ISSUER DETAILS

NAME OF ISSUER	FOR YEAR ENDED	DATE OF REPORT
Omni-Lite Industries Canada Inc.	December 31,2003	May 19, 2004

ISSUER'S ADDRESS

17210 Edwards Rd.

CITY, PROVINCE, POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Cerritos, CA, 90703	562 926-6913	562 404-8510

CONTACT NAME	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Timothy Wang	CFO	562 404-8510 x108

CONTACT EMAIL ADDRESS	WEBSITE ADDRESS
t.wang@omni-lite.com	www.omni-lite.com

CERTIFICATE

The three schedules required to complete this Annual Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Annual Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"signed David F. Grant"	David F. Grant	May 19, 2004

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YYMM/DD
"signed Donald Kelly"	Donald J. Kelly	May 19, 2004

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the years ended December 31, 2003 and 2002
(in United States Dollars)

Contents

Management Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the consolidated financial statements. Consolidated financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safe-guarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

BDO Dunwoody LLP, the external auditors, conduct an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards in order to express their opinion on the consolidated financial statements. Their examination includes a review and evaluation of the Company's system of internal controls and such tests and procedures as considered necessary to provide reasonable assurance that the consolidated financial statements are presented fairly.

The audit committee of the Board of Directors, with a majority of its members being outside directors, have reviewed the consolidated financial statements, including notes thereto, with management and BDO Dunwoody LLP. The consolidated financial statements have been approved by the Board of Directors on the recommendations of the audit committee.

signed

March 12, 2004

BDO Dunwoody LLP
Chartered Accountants
and Consultants

1900, 801 – 6 Avenue S.W.
Calgary, Alberta Canada T2P 3W2
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, 2003 and 2002 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, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*signed "**BDO Dunwoody LLP**"*

Chartered Accountants

Calgary, Alberta
March 12, 2004

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

December 31	2003	2002
Assets		
Current		
Cash	$ 196,764	$ 75,377
Accounts receivable	296,570	380,273
Inventory (Note 3)	1,144,470	813,819
Prepaid expenses	14,864	4,952
	1,652,668	1,274,421
Restricted cash	60,026	-
Investments (Note 4)	106,866	106,866
Property and equipment (Note 5)	6,200,395	5,524,954
Deposit on equipment (Note 5)	-	484,000
Deferred development and patent expenditures (Note 6)	4,255	4,255
	$ 8,024,210	$ 7,394,496

	2003	2002
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 349,660	$ 327,042
Income taxes payable	77,169	-
Due to related party (Note 7)	193,557	599,147
Current portion of long-term debt (Note 8)	509,979	324,000
	1,130,365	1,250,189
Long-term debt (Note 8)	2,173,950	1,899,000
Future income taxes (Note 9)	320,000	289,000
	3,624,315	3,438,189
Share capital (Note 10 (b))	2,172,617	2,283,916
Stock options (Note 2(m))	44,000	-
Share purchase loans receivable (Note 10(d))	(49,043)	(49,043)
Retained earnings	2,232,321	1,721,434
	4,399,895	3,956,307
	$ 8,024,210	$ 7,394,496

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.

BDO

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

For the years ended December 31	2003	2002
Revenue	**$ 2,920,744**	$ 2,296,254
Cost of goods sold	**818,853**	804,047
Gross margin	**2,101,891**	1,492,207
Overhead expenses		
Amortization - capital	**235,988**	196,388
- deferred development	**-**	711,687
General and administrative	**984,864**	810,254
Interest on long-term debt	**143,291**	85,432
Research and product design	**27,103**	190,465
	1,391,246	1,994,226
Income (loss) before the undernoted	**710,645**	(502,019)
Other (expenses) income		
Foreign exchange	**(51,299)**	(29,903)
Rental	**91,701**	42,531
	40,402	12,628
Income (loss) before income taxes	**751,047**	(489,391)
Income taxes (recovery) (Note 9)	**68,643**	(119,987)
Net income (loss) for the year	**682,404**	(369,404)
Retained earnings, beginning of year	**1,721,434**	2,090,838
Purchase price of common shares repurchased in excess of carrying value (Note 10(e))	**(171,517)**	-
Retained earnings, end of year	**$ 2,232,321**	$ 1,721,434
Earnings (loss) per share – basic	$ 0.07	$ (0.04)
- diluted (1)	$ 0.07	
Weighted average shares outstanding - basic	**9,179,677**	9,194,679
- diluted (1)	**9,179,677**	9,485,931

(1) Diluted per share amounts for the year ended December 31, 2002 have not been disclosed as such would be anti-dilutive.

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	2003	2002
Cash flows from operating activities		
Net income (loss) for the year	**$ 682,404**	$ (369,404)
Adjustments for:		
Amortization	**235,988**	908,075
Future income taxes	**31,000**	(123,000)
Stock based compensation	**44,000**	-
Cash flow from operations	**993,392**	415,671
Net change in assets and liabilities		
Accounts receivable	**83,703**	124,949
Inventory	**(330,651)**	(24,249)
Prepaid expenses	**(9,912)**	606
Accounts payable and accrued liabilities	**22,618**	34,565
Income taxes payable	**77,169**	(21,467)
	836,319	530,075
Cash flows from financing activities		
Due to related parties	**(405,590)**	239,571
Advances of long-term debt	**2,680,929**	865,000
Repayment of long-term debt	**(2,220,000)**	-
Repurchase of common shares	**(282,816)**	-
Issue of share capital, net of share issue costs	**-**	51,759
	(227,477)	1,156,330
Cash flows from investing activities		
Purchase of property and equipment	**(427,429)**	(1,145,339)
Deposits on equipment	**-**	(484,000)
Purchase of investments	**-**	(22,020)
	(427,429)	(1,651,359)
Increase (decrease) in cash	**181,413**	35,046
Cash, beginning of year	**75,377**	40,331
Cash, end of year	**$ 256,790**	$ 75,377

Cash consists of:		
Cash	**$ 196,764**	$ 75,377
Restricted cash	**60,026**	
	$ 256,790	$ 75,377

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 attributed overheads.

