Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the years ended December 31, 2014 and 2013
(in United States Dollars)

Contents

Management Report

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 International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated 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 consolidated 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, Management's Discussion and Analysis ("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 independent 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"
David F. Grant
CEO

signed "Timothy C. Wang"
Timothy C. Wang
CFO

April 16, 2015

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, 2014 and 2013, and the consolidated statements of income, and comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising 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, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP
Chartered Accountants

Calgary, Alberta
April 16, 2015

MNP LLP

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

As at	Note	December 31, 2014	December 31 , 2013
Assets			
Current			
Cash		**$ 1,686,690**	$ 1,925,038
Accounts receivable	**13**	**759,062**	1,034,045
Inventory	**3**	**2,380,108**	2,456,064
Income taxes receivable		**39,899**	40,699
Current portion of due from related parties	**6**	**7,059**	17,577
Prepaid expenses		**141,956**	133,296
		5,014,774	5,606,719
Investment	**4**	**436,498**	274,802
Equipment deposits	**5**	**441,336**	-
Property, plant and equipment	**5**	**13,174,015**	13,611,764
Due from related parties	**6**	**1,449,988**	1,591,631
Deferred tax asset	**7**	**1,330,099**	1,251,557
		$ 21,846,710	$ 22,336,473
Liabilities			
Current			
Accounts payable and accrued liabilities	**13**	**$ 414,869**	$ 541,242
Income taxes payable		**950**	2,366
Current portion of long-term debt	**9**	**-**	300,000
		415,819	843,608
Deferred tax liability	**7**	**3,316,020**	3,534,971
		3,731,839	4,378,579
Commitments	**12**		
Shareholders' Equity			
Share capital	**10(b)**	**8,350,981**	8,765,090
Contributed surplus	**14**	**1,687,447**	1,638,572
Retained earnings		**8,021,227**	7,570,036
Accumulated other comprehensive income (loss)		**55,216**	(15,804)
		18,114,871	17,957,894
		$ 21,846,710	$ 22,336,473

On behalf of the Board:

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

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

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

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

For the years ended December 31	Note	2014	2013
Revenue	11	$ 5,850,318	$ 5,301,035
Cost of goods sold	3	2,636,284	2,389,251
Gross margin		3,214,034	2,911,784
Overhead expenses			
Depreciation	5	972,426	967,032
Foreign exchange loss		4,688	1,466
General and administrative		837,883	854,058
Employee benefits		1,076,623	939,111
Bad debt	6	20,000	-
Commissions		19,176	18,630
Interest on long-term debt	9	4,489	19,529
Share-based compensation	14	48,875	98,905
Research and product design		20,531	99,686
		3,004,691	2,998,417
Income (loss) from operations		209,343	(86,633)
Other income (loss)			
Interest income		29,220	19,399
Loss on sale of property, plant and equipment	5	(56,634)	-
		(27,414)	19,399
Income (loss) before income taxes		181,929	(67,234)
Income tax provision (recovery)			
Current	7	10,139	9,767
Deferred	7	(297,493)	(214,950)
		(287,354)	(205,183)
Net income		$ 469,283	$ 137,949
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss:			
Gain (loss) on available for sale financial assets	4	71,020	(123,572)
Comprehensive Income		$ 540,303	$ 14,377
Income per share - basic	15	$ 0.04	$ 0.01
- diluted	15	$ 0.04	$ 0.01
Weighted average shares outstanding - basic	15	11,982,866	12,228,094
- diluted	15	12,149,473	12,302,994

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

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

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2012		$ 8,814,933	$ 1,539,667	$ 7,430,565	$ 107,768	$ 17,892,933
Repurchase under normal course issuer bid	10(d)	(48,593)	-	1,522	-	(47,071)
Share-based compensation	14	-	98,905	-	-	98,905
Share issue costs	10(b)	(1,250)	-	-	-	(1,250)
Net income		-	-	137,949	-	137,949
Available for sale financial assets	4	-	-	-	(123,572)	(123,572)
Balance at December 31, 2013		**$ 8,765,090**	**$ 1,638,572**	**$ 7,570,036**	**$ (15,804)**	**$ 17,957,894**
Repurchase under normal course issuer bid	**10(d)**	**(412,635)**	**-**	**(18,092)**	**-**	**(430,727)**
Share-based compensation	**14**	**-**	**48,875**	**-**	**-**	**48,875**
Share issue costs	**10(b)**	**(1,474)**	**-**	**-**	**-**	**(1,474)**
Net income		**-**	**-**	**469,283**	**-**	**469,283**
Available for sale financial assets	**4**	**-**	**-**	**-**	**71,020**	**71,020**
Balance at December 31 , 2014		**$ 8,350,981**	**$ 1,687,447**	**$ 8,021,227**	**$ 55,216**	**$ 18,114,871**

