Omni-Lite Continues Research & Development Success In 2000

MANAGEMENT DISCUSSION AND ANALYSIS

A. Omni-Lite as a Business

Omni-Lite's key competitive strengths include the development and manufacture of specialized products utilizing advanced materials and precision computer controlled cold forging techniques. Combining these advantages and a team of key design and material engineers, production technicians, marketing and administrative support personnel has enabled Omni-Lite to prosper in the competitive environment of the 21st century. This strategy has quickly brought Omni-Lite to the forefront of technological development.

In 2000, the company successfully completed the development of the second-generation link for the U.S. Military and NATO. Production for this component began in Q3 of 2000. Additional Research and Development activities were undertaken for products designed for the Canadian Military and automotive industry. These developments are expected to be completed by the second quarter of 2001. Ongoing Research and Development into the metallurgy, structural design and production of these and other complex components will be the key to the company's financial success.

B. Omni-Lite's Markets

Omni-Lite's primary market is the development of precision components utilized by many of the world's largest corporations. In 2000, Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, the U.S. Army and NATO. The requirements and stature of these customers necessitates that the company operate at a very high level of engineering and production efficiency.

Omni-Lite's Sports and Recreation products are marketed in over 140 countries worldwide through the catalogs of Nike, adidas, Eastbay, M-F Athletics and Springco.

C. Product Profile

Omni-Lite's annual growth has been fueled by continued interest in the company's automotive, military, aerospace, sports and recreation and commercial products. Of particular significance, is the development of new revenue streams from the military and aerospace products now provided by the company. In 2000, the company completed approximately 25 purchase orders with Fairchild. In 2001, the company entered into a contract to produce components that will be utilized by both Boeing and Airbus. After a brief slowdown in 2000, revenues of the automotive and commercial divisions are expected to grow in 2001.

1. Automotive Products

Omni-Lite's strength in the automotive area has been established through the manufacture of a series of components utilized in the transmissions of Daimler-Chrysler automobiles. Throughout

2000, Omni-Lite delivered two components for the transmission program at Daimler-Chrysler. The company has recently been notified of a pending contract to develop a third component for this customer. This technology has been extrapolated to airbag components for GM, Ford and Mazda. Omni-Lite's automated production systems are ideally suited to providing close tolerance components in a competitive marketplace. The quality of Omni-Lite's components have continually placed Omni-Lite as one of the most highly rated suppliers with one of the highest quality and lowest rejection rates in the industry.

Despite these developments, Omni-Lite was affected by the general slowdown in the automotive industry in 2000 with sales declining approximately 30% from the previous year. Sales in the automotive division are anticipated to grow in 2001. If successful, the introduction of the alternator component for Stalcop L.P. could have a significant effect on the revenues in this division.

2. Military Products

In September 1997, Omni-Lite began the manufacture of a specialized coupling for the U.S. Military. In 1999, Omni-Lite undertook an aggressive program to vastly improve this product. Omni-Lite successfully completed this development project in June 2000 and begun production in July 2000. The company has received a contract for over $1,635,000 CDN for this component. As part of this contract, the company has granted an option to the customer for the procurement of product worth an additional $1,900,000 CDN.

In Q3 of 2000, the company began Research and Development efforts for a new component for SNC Technologies Inc. of Canada. This research is scheduled to be completed by Q2 of 2001.

3. Sports and Recreation

Omni-Lite's initial success in supplying products to athletes who won 20 gold medals in the Olympics in Atlanta, including the key ceramic components for the gold shoes that propelled Michael Johnson to two gold medals, has allowed the company to capture a market of approximately 60% of the track spikes used worldwide and allowed expansion into a number of other related opportunities.

Omni-Lite's composite track and field products are continuing to be shipped from the Asian factories supplying Nike, adidas, Reebok, Puma and New Balance. The company has developed a mating receptacle for molding into the sole of various sports shoes including golf, soccer, football and track and field. Omni-Lite's sports and recreation products are resold worldwide through Nike, adidas, Eastbay, Springco, M-F Athletics and about 100 independent sporting good catalogs and retail stores. Many of the track and field athletes at the 2000 Olympics in Sydney utilized Omni-Lite's components. Of particular significance, Omni-Lite's products were utilized in several gold medal winning performances including those of Michael Johnson, Marion Jones, Maurice Greene and Cathy Freeman.

