OMNI-LITE INDUSTRIES CANADA INC.

2001 ANNUAL REPORT

of

Omni-Lite Industries Canada Inc.
for the year ending December 31, 2001

OMNI-LITE INDUSTRIES CANADA INC.

President's Message

May 8, 2002

Dear Shareholder;

The period from January to December 2001 has been another period of aggressive growth in total revenue, EBITDA, cash flow and net income for Omni-Lite Industries. The highlights of this period include:

1. Total revenue for the period increased to $2,454,178 US from $1,819,764US, an increase of approximately 35%. EBITDA over the period increased to $1,287,575US from $841,392US, an increase of approximately 53 %. Cash flow increased to $1,151,862US from $793,727US, an increase of approximately 45%. Net income increased from $548,350US to $819,886US, an increase of 50%. Earnings per share increased from $.06 US/share to over $.08 US/share or from $.09CDN/share to $.14 CDN/share, an increase of approximately 55%.

2. Due to cancellation of 500,000 escrowed shares and the repurchase of 329,300 shares pursuant to the normal course issuer bid, conducted from June 2001 to December 2001, the company had a total of 9,084,602 shares outstanding at December 31, 2001. The company had 9,903,902 shares outstanding as of December 31, 2000.

3. The purchase of a larger cold forging system for $280,000US in February 2001. This system enhances Omni-Lite's capabilities in terms of the size and range of components that can be produced. Subsequent to the year-end, the company purchased five additional progressive forging systems for $1,420,000US. These machines were all purchased at a significant discount to retail list value and included favorable financing terms.

4. In April 2002, the company made the final payment on the new facility in Cerritos, California. This 30,970 sq. ft. facility will markedly enhance the company's efficiency. The company anticipates moving into the facility at the end of May 2002.

5. The development of a multi-component program for Monogram Aerospace Fasteners. These products are utilized by several major aircraft manufacturers in their composite airframes.

6. The company expects significant growth in revenue and earnings as other Research and Development efforts conducted in 2001 lead to long term production contracts.

Enclosed herewith are the consolidated audited financial statements for Omni-Lite Industries Canada Inc. for the fiscal year ending December 31, 2001 and comparative statements for the 12 month period ending December 31, 2000. Management would like to take this opportunity to thank our customers, suppliers, consultants and shareholders for another very successful year and the opportunity to continue the development of Omni-Lite as one of the world's leading high technology companies. Shareholders are invited to attend Omni-Lite Industries Canada Inc.'s annual meeting to be held at the Angus/Northcote Rooms, Conference Center, Bow Valley Square 2, 205 5th Ave. S.W., Calgary, Alberta, T2P 2V7, on Friday June 14, 2002 at 11:00AM MDT.

Yours sincerely,

David F. Grant
President and CEO

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the years ended December 31, 2001 and 2000

Contents

BDO Dunwoody LLP
Chartered Accountants
and Consultants

1500, 800 – 6 Avenue S.W.
Calgary, Alberta Canada T2P 3G3
Telephone: (403) 266-5608
Fax: (403) 233-7833

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, 2001 and 2000 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
April 9, 2002

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

December 31	2001	2000
Assets		
Current		
Cash	**$ 40,331**	$ 121,862
Accounts receivable	**505,207**	675,619
Inventory (Note 3)	**789,570**	520,195
Prepaid expenses	**5,556**	3,952
	1,340,664	1,321,628
Investment (Note 4)	**84,846**	102,986
Capital assets (Note 5)	**4,576,020**	4,381,402
Deferred development and patent expenditures (Note 6)	**715,942**	579,465
	$ 6,717,472	$ 6,385,481

	2001	2000
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 280,409**	$ 191,004
Income taxes payable	**33,535**	8,935
Due to related parties (Note 7)	**359,576**	701,768
Current portion of long-term debt (Note 8)	**913,555**	58,445
	1,587,075	960,152
Long-term debt (Note 8)	**444,445**	1,333,555
Future income taxes (Note 10)	**412,000**	330,000
	2,443,520	2,623,707
Share capital (Note 9)	**2,183,114**	2,249,923
Retained earnings	**2,090,838**	1,511,851
	4,273,952	3,761,774
	$ 6,717,472	$ 6,385,481