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

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

For the years ended December 31	Note	2014	2013
Cash flows from operating activities			
Net income for the year		**$ 469,283**	$ 137,949
Adjustments for:			
Depreciation	**5**	**972,426**	967,032
Deferred taxes	**7**	**(297,493)**	(214,950)
Loss on sale of property, plant and equipment	**5**	**56,634**	-
Bad debt	**6**	**20,000**	-
Share-based compensation	**14**	**48,875**	98,905
		1,269,725	988,936
Net change in non-cash working capital items			
Accounts receivable		**274,983**	(322,016)
Inventory		**75,956**	(90,044)
Prepaid expenses		**(8,660)**	(35,139)
Accounts payable and accrued liabilities		**(126,373)**	243,300
Income taxes payable		**(616)**	(2,911)
Increase in cash from operations		**1,485,015**	782,126
Cash flows from financing activities			
Payments from related parties		**249,651**	736,975
Advances to related parties		**(117,490)**	(898,112)
Repayment of long-term debt	**9**	**(300,000)**	(623,781)
Share issue costs	**10(b)**	**(1,474)**	(1,250)
Repurchase of common shares	**10(d)**	**(430,727)**	(47,071)
Decrease in cash from financing activities		**(600,040)**	(833,239)
Cash flows from investing activities			
Deposits on equipment	**5**	**(441,336)**	-
Proceeds from sale of equipment	**5**	**262,500**	-
Purchase of available for sale financial asset	**4**	**(90,676)**	-
Purchase of property, plant and equipment	**5**	**(853,811)**	(769,705)
Decrease in cash from investing activities		**(1,123,323)**	(769,705)
Decrease in cash		**(238,348)**	(820,818)
Cash, beginning of year		**1,925,038**	2,745,856
Cash, end of year		**$ 1,686,690**	$ 1,925,038
Supplemental Cash Flow Information:			
Interest paid		**$ 4,489**	$ 19,705
Income taxes paid		**10,755**	13,401

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

1. Nature of Operations

Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") was 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, 2014 include the accounts of the Company and its wholly-owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on April 16, 2015. 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 #900, 715 - 10th Avenue S.W., Calgary, Alberta T2R 0A8. 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 aerospace, military, specialty automotive, and sports and recreation 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. The Company is listed for trading on the Toronto Stock Exchange Venture under the symbol OML.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC") in effect at December 31, 2014. The principal accounting policies are set out below.

The preparation of consolidated financial statements requires management to make estimates and judgments 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 the historical cost convention except for share-based payments and financial assets classified as fair value through profit or loss or available for sale which are measured at fair value. In addition, they have been prepared on an accrual basis of accounting except for cash flow information.

2. Significant Accounting Policies - continued

(c) Inventory
Inventory consists of raw materials and finished goods. Inventory is carried at the lower of weighted average actual costs (including materials, labour and allocated overhead) and net realizable value. Finished goods inventory is recorded at weighted average 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 three months of their purchase.

(f) Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided using the following methods and annual rates intended to depreciate 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

The Company reviews the criteria for capitalization and the useful life of its property, plant and equipment on an on-going basis considering changes in circumstances.

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 overhead or 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 in the consolidated statement of income, and comprehensive income. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

2. Significant Accounting Policies - continued

(g) 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, or 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.

(h) Provisions

A provision is recognized in the consolidated 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, 2014 and December 31, 2013 there were no provisions recognized in the consolidated financial statements.

(i) Income taxes

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

Taxable income differs from income as reported in the consolidated statement of income, and 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.