(c) Restricted cash
Restricted cash is to cover certain required renovations required by the bank to the Company's building to comply with city bylaws. The Company may request removal of this restriction after March 31, 2004 once the required renovations have been completed and documentation of such is submitted to the bank.

(d) 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.

2. Significant Accounting Policies - continued

(e) Property and equipment

Property and equipment 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 and other equipment	-	30 year straight-line
Computer equipment	-	30% declining balance

(f) Investments

Investments are carried at original cost and are only written down if there is an other than 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 it is the intention of management to hold the investments for a period in excess of 12 months.

(g) 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 product lines were being capitalized as incurred. These deferred costs were being amortized over 10 years using the straight-line basis. During 2002, the Company changed its estimate for the remaining amortization period of these costs to one year. As a result these costs were fully amortized by December 31, 2002 (Note 6). Commencing 2003 the Company has started to expense all product design and development costs. The costs currently being incurred are a part of the Company's ongoing business.

(h) Long-lived assets

Long-lived assets, such as patents 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.

(i) Future income taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

2. Significant Accounting Policies - continued

(j) 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.
- amortization of assets translated at historical exchange rates are translated at the same rates as the assets to which they relate.

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

Foreign currency accounts are translated into United States dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into United States dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into United States dollars by using the exchange rate in effect at that date.

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

(k) 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.

(l) 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 Company has conducted a study of 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 the same or similar products and is subject to assessment by taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is a possibility that a reassessment can occur.

The consolidated financial statements include estimates of the useful economic life of property and equipment. 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 changes in estimates, if any, will be reflected in the period a determination is made that the change in estimate is warranted. The effect on the consolidated financial statements for changes in estimates, in future periods, could be significant.

2. Significant Accounting Policies - continued

(m) Stock-based compensation plan

Effective January 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock based compensation and other stock-based payments. This section requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the company's stock, and as a result, the implementation of the section has no impact on the financial statements. For 2002, the Company has chosen not to use the fair value method to account for stock-based employee compensation plans. The Company did not record compensation expense when options are issued to employees and consultants for options issued in 2002. Any consideration paid by employees and consultants on the exercise of the options is credited to capital stock.

In September 2003, the CICA issued an amendment to section 3870 "Stock based compensation and other stock based payments". The amended section is effective for fiscal years beginning on or after January 1, 2004. The amendment requires that companies measure all stock based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Company implemented this amended standard in 2003 in accordance with the early adoption provisions of the standard. Per the transitional provisions, early adoption requires that compensation expense be calculated and recorded in the income statement for options and warrants issued on or after January 1, 2003.

The impact of adopting the new accounting for stock based compensation on the consolidated balance sheets and statements of income are:

Change in consolidated balance sheet	**2003**	2002
Increase		
Contributed surplus	**$ 44,000**	$ -

Change in consolidated statement of operations	**2003**	2002
Increase		
General and administrative expenses	**$ 44,000**	$ -

The fair value of share options granted in 2003 was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), Expected volatility (0.53 to 0.59), risk-free interest rate (5.0%), and weighted average life of 5 years.

(n) Per share amounts

Basic earnings per common share is computed by dividing income 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:

	2003	2002
Raw materials	**$ 346,510**	$ 287,277
Work in progress	**-**	27,755
Finished goods	**797,960**	498,787
	$ 1,144,470	$ 813,819

4. Investments

Investments are accounted for by the cost method, as the Company does not have significant influence over the investee. As at December 31, 2003, investments in the amount of $106,866 (2002 - $106,866) was made up of an investment in a private company in the process of going public accounted for at a cost of $31,424 which has a fair market value of $77,220 at December 31, 2003 based on their last share financing, and an investment of $75,442 in the common shares of a public company whose shares are traded on the TSX Venture Exchange and which had a fair market value of $208,500 (2002 – $ 51,000) as at December 31, 2003. All the 900,000 shares held in the public company were released from escrow in 2003.

5. Property and Equipment

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	**$ 770,000**	**$ -**	$ 770,000	$ -
Building	**1,415,528**	**150,031**	1,415,528	96,889
Production and other equipment	**4,656,405**	**528,790**	3,782,052	367,157
Computer equipment	**77,814**	**40,531**	54,943	33,523
	$ 6,919,747	**$ 719,352**	$ 6,022,523	$ 497,569
Net book value	**$ 6,200,395**		$ 5,524,954	

All of the above assets have been pledged as collateral against the Company's indebtedness (Note 8).

In 2002, the deposit on equipment was related to the purchase of 5 new cold forging systems for $1,420,000. As at December 31, 2002 the Company had made aggregate payments amounting to $1,052,000 to a related party in respect of the above purchase commitment and received 2 cold forging machines. $484,000 was a deposit for the remaining 3 cold forging machines. In 2003, the full $1,420,000 was paid for the remaining 3 cold forging machines.

6. Deferred Development and Patent Expenditures

	2003		2002	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Deferred development and patent expenditures	**$ 1,134,693**	**$ 1,130,438**	$ 1,134,693	$ 1,130,438
Net book value	**$ 4,255**		$ 4,255	

During 2002, all of the Company's deferred development, excluding patent expenditures, were fully amortized as the Company amended its amortization rates (Note 2(g)).

7. Due to Related Party

Due to related party includes an amount of $193,557 (2002 - $599,147) due to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. The fair value of this loan approximates $215,000.