On behalf of the Board:

Signed "David Grant" Director
David Grant

Signed "Don Kelly" 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	2001	2000
Revenue	**$ 2,231,704**	$ 1,801,766
Cost of goods sold	**643,487**	617,120
Gross margin	**1,588,217**	1,184,646
Overhead expenses		
Amortization	**251,751**	170,377
General and administrative	**523,116**	361,252
Interest on long-term debt	**102,287**	37,288
	877,154	568,917
Income before the undernoted	**711,063**	615,729
Other income		
Gain on sale of investments	**1,775**	-
Rental	**211,828**	14,866
Foreign exchange	**8,871**	3,132
	222,474	17,998
Income before income taxes	**933,537**	633,727
Income taxes (Note 10)	**113,651**	85,377
Net income for the year	**819,886**	548,350
Retained earnings, beginning of year	**1,511,851**	963,501
Purchase price of common shares repurchased in excess of carrying value	**(240,899)**	-
Retained earnings, end of year	**$ 2,090,838**	$ 1,511,851
Earnings per share - basic	**$ 0.08**	$ 0.06
Earnings per share - diluted	**$ 0.08**	$ 0.05
Weighted average shares outstanding - basic	**9,721,454**	9,795,132
Weighted average shares outstanding - diluted	**9,753,391**	10,408,132

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

BDO

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

For the years ended December 31	**2001**	2000
Cash flows from operating activities		
Net income for the year	**$ 819,886**	$ 548,350
Adjustments for:		
Amortization	**251,751**	170,377
Future income taxes	**82,000**	75,000
Gain on sale of investment	**(1,775)**	-
Cash flow from operations	**1,151,862**	793,727
Net change in assets and liabilities		
Accounts receivable	**170,412**	(95,150)
Inventory	**(269,375)**	(144,892)
Prepaid expenses	**(1,604)**	(3,952)
Accounts payable and accrued liabilities	**89,405**	(119,871)
Income taxes payable	**24,600**	(10,756)
	1,165,300	419,106
Cash flows from financing activities		
Due to related parties	**(342,190)**	809,151
Repayment of long-term debt	**(34,000)**	(53,754)
Repurchase of common shares	**(315,708)**	-
Issue of share capital, net of share issue costs	**8,000**	80,536
	(683,898)	835,933
Cash flows from investing activities		
Deferred development and patent expenditures	**(241,120)**	(122,798)
Purchase of capital assets	**(341,728)**	(1,022,019)
Proceeds on sale of investments	**19,915**	-
Purchase of investments	**-**	(85,000)
	(562,933)	(1,229,817)
Increase (decrease) in cash	**(81,531)**	25,222
Cash, beginning of year	**121,862**	96,640
Cash, end of year	**$ 40,331**	$ 121,862

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

BDO

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 Canadian generally accepted accounting principles. 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 International 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. Finished goods inventory is recorded at average standard costs of production and includes raw materials, labour and direct overheads.

(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

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, 2000, 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 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 finished goods inventory is based on standard costs and includes 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 its 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 9(c). No compensation expense is recognized for this plan when stock or stock options are issued to employees, directors, officers and consultants ("optionees"). Any consideration paid by optionees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from optionees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled will be charged to retained earnings.

(m) Per share amounts

Basic earnings per common share is computed by dividing earnings and cash flow from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, in accordance with recent standards approved by the Canadian Institute of Chartered Accountants.

3. Inventory

The major components of inventory are classified as follows:

	2001	2000
Raw materials	**$ 225,242**	$ 35,469
Work in progress	**5,100**	-
Finished goods	**559,228**	484,726
	$ 789,570	$ 520,195

4. Investment

The investment is accounted for by the cost method as there is no significant influence. As at December 31, 2001, the investment had a fair market value of $113,199 (2000 - $300,000).

