

**Omni-Lite Industries Canada Inc.**  
**Consolidated Financial Statements**  
For the years ended December 31, 2011 and 2010  
(in United States Dollars)

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## Management Report

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The consolidated financial statements of Omni-Lite Industries Canada Inc. (the "Company") and its subsidiaries are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS as issued by the IASB. The financial statements include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures and internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company has been made known to them; and information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, with a majority of its members being outside directors. The Audit Committee meets periodically with management, as well as with the external auditors, to review the consolidated financial statements, external auditors' report, MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management, and to review and make recommendations to the Board of Directors with respect to the independence and the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

The consolidated financial statements have been audited by MNP LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related matters.

*signed "David F. Grant"*

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David F. Grant  
CEO

*signed "Timothy C. Wang"*

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Timothy C. Wang  
CFO

April 11, 2012

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Omni-Lite Industries Canada Inc.

We have audited the accompanying consolidated financial statements of Omni-Lite Industries Canada Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Omni-Lite Industries Canada Inc. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

April 11, 2012  
Calgary, Alberta

**MNP LLP**

Chartered Accountants

**Omni-Lite Industries Canada Inc.**  
**Consolidated Statements of Financial Position**  
**United States Dollars**

<b>As at</b>	<b>Note</b>	<b>December 31 , 2011</b>	<b>December 31, 2010</b> (Note 20)	<b>January 1, 2010</b> (Note 20)
<b>Assets</b>				
<b>Current</b>				
Cash		\$ 5,231,092	\$ 30,301	\$ 39,935
Accounts receivable	15	861,732	645,851	744,809
Inventory	4	3,143,297	3,417,898	3,374,041
Income taxes receivable		87,386	336,455	167,549
Prepaid expenses	7	176,466	53,039	62,962
		<u>9,499,973</u>	<u>4,483,544</u>	<u>4,389,296</u>
<b>Investments</b>	5	<b>336,238</b>	176,176	184,778
<b>Property, plant and equipment</b>	6	<b>13,376,026</b>	13,704,501	12,999,246
<b>Due from related parties</b>	7	<b>886,537</b>	670,765	342,203
<b>Deferred income tax asset</b>	8	<b>281,525</b>	206,000	218,600
		<u>\$ 24,380,299</u>	<u>\$ 19,240,986</u>	<u>\$ 18,134,123</u>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	15	\$ 437,535	\$ 432,575	\$ 630,910
Income taxes payable		8,621	-	-
Current portion of long-term debt	10	1,460,442	1,202,567	1,290,670
		<u>1,906,598</u>	<u>1,635,142</u>	<u>1,921,580</u>
<b>Long-term debt</b>	10	<b>178,771</b>	1,584,937	2,285,876
<b>Deferred income tax liability</b>	8	<b>3,349,347</b>	3,064,018	2,661,338
<b>Share purchase warrants</b>	11(b)	<b>134,972</b>	-	-
		<u>5,569,688</u>	<u>6,284,097</u>	<u>6,868,794</u>
<b>Commitments</b>	14			
<b>Shareholders' Equity</b>				
<b>Share capital</b>	11(b)	<b>9,404,228</b>	5,046,031	5,519,546
<b>Share subscription receivable</b>	11(b)	-	-	(492,459)
<b>Contributed surplus</b>	16	<b>1,485,988</b>	1,124,861	1,071,378
<b>Retained earnings</b>		<b>7,874,763</b>	6,785,833	5,169,075
<b>Accumulated other comprehensive income</b>		<b>45,632</b>	164	(2,211)
		<u>18,810,611</u>	<u>12,956,889</u>	<u>11,265,329</u>
		<u>\$ 24,380,299</u>	<u>\$ 19,240,986</u>	<u>\$ 18,134,123</u>

On behalf of the Board:

signed "David F. Grant" Director  
David F. Grant

signed "Donald J. Kelly" Director  
Donald J. Kelly

**Omni-Lite Industries Canada Inc.**  
**Consolidated Statements of Income, and**  
**Comprehensive Income**  
**United States Dollars**

For the years ended December 31	Note	2011	2010 (Note 20)
<b>Revenue</b>	<b>12</b>	<b>\$ 6,514,083</b>	<b>\$ 7,120,813</b>
<b>Cost of goods sold</b>	<b>4</b>	<b>2,499,754</b>	<b>2,194,285</b>
<b>Gross margin</b>		<b>4,014,329</b>	<b>4,926,528</b>
<b>Overhead expenses</b>			
Amortization		968,528	872,145
Foreign exchange (gain)/loss		(34,204)	11,028
General and administrative		728,868	712,766
Employee benefits		1,100,057	899,531
Royalty/Commissions		104,994	130,184
Interest on long-term debt	10	64,310	94,853
Share-based compensation	16	49,800	60,650
Research and product design		246,850	190,985
		<b>3,229,203</b>	<b>2,972,142</b>
<b>Income from operations</b>		<b>785,126</b>	<b>1,954,386</b>
<b>Other income</b>			
Interest income		41,757	21,841
Gain on sale of asset		-	325
Unrealized gain on share purchase warrants	11(b)	1,256,357	-
		<b>1,298,114</b>	<b>22,166</b>
<b>Income before income taxes</b>		<b>2,083,240</b>	<b>1,976,552</b>
Income tax provision/(recovery)			
Current	8	(85,220)	(258,800)
Deferred	8	209,804	415,280
		<b>124,584</b>	<b>156,480</b>
<b>Net income</b>		<b>\$ 1,958,656</b>	<b>\$ 1,820,072</b>
Other comprehensive income			
Foreign exchange loss		-	(10,977)
Gain on available for sale financial assets	5	45,468	8,602
<b>Comprehensive income</b>		<b>\$ 2,004,124</b>	<b>\$ 1,817,697</b>
Earnings per share - basic	17	<b>\$ 0.15</b>	<b>\$ 0.18</b>
- diluted	17	<b>\$ 0.15</b>	<b>\$ 0.17</b>
Weighted average shares outstanding - basic	17	<b>12,918,561</b>	<b>10,367,374</b>
- diluted	17	<b>13,170,465</b>	<b>10,585,083</b>