8. Long-term Debt

	2003	2002
Revolving line of credit, maximum 500,000 (2002 - $500,000) secured by a general security agreement over all the assets of the Company, bearing interest at Union Bank of California's reference rate (4.0%) or LIBOR plus 2.5% (2002 – 2.5%). Maturity date: September 26, 2004; Renewed yearly.	**$ 356,000**	$ 3,000
Term loans, up to $2.5 million, secured by all of the assets of the Company, an assignment of insurance and inter-corporate guarantees, bearing interest at Union Bank of California's reference rate (4.0% in 2002). Effective interest rate to date was 4.4% (2002 – 4.0%) at December 31, 2003. Maturity date: October 31, 2007. The amount is repayable in monthly installments of approximately $46,300 per month commencing June 1, 2003, and was refinanced in 2003.	**-**	2,220,000
Term loan, for $1,950,000, secured by related property, bearing interest at LIBOR plus 2%. As at December 31, 2003, the LIBOR rate of interest was approximately 3.2%. Maturity date: September 18, 2028, repayable in monthly blended installments of $9,406. The carrying value of the collateralized property is $2,035,497.	**1,940,221**	-
Term loan, for $413,096, secured by all assets of the Company, bearing interest at Union Bank of California's reference rate (4% at the end of 2003 and 2002), repayable in monthly installments of $8,430 plus interest due October 31, 2007.	**387,708**	-
	$ **2,683,929**	$ 2,223,000
Less : current portion	**(509,979)**	(324,000)
	$ 2,173,950	$ 1,899,000

8. Long-term Debt - continued

The credit facilities of the Company are subject to annual review.

The term loan is to be amortized over the next five years as detailed below:

2004	$	509,979
2005		155,662
2006		157,398
2007		142,233
2008 and thereafter		1,718,657

9. Income Taxes

		2003		2002
Statutory tax rate		**39.0%**		41.0%
Income taxes at the statutory rate	**$**	**292,000**	$	(200,650)
Rate differential on income earned in foreign jurisdictions		**(130,000)**		106,800
Change in future tax rate		**78,000**		-
Other		**12,643**		(13,137)
Utilization/recognition of loss carryforwards		**(184,000)**		(13,000)
	$	**68,643**	$	(119,987)

Principal components of the net future tax liability are:

		2003		2002
Future tax asset:				
Unused tax losses carryforward [1]	**$**	**291,000**	$	475,000
Future tax liability:				
Property and equipment		**(320,000)**		(289,000)
		(29,000)		186,000
Valuation allowance		**(291,000)**		(475,000)
Net future tax liability	**$**	**320,000**	$	289,000
Income tax expense (recovery):				
Current	**$**	**64,643**	$	16,013
Future		**31,000**		(123,000)
Utilization of loss carryovers		**(27,000)**		(13,000)
	$	**68,643**	$	(119,987)

(1) *Consists of US tax losses in the approximate amount of Federal $542,000 and State $797,000 (2002 – Federal $1,402,000 and State $797,000) expiring at varying dates commencing 2003 and Canadian tax losses in the approximate amount of Cdn$113,000 (2002 – Cdn$175,000) expiring at varying dates commencing 2008. Due to measurement uncertainty related to the ultimate utilization of this, the entire amount of the available tax losses have currently not been recognized as a future tax asset.*

10. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	2003		2002	
	Number of Shares	**Amount**	Number of Shares	Amount
Total issued and outstanding, beginning of year	**9,234,269**	**$ 2,283,916**	9,084,602	$ 2,183,114
Issued upon exercise of stock options [1]	**-**	**-**	149,667	100,802
Cancelled from repurchase under normal course issuer bid (Note 10(e))	**(267,500)**	**(66,161)**	-	-
	8,966,769	**2,217,755**	9,234,269	$ 2,283,916
To be cancelled from repurchase under normal course issuer bid (Note 10(e))	**(182,500)**	**(45,138)**	-	-
Total issued and outstanding, end of year	**8,784,269**	**$ 2,172,617**	9,234,269	$ 2,283,916

(1) Of the shares issued in 2002, $58,000 was issued in exchange for notes receivable from employees. Of this amount, $8,957 was collected by December 31, 2002 and $49,043 remains outstanding at December 31, 2003.

(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, 2001	906,333	CDN $0.60 to $2.50	CDN $1.26
Options - exercised	(149,667)	CDN $0.60 to $1.40	CDN $1.06
- granted	125,000	CDN $1.72 to $1.97	CDN $1.90
- cancelled	(315,000)	CDN $1.20 to $2.50	CDN $1.30
Options outstanding at Dec. 31, 2002	566,666	CDN $0.98 to $1.97	CDN $1.40
Options - granted	**658,000**	**CDN$0.60 to $0.85**	**CDN $0.75**
- cancelled	**(388,333)**	**CDN $0.85 to $2.01**	**CDN $1.25**
Options exercisable at Dec. 31, 2003	**836,333**	**CDN $0.60 to $2.01**	**CDN $0.95**
Options exercisable at Dec. 31, 2003	**238,333**	**CDN $0.98 to $1.91**	**CDN $1.26**
Options exercisable at Dec. 31, 2002	404,999	CDN $0.98 to $1.40	CDN $1.28

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 February 3, 2004 to November 3, 2008. During the year, the Company issued 658,000 (2002 – 125,000) stock options to employees, directors and consultants with exercise prices ranging from Cdn$0.60 to Cdn$0.85 (2002 - Cdn$1.72 to Cdn$1.97). These options will expire on dates ranging from February 3, 2004 to November 3, 2008.