D. Growth Record

January 1998 saw the initiation of an expansion program during which Omni-Lite's manufacturing capability increased from two production systems to ten by April 2000. During 2000, the company commenced discussions towards purchasing a larger cold forging system. This equipment with a retail price of over $806,000 CDN was purchased in February 2001 for approximately $434.000 CDN. The equipment is currently being configured for a variety of product developments scheduled to begin in Q2 of 2001.

Revenues for calendar 2000 were $2,792,737 CDN compared with $2,982,725 CDN for 1999. This approximate 6% reduction in revenue was due to large shipments that could not be completed in fiscal 2000. In 2000, the company achieved cash flow of $1,230,277 CDN compared to $1,525,594 CDN in 1999. Revenues that were anticipated to occur in Q4 of 2000 were actually booked in Q1 and Q2 of 2001, significantly improving the results for these latter periods.

E. Growth Expectations

In fiscal 2000, Omni-Lite continued a period of rapid development. This included the purchase of a 31,970 sq. ft. building for $3,100,000 CDN in Cerritos, California, the purchase of an additional 500,000 shares of Tactex Controls Inc. and the purchase of the large cold forging system previously mentioned. The company currently has the new Cerritos facility leased for approximately $27,361 CDN/month. It is anticipated that Omni-Lite will move into the new facility in Q2 of 2002.

Over the past several years much of Omni-Lite's sales growth came from a relatively small existing customer base. This suggests a large degree of satisfaction and close cooperation between Omni-Lite and it's customers. However, as the production facility is currently operating at approximately 40% of capacity, the company has formalized a sales team in order to expedite sales growth to maximize plant utilization. Further growth in 2001 will stem from the development of components from both new and existing customers.

F. Risk Factors

The business climate of the 21st century presents risks that include the development of competition on a worldwide basis. Of particular concern over the last year, has been the slowdown in the U.S. economy.

As Omni-Lite grows in revenue the company becomes subject to increasing interest from corporations that would like to imitate the successes that have been achieved. The company has and will continue to aggressively protect itself through a variety of means that include:

1. patent and trademark protection
2. license agreements
3. joint venture agreements
4. development of proprietary technology and products

Of particular significance is the fact that Omni-Lite has received four U.S. patents to date.

While key individuals are continuously trained in the critical aspects of the company's technology, providing redundancy at the production level, retaining highly skilled staff is a challenge in the marketplace in which the company operates. The company has experienced additional expense as key staff are trained and key functions such as accounting are brought in-house.

G. International Operations

To support the international scope of the market place Omni-Lite has established two wholly owned subsidiaries in Barbados. These complement the production center in Cerritos, California. This structure enables the company to retain a high net income.

H. Cash Flow and Working Capital Requirements

The company anticipates that cash flow will meet the on going working capital requirements of the company. While the company is currently servicing a $1,550,000 CDN mortgage on the new Cerritos facility, it is anticipated that this debt will be repaid from cash flow by Q3 of 2001. The funds advanced by a director, to aid in the purchase of the building and new cold forging system, should be repaid by Q1 of 2002.

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements

For the years ended December 31, 2000
and 1999

Contents

Auditors' Report

To the Shareholders of
Omni-Lite Industries Canada Inc.

We have audited the consolidated balance sheets of Omni-Lite Industries Canada Inc. as at December 31, 2000 and 1999 and the consolidated statements of income and retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Alberta
May 11, 2001

Omni-Lite Industries Canada Inc.
Consolidated Balance Sheets
United States Dollars

December 31	2000	1999
Assets		
Current		
Cash	$ 121,862	$ 96,640
Accounts receivable	675,619	580,468
Due from related parties (Note 6)	-	30,815
Inventory (Note 3)	520,195	375,303
Prepaid expenses	3,952	-
	1,321,628	1,083,226
Due from related parties (Note 6)	-	219,919
Investment (Note 13)	102,986	17,986
Capital assets (Note 4)	4,381,402	2,449,808
Deferred development and patent expenditures (Note 5)	579,465	536,620
	$ 6,385,481	$ 4,307,559
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 191,004	$ 310,875
Income taxes payable	8,935	19,691
Due to related parties (Note 6)	701,768	143,351
Current portion of long-term debt (Note 7)	58,445	-
	960,152	473,917
Long-term debt (Note 7)	1,333,555	445,754
Future income taxes (Note 9)	330,000	255,000
	2,623,707	1,174,671
Share capital (Note 8)	2,249,923	2,169,387
Retained earnings	1,511,851	963,501
	3,761,774	3,132,888
	$ 6,385,481	$ 4,307,559

