

**Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the interim six month period ended
June 30, 2005
(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, 2005.

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, 2005 and the interim consolidated statements of earnings, retained earnings and cash flows for the six 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, Meyers Norris Penny 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 22, 2005

signed "Timothy C. Wang"

Timothy C. Wang
Chief Financial Officer
Cerritos, California, USA
August 22, 2005

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

As at	June 30, 2005	December 31, 2004 (audited)
Assets		
Current		
Cash	\$ 319,143	\$ 66,347
Accounts receivable	842,922	768,215
Inventory	1,072,422	962,672
Prepaid expenses	20,864	20,864
	<u>2,255,351</u>	<u>1,818,098</u>
Investments	106,866	106,866
Property and equipment (Note 4)	6,517,966	6,504,117
Deferred development and patent expenditures	2,255	2,255
	<u>\$ 8,882,438</u>	<u>\$ 8,431,336</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 312,239	\$ 376,482
Income taxes payable	13,275	37,775
Dividends payable	-	140,196
Deferred revenue	-	12,500
Due to related party (Note 2)	-	144,986
Current portion of long-term debt (Note 5)	39,846	628,115
	<u>365,360</u>	<u>1,340,054</u>
Long-term debt (Note 5)	1,163,910	2,026,403
Future income taxes	459,000	394,000
	<u>1,988,270</u>	<u>3,760,457</u>
Equity instruments (Note 3)	3,522,502	2,015,999
Contributed surplus	118,818	84,000
Retained earnings	3,252,848	2,570,880
	<u>6,894,168</u>	<u>4,670,879</u>
	<u>\$ 8,882,438</u>	<u>\$ 8,431,336</u>

On behalf of the Board:

Signed "Donald J. Kelly" Director
Donald J. Kelly

Signed "David F. Grant" Director
David F. Grant

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, 2005	For the six month period ended June 30, 2004	For the three month period ended June 30, 2005	For the three month period ended June 30, 2004
Revenue	\$1,934,388	\$1,536,943	\$1,010,728	\$855,134
Cost of goods sold	569,449	454,696	303,884	252,641
Gross margin	1,364,939	1,082,247	706,844	602,493
Overhead expenses				
Amortization	121,267	115,113	50,817	10,512
General and administrative	405,988	492,863	209,650	343,243
Interest on long-term debt	34,689	44,846	9,794	22,176
Research and product design	40,352	10,948	16,052	55,329
	602,296	663,770	286,313	431,260
Income before income taxes	762,643	418,477	420,531	171,233
Income taxes	(80,675)	68,852	(47,719)	50,314
Net income for the period	681,968	487,329	372,812	221,547
Retained earnings, beginning of period	2,570,880	2,232,321	2,880,036	2,450,086
Purchase price of common shares repurchased in excess of carrying value	-	(82,000)	-	(33,983)
Retained earnings, end of period	\$3,252,848	\$2,637,650	\$3,252,848	\$2,637,650
Earnings (loss) per share - basic	\$0.07	\$0.06	\$0.04	\$0.03
- diluted	\$0.07	\$0.05	\$0.04	\$0.02
Weighted average shares outstanding - basic	9,614,276	8,689,981	9,614,276	8,689,981
- diluted	9,891,739	8,880,256	9,891,739	8,880,256

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, 2005	For the six month period ended June 30, 2004	For the three month period ended June 30, 2005	For the three month period ended June 30, 2004
Cash flows from operating activities				
Net income for the period	\$681,968	\$487,329	\$372,812	\$221,547
Adjustments for:				
Amortization	121,267	115,113	50,817	10,512
Future income taxes	65,000	(17,824)	33,000	2,176
Stock based compensation	34,818	23,500	17,500	-
Cash flow from operations	903,053	608,118	474,129	234,235
Net change in non-cash working capital items				
Accounts receivable	(74,707)	(358,035)	(105,734)	(163,615)
Inventory	(109,750)	(240,581)	(63,014)	(61,137)
Prepaid expenses	-	(1,662)	-	10,465
Accounts payable and accrued liabilities	(64,243)	(65,076)	(63,362)	(56,260)
Income taxes payable	(24,500)	(50,601)	-	-
Deferred revenue	(12,500)	59,329	-	7,000
	617,353	(48,508)	242,019	(29,312)
Cash flows from financing activities				
Due to related parties	(144,986)	11,549	-	46,590
Proceeds (repayment) from (of) long-term debt	(1,450,762)	53,403	(8,459)	42,628
Issue of common shares	1,506,503	-	-	-
Dividends on common shares	(140,196)	-	-	-
Repurchase of common shares	-	(139,937)	-	(70,600)
	(229,441)	(74,985)	(8,459)	18,618
Cash flows from investing activities				
Purchase of property and equipment	(135,116)	(16,017)	(22,616)	(12,268)
Increase (decrease) in cash	252,796	(139,510)	210,944	(22,962)
Cash, beginning of period	66,347	196,764	108,199	80,216
Cash, end of period	\$319,143	\$57,254	\$319,143	\$57,254

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
(Unaudited – Prepared by Management)
For the Interim Six Month Period Ending
June 30, 2005

1. 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, 2004. 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, 2004.