**Omni-Lite Industries Canada Inc.**  
**Consolidated Statements of Changes in Equity**  
**United States Dollars**

	Note	Share capital	Contributed surplus	Share subscription receivable	Retained earnings	Other comprehensive income/loss	Total
Balance at January 1, 2010		\$ 5,519,546	\$ 1,071,378	(\$ 492,459)	\$ 5,169,075	(\$ 2,211)	\$ 11,265,329
Shares issued upon option exercise	11(b)	19,977	(7,167)	-	-	-	12,810
Shares received and then cancelled	11(b)	(492,459)	-	492,459	-	-	-
Share-based compensation	16	-	60,650	-	-	-	60,650
Payment of dividends		-	-	-	(203,314)	-	(203,314)
Share issue costs	11(b)	(1,033)	-	-	-	-	(1,033)
Net income		-	-	-	1,820,072	-	1,820,072
Available for sale financial assets	5	-	-	-	-	(8,602)	(8,602)
Foreign exchange loss	5	-	-	-	-	10,977	10,977
<b>Balance at December 31, 2010</b>		<b>\$ 5,046,031</b>	<b>\$ 1,124,861</b>	<b>\$ -</b>	<b>\$ 6,785,833</b>	<b>\$ 164</b>	<b>\$ 12,956,889</b>
Shares issued upon private placement	11(b)	5,616,339	-	-	-	-	5,616,339
Broker options issued upon private placement	11(b)	(332,819)	332,819	-	-	-	-
Shares issued upon option exercise	11(b)	17,316	(5,600)	-	-	-	11,716
Share options relinquished	11(c)	-	(15,892)	-	-	-	(15,892)
Repurchase under normal course issuer bid	11(d)	(301,664)	-	-	(336,966)	-	(638,630)
Share-based compensation	16	-	49,800	-	-	-	49,800
Payment of dividends		-	-	-	(532,760)	-	(532,760)
Share issue costs	11(b)	(640,975)	-	-	-	-	(640,975)
Net income		-	-	-	1,958,656	-	1,958,656
Available for sale financial assets	5	-	-	-	-	45,468	45,468
<b>Balance at December 31, 2011</b>		<b>\$ 9,404,228</b>	<b>\$ 1,485,988</b>	<b>\$ -</b>	<b>\$ 7,874,763</b>	<b>\$ 45,632</b>	<b>\$ 18,810,611</b>

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

For the years ended December 31	Note	2011	2010
<b>Cash flows from operating activities</b>			
Net income for the period		\$ 1,958,656	\$ 1,820,072
Adjustments for:			
Amortization		968,528	872,145
Deferred income taxes	8	209,804	415,280
Gain on sale of asset		-	(325)
Foreign exchange loss		-	10,977
Unrealized gain on share purchase warrants	11(b)	(1,256,357)	-
Share-based compensation	16	49,800	60,650
		<u>1,930,431</u>	<u>3,178,799</u>
Net change in non-cash working capital items			
Accounts receivable		(215,881)	98,958
Income taxes receivable		249,069	(168,906)
Inventory		274,601	(43,857)
Prepaid expenses		(123,427)	9,924
Accounts payable and accrued liabilities		4,960	(198,335)
Income taxes payable		8,621	-
<b>Increase in cash from operations</b>		<u>2,128,374</u>	<u>2,876,583</u>
<b>Cash flows from financing activities</b>			
Payments from related parties		284,355	56,421
Advances to related parties		(500,127)	(384,985)
Advances of long-term debt		742,304	4,506,908
Repayment of long-term debt		(1,890,595)	(5,295,950)
Share issue costs	11(b)	(640,975)	(1,032)
Issue of common shares	11(b)	7,019,385	12,810
Repurchase of common shares	11(d)	(638,630)	-
Relinquishment of options	16	(15,892)	-
Dividends on common shares		(532,760)	(203,314)
<b>Increase/(decrease) in cash from financing activities</b>		<u>3,827,065</u>	<u>(1,309,142)</u>
<b>Cash flows from investing activities</b>			
Purchase of investment	5	(114,594)	-
Proceeds from sale of equipment		-	1,700
Purchase of property, plant and equipment	6	(640,054)	(1,578,775)
<b>Decrease in cash from investing activities</b>		<u>(754,648)</u>	<u>(1,577,075)</u>
<b>Increase/(decrease) in cash</b>		<u>5,200,791</u>	<u>(9,634)</u>
<b>Cash, beginning of period</b>		<u>30,301</u>	<u>39,935</u>
<b>Cash, end of period</b>		<u>\$ 5,231,092</u>	<u>\$ 30,301</u>
<b>Supplemental Cash Flow Information:</b>			
Interest paid		\$ 61,536	\$ 100,949
Income taxes paid		23,874	10,791

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Financial Statements**  
**United States Dollars**  
**December 31, 2011 and 2010**

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**1. Nature of Operations**

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Omni-Lite Industries Canada Inc. (the "Company") is a public company incorporated under the Laws of the Business Corporations Act of Alberta in 1992. The consolidated financial statements of the Company for the year ended December 31, 2011 include the accounts of the Company and its wholly-owned subsidiaries. The financial statements were authorized for issue by the Board of Directors on April 11, 2012. Its head office, research and development, and production operations are located at 17210 Edwards Road, Cerritos, California, U.S.A, 90703. An international sales office is located in Barbados. A corporate, registered office is located at #1600, 205 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2V7. The Company's activities consist of developing, producing and marketing specialized metal matrix composite, aluminum, carbon and stainless steel alloy 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 functional currency is denominated in United States dollars, these consolidated financial statements are stated in United States dollars.

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**2. International Financial Reporting Standards ("IFRS")**

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These consolidated Financial Statements represent the Company's first annual presentation of the financial results of operations and financial position under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011.

IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") requires the presentation of comparative information at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain optional exemptions for first-time adopters to alleviate the retrospective application of all IFRS's.

The Company has elected to apply the following optional exemptions from full retrospective application.

(a) Business combinations exemption

The Company has applied the business combinations exemption in IFRS 1. It has not restated business combinations per IFRS 3 that took place prior to the January 1, 2010, transition date.

(b) Share-based payment transactions exemption

The Company will elect not to apply IFRS 2 to share-based payments that vested before the date of transition to IFRSs, January 1, 2010.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Financial Statements**  
**United States Dollars**  
**December 31, 2011 and 2010**

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**2. International Financial Reporting Standards (“IFRS”) - continued**

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(c) Borrowing costs exemption

The Company has elected to use the option under IAS 23 to apply this Standard, constituting a change in accounting policy, to commencement dates beginning on or after January 1, 2010. This change in accounting policy does not impact these financial statements.

The Company has applied the following mandatory exception from retrospective application.

Estimates exception

Estimates under IFRS at January 1, 2010, are consistent with estimates made for the same date under Canadian GAAP.

All other mandatory exceptions in IFRS 1 were not applicable as there were no significant differences in management’s application of Canadian GAAP in these areas. Note 20 of these financial statements further explain and quantify the effect of the transition to IFRS.

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**3. Significant Accounting Policies**

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These consolidated financial statements have been prepared by management in accordance with IFRS as issued by the International Accounting Standards Board. The principal accounting policies are set out below.

The Company adopted IFRS in accordance with IFRS 1 with a transition date to IFRS of January 1, 2010. Consequently the comparative figures for 2010 and the Company’s statement of financial position as at January 1, 2010 and December 31, 2010 have been restated from Canadian generally accounting principles (“Canadian GAAP”) to comply with IFRS.

The reconciliations to IFRS from the previously published Canadian GAAP consolidated financial statements are summarized in Note 20. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used they are explained in Note 2.

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied to the Company in these financial statements. Application of the majority of these standards and interpretations is not expected to have a material effect on the financial statements in the future.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Financial Statements**  
**United States Dollars**  
**December 31, 2011 and 2010**

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**3. Significant Accounting Policies - continued**

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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 judgment 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 balances and transactions have been eliminated on consolidation.

(b) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis, using historical cost convention except for available for sale financial assets which are measured at fair value. In addition, they have been prepared on an accrual basis of accounting except for cash flow information.

(c) Inventory

Inventory consists of raw materials 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 which approximates actual cost and includes raw materials, labour and allocated overheads.

(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.

(e) Cash

Cash includes short-term, highly liquid investments that mature within nine months of their purchase.

(f) Property, plant and equipment

Property, plant and equipment are carried at deemed cost, historical cost less accumulated amortization and any impairment losses. Amortization is provided using the following methods and annual rates intended to amortize the cost of assets over their estimated useful lives.