2. Significant Accounting Policies - continued

(i) Income taxes - continued

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 tax asset is realized or the deferred tax liability is settled.

Current and deferred 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.

(j) 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 transaction. 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.

(k) Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenue, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

2. Significant Accounting Policies - continued

(k) Significant accounting estimates and judgments - continued

The following are the most significant accounting judgments and estimates made by the Company in applying accounting policies:

Judgments

Determining CGU's

Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Investments

The Company applies judgment in determining if it has control over the investment where the Company holds less than 50% equity ownership. The judgement is based on management's determination of whether the Company has control over the activities, projects, financial and operating policies of the investment.

Deferred taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Estimates

Valuation of amounts receivable

Amounts receivable are reviewed on a regular basis to estimate recoverability of balances. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Inventory

The amounts for finished goods inventory is based on standard costs and includes cost allocation estimates.

Share-based payments

The Company uses an option pricing model to determine the fair value of share-based payments. Inputs to the model are subject to various estimates regarding volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued. These inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

2. Significant Accounting Policies - continued

(k) Significant accounting estimates and judgments - continued

Depreciation
The consolidated financial statements include estimates of the useful economic life of property, plant and equipment. Due to varying assumptions required to be made with regards to future recoverability of these assets, the depreciation recorded by management is based on their best estimate which may be significantly different from those determined based on future operational results.

Transfer pricing
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.

(l) Share-based compensation plan
The Company provides equity-settled share-based payments in the form of a share option plan to its employees, officers, directors and consultants. The Company accounts for these share options using the graded vesting 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.

Share-based compensation transactions with non-employees are measured at the fair value of the goods or services recovered. However, if the fair value cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or services.

(m) 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 are used to purchase common shares at the weighted average market price during the period.

(n) 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.

2. Significant Accounting Policies - continued

(o) 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.

(p) 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 "fair value through profit or loss", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities."

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 classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income ("OCI"). Transaction costs related to financial assets and liabilities recorded at fair value are included in net income when incurred. Financial assets classified as "held-to-maturity", "loans and receivables" and financial liabilities classified as "other financial liabilities" are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method of amortization.

Cash is designated as "fair value through profit or loss." Accounts receivable and due from related parties are designated as "loans and receivables". Accounts payable and accrued liabilities and long-term debt are designated as "other financial liabilities". 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 OCI. Realized gains and losses are recognized in income when the investments are actually disposed of.

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 are measured at Level 1.

2. Significant Accounting Policies - continued

(p) Financial Instruments - continued

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 income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(q) New accounting policies

On January 1, 2014, the Company adopted the following new standards and amendments that became effective for annual periods on or after January 1, 2014:

i. IAS 36, “Impairment of Assets” was amended to reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The adoption of this amendment had no material impact on the Company's consolidated financial statements.

ii. IFRS Interpretations Committee (“IFRIC”) 21 “Levies” clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified in the relevant legislation, occurs. The adoption of this standard had no material impact on the Company's consolidated financial statements.

iii. IFRS 2, “Share-based payment” - Annual Improvements to IFRSs 2010–2012 Cycle” was issued in December 2013. The definitions of 'vesting conditions' and 'market condition' were amended and the definitions of 'performance condition' and 'service condition' were added. An entity is required to prospectively apply that amendment to share-based payment transactions for which the grant date is on or after July 1, 2014. The adoption of this amendment had no material impact on the Company's consolidated financial statements.

iv. “Annual Improvements to IFRSs 2010–2012 Cycle” was issued in December 2013. The amendments to IFRS 8 require that an entity disclose the judgments made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated. The amendments affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The adoption of this amendment had no material impact on the Company's consolidated financial statements.

2. Significant Accounting Policies - continued

(r) Future accounting policies
The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact to the Company:

IFRS 9, "Financial Instruments" - On November 12, 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard was to be effective for annual periods beginning on or after January 1, 2015. In February 2014, the IASB tentatively decided the mandatory effective date of the final IFRS 9 would now be January 1, 2018. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Company has not yet considered the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, "Revenue from contracts with customers" - On May 28, 2014, the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Company has not yet considered the impact of IFRS 15 on its consolidated financial statements.

