

**Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the interim six month period ended
June 30, 2004
(Unaudited- Prepared by Management)
(in United States Dollars)**

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended June 30, 2004.

NOTICE TO THE READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Omni-Lite Industries Canada Inc. and the accompanying interim consolidated balance sheet as at June 30, 2004 and the interim consolidated statements of earnings, retained earnings and cash flows for the three month period ended are the responsibility of the Company's management.

These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, BDO Dunwoody LLP.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

signed "David F. Grant"

David F. Grant
Chief Executive Officer
Cerritos, California, USA
August 27, 2004

signed "Timothy C. Wang"

Timothy C. Wang
Chief Financial Officer
Cerritos, California, USA
August 27, 2004

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

Omni-Lite Industries Canada Inc.
Consolidated Interim Balance Sheets
(Unaudited – Prepared by Management)
(in United States Dollars)

As at	June 30, 2004 (Unaudited)	December 31, 2003 (audited)
Assets		
Current		
Cash	\$ 57,254	\$ 196,764
Accounts receivable	654,605	296,570
Inventory	1,385,051	1,144,470
Prepaid expenses	16,526	14,864
	<u>2,113,436</u>	<u>1,652,668</u>
Restricted cash	57,055	60,026
Investments	106,866	106,866
Capital assets	6,104,270	6,200,395
Deferred development and patent expenditures	4,255	4,255
	<u>\$ 8,385,882</u>	<u>\$ 8,024,210</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 284,584	\$ 349,660
Income taxes payable	26,568	77,169
Due to related party (Note 2)	205,107	193,557
Current portion of long-term debt	486,000	509,979
Deferred revenue	59,329	-
	<u>1,061,588</u>	<u>1,130,365</u>
Long-term debt	2,251,332	2,173,950
Future income taxes	302,176	320,000
	<u>3,616,096</u>	<u>3,624,315</u>
Share capital (Note 3)	2,114,667	2,172,617
Stock options	67,500	44,000
Share purchase loans receivable (Note 3(d))	(49,030)	(49,043)
Retained earnings	2,637,650	2,232,321
	<u>4,770,787</u>	<u>4,399,895</u>
	<u>\$ 8,385,882</u>	<u>\$ 8,024,210</u>

On behalf of the Board:

 Don Kelly Director

 Norman Goodrich Director

Omni-Lite Industries Canada Inc.
Consolidated Interim Statements of Income and Retained Earnings
(Unaudited – Prepared by Management)
(in United States Dollars)

	For the six month period ended June 30, 2004	For the six month period ended June 30, 2003	For the three month period ended June 30, 2004	For the three month period ended June 30, 2003
Revenue	\$ 1,536,943	\$ 1,318,033	\$855,134	\$ 699,685
Cost of goods sold	454,696	346,793	252,641	180,583
Gross margin	1,082,247	971,240	602,493	519,102
Overhead expenses				
Amortization	115,113	85,652	10,512	41,935
General and administrative	508,596	488,499	352,255	265,953
Interest on long-term debt	44,846	53,849	22,176	28,330
Research and product design	10,948	14,904	2,960	7,154
	679,464	642,904	387,913	343,372
Income before the undernoted	402,783	328,336	214,589	175,731
Other income (loss)				
Foreign exchange	(37,434)	(25,883)	(69,939)	(27,357)
Rental	53,167	48,161	26,622	24,827
	15,733	22,278	(43,317)	(2,530)
Income before income taxes	402,784	350,614	171,272	173,201
Income taxes				
Current	(68,852)	28,500	(50,314)	14,893
Future	-	19,000	-	19,000
	(68,852)	47,250	(50,314)	33,893
Net income for the period	487,329	303,364	221,547	139,307
Retained earnings, beginning of period	2,232,321	1,721,434	2,450,086	1,885,491
Purchase price of common shares repurchased in excess of carrying value (Note 7(b))	(82,039)	-	(34,022)	-
Retained earnings, end of period	\$ 2,637,650	\$ 2,024,798	\$ 2,637,650	\$ 2,024,798
Earnings (loss) per share – basic and diluted	\$0.06	\$0.03	\$0.03	\$0.02
Weighted average shares outstanding - basic	8,689,981	9,234,269	8,689,981	9,234,269
diluted	8,880,256	9,509,268	8,880,256	9,290,415

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

Omni-Lite Industries Canada Inc.
Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(in United States Dollars)

	For the six month period ended June 30, 2004	For the six month period ended June 30, 2003	For the three month period ended June 30, 2004	For the three month period ended June 30, 2003
Cash flows from operating activities				
Net income for the period	\$ 487,329	\$ 303,364	\$ 211,586	\$ 139,307
Adjustments for:				
Amortization	115,113	85,652	10,512	41,935
Stock based compensation	23,500	-	-	-
Foreign exchange, unrealized loss	-	46,557	2,176	46,557
Future income taxes	(17,824)	19,000	2,176	19,000
Cash flow from operations	608,118	454,573	234,235	261,799
Net change in assets and liabilities				
Accounts receivable	(358,035)	(148,330)	(136,615)	46,031
Inventory	(240,581)	(173,999)	(61,137)	(138,101)
Prepaid expenses	(1,662)	(579)	10,465	69
Accounts payable and accrued liabilities	(65,076)	7,428	(56,260)	(208,058)
Income taxes payable	(50,601)	(3,954)	-	(3,954)
Deferred revenue	59,329	-	7,000	-
	(48,508)	150,139	(29,312)	(42,214)
Cash flows from financing activities				
Due to related parties	11,550	(175,729)	46,591	(102,826)
Proceeds (repayment) from (of) long-term debt	53,403	564,730	42,628	239,730
	64,953	389,001	89,219	136,904
Cash flows from investing activities				
Deposits on equipment	-	-	-	484,000
Repurchase of common shares	(139,990)	-	(70,653)	-
Purchase of capital assets	(15,965)	(425,602)	(12,216)	(399,420)
	(155,955)	(425,602)	(82,869)	84,580
Increase (decrease) in cash	(139,510)	113,538	(22,962)	179,270
Cash, beginning of period	196,764	75,377	80,216	9,645
Cash, end of period	57,254	\$188,915	57,254	\$188,915