Building	-	4% declining balance
Production and other equipment	-	15-30 years straight-line
Computer equipment	-	30% declining balance
Non-consumable tooling	-	7 years straight-line
Vehicle	-	7 years straight-line

Borrowing costs that are directly attributable to the acquisition of property, plant and equipment are capitalized. The Company reviews the criteria for capitalization and the useful life of its capital assets on an on-going basis considering changes in circumstances.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Financial Statements**  
**United States Dollars**  
**December 31, 2011 and 2010**

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**3. Significant Accounting Policies - continued**

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(f) Property, plant and equipment - continued

When the cost of a part of an item of property, plant and equipment is significant in relation to the total cost of an item and the items have different useful lives, they are accounted for as separate items (significant components) of property, plant and equipment. The costs of day-to-day servicing of property, plant and equipment are recognized in direct operating expenses. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other (income) expense in the statement of comprehensive income. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(g) Investments

Investments classified as available-for-sale are reported at fair value with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments classified as "at fair value through profit or loss" are reported at fair value with unrealized gains or losses included in earnings.

(h) Intangible assets

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.

(i) Impairment of non-financial assets

The Company assesses, at the end of each reporting period, whether there is an indication that an asset group may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics, other technologies and economic declines. Internal triggering events for impairment include lower profitability or planned restructuring. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets, cash generating units ("CGU").

If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge. The Company's corporate assets, which do not generate separate cash inflows, are allocated to the CGUs on a reasonable basis for impairment testing purposes.

The Company's impairment tests compare the carrying amount of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is the amount obtainable from the sale of an asset or CGU in an arm's length transaction of similar assets or observable market prices, less the costs of disposal. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses its judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Financial Statements**  
**United States Dollars**  
**December 31, 2011 and 2010**

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**3. Significant Accounting Policies - continued**

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(j) Provisions

Provisions cover risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, awards in similar cases, the expected timing of such possible awards, insurance coverage and deductibles and independent expert advice are considered along with assumptions regarding the probability of a successful claim and the range of possible awards. The actual costs can deviate from these estimates.

A provision is recognized in the financial statements when the Company has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At December 31, 2011, December 31, 2010 and January 1, 2010 there were no provisions recognized in the financial statements.

(k) Income taxes

Income tax expense for the period consists of current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Taxable income differs from income as reported in the consolidated statement of comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where the Company operates.

In general, deferred taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Financial Statements**  
**United States Dollars**  
**December 31, 2011 and 2010**

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**3. Significant Accounting Policies - continued**

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(l) Foreign exchange

These consolidated financial statements have been presented in United States (U.S.) dollars, the functional currency of the Company's operations. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the foreign exchange rate in effect at the statement of financial position date. Revenue and expense transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate on the date of the transaction with all consequential exchange differences recognized in net income.

Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. All resulting exchange differences from translation of the functional currency into a different reporting currency are recognized as a separate component of other comprehensive income.

(m) Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts for finished goods inventory is based on standard costs and includes cost allocation estimates. Income tax rates expected to apply when the deferred income tax liabilities or assets are to be settled or realized and the related valuation allowance are based on estimates and assumptions. Factors used to estimate share-based compensation are based on management's assumptions at the time the related options were granted. The consolidated financial statements also include estimates of the useful economic life of property, plant and equipment and deferred development and patent expenditures. 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 estimated fair value of financial assets and liabilities, by their very nature, 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 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.

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**3. Significant Accounting Policies - continued**

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(n) Share-based compensation plan

The Company accounts for all share options granted to employees, officers, directors and consultants using the fair value method of accounting for share-based compensation expense. Under this method, the associated compensation expense is charged to earnings with a corresponding increase to contributed surplus less an estimated forfeiture rate over each vesting period (tranches) of the options granted. The forfeiture rate is based on past experience of actual forfeitures. Each tranche is treated as a separate share option grant, and subsequently valued at the start of each tranche's vesting period.

(o) Per share amounts

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds from the exercise of dilutive options and warrants are used to purchase common shares at the weighted average market price during the period.

(p) Research and Development expenses

Expenses related to research and development activities that do not meet generally accepted criteria for deferral are expensed as incurred, net of related tax credits and government grants. Development expenses that meet generally accepted criteria for deferral, in accordance with the IAS 38, "Intangible Assets", are capitalized, net of related tax credits and government grants, and are amortized against earnings over the estimated benefit period. Research and development expenses are mainly comprised of salaries and related expenses, material costs as well as fees paid to third party consultants.

(q) Segmented information

The Company and its wholly owned subsidiaries are grouped into three geographical segments in the United States, Canada, and Barbados and each are supported by a corporate segment. The three geographical segments share common economic characteristics. The Operating Segments' financial results are reviewed regularly by the Company's chief operating decision-makers ("CODM"). The CODM make decisions about resource allocation and assess segment performance based on the internally prepared segment information.

(r) Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurements in subsequent periods depends on whether the financial instrument has been classified as "at fair value through profit or loss", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

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**Omni-Lite Industries Canada Inc.**  
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**3. Significant Accounting Policies - continued**

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(r) Financial Instruments - continued

Financial assets and financial liabilities "at fair value through profit or loss" are measured at fair value with changes in fair value recognized in net income. Financial assets "available-for-sale" are measured at fair value, with changes in fair value recognized in Other Comprehensive Income ("OCI"). Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. Transaction costs related to fair value financial assets and liabilities are included in net income when incurred.

Cash and share purchase warrants are designated as "at fair value through profit or loss" and are measured at fair value, which approximates carrying value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, due to related parties and long-term debt are designated as "other liabilities". Long-term investments are financial instruments classified as "available-for-sale". They are initially recorded at their fair value unless fair value is not readily determinable. Subsequent changes to the market value of the investments are recorded as changes to other comprehensive income. Realized gains and losses are recognized in income when the investments are actually disposed of.

The Company's consolidated financial statements include a Statement of Comprehensive Income. Accordingly, cumulative changes in OCI are included in a Statement of Changes in Equity.

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices listed in Level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Cash and investments of the Company are measured at Level 1.

A financial asset is assessed at each reporting date to determine whether it is impaired based on objective evidence indicating that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value and any amounts in OCI are transferred to earnings. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in net earnings. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

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**Omni-Lite Industries Canada Inc.**  
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**3. Significant Accounting Policies - continued**

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(s) Capital Disclosures

The Company discloses its objective, policies and processes for managing capital.

(t) Recent accounting pronouncements

In October 2009, the International Accounting Standards Board ("IASB") published IFRS 7, "Financial Instruments: Disclosures – Transfer of financial assets (Amendment)". The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact to the Company after initial application.

In November 2009, the International Accounting Standards Board ("IASB") published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities "at fair value through profit or loss". If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of profit or loss and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact to the Company upon implementation of the issued standard.

IFRS 10, "Consolidated Financial Statements" has been issued and is effective for periods beginning on or after January 1, 2013. This standard will replace all of the existing guidance on control and consolidation in IAS 27, Consolidated and separated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control and includes detailed guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The Company does not expect the impact of the standard to be significant.

