accounts receivable	1,206,898	1,049,729
Inventory	1,228,315	1,066,972
Prepaid expenses	32,177	32,177
	<u>2,507,715</u>	<u>2,605,554</u>
Deferred acquisition	1,298,821	411,800
Investments	106,866	106,866
Property, plant and equipment (Note 4)	7,884,997	6,647,786
Intangible assets, Trademarks, and Patents	192,059	1,785
	<u>\$ 11,990,458</u>	<u>\$ 9,773,791</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 445,714	\$ 476,732
Income taxes payable	14,604	48,405
Dividends payable	-	176,690
Deferred revenue	-	-
Due to related party (Note 2)	1,196,882	-
Current portion of long-term debt (Note 5)	590,087	436,680
	<u>2,247,287</u>	<u>1,138,507</u>
Long-term debt (Note 5)	311,867	414,233
Future income taxes	782,000	722,000
Non-controlling interest (Note 6)	513,286	221,484
	<u>1,607,153</u>	<u>2,496,224</u>
Share capital (Note 3)	4,181,355	3,803,003
Contributed surplus	214,000	164,000
Retained earnings	3,740,663	3,310,564
	<u>8,136,018</u>	<u>7,277,567</u>
	<u>\$ 11,900,458</u>	<u>\$ 9,773,791</u>

On behalf of the Board:

Signed "Donald J. Kelly" Director
Donald J. Kelly

Signed "David F. Grant" Director
David F. Grant

Omni-Lite Industries Canada Inc.
Consolidated Interim Statements of Income and Retained Earnings
(Unaudited – Prepared by Management)
(in United States Dollars)

	For the six month period ended June 30, 2006	For the six month period ended June 30, 2005	For the three month period ended June 30, 2006	For the three month period ended June 30, 2005
Revenue (Note 4)	\$2,344,616	\$1,934,388	\$1,330,936	\$1,010,728
Cost of goods sold	687,370	569,449	390,030	303,884
Gross margin	1,657,246	1,364,939	940,906	706,844
Overhead expenses				
Amortization	183,958	121,267	90,187	50,817
General and administrative	657,764	405,988	448,601	209,650
Interest on long-term debt	32,486	34,689	17,098	9,794
Research and product design	49,866	40,352	25,697	16,052
	924,074	602,296	581,583	286,313
Income before income taxes	733,172	762,643	359,323	420,531
Future Income taxes	60,000	65,000	7,300	33,000
Current Income taxes	31,547	15,675	19,624	14,719
	91,547	80,675	26,924	47,719
Income before non-controlling interest	641,625	681,968	332,399	372,812
Non-controlling interest (Note 6)	76,629	-	45,036	-
Net income for the period	718,254	681,968	377,435	372,812
Retained earnings, beginning of period	3,310,564	2,570,880	3,509,485	2,880,036
Purchase price of common shares repurchased in excess of carrying value	(288,155)	-	(146,257)	-
Retained earnings, end of period	\$3,740,663	\$3,252,848	\$3,740,663	\$3,252,848
Earnings (loss) per share - basic	\$0.07	\$0.07	\$0.04	\$0.04
- diluted	\$0.07	\$0.07	\$0.03	\$0.04
Weighted average shares outstanding - basic	10,485,327	9,614,276	10,485,327	9,614,276
- diluted	11,042,720	9,891,739	11,042,720	9,891,739

Omni-Lite Industries Canada Inc.
Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(in United States Dollars)