10. Share Capital – continued

The options that are exercisable at December 31, 2003 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**
568,000	**CDN $0.01 to $0.99**	**CDN $0.74**	**4.18 years**	**33,333**	**CDN $0.98**
268,333	**CDN $1.00 to $1.99**	**CDN $1.40**	**1.69 years**	**205,000**	**CDN $1.30**
836,333				**238,333**	

The options that are exercisable at December 31, 2002 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
50,000	CDN $0.98	CDN $0.98	1.8 years	10,000	CDN $0.98
483,333	CDN $1.00 to $1.99	CDN $1.40	2.5 years	361,666	CDN $1.21
33,333	CDN $2.01	CDN $2.01	3.8 years	33,333	CDN $2.01
566,666				404,999	

(d) Share purchase loans receivable

The Company issued promissory notes to options holders totaling $58,000 to exercise stock options to acquire an aggregate of 76,667 common shares at exercise prices ranging from CDN$0.98 to CDN$1.40 per common share. Of this amount $8,957 was collected in 2002, leaving a balance outstanding as at December 31, 2003 of $49,043. The promissory notes are unsecured, non-interest bearing and had a repayment date of 1 year from the date of the note.

(e) Normal course issuer bid

On January 15, 2003, the Company adopted a resolution to commence a normal course issuer bid (the "Bid"). The Company acquired 450,000 (approximately 5%) of the issued and outstanding common shares, being the maximum number of shares it is permitted to acquire pursuant to a normal course issued bid under applicable securities legislation. The Company repurchased the 450,000 common shares at a purchase cost of $282,816 resulting in a $111,299 reduction in share capital and a $171,517 decrease in retained earnings.

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 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:

December 31, 2003	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenues	**$ 2,334,917**	**$ -**	**$ 984,112**	**$ (398,285)**	**$ 2,920,744**
Property and equipment	**$ 6,102,893**	**$ 8,100**	**$ 89,402**	**$ -**	**$ 6,200,395**

December 31, 2002	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 883,734	$ -	$ 2,204,604	$ (792,084)	$ 2,296,254
Property and equipment	$ 5,420,640	$ 6,787	$ 97,527	$ -	$ 5,524,954

During 2003, the Company was engaged in contracts for products with five (2002 – four) customers, which accounted for $2,386,280 (2002 - $1,655,648) or 82% (2002 – 75%) of the Company's total revenue. During the same period, export sales to two (2002 – nine) customers in various international countries (outside of the United States) amounted to $831,929 (2002- $994,348) or 28% (2002 – 45%) of the Company’s total revenue.

12. Commitments

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

(b) 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

	2003	2002
Interest	**$ 143,291**	$ 85,519
Income taxes paid	**$ 8,450**	$ -

13. Statement of Cash Flows - continued

(b) Deposit on equipment
During 2003, the Company received production equipment from $484,000 of deposits made in 2002.

14. Financial Instruments

As disclosed in Note 2(k), 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 does not use off balance sheet contracts to manage these risks.

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, 2003, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $27,000 (2002 - $22,200). 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. The Company reports in its functional currency, the United States dollar.

15. Stock Compensation

The Company did not record compensation expense when stock options were issued to employees for options granted in 2002.

Had compensation expense related to employees been determined based on the fair value at the grant dates, the net income and earnings per share for the years ended December 31, 2003 and 2002 would have been reduced to the pro forma amounts indicated below:

			2003		2002
Net income (loss)	- as reported	**$**	**682,404**	$	(369,404)
	- pro forma	**$**	**662,404**	$	(385,404)
Income (loss) per share	- basic and diluted				
	- as reported	**$**	**0.07**	$	(0.04)
	- pro forma	**$**	**0.07**	$	(0.04)

The fair value of share options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), Expected volatility (0.35 to 0.48), risk-free interest rate (5.0%), and average life of 2 to 4 years.

16. Related Party Transactions

(a) During the year, the Company purchased 3 cold forging machines for $852,000 from a company whose president is a director of the Company. The fair value of these machines is approximates carrying value based on sales price of similar machines to other companies. This transaction with a related party is in the normal course of operations and has been recorded at the carrying amount, which is the amount of consideration established and agreed by the related parties.

(b) For 2003, the Company did not pay the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") salaries for their roles. It is management's estimate that the fair value of these salaries would approximate $155,000. Due to the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of $nil. Subsequent to year end, an existing employee was appointed CFO without significant increase to existing costs.

17. Subsequent Events

(a) On January 20, 2004, the Company issued 30,000 options exercisable at $1.04 per share expiring January 20, 2009.

(b) On January 26, 2004, the Company obtained regulatory approval to commence a normal course issuer bid (the "Bid"). The Company intends to acquire up to 435,000 (approximately 5%) of the issued and outstanding common shares, being the maximum number of shares it is permitted to acquire pursuant to a normal course issued bid under applicable securities legislation. The Bid has commenced on February 1, 2004 and will expire on the earlier of January 31, 2005 or the date upon which the Company acquires the maximum number of common shares subject to the Bid.

(c) Subsequent to the year end, the Company repurchased 40,000 shares of the Company pursuant to a normal course issuer bid for CDN$46,852 (Note 17(b)).

SCHEDULE B

Omni-Lite Industries Canada Inc.
British Columbia Form 51-901F
For the Quarter Ended December 31, 2003

Item 1 Analysis of expenses and deferred costs year-to-date

<u>Cost of Goods Sold</u>		$817,654 US
<u>General and Administrative</u>		
Salaries		$389,411US
Bad Debt		132,835
Office Expense		96,925
Insurance		83,765
Professional Fees		55,964
Property Tax		48,356
Repairs and maintenance		32,960
Investor Relations		22,743
Business Promotion		20,950
Other		100,955
	Total	$984,864

Item 2 Related party transactions

Due to related parties includes an amount of $ 193,557 (2002 - $599,147) due to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment.