3. Inventory

The major components of inventory are classified as follows:

	December 31, 2014	December 31, 2013
Raw materials	**$ 391,587**	$ 542,735
Finished goods	**1,988,521**	1,913,329
	$ 2,380,108	$ 2,456,064

The cost of finished goods and raw material inventories recognized as expense and included in cost of goods sold was $2,636,284 (December 31, 2013 - $2,389,251). There were recurring inventory write-downs included in cost of goods sold in the amount of $212,423 (December 31, 2013 - $154,063).

4. Investment

As at December 31, 2014, long-term investment consists of an available-for-sale investment in the common shares of a public company. The Company's investment is recorded at the fair value as supported by the market price listed on the TSX Venture Exchange.

		Carrying Amount
Investment at December 31, 2012	$	398,374
Loss from market price valuation		(123,572)
Investment at December 31, 2013	$	274,802
Purchase 740,741 shares, April 9, 2014		**90,676**
Gain from market price valuation		**71,020**
Investment at December 31, 2014	**$**	**436,498**

5. Property, Plant and Equipment

	Land	Building	Production and other equipment	Computer equipment	Vehicle	Non-consumable tooling	Totals
Cost							
At December 31, 2012	770,000	1,494,410	13,185,775	151,800	28,400	4,654,536	20,284,921
Additions	-	-	243,446	34,242	-	492,017	769,705
At December 31, 2013	770,000	1,494,410	13,429,221	186,042	28,400	5,146,553	21,054,626
Additions	**-**	**5,950**	306,265	**16,019**	**-**	**525,577**	**853,811**
Disposals	**-**	**-**	(425,000)	**-**	**-**	**-**	**(425,000)**
At December 31, 2014	**770,000**	**1,500,360**	13,310,486	**202,061**	**28,400**	**5,672,130**	**21,483,437**
Accumulated Depreciation							
At December 31, 2012	-	559,929	2,940,865	126,614	26,371	2,822,051	6,475,830
Depreciation	-	37,379	391,019	16,373	2,029	520,232	967,032
At December 31, 2013	-	597,308	3,331,884	142,987	28,400	3,342,283	7,442,862
Depreciation	**-**	**35,944**	**383,407**	**16,875**	**-**	**536,200**	**972,426**
Disposals	**-**	**-**	**(105,866)**	**-**	**-**	**-**	**(105,866)**
At December 31, 2014	**-**	**633,252**	**3,609,426**	**159,862**	**28,400**	**3,878,483**	**8,309,422**
Net Book Value							
At December 31, 2013	770,000	897,102	10,097,337	43,055	-	1,804,270	13,611,764
At December 31, 2014	**770,000**	**867,108**	**9,701,061**	**42,199**	**-**	**1,793,647**	**13,174,015**

5. Property, Plant and Equipment - continued

In January and February, 2014, Production and other equipment was sold for gross proceeds of $200,000 and $62,500 with book values of $255,944 and $63,190, respectively. Equipment not in service and not subject to depreciation in the amount of $2,118,727 (December 31, 2013 - $1,765,853) is included in production and other equipment. During the year, the Company made deposits towards the purchase of production and other equipment in the amount of $441,336 for deliveries in April and July 2015.

6. Related Party Transactions

Due from related parties includes advances to a company under common management. An amount of $1,027,911 (December 31, 2013 - $1,144,938) is due from California Nanotechnologies Corp. bearing interest at 2% per annum and due on demand. The loan is secured by all the assets of California Nanotechnologies Inc. Additional security for the loan has been provided by one of the founders and a current member of the board of directors of California Nanotechnologies Corp.

For 2014 and 2013, the Company did not pay the Chief Executive Officer a salary. It is management's estimate that the fair value of the annual salary would approximate $160,000 (2013 - $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, 2013 - $40,000), forgiven after five years of service time, related to the acquisition of property with a maturity date in 2017. A previous loan of this type to one previous employee is included in bad debt in the amount of $20,000 (December 31, 2013 - $nil). Another employee has received a loan related to the purchase of a hybrid/electric car under the Company's green incentives program in the amount of $5,000 with $1,000 forgiven annually for service time and a maturity date in 2018. Other employees have received unsecured interest free loans from the Company with amounts due totalling $7,059 (December 31, 2013 - $23,986), with a current portion of $7,059 (December 31, 2013 - $17,577), repayable in bi-weekly instalments with maturity dates in 2014 and 2015. The Company has issued a loan due on demand to the Chief Executive Officer for $397,077 (December 31, 2013 - $400,285) at a 2% interest rate. The loan is secured by the Chief Executive Officer's related residential property.