IFRS 11, "Joint Arrangements" has been issued and is effective for periods beginning on or after January 1, 2013. The new rules are aimed at providing investors with greater clarity about a participant's involvement in a joint arrangement. The key change in relation to the participant's contractual rights and obligations arising from their joint arrangements will determine the accounting under IFRS 11 rather than the arrangement's legal form. The Company does not expect the impact of the standard to be significant.

IFRS 12, "Disclosure of interest in other entities" has been issued and is effective for periods beginning on or after January 1, 2013. IFRS 12 sets out the required disclosures for entities reporting under the two new standards IFRS 10 and IFRS 11 *Joint arrangements*. The new rules also replace the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Company does not expect the impact of the standard to be significant.

**Omni-Lite Industries Canada Inc.**  
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**3. Significant Accounting Policies - continued**

(t) Recent accounting pronouncements - continued

On May 12, 2011, the IASB issued IFRS 13, "Fair value measurements," which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another Standard requires it. IFRS 13 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied prospectively. The Company uses fair value measurements in the preparation of its financial statements and consequently will be subject to the new requirements.

In June 2011, the IASB amended IAS 1, "Presentation of Financial Statements." The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendment to IAS 1 will be effective for the Company's fiscal years beginning on January 1, 2013, with earlier application permitted. The Company does not expect any changes to its consolidated financial statement presentation from this amendment as the items within OCI that may be reclassified to the statement of income are already grouped together.

IAS 12 - Income Taxes ("IAS 12") was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Corporation is currently assessing the impact of this standard.

**4. Inventory**

The major components of inventory are classified as follows:

	<u>December 31, 2011</u>	December 31, 2010	January 1, 2010
Raw materials	\$ 481,443	\$ 355,379	\$ 447,810
Finished goods	<u>2,661,854</u>	<u>3,062,519</u>	<u>2,926,231</u>
	<b>\$ 3,143,297</b>	<b>\$ 3,417,898</b>	<b>\$ 3,374,041</b>

The cost of finished goods and raw material inventories recognized as expense and included in cost of goods sold was \$2,499,754 (December 31, 2010 - \$2,170,487). There were no inventory write-downs included in cost of goods sold (December 31, 2010 - \$23,798). The Company carries the inventory amounts above according to the weighted average method.

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**5. Investments**

As at December 31, 2011, long-term investments consists of an available-for-sale investment in the common shares of a public company accounted for at fair value. The investment consists of shares which have been released from escrow pursuant to the escrow agreement Form 5D. As there is no quoted market price for the shares held in escrow, they have been measured at the lower of cost or fair market value. At December 31, 2011, nil common shares were held in escrow. (December 31, 2010 - 907,268, January 1, 2010 - 1,889,536)

A non-brokered private placement additional investment of 1,375,000 shares at a purchase price of \$0.08 CAD was completed on July 5, 2011. The Company's investments are recorded at the fair value as supported by the market price listed on the TSX Venture Exchange.

	Carrying Amount
Investments at January 1, 2010	\$ 184,778
Loss from market price valuation	(8,602)
<b>Investments at December 31, 2010</b>	<b>\$ 176,176</b>
<b>Purchase 1,375,000 shares, July 5, 2011</b>	<b>114,594</b>
<b>Gain from market price valuation</b>	<b>45,468</b>
<b>Investments at December 31, 2011</b>	<b>\$ 336,238</b>

**6. Property, Plant and Equipment**

	December 31, 2011			December 31, 2010			January 1, 2010	
	Additions	Accumulated		Additions	Accumulated		Cost	Accumulated
		Cost	Amortization		Cost	Amortization		Amortization
Land	\$ -	\$ 770,000	\$ -	\$ -	\$ 770,000	\$ -	\$ 770,000	\$ -
Building	-	1,494,410	520,992	-	1,494,410	479,921	1,494,410	436,771
Production and other equipment	144,027	12,528,941	2,600,978	1,032,786	12,384,914	2,244,742	11,352,128	1,917,820
Computer equipment	4,944	142,181	112,557	28,034	137,237	97,536	109,203	79,601
Vehicle	-	28,400	22,315	-	28,400	18,257	28,400	14,200
Non consumable tooling	491,083	4,018,765	2,349,829	516,236	3,527,682	1,797,686	3,011,446	1,317,949
	<b>\$ 640,054</b>	<b>\$18,982,697</b>	<b>\$5,606,671</b>	<b>\$ 1,577,056</b>	<b>\$18,342,643</b>	<b>\$ 4,638,142</b>	<b>\$ 16,765,587</b>	<b>\$ 3,766,341</b>
Net book value		<b>\$13,376,026</b>			<b>\$13,704,501</b>		<b>\$12,999,246</b>	

Equipment not in service not subject to amortization in the amount of \$1,939,274 (December 31, 2010 - \$1,939,274, January 1, 2010 - \$1,939,274) is included in production and other equipment.

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**Omni-Lite Industries Canada Inc.**  
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**7. Related Party Transactions**

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Due from related parties includes advances to a company under common control. An amount of \$749,276 (December 31, 2010 - \$481,512, January 1, 2010 - \$144,235) is due from California Nanotechnologies Corp. bearing interest at 5% per annum and due on demand. The loan is secured by all the assets of California Nanotechnologies Inc.

In 2011, the Company received \$nil (December 31, 2010 - \$24,000) in management fees from California Nanotechnologies Corp. The transaction was conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

For 2011 and 2010, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value annual salary would approximate \$140,000 (2010 - \$140,000). 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.

The Company has outstanding an unsecured interest free loan to one employee in the amount of \$20,000 (December 31, 2010 - \$20,000, January 1, 2010 - \$20,000) related to the acquisition of property with a maturity date in 2015. Another employee has received an unsecured interest free loan from the Company with an amount due of \$11,165 (December 31, 2010 - \$5,000, January 1, 2010 - \$5,000), repayable in bi-weekly installments of \$231 with a maturity date in 2013. The Company has issued a loan to the Chief Executive Officer for \$106,096 (December 31, 2010 - \$164,253, January 1, 2010 - \$172,968) at a 5% interest rate and with a maturity date in 2014. The loan is secured by the related property.

The Company has advanced funds to the Chief Executive Officer in the amount of \$73,307 (December 31, 2010 - \$27,467, January 1, 2010 - nil). These amounts are non-interest bearing; have no fixed terms of repayment, and are expected to be used to fund business related expenses on behalf of the Company.

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**7. Related Party Transactions - continued**

Significant subsidiaries:

The tables set forth below provide information relative to Omni-Lite Industries Canada Inc.'s significant subsidiaries, including each such entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Omni-Lite Industries Canada Inc., a brief description of the entity, and the market areas served, if applicable.