Item 3 Securities issued and options granted

a) Summary of common shares issued

- No common shares were issued during period.

b) Summary of options granted

- 658,000 options were granted as follows:

Description of Optionee	Number of Optioned Shares	Exercise Price(CDN)	Original date of Grant	Expiration Date
Consultant*	20,000	$0.85	Jan 27, 2003	Jan 27, 2008
Donald J. Kelly	30,000	$0.85	Jan 27, 2003	Jan 27, 2008
David F. Grant	20,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	30,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	20,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	30,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	50,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	5,000	$0.85	Jan 27, 2003	Jan 27, 2008

* expired unexercised on June 29, 2003

Item 3b) continued

Description of Optionee	Number of Optioned Shares	Exercise Price(CDN)	Original date of Grant	Expiration Date
Employee	5,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	20,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee**	120,000	$0.85	Jan 27, 2003	Jan 27, 2008
Employee	75,000	$0.60	July 1, 2003	July 1, 2008
David F. Grant	150,000	$0.60	July 3, 2003	July 3, 2008
Norman Goodrich	33,000	$0.60	July 4, 2003	July 4, 2008
Employee	30,000	$0.80	Nov 3, 2003	Nov 3, 2008
Employee	10,000	$0.80	Nov 3, 2003	Nov 3, 2008
Employee	10,000	$0.80	Nov 3, 2003	Nov 3, 2008

** expired unexercised on July 1, 2003

Item 4 Summary of securities as at the end of the reporting period

(a) Authorized
Unlimited number of common shares

(b) Issued

	2003		2002	
	Number of Shares	**Amount**	Number of Shares	Amount
Total issued and outstanding, beginning of year	**9,234,269**	**$ 2,283,916**	9,084,602	$ 2,183,114
Issued upon exercise of stock options [(1)]	**-**	**-**	149,667	100,802
Cancelled from repurchase under normal course issuer bid (Note 10(e))	**(267,500)**	**(66,161)**	-	-
	8,966,769	**2,217,755**	9,234,269	$ 2,283,916
To be cancelled from repurchase under normal course issuer bid (Note 10(e))	**(182,500)**	**(45,138)**	-	-
Total issued and outstanding, end of year	**8,784,269**	**$ 2,172,617**	9,234,269	$ 2,283,916

(1) Of the shares issued in 2002, $58,000 was issued in exchange for notes receivable from employees. Of this amount, $8,957 was collected by December 31, 2002 and $49,043 remains outstanding at December 31, 2003.

(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, 2001	906,333	CDN $0.60 to $2.50	CDN $1.26
Options - exercised	(149,667)	CDN $0.60 to $1.40	CDN $1.06
- granted	125,000	CDN $1.72 to $1.97	CDN $1.90
- cancelled	(315,000)	CDN $1.20 to $2.50	CDN $1.30
Options outstanding at Dec. 31, 2002	566,666	CDN $0.98 to $1.97	CDN $1.40
Options - granted	**658,000**	**CDN$0.60 to $0.85**	**CDN $0.75**
- cancelled	**(388,333)**	**CDN $0.85 to $2.01**	**CDN $1.25**
Options exercisable at Dec. 31, 2003	**836,333**	**CDN $0.60 to $2.01**	**CDN $0.95**
Options exercisable at Dec. 31, 2003	**238,333**	**CDN $0.98 to $1.91**	**CDN $1.26**
Options exercisable at Dec. 31, 2002	404,999	CDN $0.98 to $1.40	CDN $1.28

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. The plan was amended May 20, 2003 to allow a maximum of 1,000,000 shares to be issued under the plan as of that date. 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 February 3, 2004 to November 3, 2008. During the year, the Company issued 658,000 (2002 – 125,000) stock options to employees, directors and consultants with exercise prices ranging from Cdn$0.60 to Cdn$0.85 (2002 - Cdn$1.72 to Cdn$1.97). These options will expire on dates ranging from February 3, 2004 to November 3, 2008.

c) Total number of shares in escrow or subject to pooling agreement

Nil

Item 5 List of Officers and Directors as at the date of this report

Name of Director	Name of Officer	
George A. Andrews	David F. Grant	*CEO*
Norman Goodrich	Paul Burkey	*President and Chief Operating*
David F. Grant	Timothy Wang	*Chief Financial Officer*
Donald J. Kelly	Michael Walker	*V.P. Research and Development*
Paul Schreckengost	Donald J. Kelly	*Secretary*

Omni-Lite Industries Canada Inc.
Schedule "C"
British Columbia Form 51-901F
For the Year Ended December 31, 2003

MANAGEMENT DISCUSSION AND ANALYSIS (in $US)

Item 1 General

This discussion has been completed as of May 17, 2004.

A. Discussion of Operations and Financial Condition

For the year ended December 31, 2003, Omni-Lite Industries Canada Inc. reported revenue including rental of $3,012,445 ($3,899,911 CDN). The strong growth in sales in the Automotive, Aerospace, and Military divisions has increased sales over 2002 by 27%. The Sports and Recreation Division represented the largest portion of sales with 36% of revenue, down from 45% in 2002. As the other divisions continue to grow, the amount of revenue becomes less weighted towards Sports and Recreation, allowing for more balanced revenue streams. Automotive sales contributed 18% of the revenue, up from 12% in 2002. The Aerospace and Military divisions rounded out the remaining sales with contributions of 24% and 22%, respectively.

Net income rose to $682,404 ($883,440 CDN) versus a loss of $369,404 ($478,230 CDN) in 2002. In 2003, the Company was able to benefit from the new equipment and facilities commissioned in 2002. Productivity and output increased by 33% which resulted in lower unit costs for production. With selling prices remaining stable, the increased efficiency improved the gross margin to 72%, up from 65% in 2002.