6. 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. The functional currency of each entity is U.S. Dollars.

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 October 9, 1997. 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.	International

7. Income Taxes

	2014	2013
Statutory tax rate	**25.00%**	25.00%
Income taxes at the statutory rate	**$ 45,482**	$ (16,809)
Rate differential on income earned in foreign jurisdictions	**(159,689)**	(150,722)
Share-based compensation	**11,060**	24,726
Share issue costs	**(369)**	(313)
Change in deferred tax asset not recognized	**(29,179)**	(26,922)
Permanent items	**1,337**	3,845
Change in estimate from prior year	**(155,996)**	(38,144)
Other	**-**	(844)
	$ (287,354)	$ (205,183)

7. Income Taxes - continued

	2014	2013
Income tax expense (recovery):		
Current	**$ 10,139**	$ 9,767
Deferred	**(297,493)**	(214,950)
	$ (287,354)	$ (205,183)

Principal components of the net deferred tax liability are:

Deferred tax asset:	**December 31, 2014**	December 31, 2013
Unused tax losses carry forward	**$ 1,152,106**	$ 1,120,576
Share issue costs	**43,451**	93,776
Property, plant and equipment	**1,230**	1,916
Interest expense	**167,476**	82,945
Inventory / cost of goods sold	**149,728**	165,415
Total deferred tax asset	**1,513,991**	1,464,628
Deferred tax asset not recognized	**(183,892)**	(213,071)
Net deferred tax asset	**$ 1,330,099**	$ 1,251,557
Deferred tax liability:		
Property, plant and equipment	**$ (3,316,020)**	$ (3,534,971)
Total deferred tax liability	**(3,316,020)**	(3,534,971)
Net deferred tax liability	**$ (1,985,921)**	$ (2,283,414)

The Company has non-capital losses of $556,846 in Canada which begin to expire in 2031 and US federal net operating losses of $2,063,661, which begin to expire in 2032.

8. Compensation of Key Management Personnel

Remuneration of key management personnel during the year was as follows:

	December 31, 2014	December 31, 2013
Wages and short-term benefits	**$ 318,725**	$ 316,895
Share-based compensation	**38,631**	52,216
	$ 357,356	$ 369,111

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

9. Long-term Debt

	December 31, 2014	December 31, 2013
Effective October 2011, the Company refinanced a long-term primary credit facility (the “Credit Agreement”) with total credit facilities of up to $2,400,000, including a term loan facility in the amount of $1,200,000 bearing interest at the Prime Rate plus one-quarter of one percent (0.25%), (3.5% effective average interest rate), maturing on December 30, 2015, repayable in monthly principal installments of $33,333, paid in full on October 23, 2014. The Credit Agreement also includes a commercial advance line of up to $1,200,000 for operating purposes, bearing interest at the Prime Rate plus one-quarter of one percent (0.25%), maturing on December 30, 2015. The available credit line at December 31, 2014 was $1,200,000 (December 31, 2013 - $1,200,000). The Credit Agreement is secured by all the accounts receivable, inventory, equipment, and general intangibles of the Company. Under this agreement, the Company has agreed to certain conditions and financial covenant ratios, based on financial results including net worth, current and debt service ratios, and profitability, which have been met. Advances are automatically repayable daily with available funds after clearing operating disbursements.	**$ -**	$ 300,000
Less: current portion	**-**	(300,000)
	$ -	$ -

There were no borrowing costs capitalized during the year ended December 31, 2014 (December 31, 2013 – nil). The credit facilities of the Company are subject to annual review.

10. Share Capital

(a) Authorized
Unlimited number of common shares with no par value.