Company (Jurisdiction of Incorporation/ Formation)	Percentage of ownership by Omni-Lite Industries Canada, Inc	Overview	Market Area
Omni-Lite Industries California, Inc. (California, USA)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated on October 4, 1985. It is the head office which conducts research and development, and production operations.	United States
Omni-Lite Properties, Inc. (California, USA)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated on December 26, 2000. It owns the property and significant equipment for the head office.	United States
Omni-Lite Industries International, Inc. (Barbados)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated in Barbados on February 8, 2005. It conducts all international sales in the sports and recreation division.	International
Formed Fast International Inc. (Barbados)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated in Barbados on February 24, 1998. It is an investment holding company.	n/a

**8. Income Taxes**

	2011	2010
Statutory tax rate	<b>26.50%</b>	28.00%
Income taxes at the statutory rate	\$ 552,059	\$ 553,434
Rate differential on income earned in foreign jurisdictions	(58,627)	63,703
Unrealized gain on share purchase warrants	(332,935)	-
Share-based compensation	13,197	16,982
Share issue costs	(243,494)	-
Change in deferred tax asset not recognized	247,262	(19,900)
Tax rate differences	416	1,919
Permanent items	1,060	-
Change in estimate from prior year	(12,895)	(317,629)
Other	(41,459)	(142,029)
	<b>\$ 124,584</b>	<b>\$ 156,480</b>

**Omni-Lite Industries Canada Inc.**  
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**8. Income Taxes - continued**

Principal components of the net deferred tax liability are:

<b>Deferred tax asset:</b>	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
Unused tax losses carry forward	\$ 158,772	\$ -	\$ 19,500
Share Issue Costs	195,035	500	600
Property, plant and equipment	2,937	4,100	4,400
Inventory / COGS	176,643	206,000	218,600
<b>Total deferred tax asset</b>	<b>533,387</b>	210,600	243,100
Deferred tax asset not recognized	<b>(251,862)</b>	(4,600)	(24,500)
<b>Net deferred tax asset</b>	<b>\$ 281,525</b>	\$ 206,000	\$ 218,600
<b>Deferred tax liability:</b>			
Property, plant and equipment	<b>\$ (3,349,347)</b>	\$ (3,064,018)	\$ (2,661,338)
<b>Total deferred tax liability</b>	<b>(3,349,347)</b>	(3,064,018)	(2,661,338)
<b>Net deferred tax liability</b>	<b>\$ (3,067,822)</b>	\$ (2,858,018)	\$ (2,442,738)
<b>Income tax expense (recovery):</b>			
Current	\$ (85,220)	\$ (258,800)	
Deferred	209,804	415,280	
	<b>\$ 124,584</b>	\$ 156,480	

**9. Compensation of Key Management Personnel**

The remuneration of key management personnel during the period was as follows:

	<b>December 31, 2011</b>	December 31, 2010
Remuneration	<b>\$ 358,074</b>	\$ 326,908

Key management personnel of the Company include the Chief Executive Officer, President, Vice-president and Chief Financial Officer.

**Omni-Lite Industries Canada Inc.**  
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**10. Long-term Debt**

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
<p>Effective October 2011 (2010 – established in September 2009), the Company refinanced the long-term primary credit facility described below (the “Credit Agreement”) with total credit facilities of up to \$2,400,000 (2010 - \$2,750,000), including a term loan facility in the amount of \$1,200,000 (December 31, 2010 - \$2,000,000, January 1, 2010 - \$2,000,000) bearing interest at the Prime Rate plus one-quarter of one percent (0.25%), (3.5% effective average interest rate in 2011 and 2010), maturing on October 30, 2012 (2010 – October 30, 2012), repayable in monthly principal installments of \$33,333.</p>	<b>\$ 1,133,333</b>	\$ 1,500,000	\$ 1,933,334
<p>The Credit Agreement effective October 2011 described above also includes a commercial advance line of up to \$1,200,000 (2010 - \$750,000) for operating purposes, bearing interest at the Prime Rate plus one-quarter of one percent (0.25%), (3.5% effective average interest rate in 2012 and 2011), maturing on August 31, 2013 (2010 - October 5, 2011). The Credit Agreement is secured by all the accounts, inventory, equipment, and general intangibles of the Company. Under this agreement, the Company has agreed to certain conditions and financial covenant ratios, based on financial results including net worth, current and debt service ratios, and profitability, which have been met as at December 31, 2011 with one exception which was waived. Advances are automatically repayable daily with available funds after clearing operating disbursements.</p>	-	476,945	539,326
<p>Promissory Note, Total principal amount \$800,000 with 60-month term, bearing interest at LIBOR plus 1.85% per annum (2.2% effective average interest rate in 2011 and 2010). Secured by equipment with a net book value of \$704,444 (December 31, 2010 – 731,111, January 1, 2010 – 757,778). Maturing on July 15, 2013, repayable in monthly principal and interest installments of \$14,962.</p>	<b>271,104</b>	432,664	586,912

**Omni-Lite Industries Canada Inc.**  
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**10. Long-term Debt - continued**

	December 31, 2011	December 31, 2010	January 1, 2010
Promissory Note, Total principal amount \$692,800 with 60-month term, bearing interest at LIBOR plus 1.85% per annum (2.2% effective average interest rate in 2011 and 2010). Secured by equipment with a net book value of \$575,688 (December 31, 2010 – 586,541, January 1, 2010 – 597,394). Maturing on July 15, 2013, repayable in monthly principal and interest monthly installments of \$12,957.	<b>234,776</b>	374,687	508,266
Term loan, non-interest bearing secured by a vehicle, having a carrying value of \$18,257. Maturity date: July 20, 2011, repayable in monthly installments of \$458.	-	3,208	8,708
	<b>\$ 1,639,213</b>	\$ 2,787,504	\$ 3,576,546
Less: current portion	<b>(1,460,442)</b>	(1,202,567)	(1,290,670)
	<b>\$ 178,771</b>	\$ 1,584,937	\$ 2,285,876

There were no borrowing costs capitalized during the year ended December 31, 2011 (December 31, 2010 – nil, January 1, 2010 - nil). The credit facilities of the Company are subject to annual review.

Estimated principal repayments are as detailed below:

2012	\$ 1,460,442
2013	<u>178,771</u>
	\$ 1,639,213

**11. Share Capital**

(a) Authorized

Unlimited number of common shares with no par value.

**Omni-Lite Industries Canada Inc.**  
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**11. Share Capital - continued**

(b) Issued

<u>Share capital</u>	<u>Number of Shares</u>	<u>Amount</u>
Total issued and outstanding, January 1, 2010	10,620,854	\$ 5,519,546
Issued upon exercise of stock options	16,667	19,977
Share issuance costs	-	(1,033)
Shares received and then cancelled	(403,655)	(492,459)
Total issued and outstanding, December 31, 2010	10,233,866	\$ 5,046,031
<b>Total issued and outstanding, December 31, 2010</b>	<b>10,233,866</b>	<b>\$ 5,046,031</b>
<b>Issued under private placement</b>	<b>3,220,000</b>	<b>5,616,339</b>
<b>Issued upon exercise of stock options</b>	<b>15,000</b>	<b>17,316</b>
<b>Share issuance costs</b>	-	<b>(640,975)</b>
<b>Broker options commissions</b>	-	<b>(332,819)</b>
<b>Cancelled on repurchase under normal course issuer bid</b>	<b>(355,600)</b>	<b>(301,664)</b>
<b>Total issued and outstanding, December 31, 2011</b>	<b>13,113,266</b>	<b>\$ 9,404,228</b>

On February 16, 2011, Omni-Lite completed a private placement of 3,220,000 Units at \$2.15 CAD per Unit for total proceeds of \$6,923,000 CAD. Each Unit was comprised of one (1) common share and one-half of one (1) common share purchase warrant exercisable at \$2.70 CAD per common share until February 16, 2013. These warrants were valued at \$0.85 CAD per warrant for a total of \$1,374,519 CAD. As part of the commission, the Company issued brokers options to purchase 225,400 Units at \$2.15 CAD per Unit until February 16, 2013. Each Unit was comprised of one (1) common share and one-half of one (1) common share purchase warrant exercisable at \$2.70 CAD per common share. These options were valued at \$1.03 CAD per common share and \$0.85 CAD per warrant for a total of \$328,797 CAD. The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.94%, expected volatility of 67.44% and an expected life of two (2) years. The total costs to complete the private placement were \$638,454, which included a 7% broker cash commission on gross proceeds.