Overall, overhead expenses decreased by 30%, reflecting the writeoff of deferred development costs in 2002. Amortization costs have increased by 20% as a result of the addition of new equipment in 2003. General and administrative costs have increased 22% to $984,864. This increase is due to additional staffing costs as the Company grows. 39% of G&A expenses are salaries paid to employees. Presently, the CEO does not receive a salary for his services, the fair value of which would be $85,000. Interest expense also increased as the Company's term loans were refinanced to pay for the equipment purchase and to improve cashflow. Research and product design expenses dropped 86% because of savings obtained from the overlap of design similarities between components developed in 2003 and the high priority given to production. R&D costs will rise in 2004 as many of the new projects have greater complexity and cannot share tooling designs.

In February, 5,800 square feet of office space was leased out for a term of 3 years with a 2 year option for extension. The lease will generate approximately $100,000 per year in rental income. Foreign exchange expense increased to $51,299, as a result of the Canadian dollar appreciating approximately 21% over the year, and increasing the value of a Canadian dollar loan when converted to US dollars for reporting purposes.

Earnings per share were $0.07 ($0.10 CDN) compared to a loss of $0.04 based on the weighted average shares outstanding of 9,179,677. 450,000 common shares were repurchased in 2003 through the Normal Course Issuer Bid which reduced the actual number of outstanding shares to 8,784,269. As of December 31, 2003, there were 8,966,769 shares outstanding and 182,500 shares were awaiting cancellation.

For the year, cash flow from operations increased by 139% to $993,392 ($1,391,712 CDN). The increase reflects the increase in revenue and productivity.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)

Shares Issued And Outstanding : 8,966,769	**For the year ended December 31, 2003**	**For the year ended December 31, 2002**	**% Increase**
Revenue and rental	$3,012,445	$2,338,785	29%
Cash flow from operations	$993,392	$415,671	139%
Net Income (Loss)	$682,404	$(369,404)	-
EPS (US) (Loss)	$0.07	$(0.04)	-
EPS (CDN) (Loss)	$0.10	$(0.06)	-

As disclosed in Note 2(k) of the financial statements, 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 does not use off balance sheet contracts to manage these risks.

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, 2003, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $27,000 (2002 - $22,200). The related disclosures regarding these debt instruments are included in Note 8 of the 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. The Company reports in its functional currency, the United States dollar.

Stock-based compensation plan

Effective January 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock based compensation and other stock-based payments. This section requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the company's stock, and as a result, the implementation of the section has no impact on the financial statements. For 2002, the Company has chosen not to use the fair value method to account for stock-based employee compensation plans. The Company did not record compensation expense when options are issued to employees and consultants for options issued in 2002. Any consideration paid by employees and consultants on the exercise of the options is credited to capital stock.

In September 2003, the CICA issued an amendment to section 3870 "Stock based compensation and other stock based payments". The amended section is effective for fiscal years beginning on or after January 1, 2004. The amendment requires that companies measure all stock based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Company implemented this amended standard in 2003 in accordance with the early adoption provisions of the standard. Per the transitional provisions, early adoption requires that compensation expense be calculated and recorded in the income statement for options and warrants issued on or after January 1, 2003.

The impact of adopting the new accounting for stock based compensation on the consolidated balance sheets and statements of income are:

Change in consolidated balance sheet		2003		2002
Increase				
Contributed surplus	**$**	**44,000**	$	-

Change in consolidated statement of operations		2003		2002
Increase				
General and administrative expenses	**$**	**44,000**	$	-

The fair value of share options granted in 2003 was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), Expected volatility (0.53 to 0.59), risk-free interest rate (5.0%), and weighted average life of 5 years.

(n) Per share amounts
Basic earnings per common share is computed by dividing income 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.

B. Omni-Lite as a Business

Omni-Lite Industries is a developer and manufacturer of specialized products utilized by a wide range of customers. By combining advanced materials and precision computer-controlled cold forging techniques with a team of key design and material engineers, production technicians, marketing and administrative support personnel, Omni-Lite has risen to the forefront of technological development in progressive cold forging.

Omni-Lite Industries Canada Inc.'s common shares are publicly traded on the TSX Venture Exchange under the symbol "OML".

C. Omni-Lite's Markets

Omni-Lite's primary market is the development and manufacture of precision components utilized by many of the world's largest corporations. Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, Boeing, Airbus, Bombardier, 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. Currently, revenues are received through four divisions: Automotive, Aerospace, Sports and Recreation, and Military.

Over the past year, the Automotive and Aerospace divisions have shown strong growth with sales increasing 99% and 41%, respectively. The majority of the growth has resulted from the new components developed and increases in sales of existing components. Growth will continue to be strong as prototype components are approved and enter the production phase.

The Military division experienced major swings in revenue as production and development problems plagued its customers. During the last quarter of 2003, orders for components stabilized as production issues were solved and the division has since contributed strongly to revenue. Compared to 2002, sales by the Military division increased 43%. Growth should continue to be strong in this division as the need for the components may increase as the U.S. and its allies continue military action.

The Sports and Recreation division has continued to provide steady revenue and is expected to remain stable. Omni-Lite's Sports and Recreation products are marketed in over 140 countries worldwide through the products and catalogs of Nike, adidas, Eastbay, M-F Athletics and Springco.

D. Growth Record

All figures are in US dollars except as noted.