5. Capital Assets

	2001		2000	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 770,000**	**$ -**	$ 770,000	$ -
Building	**1,209,549**	**48,381**	1,212,731	-
Production and other equipment	**2,878,100**	**255,969**	2,582,515	199,682
Computer equipment	**45,115**	**22,394**	30,734	14,896
	$ 4,902,764	**$ 326,744**	$ 4,595,980	$ 214,578
Net book value	**$ 4,576,020**		$ 4,381,402	

6. Deferred Development and Patent Expenditures

	2001		2000	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Deferred development and patent expenditures	**$ 1,134,693**	**$ 418,751**	$ 893,584	$ 314,119
Net book value	**$ 715,942**		$ 579,465	

7. Due to Related Parties

Due to related parties includes an amount of $359,576 (2000 - $669,766) to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. Included was also a loan from another director of the Company in the amount of $nil (2000 - $32,002). This loan bore interest at 9% per annum.

8. Long-term Debt

The Company has a revolving line of credit to borrow to a maximum of $1,000,000 (2000 - $800,000) of which $958,000 is outstanding at December 31, 2001 (2000 - $392,000). The line of credit bears interest at the Bank's reference rate plus 0.5% and is supported by a general blanket security agreement on all of the assets of the Company. Subsequent to year-end, the available credit was increased to $1,300,000. The Company is required to pay this line down to $500,000 by July 31, 2002. On August 1, 2002, 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 $400,000 (2000 - $1,000,000) in conjunction with the purchase of a building. The note bears interest at 8% per annum. If the Company defaults on the note, the seller's sole remedy is a foreclosure on the property.

9. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	2001		2000	
	Number of Shares	**Amount**	Number of Shares	Amount
Total issued and outstanding, beginning of year	**9,903,902**	**$ 2,249,923**	10,753,902	$2,169,387
Issued for cash upon exercise of stock options	**10,000**	**8,000**	150,000	80,536
Repurchase of shares under normal course issuer bid [2]	**(183,300)**	**(41,641)**	-	-
Returned to treasury [1]	**(500,000)**	**-**	(1,000,000)	-
	9,230,602	**(2,216,282)**	9,903,902	2,249,923
To be cancelled from repurchase under normal course issuer bid [2]	**(146,000)**	**(33,168)**	-	-
Total issued and outstanding, end of year	**9,084,602**	**$ 2,183,114**	9,903,902	$2,249,923

(1) *Originally, 1,500,000 shares were held subject to a performance escrow. During the year, 500,000 shares (2000 – 1,000,000 shares) were returned to treasury. At December 31, 2001, nil (2000 - 500,000) shares remain in escrow.*

(2) *During the year, the Company repurchased 329,300 of its common shares at a purchase cost of $315,708 resulting in a $74,809 reduction in share capital and a $240,899 decrease in retained earnings.*

(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, 1999 [2]		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 [1]	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	**- exercised**	**(10,000)**	**CDN $1.20**	**CDN $1.20**
	- granted	**210,000**	**CDN $0.98 to 1.30**	**CDN $1.16**
	- cancelled	**(20,000)**	**CDN $02.10**	**CDN $2.10**
Options outstanding, Dec. 31, 2001		**906,333**	**CDN $0.60 to 2.50**	**CDN $1.26**
Options exercisable at Dec. 31, 2001		**578,555**	**CDN $0.60 to 2.50**	**CDN $1.28**
Options exercisable at Dec. 31, 2000		676,333	CDN $0.60 to 2.50	CDN $1.27

(1) *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 16,667 remain to be vested.*

(2) *610,000 of these options were repriced to being exercisable at $1.20 in March 2000.*

9. Share Capital - continued

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 January 21, 2002 to September 13, 2006. During the year, the Company issued 210,000 (2000 – 140,000) stock options to employees, directors and consultants with exercise prices ranging from $0.98 to $1.30. These options will expire on dates ranging from January 17, 2006 to September 13, 2006.