Warrants

	<u>Number</u>	<u>Amount</u>
Total issued and outstanding, January 1, 2010	-	\$ -
Total issued and outstanding, December 31, 2010	-	-
<b>Total issued and outstanding, December 31, 2010</b>	<b>-</b>	<b>-</b>
<b>Issuance of warrants</b>	<b>1,610,000</b>	<b>1,391,329</b>
<b>Unrealized gain on share purchase warrants</b>		<b>(1,256,357)</b>
<b>Total issued and outstanding, December 31, 2011</b>	<b>1,610,000</b>	<b>\$ 134,972</b>

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**11. Share Capital - continued**

**Warrants – continued**

Upon adoption of IFRS at January 1, 2011, the Company recorded an adjustment as a result of accounting for share purchase warrants issued using the principles of IAS 32, Financial Instruments: Recognition and Measurement (Note 3). As the exercise price of the share purchase warrants is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. At December 31, 2011 the fair value of share purchase warrants issued and outstanding with Canadian dollar exercise prices was \$134,972. The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in earnings during the period of change. The change in fair value for the year ended December 31, 2011 was a gain of \$1,256,357. The fair value of share purchase warrants is reclassified to equity upon exercise.

(c) Share options

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

	Number	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding at Jan. 1, 2010	496,667	CAD \$0.82 to \$2.55	CAD \$1.88
Options - granted	452,000	CAD \$0.60 to \$0.90	CAD \$0.74
- exercised	(16,667)	CAD \$0.60 to \$0.90	CAD \$0.82
- forfeited	(2,500)	CAD \$2.00 to \$2.55	CAD \$2.43
- expired	(180,000)	CAD \$0.94 to \$1.55	CAD \$1.45
Options outstanding at Dec. 31, 2010	749,500	CAD \$0.60 to \$2.55	CAD \$1.32
<b>Options - granted</b>	<b>40,000</b>	<b>CAD \$1.38 to \$2.00</b>	<b>CAD \$1.82</b>
- exercised	(15,000)	CAD \$0.60 to \$0.90	CAD \$0.77
- forfeited	(48,486)	CAD \$0.60 to \$0.90	CAD \$0.70
- expired	(123,333)	CAD \$1.98 to \$2.55	CAD \$2.40
<b>Options outstanding at December 31, 2011</b>	<b>602,681</b>	<b>CAD \$0.60 to \$2.43</b>	<b>CAD \$1.20</b>
<b>Options exercisable at December 31, 2011</b>	<b>248,023</b>	<b>CAD \$0.60 to \$2.43</b>	<b>CAD \$1.67</b>

The weighted average fair value of options granted during the year ended December 31, 2011 was \$0.70 CAD (December 31, 2010 - \$0.32 CAD)

The Company established a share 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. From grant date, options vest at one-third of the total grant annually with an expiration term of 5 years. The current stock option plan was approved by shareholders on December 8, 2011 and notification of acceptance of filing by the TSX Venture Exchange was given on April 3, 2012.

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**11. Share Capital - continued**

(c) Share options - continued

The options that are outstanding at December 31, 2011 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
421,847	CAD \$0.60 to \$0.90	CAD \$0.75	3.22 years
40,000	CAD \$1.38 to \$2.00	CAD \$1.82	4.59 years
140,834	CAD \$2.01 to \$2.43	CAD \$2.36	0.75 years
602,681	CAD \$0.60 to \$2.43	CAD \$1.20	2.73 years

  

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
107,189	CAD \$0.60 to \$0.90	CAD \$0.77	3.16 years
140,834	CAD \$2.00 to \$2.43	CAD \$2.36	0.75 years
248,023	CAD \$0.60 to \$2.43	CAD \$1.67	1.79 years

The options that were outstanding at December 31, 2010 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
485,333	CAD \$0.60 to \$0.90	CAD \$0.75	4.22 years
33,333	CAD \$1.38 to \$2.00	CAD \$1.98	0.72 years
230,834	CAD \$2.01 to \$2.55	CAD \$2.43	1.14 years
749,500	CAD \$0.60 to \$2.55	CAD \$1.32	3.12 years

  

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
33,333	CAD \$1.38 to \$2.00	CAD \$1.98	0.72 years
230,834	CAD \$2.01 to \$2.55	CAD \$2.43	1.14 years
264,167	CAD \$1.38 to \$2.55	CAD \$2.37	1.09 years

The options that were outstanding at January 1, 2010 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
50,000	CAD \$0.60 to \$0.90	CAD \$0.82	4.41 years
30,000	CAD \$0.91 to \$1.37	CAD \$0.94	0.01 years
183,333	CAD \$1.38 to \$2.00	CAD \$1.63	0.90 years
233,334	CAD \$2.01 to \$2.55	CAD \$2.43	2.15 years
496,667	CAD \$0.60 to \$2.55	CAD \$1.88	1.34 years

  

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
30,000	CAD \$0.91 to \$1.37	CAD \$0.94	0.01 years
183,333	CAD \$1.38 to \$2.00	CAD \$1.63	0.90 years
216,667	CAD \$2.01 to \$2.55	CAD \$2.45	2.10 years
430,000	CAD \$0.91 to \$2.55	CAD \$1.99	1.45 years

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**11. Share Capital - continued**

(c) Share options - continued

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2011	December 31, 2010	January 1, 2010
Risk free interest rate (%)	1.5 – 3.0%	4.0 – 4.5%	4.0 – 4.5%
Expected life (years)	5	5	5
Volatility rate (%)	60 – 70%	52 – 62%	52 – 62%
Dividend yield (%)	1.00 – 2.50%	0.87 – 2.02%	0.87 – 2.02%
Forfeiture rate (%)	26.8%	21.3%	21.3%

In estimating expected stock price volatility at the time of a particular stock option grant, the Company relies on observations of historical volatility trends.

(d) Normal course issuer bid

During the year, pursuant to a normal course issuer bid under applicable securities legislation the Company acquired 355,600 (December 31, 2010 – nil, January 1, 2010 – nil) of its issued and outstanding common shares. The Company repurchased the common shares for \$638,630 resulting in a \$301,664 reduction in share capital and a \$336,966 decrease in retained earnings.

**12. Segmented Information**

**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 from products sold based on the Company locations for each of these segments as follows:

December 31, 2011	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 5,974,386	\$ -	\$ 1,294,130	\$ (754,433)	\$ 6,514,083
Net income/(loss)	277,160	1,189,712	491,784	-	1,958,656
December 31, 2010	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 6,694,198	\$ -	\$ 1,036,354	\$ (609,739)	\$ 7,120,813
Net income	848,966	342,596	628,510	-	1,820,072

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**13. Seasonality**

Seasonal fluctuations have no material impact on the Company's revenues.

**14. Commitments**

The Company has agreements with various customers, in the normal course of operations, to supply components in 2012 and 2013.