On behalf of the Board:

_____________________Director
David Grant

_____________________Director
Don Kelly

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

Omni-Lite Industries Canada Inc.
Consolidated Statements of Income and Retained Earnings
United States Dollars

For the years ended December 31		2000	1999
Revenue		**$ 1,801,766**	$ 1,924,339
Cost of goods sold		**617,120**	629,344
Gross margin		**1,184,646**	1,294,995
Overhead expenses			
Amortization		**170,377**	131,123
General and administrative		**361,252**	237,753
Interest on long-term debt		**37,288**	40,116
		568,917	408,992
Income before the undernoted		**615,729**	886,003
Other income (expense)			
Write-down of inventory		**-**	(30,000)
Foreign exchange and other		**17,998**	28,542
		17,998	(1,458)
Income before income taxes		**633,727**	884,545
Income taxes (Note 9)		**85,377**	75,414
Net income for the year		**548,350**	809,131
Retained earnings, beginning of year		**963,501**	154,370
Retained earnings, end of year		**$ 1,511,851**	$ 963,501
Earnings per share	- basic	**$ 0.06**	$ 0.08
	- fully diluted	**$ 0.05**	$ 0.07
Weighted average shares outstanding	- basic	**9,795,132**	10,753,902
	- fully diluted	**10,408,132**	11,755,583

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

Omni-Lite Industries Canada Inc.
Consolidated Statements of Cash Flows
United States Dollars

For the years ended December 31	2000	1999
Cash flows from operating activities		
Net income for the year	**$ 548,350**	$ 809,131
Adjustments for:		
Amortization	**170,377**	131,123
Future income taxes	**75,000**	44,000
Write down of inventory	**-**	30,000
Cash flow from operations	**793,727**	1,014,254
Net change in assets and liabilities		
Accounts receivable	**(95,150)**	(282,647)
Inventory	**(144,892)**	(156,159)
Prepaid expenses	**(3,952)**	18,882
Accounts payable and accrued liabilities	**(119,871)**	200,483
Income taxes payable	**(10,756)**	(9,571)
	419,106	785,242
Cash flows from financing activities		
Due to related parties	**809,151**	240,569
Proceeds from long-term debt	**(53,754)**	145,754
Issue of share capital, net of share issue costs	**80,536**	-
	835,933	386,323
Cash flows from investing activities		
Deferred development and patent expenditures	**(122,798)**	(94,848)
Purchase of capital assets	**(1,022,019)**	(1,282,637)
Deposit on capital assets acquisition	**-**	200,000
Purchase of investments	**(85,000)**	-
	(1,229,817)	(1,177,485)
Increase (decrease) in cash	**25,222**	(5,920)
Cash, beginning of year	**96,640**	102,560
Cash, end of year	**$ 121,862**	$ 96,640

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

1. Nature of Operations

Omni-Lite Industries Canada Inc. (the "Company") is a public company incorporated under the Laws of the Business Corporations Act of Alberta in 1992. Its head office operations are located in Calgary, with research and development and production operations in Cerritos, California, U.S.A. and an international office in Barbados. The company's activities consist of developing, producing and marketing specialized metal matrix composite, aluminum and carbon steel products. These products include components for the sports and recreation, automobile, aerospace, military and commercial industries. Since the most significant portion of the Company's operations are located in the United States and its transaction currency is usually denominated in United States dollars, these consolidated financial statements are stated in United States dollars.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in the Canada. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Consolidation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Omni-Lite Industries International Inc., Omni-Lite Industries California Inc., Formed Fast Barbados Inc. and Omni-Lite Properties Inc. All significant inter-company transactions have been eliminated.

(b) Inventory
Inventory consists of raw materials, work-in-progress and finished goods. Inventory is carried at the lower of average actual costs (including materials, labour and allocated overhead) and net realizable value.

(c) Revenue recognition
Revenue is recognized when goods are shipped to the customer, all significant contractual obligations have been satisfied, and collection of the resulting receivable is reasonably assured.