Shares Issued And Outstanding : 8,966,769	**For the year ended December 31, 2003**	**For the year ended December 31, 2002**	**For the year ended December 31, 2001**	**For the year ended December 31, 2000**
Revenue and rental	$3,012,445	$2,338,785	$2,443,532	$1,801,766
Net Income (Loss)	$682,404	$(369,404)	$819,886	$548,350
EPS (US) (Loss)	$0.07	$(0.04)	$0.08	$0.06
EPS (CDN) (Loss)	$0.10	$(0.06)	$0.14	$0.09
Total Assets	$8,024,210	$7,394,496	$6,717,472	$6,385,481
Total Long-term debt	$2,173,950	$1,899,000	$444,445	$1,333,555

From the period January 1998 to April 2000, Omni-Lite's manufacturing capability increased from two production systems to ten allowing Omni-Lite to begin expanding into the automotive, aerospace, commercial, and the military fields. 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 table above shows the assets of the company increasing as the equipment was purchased. The Company continued to execute its expansion plans in 2002 as Omni-Lite moved into the new production facilities and created a world-class metallurgical laboratory. Then, the procurement of an additional five progressive forging systems for $1,420,000US was initiated. In March 2003, the company received final shipment of new cold forging systems, bringing the total number of machines to 16. To fund the purchase of the building and equipment, debt was incurred and has increased to $2,173,950 by the end of 2003.

E. Growth Expectations

In 2004, Omni-Lite will continue its focus on building sales in all of Omni-Lite's divisions. With the new facilities, technical services, and increased forging capabilities, Omni-Lite will be able to attract new business from the various market segments, mainly in aerospace and automotive. New projects have been initiated in each sales division and the sales department has aggressively pursued new opportunities in each division. The Company is targeting overall growth of 25% to 30% per year for the next five years.

F. Risk Factors

Economic Factors

The Company's business and operating performance is subject to economic forces beyond its control, such as changes in consumer preferences, spending patterns, and general economic downturns.

Other risks include those recognized by companies within the manufacturing sector and include,

1. **Market cycle** – The Company's revenues are dependent on market segments that may experience cyclical changes in demand such as in the aerospace, automotive, and defense sectors. The Company minimizes its risk by diversifying customer base.

2. **Better technology** – Improvements in materials and processing methods developed by others, which Omni-Lite does not adopt or license may provide other companies with a greater competitive edge. Omni-Lite strives to remain at the forefront of progressive cold forging by continuing to invest in research and development.

3. **Sales issues** – The Company's sales may not grow at the same rate historically shown. There may not be suitable projects identified for the Company to

undertake. The Company is expanding its sales force to further penetrate current markets.

4. **Financial instruments** – The Company currently has the majority of assets outside of Canada and is subject to fluctuations in exchange rate. 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. There are short term and long term financial liabilities that are subject to floating rates.   The Company reduces the exposure to this risk by repaying debt on an accelerated schedule.

5. **Raw material costs** – Supply and demand dictates the price of raw materials used by Omni-Lite. Certain raw materials can only be obtained from a few suppliers. Delays or increased costs may be associated with obtaining these raw materials. Material costs are kept low by ordering economical lot sizes, but may increase if supplies become limited.

6. **Employee costs** - The cost of labour may increase, as competition for qualified employees in the Southern California area is strong. Labour costs are managed by including employees in the stock option plan and by increasing efficiency. The position of CEO does not receive a salary at this time and additional costs could be introduced if the current structure is changed which will affect net earnings.

7. **Key personnel** - The success of the Company and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key employees and members of its board of directors. The loss of their services to the Company may have a materially adverse effect on the Company. The Company has a stock option plan for management and employees as a method of motivation and retaining key employees.

8. **Quality issues** – The Company is ISO 9002 compliant and aims to be registered by third quarter 2004. Delays in establishing compliance and registration may cause delays in shipping or loss of business. The Company has hired a veteran Quality Manager to lead implementation of the quality systems and procedures.

9. **One manufacturing facility** - If we suffer loss to our facility due to catastrophe, our operations could be seriously harmed. The Company's facility is subject to catastrophic loss due to fire, flood, terrorism or other, natural or man-made disasters. In particular, the facility could be subject to a severe loss caused by earthquake due to its location.

10. **Development efforts** – Many of the Company's products are complex and require a long development time before entering the production phase. Typical lead times may range from 4 months to 18 months depending on the complexity of the component. The long lead-time may delay the profitability of the project.

11. **Political turmoil** – The Company's business dealings are international. Changes in governments or policies may cause delays or restrictions that may affect the operating results.

12. **Taxation matters** – The Company follows tax strategies that may, at times, be challenged by local taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is always the possibility that a reassessment can occur. Management has determined during the preparation of the financial statements whether a tax liability should be established based on the likelihood of the tax strategy being challenged. Given the unrecognized future tax asset with respect to loss carry forward balances available, it is unlikely that a reassessment would have a material impact on the Company.

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:

- Patent and trademark protection – The Company protects novel ideas and processes developed at Omni-Lite by filing with the U.S. Patent Office.
- Confidentiality agreements – These agreements prevent parties from sharing any information considered proprietary with unauthorized parties.
- License agreements – Omni-Lite may agree to allow other parties to license its technology for manufacturing products that it does not currently produce.
- Joint venture agreements – The Company may use a joint venture agreement to co-develop a particular part or technology. The resulting product or technology may be subject to a license agreement.

Of particular significance is the fact that Omni-Lite has received five U.S. patents to date and has two inventions in patent-pending.

G. Transactions with Related Parties

1. Due to related parties includes an amount of $ 193,557 (2002 - $599,147) due to David F. Grant, a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. The money was loaned during periods when cash flow was tight and allowed the Company to operate without having to seek cash from external sources. The Company is committed to repaying the loan as excess funds become available.

2. During the year, the Company purchased 3 cold forging machines for $852,000 from a company whose president is a director of the Company. The fair value of these machines is approximates carrying value based on sales price of similar

machines to other companies. This transaction with a related party is in the normal course of operations and has been recorded at the carrying amount, which is the amount of consideration established and agreed by the related parties. This purchased was made without a dealer market which allowed the Company to obtain a substantial savings. There are no on going commitments.