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

2. Due to Related Party

The remaining balance of \$144,986 was repaid in full on February 3, 2005.

3. Equity Instruments

(a) Authorized
Unlimited number of common shares

(b) Issued

	For the six months ending June 30, 2005		For the year ended December 31, 2004 (audited)	
	Number	Amount	Number	Amount
Common Shares				
Total issued and outstanding, beginning of year	8,289,303	\$2,015,999	8,784,269	\$2,172,617
Issued upon conversion of predecessor shares	-	-	35	-
Issuance of shares	1,650,000	1,344,744	-	-
Cancelled on repurchase under normal course issuer bid	-	-	(347,300)	(85,885)
	9,939,303	3,360,743	8,437,004	2,086,732
To be cancelled from repurchase under normal course issuer bid	-	-	(87,700)	(21,690)
	9,939,303	3,360,743	8,349,304	2,065,042
Share purchase loan	60,001	49,043	(60,001)	(49,043)
Total issued and outstanding, end of period	9,999,304	\$3,409,786	8,289,303	\$2,015,999

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
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For the Interim Six Month Period Ending
June 30, 2005

3. Equity Instruments – continued

	For the six months ending June 30, 2005		For the year ended December 31, 2004 (audited)	
	Number	Amount	Number	Amount
<u>Warrants</u>				
Total issued and outstanding, beginning of year	-	\$ -	-	\$ -
issuance of warrants	850,000	281,807	-	-
Total issued and outstanding, end of period	850,000	281,807	-	-
<u>Compensation units</u>				
Total issued and outstanding, beginning of year	-	-	-	-
issuance	112,500	73,000	-	-
Total issued and outstanding, end of period	112,500	73,000	-	-
Less: financing costs		(242,091)	-	-
Total equity instruments		\$ 3,522,502		\$2,015,999

(c) Stock options

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

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding, Dec. 31, 2004	836,333	CDN \$0.60 to \$1.91	CDN \$0.96
Options - granted	90,000	CDN \$0.94	CDN \$0.94
- cancelled	(95,000)	CDN \$0.85 to \$1.20	CDN \$1.14
Options outstanding at June 30, 2005	831,333	CDN \$0.60 to \$1.91	CDN \$0.94
Options exercisable at June 30, 2005	410,998	CDN \$0.60 to \$1.91	CDN \$1.02
Options exercisable at Dec. 31, 2004	394,329	CDN \$0.98 to \$1.91	CDN \$1.26

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.

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
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June 30, 2005

3. Equity Instruments – continued

The options that are exercisable at June 30, 2005 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
458,000	CDN \$0.60 to \$0.85	CDN \$0.70	2.89 years
303,333	CDN \$0.94 to \$1.28	CDN \$1.08	3.14 years
70,000	CDN \$1.72 to \$1.91	CDN \$1.86	1.83 years
831,333	CDN \$0.60 to \$1.91	CDN \$0.94	2.89 years

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
230,998	CDN \$0.60 to \$0.85	CDN \$0.73	2.83 years
110,000	CDN \$0.98 to \$1.28	CDN \$1.12	1.20 years
70,000	CDN \$1.72 to \$1.91	CDN \$1.86	1.83 years
410,998	CDN \$0.60 to \$1.91	CDN \$1.02	2.22 years

(d) Common Share Purchase Warrants

In the first quarter of 2005, the Company completed two private placements by issuing a total of 1,650,000 Units at \$1.20 CDN per Unit. Each consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable at \$1.60 CDN and expires June 9, 2006.

The fair value of warrants issued in the current period was estimated using Black-Scholes option-pricing model with the following assumptions: Dividend yield (2%), Expected volatility (0.58), risk-free interest rate (2.9%), and weighted average life of 1.5 years.

Expiry date	Exercise Price (CDN)	Issued	Exercised	Expired/ Cancelled	June 30, 2005
June 9, 2006	\$1.60	825,000	-	-	825,000
Warrants outstanding		825,000	-	-	825,000

Equity Instruments Outstanding	(Audited)		
	June 30, 2005	December 31, 2004	June 30, 2004
Common shares, issued and outstanding	9,999,304	8,289,303	8,549,969
Stock options	831,333	836,333	822,999
Warrants	825,000		
Compensation Units - shares	112,500		
Compensation Units - warrants	56,250		
Fully diluted equity instruments	11,824,387	9,125,636	9,372,968

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
(Unaudited – Prepared by Management)
For the Interim Six Month Period Ending
June 30, 2005

4. 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, 2005	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,649,146	\$ -	\$ 411,642	\$ (126,400)	\$ 1,934,388
Capital assets	\$ 6,514,593	\$ 3,373	\$ -	\$ -	\$ 6,517,966

5. Long Term Debt

Revolving line of credit, maximum \$500,000 (2004 - \$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 (6.5%) (2004 – 4.25%) or LIBOR plus 2.5% (2004 – 2.5%) Maturity date: September 26, 2005; Renewed yearly

Term loan, secured by related property, bearing interest at LIBOR plus 2%. Effective rate is 5.10%. (2004 – 4.0%) Maturity date: September 18, 2028, repayable in monthly blended installments of \$9,406. The carrying value of the collateralized property is \$1,998,081 (2004 - \$2,018,264).

6. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.