(b) Issued

Share capital	**Number of Shares**	**Amount**
Total issued and outstanding, December 31, 2012	12,280,632	$ 8,814,933
Share issuance costs	-	(1,250)
Cancelled on repurchase under normal course issuer bid	(67,700)	(48,593)
Total issued and outstanding, December 31, 2013	12,212,932	$ 8,765,090
Share issuance costs	**-**	**(1,474)**
Cancelled on repurchase under normal course issuer bid	**(575,000)**	**(412,635)**
Total issued and outstanding, December 31, 2014	**11,637,932**	**$ 8,350,981**

(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 December 31, 2012	594,679	CAD $0.60 to $2.00	CAD $0.99
Options - granted	555,000	CAD $0.60 to $0.90	CAD $0.62
- forfeited	(52,000)	CAD $0.60 to $0.90	CAD $0.63
Options outstanding at December 31, 2013	1,097,679	CAD $0.60 to $2.00	CAD $0.82
Options - granted	**100,000**	**CAD $0.60 to $0.90**	**CAD $0.77**
- expired	**(24,333)**	**CAD $0.60 to $0.90**	**CAD $0.82**
- forfeited	**(16,668)**	**CAD $0.60 to $0.90**	**CAD $0.70**
Options outstanding at December 31, 2014	**1,156,678**	**CAD $0.60 to $2.00**	**CAD $0.82**
Options exercisable at December 31, 2014	**641,682**	**CAD $0.60 to $2.00**	**CAD $0.86**

The weighted average fair value of options granted during the year ended December 31, 2014 was $0.67 CAD (December 31, 2013 - $1.41 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 share option plan was approved by shareholders on October 17, 2014 and notification of acceptance of filing by the TSX Venture Exchange was given on December 6, 2014.

10. Share Capital - continued

(c) Share options - continued

The options that are outstanding at December 31, 2014 are summarized as follows:

Options Outstanding	**Option price**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**
941,678	**CAD $0.60 to $0.90**	**CAD $0.68**	**2.42 years**
215,000	**CAD $1.38 to $2.00**	**CAD $1.41**	**2.27 years**
1,156,678	**CAD $0.60 to $2.00**	**CAD $0.82**	**2.39 years**

Number of Options Currently Vested	**Option price**	**Weighted Average Exercise Price of Options Currently Exercisable**	**Weighted Average Remaining Contractual Life**
498,350	**CAD $0.60 to $0.90**	**CAD $0.71**	**1.36 years**
143,332	**CAD $1.38 to $2.00**	**CAD $1.41**	**2.27 years**
641,682	**CAD $0.60 to $2.00**	**CAD $0.86**	**1.56 years**

The options that are outstanding at December 31, 2013 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
882,679	CAD $0.60 to $0.90	CAD $0.67	3.07 years
215,000	CAD $1.38 to $2.00	CAD $1.41	3.27 years
1,097,679	CAD $0.60 to $2.00	CAD $0.82	3.11 years

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
367,679	CAD $0.60 to $0.90	CAD $0.76	1.23 years
71,666	CAD $1.38 to $2.00	CAD $1.41	3.27 years
439,345	CAD $0.60 to $2.00	CAD $0.86	1.56 years

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

	December 31, 2014	December 31, 2013
Risk free interest rate (%)	**1.5 – 2.0%**	1.5 – 3.0%
Expected life (years)	**5**	5
Volatility rate (%)	**60 – 70%**	60 – 70%
Dividend yield (%)	**0.00%**	0.00%
Forfeiture rate (%)	**15.3%**	19.7%

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

10. Share Capital - continued

(d) Normal course issuer bid
During the year, pursuant to a normal course issuer bid under applicable securities legislation the Company acquired 575,000 (December 31, 2013 – 67,700) of its issued and outstanding common shares. The Company repurchased the common shares for $430,727 (December 31, 2013 – $47,071) resulting in a $412,635 (December 31, 2013 – $48,593) reduction in share capital and a $18,092 decrease (December 31, 2013 – $1,523 increase) in retained earnings.