**15. Financial Instruments**

Financial instruments of the Company consist of cash, share purchase warrants, accounts receivable, loans due from related parties, investments, accounts payable and accrued liabilities, and long-term debt.

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>At fair value through profit or loss</b>						
Cash	\$ 5,231,092	\$ 5,231,092	\$ 30,301	\$ 30,301	\$ 39,935	\$ 39,935
Share purchase warrants	134,972	134,972	-	-	-	-
<b>Loans and receivable</b>						
Accounts receivable	861,732	861,732	645,851	645,851	744,809	744,809
Due from related parties	886,537	886,537	670,765	670,765	342,203	342,203
<b>Available for sale</b>						
Investments	336,238	336,238	176,176	176,176	184,778	184,778
<b>Other financial liabilities</b>						
Accounts payable and accrued liabilities	437,535	437,535	432,575	432,575	630,910	630,910
Long-term debt	1,639,213	1,639,213	2,787,504	2,787,504	3,576,546	3,576,546

The table below sets out fair value measurements using the fair value hierarchy.

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash	\$ 5,231,092	\$ 5,231,092	\$ -	\$ -
Share purchase warrants	134,972	134,972	-	-
Investments	336,238	336,238	-	-

There have been no transfers during the year between Levels 1 and 2.

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**15. Financial Instruments - continued**

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to various risks. 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 statement of financial position contracts to manage these risks.

Interest rate risk

The Company's revolving line of credit and the two promissory note 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, 2011, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$16,392 (December 31, 2010 - \$27,875). The related disclosures regarding these debt instruments are included in Note 10 of these financial statements.

Foreign currency risk

A significant portion of the Company's operations are located outside of the United States 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. As at December 31, 2011, the Company had the following balances denominated in Canadian dollars. The balances have been translated into United States currency in accordance with the Company's foreign exchange accounting policy.

	USD December 31, 2011	USD December 31, 2010	USD January 1, 2010
Cash	\$ 177,363	\$ 21,860	\$ 42,187
Accounts payable	91,524	82,340	112,373

At December 31, 2011, if the U.S. dollar strengthened or weakened by 10% relative to the Canadian dollar, the impact on net income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	<b>Impact on Net Income</b>
U.S. Dollar Exchange Rate – 10% increase	<b>\$ (17,736)</b>
U.S. Dollar Exchange Rate – 10% decrease	<b>17,736</b>

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**15. Financial Instruments - continued**

Foreign currency risk - continued

Omni-Lite operates with a U.S. dollar functional currency which gives rise to currency exchange rate risk on Omni-Lite's Canadian dollar denominated monetary assets and liabilities, such as Canadian dollar bank accounts and accounts payable, as follows:

	<b>Impact on Net Income</b>
U.S. Dollar Exchange Rate – 10% increase	<b>\$ (8,584)</b>
U.S. Dollar Exchange Rate – 10% decrease	<b>8,584</b>

Other Price Risk

The Company has financial instruments that may fluctuate in value as a result of changes in market price. The Company has an investment in shares of California Nanotechnologies Corp. This investment is recorded on the statement of financial position at fair value as of the statement of financial position date for the shares which have been released from escrow while the shares remaining in escrow are carried at cost, with changes from the prior year's fair value reported in Other Comprehensive Income.

Liquidity Risk

The Company is exposed to liquidity risk due to the borrowings under the credit facilities. This risk is mitigated by complying with the covenants and managing the cash flow by controlling receivables and payables.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at December 31, 2011, and includes the related interest charges:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Trade accounts payable and accrued liabilities	\$ 437,535	\$ -	\$ -	\$ -	\$ 437,535
Bank loan and interest	1,499,481	180,013	-	-	1,679,494
<b>Total</b>	<b>\$ 1,937,016</b>	<b>\$ 180,013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,117,029</b>

The bank loans may be prepaid in whole or in part at any time without penalty.

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**15. Financial Instruments - continued**

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the year ended December 31, 2011, the Company was engaged in contracts for products with four (December 31, 2010 – four) customers in excess of 10% of revenue, which accounted for \$3,794,207 (December 31, 2010 - \$5,101,092) or 58% (December 31, 2010 – 72%) of the Company's total revenue. During the same period, export sales to two (December 31, 2010 – two) customers in various international countries (outside of the United States) amounted to \$961,203 (December 31, 2010 - \$1,026,715) or 15% (December 31, 2010 – 14%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of account receivable. The table below provides an analysis of our current financial assets and the age of our past due accounts receivables but not impaired financial assets by type of credit risk.

Total	Current	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
\$ 861,732	\$ 607,323	\$ 228,769	\$ 25,640	\$ -	\$ -

**16. Contributed Surplus**

The following is a continuity schedule of contributed surplus:

	December 31, 2011	December 31, 2010
Balance, beginning of period	\$ 1,124,861	\$ 1,071,378
Share-based compensation	49,800	60,650
Exercise of options	(5,600)	(7,167)
Broker options commissions	332,819	-
Relinquishment of options	(15,892)	-
Balance, end of period	\$ 1,485,988	\$ 1,124,861

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**17. Earnings per Common Share**

The basic earnings per common share is calculated using net income divided by the weighted-average number of common shares outstanding. The diluted earnings per common share is calculated using net income divided by the weighted-average number of diluted common shares outstanding.

142,500 (December 31, 2010 – 264,167) options were excluded in calculating the weighted-average number of diluted common shares outstanding for the year ended December 31, 2011, because their exercise price was greater than the annual average common share market price in the periods. Outstanding options and warrants were the only potential dilutive instruments.

**18. Capital Disclosures**

The objective for managing the Company's capital structure is to ensure that the Company has the financial capacity, liquidity and flexibility to fund expansion projects and product development efforts. The Company generally relies on operating cash flows to fund the expansion and product development. However, given the long cycle time of some of the development projects which require significant capital investment prior to cash flow generation, it is not unusual for capital expenditures to exceed cash flow from operating activities in any given period. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity. The Company's capital management policies are aimed at:

Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity; maintaining sufficient undrawn committed credit capacity to provide liquidity; ensuring ample covenant room to draw credit lines as required; and ensuring the Company maintains a credit rating that is appropriate for their circumstances.

The Company has the ability to make adjustments to its capital structure by issuing additional equity or debt, returning cash to shareholders and making adjustments to its capital investment programs. The Company's capital consists of shareholders' equity, short-term borrowings, long-term debt, and cash as follows:

<b>Net Debt</b>	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
Long-term debt	\$ 178,771	\$ 1,584,937	\$ 2,285,876
Current portion long-term debt	1,460,442	1,202,567	1,290,670
Cash	(5,231,092)	(30,301)	(39,935)
Total Net Debt	\$ (3,591,879)	\$ 2,757,203	\$ 3,536,611
Shareholders' Equity	\$ 18,810,611	\$ 12,956,889	\$ 11,265,329

**Omni-Lite Industries Canada Inc.**  
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**18. Capital Disclosures - continued**

The Company monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.

The Company uses the ratio of net debt to cash flow from operating activities as a key indicator of leverage and to monitor the strength of the statement of financial position. Net debt is a non-IFRS measure that does not have a standard meaning prescribed by IFRS and is unlikely to be comparable to similar measures presented by others. The Company calculates net debt using long-term debt and short-term borrowings less cash. For 2011, the net debt to cash flow from operating activities was (1.69) times compared to 0.96 times in 2010. It is expected that the target ratio will fluctuate between 1.0 and 2.0 times, however, this can be higher when the Company invests in new equipment. Whenever the target ratio is exceeded, a strategy is developed to reduce the leveraging and lower the ratio back to target levels over a period.