(d) Capital assets
Capital assets are carried at cost less accumulated amortization. Amortization is provided for using the following methods and annual rates (one-half the normal amortization is provided for in the year of acquisition):

Building	-	4% declining balance
Production equipment	-	30 year straight-line
Computer equipment	-	30% declining balance

Leasehold improvements - 5 years; shorter of lease term or estimated economic life

2. Significant Accounting Policies - continued

(e) Investments
Investments are carried at original cost and are only written down if there is other than a temporary decline in value. Realized gains and losses are recognized when shares are actually disposed. The Company's investment is recorded as long-term as the intention of management is to hold the investment for a period in excess of 12 months.

(f) Deferred development and patent expenditures
Patents are recorded at cost and are amortized on a straight-line basis over a period of ten years based on management's analysis of the market and competition. Patents represent accumulated costs and are not intended to reflect present or future values. The recoverability of these amounts is dependent upon future profitable operations.

Certain expenditures on development of new products are capitalized as incurred. Deferred development costs are being amortized over 10 years using the straight-line basis. The unamortized costs are reviewed on an annual basis and are written down if the value which can be considered reasonably recoverable from net revenues over the remaining amortization period is less than the carrying value at that time. These costs are recorded net of related investment tax credits claimed.

(g) Long-lived assets
Long-lived assets, such as patents, goodwill and property and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows resulting from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. No impairment losses have been recorded to date.

(h) Future income taxes
Effective January 1, 1999, the Company has adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The new method was applied retroactively without restatement of the prior years. Under the recommendations, the liability method of tax allocation is used, based on differences between financial reporting and tax bases of assets and liabilities. Previously, the Company followed the deferral method.

(i) Foreign exchange
Foreign currency balances of foreign subsidiaries are translated using the temporal method for integrated operations on the following basis:

- monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet dates;

- non-monetary assets, liabilities and related amortization and depletion expense are translated at historical rates;
- sales, other revenue, royalties and all other expenses are translated at the average rate of exchange during the month in which they are recognized.

The resulting foreign exchange gains and losses are included in earnings.

2. Significant Accounting Policies - continued

(j) Financial instruments
The Company carries a number of financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(k) Measurement uncertainty
The amounts for work-in-progress in inventory is based on actual cost and other cost allocation estimates. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements for changes in estimates, in future periods, could be significant.

The Company has conducted a study for it's internal policies with respect to transfer pricing within the consolidated group. The consolidated income tax provision provided herein has been based on management's best estimate of the pricing that is equivalent to comparative uncontrolled pricing for same or similar products.

The consolidated financial statements include estimates of useful economic life of capital assets. Due to varying assumptions required to be made with regards to future recoverability of these assets, the amortization recorded by management based on their best estimate in this regard may be significantly different from those determined based on future operational results.

The effect on the financial statements, resulting from such adjustments, if any are required to the above estimates will be reflected in the period of settlement.

(l) Stock-based compensation plan
The Company has a stock-based compensation plan, as described in Note 8(c). No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled will be charged to retained earnings.

3. Inventory

The major components of inventory are classified as follows:

	2000	1999
Raw materials	**$ 35,469**	$ 24,771
Work in progress	**-**	41,325
Finished goods	**484,726**	309,207
	$ 520,195	$ 375,303

4. Capital Assets

	2000		1999	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 770,000**	**$ -**	$ -	$ -
Building	**1,212,731**	**-**	-	-
Production and other equipment	**2,582,515**	**199,682**	2,575,103	131,997
Computer equipment	**30,734**	**14,896**	18,554	11,961
Leasehold improvements	**4,012**	**4,012**	4,012	3,903
	$ 4,599,992	**$ 218,590**	$ 2,597,669	$ 147,861
Net book value	**$ 4,381,402**		$ 2,449,808	

5. Deferred Development and Patent Expenditures

	2000		1999	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Deferred development and patent expenditures	**$ 893,584**	**$ 314,119**	$ 770,777	$ 234,157
Net book value	**$ 579,465**		$ 536,620	

6. Due from (to) Related Parties

Loans to related parties included a housing loan to Company officers in the amount of $nil (1999 - $219,919), bearing interest at 5% per annum, repayable over a maximum period of 10 years. The property acquired with the housing loan served as security on the Company's revolving line of credit in the prior year (see Note 7).