11. Segmented Information

Geographic Segments:

The Company has its operations and subsidiaries in the United States, Canada and 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, 2014	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenue	**$ 5,410,532**	**$ -**	**$ 940,917**	**$ (501,131)**	**$ 5,850,318**
Net income/(loss)	**58,599**	**5,301**	**405,392**	**-**	**469,283**

December 31, 2013	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 4,908,343	$ -	$ 838,454	$ (445,762)	$ 5,301,035
Net income	(177,865)	(33,448)	349,262	-	137,949

12. Commitments

The Company has agreements with various customers, in the normal course of operations, to supply components in 2015 and 2016.

13. Financial Instruments

Financial instruments of the Company consist of cash, accounts receivable, loans due from related parties, investment, accounts payable and accrued liabilities, and current portion of long-term debt.

	December 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At fair value through profit or loss				
Cash	**$ 1,686,690**	**$ 1,686,690**	$ 1,925,038	$ 1,925,038
Loans and receivable				
Accounts receivable	**759,062**	**759,062**	1,034,045	1,034,045
Due from related parties	**1,457,047**	**1,457,047**	1,609,208	1,609,208
Available for sale				
Investment	**436,498**	**436,498**	274,802	274,802
Other financial liabilities				
Accounts payable and accrued liabilities	**414,869**	**414,869**	541,242	541,242
Current debt	**-**	**-**	300,000	300,000

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

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 1,686,690	$ 1,686,690	$ -	$ -
Investment	436,498	436,498	-	-

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

The carrying values of accounts receivable, accounts payable and accrued liabilities and current portion of long-term debt approximate their fair value due to their short-term nature.

The fair value of the Company's due from related parties approximate their fair values due to the interest rates applied to these instruments, which approximate market interest rates.

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.

13. Financial Instruments - continued

Interest rate risk
The Company's revolving line of credit and promissory note borrowings, if any, 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, 2014, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $nil (December 31, 2013 - $3,000). The related disclosures regarding these debt instruments are included in Note 9 of these consolidated 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 U.S. dollar. At December 31, 2014, the Company had the following balances denominated in Canadian dollars. The balances have been translated into U.S. dollars in accordance with the Company's foreign exchange accounting policy.

	U.S. Dollar	U.S. Dollar
	December 31, 2014	December 31, 2013
Cash	**$ 15,304**	$ 5,584
Accounts payable	**76,942**	79,647

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:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	**$ 6,164**
U.S. Dollar Exchange Rate – 10% decrease	**(6,164)**

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 consolidated statement of financial position at fair value as of the statement of financial position date with changes from the prior year's fair value reported in OCI. A change in the price of the investment would have an impact of $4,365 (December 2013 - $2,748).

13. Financial Instruments - continued

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, 2014:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 414,869	$ -	$ -	$ -	$ 414,869
Total	$ 414,869	$ -	$ -	$ -	$ 414,869

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, 2014, the Company was engaged in contracts for products with four (December 31, 2013 – four) customers in excess of 10% of revenue, which accounted for $3,943,769 (December 31, 2013 - $3,737,797) or 67% (December 31, 2013 – 71%) of the Company's total revenue. During the same period, export sales to one (December 31, 2013 – one) customer in an international country (outside of the United States) amounted to $643,698 (December 31, 2013 - $569,555) or 11% (December 31, 2013 – 11%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of account receivable, cash and loans due from related parties. The table below provides an analysis of the age of our past due accounts receivables which are not considered impaired.

Total	**Current**	**≤ 30 days**	**> 30 days ≤ 60 days**	**60 days ≤ 90 days**	**> 90 days**
$ 759,062	$ 481,371	$ 201,519	$ 72,672	$ -	$ 3,500

14. Contributed Surplus

The following is a continuity schedule of contributed surplus:

	December 31, 2014	December 31, 2013
Balance, beginning of year	**$ 1,638,572**	$ 1,539,667
Share-based compensation	**48,875**	98,905
Balance, end of year	**$ 1,687,447**	$ 1,638,572

15. Income per Common Share

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

215,000 (December 31, 2013 – 414,333) options were excluded in calculating the weighted-average number of diluted common shares outstanding for the year ended December 31, 2014, because their exercise price was greater than the annual average common share market price for the year. Outstanding options were the only potential dilutive instruments.

16. 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 capital structure of the Company consists of cash, and equity comprised of issued capital, contributed surplus and retained earnings. 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 monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.