The options that are exercisable at December 31, 2001 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**
93,000	**CDN $0.60 to $0.99**	**CDN $ 0.85**	**2.0 years**	**33,000**	**CDN $0.66**
756,667	**CDN $1.00 to $1.99**	**CDN $ 1.22**	**2.8 years**	**500,000**	**CDN $1.21**
56,666	**CDN $2.00 to $2.50**	**CDN $ 2.11**	**2.6 years**	**45,555**	**CDN $2.12**
906,333				**578,555**	

The options that are exercisable at December 31, 2000 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
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	

10. Income Taxes

	2001	2000
Statutory tax rate	**41.0%**	44.6%
Income taxes at the statutory rate	**$ 382,700**	$ 282,600
Rate differential on income earned in foreign jurisdictions	**(254,349)**	(132,223)
Utilization of loss carryovers	**(14,700)**	(65,000)
	$ 113,651	$ 85,377

10. Income Taxes – cont'd

Principal components of the net future tax liability are:

	2001	2000
Future tax asset:		
Unused tax losses carryforward [1]	$ -	$ 110,000
Future tax liability:		
Capital assets	412,000	440,000
Net future tax liability	$ 412,000	$ 330,000
Income tax expense (recovery):		
Current	$ 46,351	$ 75,337
Future	82,000	75,000
Utilization of loss carryovers	(14,700)	(65,000)
	$ 113,651	$ 85,377

(1) *Consisted of US tax losses in the approximate amount of $700,000 (2000 - $323,000) expiring at varying dates commencing 2002 and Canadian tax losses in the approximate amount of $188,000 (2000 - $227,000) expiring at varying dates commencing 2002. The tax losses have currently not been recognized as a future tax asset.*

11. 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, 2001	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenues, external	**$ 879,298**	**$ -**	**$ 2,157,058**	**$ (804,652)**	**$ 2,231,704**
Capital assets	**$ 4,563,689**	**$ 12,331**	**$ -**	**$ -**	**$ 4,576,020**

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

12. Commitments

a) The Company entered into a 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 also 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.

13. Statement of Cash Flows

a) Interest and income taxes paid

		2001		2000
Interest	**$**	**102,287**	$	37,228
Income taxes paid	**$**	**17,235**	$	21,133

b) Long-term debt
During 2000, the Company purchased land and building partially through a Purchase Money Note (Note 8) in the amount of $1,000,000.

14. 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 its 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, 2001, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $13,600 (2000 - $13,900). The related disclosures regarding these debt instruments are included in Note 8 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.

15. Subsequent Events

(a) Subsequent to the year-end, the Company purchased 5 new cold forging systems from a company controlled by a director for a total cost of $1,420,000, which approximates carrying values. The Company is obligated to repay the purchase price at $100,000 per month commencing March 2002.

(b) On April 9, 2002, the Company, as required, has repaid the Purchase Money Note in the amount of $400,000 (Note 8). The Company borrowed CDN$300,000 at 8.12% for 60 days from a director to facilitate this repayment. The loan from the director is due on demand.

(c) Subsequent to the year-end, employees of the Company have issued promissory notes to the Company for the exercise of their options. The notes are non-interest bearing and have a repayment date of 1 year from the date of the note. The gross amount of promissory notes issued from employees is CDN$91,467 for the exercise of 76,667 options.

(d) Subsequent to the year-end, the Company issued 53,000 options to consultants of the Company for gross proceeds of CDN$43,800.

Omni-Lite Industries Canada Inc.
Schedule “C”
British Columbia Form 51-901F
For the Year Ended December 31, 2001

MANAGEMENT DISCUSSION AND ANALYSIS

Item 1 General

A. Discussion of Operations and Financial Condition

By many measures, 2001 was a period of growth for Omni-Lite. Total revenue for fiscal 2001 increased to $2,454,178US from $1,819,764US, an increase of approximately 35%. EBITDA over the period increased to $1,287,575US from $841,392US, an increase of approximately 53%. Over this same period, cash flow increased to $1,151,862US from $793,727US, an increase of approximately 45%. Net income increased from $548,350US to $819,886US, an increase of 50%. Earnings per share increased from $.06 US/share to over $.08 US/share or $.14 CDN/share. Since June 2001, the company has been active in repurchasing its common shares through a normal course issuer bid. In 2001, a total of 329,300 common shares were purchased and subsequently canceled. At the end of the year the company had 9,084,602 common shares outstanding, a reduction of 819,300 shares from December 2000.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)