Basis of and Responsibility for Presentation

These unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which are more fully described in the annual audited financial statements for the year ended December 31, 2003 included in the Company's 2003 Annual Report. These statements do not include all of the disclosures required by Canadian GAAP for annual financial statements.

These financial statements have been prepared using the same accounting policies and methods of application as the audited financial statements of the Company for the year ended December 31, 2003.

In management's opinion, all adjustments necessary for fair presentation have been included in these financial statements.

1. Due to Related Party

Due to related parties includes an amount of \$205,107 due to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment.

2. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	For the 6 months ending June 30, 2004		For the year ended December 31, 2003 (audited)	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, beginning of period	8,784,269	\$ 2,172,617	9,234,269	\$ 2,283,916
Cancelled from repurchase under normal course issuer bid	(194,600)	(48,131)	(267,500)	(66,161)
	8,589,669	2,124,486	8,966,769	2,217,755
To be cancelled from repurchase under normal course issuer bid	(39,700)	(9,819)	(182,500)	(45,138)
Total issued and outstanding, end of period	8,549,969	\$ 2,114,667	8,784,269	\$ 2,172,617

3. Share Capital – continued

(c) Stock options

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

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding at Dec. 31, 2003	836,333	CDN \$0.60 to \$2.01	CDN \$0.95
Options - granted	30,000	CDN \$1.04	CDN \$1.04
Options - cancelled	33,334	CDN \$1.20	CDN \$1.20
Options outstanding at June 30, 2004	822,999	CDN \$0.60 to \$1.91	CDN \$0.94
Options exercisable at June 30, 2004	238,333	CDN \$0.60 to \$1.91	CDN \$1.16

The Company established a stock option plan for employees, directors and consultants on September 15, 1997. Under this plan, the Company is authorized to issue options up to 10% of the outstanding number of issued and outstanding shares. Vesting of options is determined on a grant-by-grant basis. Options granted can have expiry dates up to 5 years from the date of grant.

The options that are exercisable at June 30, 2004 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Vested	Weighted Average Exercise Price of Options Currently Exercisable
568,000	CDN \$0.01 to \$0.99	CDN \$0.74	3.68 years	144,996	CDN \$0.85
254,999	CDN \$1.00 to \$1.99	CDN \$1.39	1.82 years	184,999	CDN \$1.40
822,999				329,995	

The Company does not record compensation expense when stock options are issued to employees in 2002.

Had compensation expense related to employees been determined based on the fair value at the grant dates, the net income and earnings per share for the six month period ended June 30, 2004 would have been reduced to the pro forma amounts indicated below:

Net income	- as reported	\$	487,368
	- pro forma	\$	486,328
Earnings per share - basic and diluted			
	- as reported	\$	0.06
	- pro forma	\$	0.06

The fair value of share options granted in the current period was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), Expected volatility (0.35), risk-free interest rate (5.0%), and weighted average life of 5 years.

4. Share Capital – continued

(d) Share purchase loans receivable

During 2002, the Company issued promissory notes to options holders totaling \$49,030 to exercise stock options to acquire an aggregate of 76,667 common shares at exercise prices ranging from CDN\$0.98 to CDN\$1.40 per common share. The promissory notes are non-interest bearing and have a repayment date of 1 year from the date of the note. The repayment date was subsequently extended by one year.

5. Segmented Information

Operating Segments:

The Company operates as one operational segment selling specialized products to the sports and recreation, automobile, aerospace, military and commercial industries.

Geographic Segments:

The Company has its operations and subsidiaries in the United States, Canada and in Barbados. The Company allocates its revenues between countries based on location that has title to the contract. The Company has utilized and reported revenues based on the Company locations for each of these segments as follows:

June 30, 2004	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,419,804	\$ -	\$ 286,924	\$ (169,785)	\$ 1,536,943
Capital assets	\$ 6,018,118	\$ -	\$ 86,152	\$ -	\$ 6,104,270

6. Long Term Debt

Revolving line of credit, maximum \$500,000 (2003 - \$500,000) secured by a general security agreement over all the assets of the Company, bearing interest at Union Bank of California's reference rate (4.0%) or LIBOR plus 2.5% (LIBOR at 6/30/04 – 1.4%) Maturity date: September 26, 2004; Renewed yearly

Term loans, up to \$2.5 million, secured by all the assets of the Company, an assignment of insurance and inter-corporate guarantees, bearing interest at Union Bank of California's reference rate (4.0% in 2003). Effective interest rate to date was 4.0% at June 30, 2004. (2003 – 4.4%) Maturity date: October 31, 2007.