3. For 2003, the Company did not pay the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") salaries for their roles. It is management's estimate that the fair value of these salaries would approximate $155,000. Due to the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of $nil. Subsequent to year end, an existing employee was appointed CFO without significant increase to existing costs.

H. Third Party Investor Relations Contracts

In 2003, Mikel Damke of Northern Capital Partners Ltd. was contracted for the period January 1, 2003 to March 31, 2003. The compensation of $3000 CDN per month was paid for providing services that include verbal and written communications to shareholders and potential investors. After March 31, 2003, no third party investor relations arrangements were made.

I. International Operations

In September 1997, Omni-Lite Industries Canada Inc. was established by the amalgamation of Omni-Lite Industries Inc. and Omni-Lite Industries Corp. which were both incorporated in Calgary, Alberta. 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 Cerritos facility is located in the heart of Southern California's aerospace industry. This allows for easy access to specialized equipment, materials, and workforce. The staff in Barbados are responsible for marketing, sales, and maintaining international markets for Omni-Lite's products.

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:

December 31, 2003	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 2,334,917	$ -	$ 984,112	$ (398,285)	$ 2,920,744
Property and equipment	$ 6,102,893	$ 8,100	$ 89,402	$ -	$ 6,200,395

December 31, 2002	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 883,734	$ -	$ 2,204,604	$ (792,084)	$ 2,296,254
Property and equipment	$ 5,420,640	$ 6,787	$ 97,527	$ -	$ 5,524,954

During 2003, the Company was engaged in contracts for products with five (2002 – four) customers, which accounted for $2,386,280 (2002 - $1,655,648) or 82% (2002 – 75%) of the Company's total revenue. During the same period, export sales to two (2002 – nine) customers in various international countries (outside of the United States) amounted to $831,929 (2002- $994,348) or 28% (2002 – 45%) of the Company's total revenue.

In 2003, the Company reorganized the sales team to handle all domestic sales directly from Cerritos, California and all overseas sales from Barbados. The large shift in revenues between the two main geographically segments reflect the change in how the customers were serviced from 2002 to 2003.

J. Board of Directors

The Company's chief executive officer and its corporate secretary are material shareholders. A resolution was passed in 2003 that increased the size of the board of directors to five members. During the year, one director resigned and two new directors were appointed to the board.

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 31/03	Sept 30/03	June 30/03	Mar 31/03	Dec 31/02	Sept 30/02	June 30/02	Mar 31/02
Revenue and Rental	753,285	892,966	724,512	641,682	498,751	673,822	445,833	720,379
Cash Flow	119,652	419,167	246,799	207,774	-234,220	199,463	60,841	389,587
Net Income	126,752	252,288	139,307	164,057	-611,551	25,600	-58,418	274,965
EPS(US)	.01	.03	.02	.02	-.07	.00	-.01	.03
EPS(CDN)	.01	.04	.02	.02	-.11	.01	-.01	.05

Omni-Lite's revenue tends to peak in the third quarter of each year coinciding with the seasonal increase in demand for products from the Sports and Recreation division. The traditionally low revenue periods in the first and fourth quarters have grown to provide a more balanced income stream throughout the year. The growth has resulted from sales in the Military, Automotive, and Aerospace divisions which generally follow a release schedule provided by the customers and allow for better planning. This is contrasted by the results in 2002 which exhibited large fluctuations in revenue from quarter to quarter caused by production delays, the transition to the new facilities, and customer production issues.

In the fourth quarter of 2003, revenue and rental increased to $753,285, an increase of 51% over the same period in 2002. The fourth quarter benefited greatly from the renewal of steady shipments to a military customer. Net income for the quarter was $126,752 compared to a loss of $611,551 in fourth quarter 2002. The increase in income reflects the increase in revenue and the non-reoccurring amortization expense taken in 2002 for deferred development costs. Inventory in fourth quarter 2003 increased as more raw materials and tooling were purchased in anticipation for new projects to be initiated in the first quarter of 2004.

Item 3 Liquidity and Capital Resources

The following table summarizes the Company's cash flows by activity and cash on hand:

	Dec 31/03	Dec 31/02
Net cash from operating activities	836,319	530,075
Net cash from (used in) financing activities	(227,477)	1,156,330
Net cash from (used in) investing activities	(427,429)	(1,651,359)
Net increase in cash	181,413	35,046
Cash at the beginning of the period	75,377	40,331
Cash at the end of the period	256,790	75,377

As of December 31, 2003, the primary source of liquidity was cash from operating activities. The Company had cash of $256,790 including $60,026 of restricted cash relating to a holdback of the mortgage proceeds pending the completion of renovations. It is anticipated that internally generated cash flow both in the short-term and long-term will meet the on going working capital requirements of the Company.

Cashflow generated by operating activities was $836,319 even though $330,651 was used to build inventory. Inventory increased in 2003 due to higher anticipated sales for certain items and for stocking a wider range of products.

Cash flows used in financing activities was $227,477. Related parties were repaid $405,590. Term loans totaling $2,680,929 were received and used to payoff term loans of $2,220,000 which reduced the monthly payment requirements. $282,816 was used to repurchase 450,000 common shares through a Normal Course Issuer Bid which was carried out by Sprott Securities Inc.

Cash flows used in investing activities was $427,429. This amount was used to purchase equipment that expands the range of products and capacity that Omni-Lite can produce.

The Company will use excess funds for servicing debt to reduce interest payments and repurchasing common shares through the Normal Course Issuer Bid.

As the Company's quarterly sales continue to grow and become more balanced from quarter to quarter, the ability to meet working capital requirements have improved. A comparison between total current assets divided by total current liabilities shows that there was a substantial improvement in 2003 over 2002 with current ratios of 1.46 and 1.02, respectively. The change in ratios shows that the Company improved its ability to generate sufficient cash to meet on going demands.

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.