	For the six month period ended June 30, 2006	For the six month period ended June 30, 2005	For the three month period ended June 30, 2006	For the three month period ended June 30, 2005
Cash flows from operating activities				
Net income for the period	\$718,254	\$681,968	\$377,435	\$372,812
Adjustments for:				
Amortization	183,958	121,267	90,187	50,817
Future income taxes	60,000	65,000	7,300	33,000
Minority Interest	143,887	-	154,965	-
Stock based compensation	50,000	34,818	25,000	17,500
Cash flow from operations	1,156,099	903,053	654,887	474,129
Net change in non-cash working capital items				
Accounts receivable	(157,169)	(74,707)	(372,623)	(105,734)
Inventory	(161,343)	(109,750)	21,167	(63,014)
Prepaid expenses	-	-	-	-
Accounts payable and accrued liabilities	(31,018)	(64,243)	83,388	(63,362)
Income taxes payable	(33,801)	(24,500)	9,641	-
Deferred revenue	-	(12,500)	-	-
	772,768	617,353	396,460	242,019
Cash flows from financing activities				
Due to related parties	1,196,882	(144,986)	1,157,257	-
Proceeds (repayment) from (of) long-term debt	51,041	(1,450,762)	371,365	(8,459)
Issue of common shares	378,352	1,506,503	163,080	-
Dividends on common shares	(176,690)	(140,196)	-	-
Repurchase of common shares	(288,155)	-	(146,257)	-
	1,161,430	(229,441)	1,545,445	(8,459)
Cash flows from investing activities				
Cash received from subscription of E-FORM	147,915	-	62,915	-
Deferred acquisition	(887,021)	-	(862,271)	-
Purchase of property and equipment	(1,611,443)	(135,116)	(1,157,150)	(22,616)
	(2,350,549)	(135,116)	(1,956,506)	(22,616)
Increase (decrease) in cash	(416,351)	252,796	(14,601)	210,944
Cash, beginning of period	456,676	66,347	54,926	108,199
Cash, end of period	\$40,325	\$319,143	\$40,325	\$319,143

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
(Unaudited – Prepared by Management)
For the Interim Six Month Period Ending
June 30, 2006

1. Basis of and Responsibility for Presentation

These unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which are more fully described in the annual audited financial statements for the year ended December 31, 2005. These statements do not include all of the disclosures required by Canadian GAAP for annual financial statements.

These financial statements have been prepared using the same accounting policies and methods of application as the audited financial statements of the Company for the year ended December 31, 2005.

In management's opinion, all adjustments necessary for fair presentation have been included in these financial statements.

2. Due to Related Parties

Due to related parties includes an amount of \$1,072,257 due to a shareholder of the Company and an amount of \$124,625 due to a director and shareholder of the Company. The amounts due to related parties are unsecured, non-interest bearing and has no set terms of repayment.

3. Equity Instruments

(a) Authorized
Unlimited number of common shares

(b) Issued

	For the six months ending June 30, 2006		For the year ended December 31, 2005 (audited)	
	Number	Amount	Number	Amount
Common Shares				
Total issued and outstanding, beginning of period	10,170,779	\$3,517,193	8,349,304	\$2,015,999
Issued upon conversion of predecessor shares	-	-	-	-
Issued upon exercise of stock options	276,999	192,995	110,000	77,324
Issued under private placement	-	-	1,650,000	1,317,702
Share issuance costs	-	-		(250,227)
Issued upon exercise of warrants and broker warrants	280,450	357,249	211,475	362,718
Cancelled on repurchase under normal course issuer bid	(134,000)	(48,499)	(75,000)	(27,683)
	10,594,228	4,018,938	10,245,779	3,495,833
To be cancelled from repurchase under normal course issuer bid	(40,000)	(15,174)	(75,000)	(27,683)
	10,554,228	4,003,764	10,170,779	3,468,150
Share purchase loan	-	-	-	49,043
Total issued and outstanding, end of period	10,554,228	\$4,003,764	10,170,779	\$3,517,193

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
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The fair value of warrants issued in the current period was estimated using Black-Scholes option-pricing model with the following assumptions: Dividend yield (2%), Expected volatility (0.58), risk-free interest rate (2.9%), and weighted average life of 1.5 years.

	For the six months ending June 30, 2006		For the year ended December 31, 2005 (audited)	
	Number	Amount	Number	Amount
<u>Warrants</u>				
Total issued and outstanding, beginning of period	613,525	\$214,423	-	\$ -
issuance of warrants	-	-	825,000	288,325
Exercise of warrants	(141,700)	(49,523)	(211,475)	(73,902)
Total issued and outstanding, end of period	471,825	\$164,900	613,525	\$ 214,423
<u>Broker Warrants</u>				
Total issued and outstanding, beginning of period	168,750	\$71,387	-	\$ -
Issuance of Units	-	-	168,750	71,387
Exercise of Units	(138,750)	(58,696)		
Total issued and outstanding, end of period	30,000	\$12,691	168,750	\$ 71,387
Total equity instruments		\$4,181,355		\$3,803,003

(c) Stock options

The Company has granted stock options to directors, consultants, and employees of the Company as follows:

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding, Dec. 31, 2005	946,333	CDN \$0.60 to \$1.91	CDN \$1.10
Options - granted	135,000	CDN \$2.55	CDN \$2.55
- exercised	(230,000)	CDN \$0.60 to \$1.19	CDN \$ 0.79
- cancelled	-	-	-
Options outstanding at June 30, 2006	851,333	CDN \$0.60 to 2.55	CDN \$0.97
Options exercisable at June 30, 2006	291,443	CDN \$0.60 to \$1.91	CDN \$1.12
Options exercisable at Dec. 31, 2005	403,108	CDN \$0.60 to \$1.91	CDN \$1.02

The Company established a stock option plan for employees, directors and consultants on September 15, 1997. Under this plan, the Company is authorized to issue options up to 10% of the outstanding number of issued and outstanding shares. Vesting of options is determined on a grant-by-grant basis. Options granted can have expiry dates up to 5 years from the date of grant. The exercise price is determined by the market closing price on the day of the grant.

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
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June 30, 2006

Equity Instruments – continued

The options that are exercisable at June 30, 2006 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
218,000	CDN \$0.60 to \$0.85	CDN \$0.72	1.93 years
203,333	CDN \$0.94 to \$1.28	CDN \$1.09	2.52 years
295,000	CDN \$1.72 to \$1.91	CDN \$1.92	3.83 years
135,000	CDN \$2.55	CDN \$2.55	4.69 years
851,333	CDN \$0.60 to \$2.55	CDN \$0.97	2.50 years

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
143,666	CDN \$0.60 to \$0.85	CDN \$0.76	1.86 years
77,777	CDN \$0.98 to \$1.28	CDN \$1.13	1.33 years
70,000	CDN \$1.72 to \$1.91	CDN \$1.86	0.83 years
291,443	CDN \$0.60 to \$1.91	CDN \$1.12	1.47 years

(d) Common Share Purchase Warrants

Expiry date	Exercise Price (CDN)	Issued	Exercised	Expired/ Cancelled	June 30, 2006
August 9, 2006	\$1.60	825,000	(353,175)	-	471,825
Warrants outstanding		825,000	(353,175)	-	471,825

Equity Instruments Outstanding	(Audited)		
	June 30, 2006	December 31, 2005	June 30, 2005
Common shares, issued and outstanding	10,594,228	10,170,779	9,999,304
Stock options	784,334	946,333	831,333
Outstanding Warrants	471,825	613,525	825,000
Broker Warrants	0	112,500	112,500
Compensation Units - warrants	30,000	56,250	56,250
Fully diluted equity instruments	11,840,387	11,899,387	11,824,387

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For the Interim Six Month Period Ending
June 30, 2006

4. Segmented Information

Operating Segments:

The Company operates as one operational segment selling specialized products to the sports and recreation, automobile, aerospace, military and commercial industries.

Geographic Segments:

The Company has its operations and subsidiaries in the United States, Canada and in Barbados. The Company allocates its revenues between countries based on location that has title to the contract. The Company has utilized and reported revenues based on the Company locations for each of these segments as follows:

June 30, 2006	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 2,201,840	\$ -	\$ 399,000	\$ (256,224)	\$ 2,344,616
Capital assets	\$ 7,883,985	\$ 1,012	\$ -	\$ -	\$ 7,884,997

5. Long Term Debt

Revolving line of credit, maximum \$1,500,000 (2005 - \$1,000,000) secured by a general security agreement over all the assets of the Company, bearing interest at Union Bank of California's reference rate (8.25%) (2005 – 7.25%) or LIBOR plus 1.75% (2005 –LIBOR plus 2%) Maturity date: September 27, 2007; Renewed yearly

Term loan, secured by related property, bearing interest at LIBOR plus 2%. Effective rate is 6.97%. (2005 – 4.54%) Maturity date: October 01, 2013, repayable in monthly blended installments of \$2,582.96. The carrying value of the collateralized property is \$1,943,587 (2005 - \$1,967,538).

6. Non-controlling Interest

On February 9, 2005, Omni-Lite E-FORM Technologies Inc. ("E-FORM") was incorporated in California, USA by officers and directors of Omni-Lite and related parties, who invested all of E-FORM's initial capital of \$122,000. At that time, 50% of the shares of E-FORM were issued to the Company for nominal consideration. In September 2005, additional subscriptions from third parties resulted in a further investment of \$120,000 and a reduction of the Company's ownership to 38.48%. Subsequent subscriptions made in 2006 further reduced the Company's ownership to 25%. Because of the relationship between the management of the two corporations, current accounting rules require that E-FORM's financial statements be consolidated with the Company resulting in the inclusion of E-FORM's assets in the Company balance sheet.