Weighted Average Shares Issued And Outstanding : 9,721,454	**For the year ended December 31, 2001**	**For the year ended December 31, 2000**	**% Increase**
Total Revenue	$2,454,178	$1,819,764	35
EBITDA	$1,287,575	$841,392	53
Cash flow from operations	$1,151,862	$793,727	45
Net Income	$819,886	$548,350	50
EPS (US)	$0.08	$0.06	51
EPS (CDN)	$0.14	$0.09	55

B. 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 fiscal 2001, the company successfully completed the development of a component for SNC Technologies Inc. of Canada. Production of this component began in Q3 of 2001. Of particular importance, the company was successful in advancing its Aerospace Division with the continuation of projects with Huck International, Inc. and Monogram Aerospace Fasteners. Of significance is the development of a multi-component program with Monogram. To date the company has developed and begun shipping seven components to Monogram. These products from the Aerospace division will be utilized in the products of Boeing, Airbus, Bombardier and other aircraft manufactures. The successful implementation of these projects has made the Aerospace and Military divisions the fastest growing in the company. 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.

C. 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 2001, Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, the U.S. Army and NATO and the aircraft manufacturers mentioned above. The requirements and stature of these customers necessitates that the company operate at a very high level of engineering and production efficiency. To this end the company has added, in 2002, a full-time quality manager and full-time tool and die support. These initiatives, coupled with the move to the new facility by the end of Q2 should provide improved efficiencies for the corporation.

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.

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 $520,000US was purchased in February 2001 for approximately $280,000US. The equipment is being modified for a variety of product developments which is scheduled to begin in the second quarter of 2002. In March 2002 the company purchased an additional five progressive forging systems for $1,420,000US. These machines were all purchased at a significant discount to retail list value and included favorable financing terms.

E. Growth Expectations

In 2001, Omni-Lite continued a period of rapid development. Several new projects were initiated in the Aerospace, Automotive and Military Divisions. These long term developments bode well for the company's future growth. To help provide future growth and to add additional depth to the management team at Omni-Lite, Tim Wang, P.Eng. joined Omni-Lite in the third quarter of 2001 as Manager of Sales and Business Development.

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 continued slowing of the U.S. economy and the terrorist attacks of September 11, 2001.

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 five U.S. patents to date. The company is in the process of applying for two additional patents.

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.

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. The staff in Barbados is responsible for marketing, sales, and maintaining international markets for Omni-Lite's products.

Item 2 Quarterly Information

The following table summarizes the company's financial performance over the last eight quarters. All figures in US dollars unless noted.

ALL FIGURES IN US DOLLARS UNLESS NOTED

	Dec 31/01	Sept 30/01	June 30/01	Mar 31/01	Dec 31/00	Sept 30/00	June 30/00	Mar 31/00
Total Rev	385,582	979,123	591,263	498,211	393,186	590,650	397,963	419,967
Cash Flow	-39,288	622,406	349,267	219,477	147,094	264,364	204,151	178,117
Net Income	-101,409	532,214	269,217	119,864	40,701	209,198	161,094	137,357
EPS(US)	-.01	.05	.03	.01	.01	.02	.02	.01
EPS(CDN)	-.02	.08	.04	.01	.01	.03	.03	.02

Of particular note, because of the reduction in the number of shares and fluctuations in exchange rates over the year, the earnings per share at year-end are .14CDN/share.

Item 3 Liquidity and Capital Resources

The company anticipates that cash flow will meet the on going working capital requirements of the company. Between June 2001 and December 2001 the company repurchased 329,300 common shares through it's normal course issuer bid which expires in May 2002. The company will continue the repayment of long-term debt with excess funds. In April 2002 the company made the last mortgage payment on the new Cerritos facility. The facility is currently being modified to allow the rental of approximately 6000 square feet, providing additional revenue to the company.

The information contained in this discussion may be considered to contain forward-looking statements. Such forward-looking statements address future events and conditions and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. There is no representation by the Company that actual results will be the same in whole or in part as implied by the forward-looking statements provided.