Due to related parties includes an amount of $669,766 to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. Included is also a loan from another director of the Company in the amount of $32,002 (1999 - $110,884). This loan bears interest at 9% per annum and has been repaid subsequent to the year end.

7. Long-term Debt

The Company has a revolving line of credit to borrow to a maximum of $800,000 (1999 - $500,000) of which $392,000 is outstanding at December 31, 2000 (1999 - $445,754). The line of credit bears interest at the Bank's reference rate plus 0.5% and is secured by a general blanket security agreement on all of the assets of the Company and for 1999, a deed of trust on a residence of the President and a Director of the Company. On August 1, 2001, the outstanding principal, if any, on the line of credit will be converted into a term loan that will mature in 3 years with equal monthly payments of principal and accrued interest.

The Company has a Purchase Money Note in the amount of $1,000,000 in conjunction with the purchase of a building. The note bears interest at 8% per annum with monthly interest payments of $6,666 per month. If the Company defaults on the note, the seller's sole remedy is a foreclosure on the property.

8. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	2000		1999	
	Number of Shares	**Amount**	Number of Shares	Amount
Total issued and outstanding, beginning of year	**10,753,902**	**$2,169,387**	10,753,902	$2,169,387
Issued for cash upon exercise of stock options	**150,000**	**80,536**	-	-
Returned to treasury [1]	**(1,000,000)**	**-**	-	-
Total issued and outstanding, end of year	**9,903,902**	**$2,249,923**	10,753,902	$2,169,387

[1] *500,000 (1999 - 1,500,000) shares are held subject to a performance escrow. These shares will remain in escrow pending certain financial milestones that would be a direct benefit to the Company.*

8. Share Capital - continued

(c) Stock options
The Company has granted stock options to the 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, 1998[(1)]	1,046,333	CDN $0.60 to $3.00	CDN $1.98
Options - exercised	(195,179)	CDN $2.10 to $3.00	CDN $2.15
- granted	223,333	CDN $1.80 to $2.10	CDN $1.92
Options outstanding, Dec. 31, 1999 [(3)]	1,074,487	CDN $0.60 to $2.72	CDN $1.94
Options - exercised	**(150,000)**	**CDN 0.60 to $1.20**	**CDN $0.80**
- surrendered	**(338,154)**	**CDN $1.80 to $2.10**	**CDN $1.99**
- granted [(2)]	**140,000**	**CDN $1.20 to 2.50**	**CDN $1.55**
Options outstanding, Dec. 31, 2000	**726,333**	**CDN $0.60 to $2.50**	**CDN $1.27**
Options exercisable at Dec. 31, 2000	**676,333**	**CDN $0.60 to $2.50**	**CDN $1.27**
Options exercisable at Dec. 31, 1999	954,487	CDN $0.60 to $2.72	CDN $1.31

(1) *Included in these options are 30,000 options that vest at the rate of 1/3 each year over three years commencing February 13, 1999. 10,000 options remain to be vested.*

(2) *Included in these options are 25,000 options that vest at the rate of 1/3 each year over three years commencing June 14, 2001, of which 25,000 remain to be vested. Also included are 20,000 options that vest at the rate of ¼ every 3 months over one year commencing December 5, 2000 of which 15,000 options remain to be vested.*

(3) 610,000 of these options were repriced to being exercisable at $1.20 in March 2000.

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 options expire on dates ranging from September 15, 2002 to September 4, 2004. During the year, the Company issued 140,000 (1999 – 223,333) stock options to employees, directors and consultants.

The options that are exercisable at December 31, 2000 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Vested	Weighted Average Exercise Price of Options Currently Exercisable
33,000	**CDN $0.60 to $0.99**	**CDN $ 0.60**	**1.7 years**	**33,000**	**CDN $0.60**
636,667	**CDN $1.00 to $1.99**	**CDN $ 1.24**	**2.5 years**	**586,667**	**CDN $1.22**
56,666	**CDN $2.00 to $2.50**	**CDN $ 2.15**	**3.4 years**	**56,666**	**CDN $2.15**
726,333				**676,333**	