The interest coverage ratio allows the Company to monitor its ability to fund the interest requirements associated with its debt. The interest coverage decreased in 2011 from 31.0 times at December 31, 2010 to 48.5 times at December 31, 2011. Interest coverage is calculated by dividing the twelve month trailing earnings before interest, taxes, depreciation and amortization by interest expense. EBITDA is a non-IFRS measure which is calculated using net income excluding interest expense, provision for income taxes, depreciation and amortization. The calculation of EBITDA is set out in the following table.

<b>For the years ended</b>	<b>2011</b>	<b>2010</b>
Net Income	\$ 1,958,656	\$ 1,820,072
Add:		
Interest Expense	64,310	94,853
Provision for Income Taxes	124,584	156,480
Amortization	968,528	872,145
<b>EBITDA</b>	<b>\$ 3,116,078</b>	<b>\$ 2,943,550</b>

**19. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

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**20. Transition to IFRS**

The Company has adopted IFRS effective January 1, 2010 and has prepared its opening IFRS statement of financial position as at that date. Prior to adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ending December 31, 2011 are the first annual consolidated financial statements that comply with IFRS.

The following reconciliations provide a quantification of the effect of the transition to IFRS. The first reconciliation provides an overview of the impact on shareholders' equity of the transition at January 1, 2010 and then at December 31, 2010. The following three reconciliations provide details of the impact of the transition on:

- Statement of financial position at January 1, 2010
- Statement of financial position at December 31, 2010
- Comprehensive income for the year ended December 31, 2010

The following is a summary of shareholders' equity:

	<b>January 1, 2010</b>	<b>Note</b>	<b>December 31, 2010</b>	<b>Note</b>
Total shareholders' equity reported under Canadian GAAP	\$ 11,265,329		\$ 12,956,889	
Restatement of share-based compensation	5,100	20(a)	6,650	19(a)
Total adjustments were reclassified within equity	<u>(5,100)</u>	20(a)	<u>(6,650)</u>	19(a)
Total shareholders' equity reported under IFRS	\$ 11,265,329		\$ 12,956,889	

**(a) Share-based Payments**

Under Canadian GAAP, the corresponding share-based compensation expense was recognized by the Company on a straight line method over the vesting period of the options. This differs under "IFRS 2, Share-based Payments", where share options granted vest in installments (tranches) over the vesting period, and each tranche is treated as a separate share option grant, and subsequently valued at the start of each tranche's vesting period. The Company elected not to apply IFRS 2 to share-based payments that vested before the date of transition to IFRSs, January 1, 2010. As a result, retained earnings increased by \$5,100 at January 1, 2010, and share compensation expense was reduced by an additional \$1,550 and recognized in the income statement for the year ended December 31, 2010.

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**20. Transition to IFRS - continued**

The following is a reconciliation of the Company's Statement of Financial Position reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at January 1, 2010.

<b>As at January 1, 2010</b>	<b>Note</b>	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Assets</b>				
<b>Current</b>				
Cash		\$ 39,935		\$ 39,935
Accounts receivable		744,809		744,809
Inventory		3,374,041		3,374,041
Income taxes receivable		167,549		167,549
Prepaid expenses		62,962		62,962
		4,389,296	-	4,389,296
Investments		184,778		184,778
Property, plant and equipment		12,999,246		12,999,246
Due from related parties		342,203		342,203
Deferred income tax asset		218,600		218,600
<b>Total assets</b>		\$ 18,134,123	-	\$ 18,134,123
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 630,910		\$ 630,910
Current portion of long-term debt		1,290,670		1,290,670
		1,921,580	-	1,921,580
Long-term debt		2,285,876		2,285,876
Deferred income tax liability		2,661,338		2,661,338
<b>Total Liabilities</b>		6,868,794	-	6,868,794
Share capital		5,519,546		5,519,546
Share subscription receivable		(492,459)		(492,459)
Contributed surplus	20(a)	1,076,478	(5,100)	1,071,378
Retained earnings	20(a)	5,163,975	5,100	5,169,075
Accumulated other comprehensive income		(2,211)		(2,211)
<b>Total shareholders' equity</b>		11,265,329	-	11,265,329
<b>Total liabilities and shareholders' equity</b>		\$ 18,134,123	-	\$ 18,134,123

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**20. Transition to IFRS - continued**

The following is a reconciliation of the Company's Statement of Financial Position reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at December 31, 2010.

<b>As at December 31, 2010</b>	<b>Note</b>	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Assets</b>				
<b>Current</b>				
Cash		\$ 30,301		\$ 30,301
Accounts receivable		645,851		645,851
Inventory		3,417,898		3,417,898
Income taxes receivable		336,455		336,455
Prepaid expenses		53,039		53,039
		4,483,544	-	4,483,544
Investments		176,176		176,176
Property, plant and equipment		13,704,501		13,704,501
Due from related parties		670,765		670,765
Deferred income tax asset		206,000		206,000
<b>Total assets</b>		\$ 19,240,986	-	\$ 19,240,986
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 432,575		\$ 432,575
Current portion of long-term debt		1,202,567		1,202,567
		1,635,142	-	1,635,142
Long-term debt		1,584,937		1,584,937
Deferred income tax liability		3,064,018		3,064,018
<b>Total Liabilities</b>		6,284,097	-	6,284,097
Share capital		5,046,031		5,046,031
Contributed surplus	20(a)	1,131,511	(6,650)	1,124,861
Retained earnings	20(a)	6,779,183	6,650	6,785,833
Accumulated other comprehensive income		164		164
<b>Total shareholders' equity</b>		12,956,889	-	12,956,889
<b>Total liabilities and shareholders' equity</b>		\$ 19,240,986	-	\$ 19,240,986

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**20. Transition to IFRS - continued**

The following is a reconciliation of the Company's total comprehensive income reported in accordance with Canadian GAAP to its total comprehensive income in accordance with IFRS for the year ended December 31, 2010.

Year ended December 31, 2010	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Revenue</b>		\$ 7,120,813		\$ 7,120,813
<b>Cost of goods sold</b>		2,194,285		2,194,285
<b>Gross margin</b>		4,926,528	-	4,926,528
<b>Overhead expenses</b>				
Amortization		872,145		872,145
Foreign exchange		11,028		11,028
General and administrative		1,612,297		1,612,297
Commissions		130,184		130,184
Interest on long-term debt		94,853		94,853
Share-based compensation	20(a)	62,200	(1,550)	60,650
Research and product design		190,985		190,985
		2,973,692	(1,550)	2,972,142
<b>Income from operations</b>		1,952,836	1,550	1,954,386
Other income		22,166		22,166
Income before income taxes		1,975,002	1,550	1,976,552
Income tax provision				
Current		(258,800)		(258,800)
Deferred		415,280		415,280
		156,480	-	156,480
<b>Net income</b>		1,818,522	1,550	1,820,072
Other comprehensive income				
Gain on available for sale financial assets		(2,375)	-	(2,375)
<b>Comprehensive income</b>		\$ 1,816,147	1,550	\$ 1,817,697