8. Share Capital - continued

The options that are exercisable at December 31, 1999 may be summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Vested	Weighted Average Exercise Price of Options Currently Exercisable
133,000	CDN $0.60 to $0.99	CDN $ 0.60	2.7 years	133,000	CDN $0.60
941,487	CDN $1.00 to $2.72	CDN $ 1.29	3.6 years	821,487	CDN $1.31
1,074,487				954,487	

9. Income Taxes

		2000		1999
Statutory tax rate		**44.6%**		44.6%
Income taxes at the statutory rate	**$**	**282,600**	$	392,300
Rate differential on income earned in foreign jurisdiction		**(132,223)**		(225,886)
Utilization of loss carryovers		**(65,000)**		(91,000)
	$	**85,377**	$	75,414

Principal components of the net future tax liability are:

Future tax asset:		**2000**		1999
Unused tax losses carryforward [1]	**$**	**110,000**	$	134,600
Share issue costs		**-**		2,500
		110,000		137,100
Future tax liability:				
Capital assets		**440,000**		392,100
Net future tax liability	**$**	**330,000**	$	255,000
Income tax expense (recovery):				
Current	**$**	**75,337**	$	122,414
Future		**75,000**		44,000
Utilization of loss carryovers		**(65,000)**		(91,000)
	$	**85,377**	$	75,414

(1) *Consists of US tax losses in the approximate amount of $323,000 (1999 - $515,000) expiring at varying dates commencing 2002 and Canadian tax losses in the approximate amount of $227,000 (1999 - $114,000) expiring at varying dates commencing 2002.*

10. 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 has utilized and reported revenues based on the Company locations for each of these segments as follows:

December 31, 2000	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenues, external	**$ 910,209**	**$ -**	**$ 1,740,591**	**$ (849,034)**	**$ 1,801,766**
Capital assets	**$ 4,364,669**	**$ 16,733**	**$ -**	**$ -**	**$ 4,381,402**

December 31, 1999	**United States**	**Canada**	**Barbados**		**Total**
Revenues, external	$ 918,414	$ -	$ 1,792,491	$ (786,566)	$ 1,924,339
Capital assets	$ 2,441,036	$ 8,772	$ -	$ -	$ 2,449,808

11. Commitments

a) On October 1, 1999, the Company entered into a lease agreement that expired September 30, 2000 and required minimum monthly lease payments of $2,880. The Company also had to pay its share of operating costs. The Company entered into a new lease agreement on November 10, 2000 which expires on October 31, 2002 that requires minimum monthly lease payments of $2,880 for the first 12 months and $2,995 for the remaining 12 months. The Company must pay its share of operating costs.

b) Pursuant to existing employment contracts dated July 1, 1999, the Company is committed to paying bonuses based on sales and profitability.

c) The Company has agreed to pay a consultant a 5% commission for a period of 10 years, ending December 31, 2009, for the sale of a certain product.

12. Related Party Transactions

The Company purchased machinery and equipment from a Company controlled by a director in the amount of $nil (1999 - $1,120,700). These transactions were recorded at the agreed to exchange amounts which equal carrying values of the vendor.

13. Investment

During 1998, the Company invested $17,985 in an unrelated private corporation. This corporation completed a going public transaction in 2000. During 2000, the Company invested a further $85,000 (CDN$125,000) in this corporation. The investment is accounted for by the cost method as there is no significant influence.

14. Statement of Cash Flows

a) Interest and income taxes paid

		2000		1999
Interest	**$**	**37,228**	$	37,056
Income taxes paid	**$**	**21,133**	$	25,275

b) Long-term debt

During the year, the Company purchased land and building partially through a Purchase Money Note (Note 7) in the amount of $1,000,000.

15. Financial Instruments

As disclosed in Note 2(j), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, industry credit risk and foreign currency risk. The Company manages it's exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

The Company's short and long term borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at December 31, 2000, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $13,900 (1999 - $4,500). The related disclosures regarding these debt instruments are included in Note 7 of these financial statements.

A significant portion of the Company's operations are located outside of Canada and, accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and receivables to offset foreign currency payables and planned expenditures.

16. Subsequent Event

On May 11, 2001, the Company has filed with the Canadian Venture Exchange its intention to make a Normal Course Issuer Bid ("the Bid") to purchase on the open market up to 495,000 common shares. The Bid will begin on May 18, 2001 and expire on May 17, 2002.