

**Omni-Lite Industries Canada Inc.  
Consolidated Financial Statements  
For the interim six month period ended  
June 30, 2008  
(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, 2008.

## 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, 2008 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, Meyer 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.

***"David F. Grant" signed***

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David F. Grant  
Chief Executive Officer  
Cerritos, California, USA  
August 29, 2008

***"Timothy Wang" signed***

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Timothy Wang  
Chief Financial Officer  
Cerritos, California, USA  
August 29, 2008

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

As at	June 30, 2008 (unaudited)	December 31, 2007 (audited)
<b>Assets</b>		
<b>Current</b>		
Cash	\$ -	\$ -
Accounts receivable	1,473,968	1,289,289
Inventory	2,185,645	1,854,198
Income taxes receivable	-	-
Prepaid expenses	-	-
	<u>3,659,613</u>	<u>3,143,487</u>
<b>Deferred acquisition (Note 4)</b>	<b>931,198</b>	<b>1,486,927</b>
<b>Investments (Note 5)</b>	<b>194,012</b>	<b>207,788</b>
<b>Property, plant and equipment</b>	<b>11,314,306</b>	<b>10,164,450</b>
<b>Intangible assets</b>	<b>435</b>	<b>705</b>
	<u>86,857</u>	<u>86,857</u>
	<b>\$16,186,421</b>	<b>\$15,090,214</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness	\$ 62,844	\$ 5,651
Accounts payable and accrued liabilities	319,255	490,749
Income tax payable	302,114	407,165
Due to related parties (Note 6)	770,847	999,095
Current portion of long-term debt (Note 7)	1,915,796	1,735,800
	<u>3,370,856</u>	<u>3,638,460</u>
<b>Long-term debt (Note 7)</b>	<b>12,821</b>	<b>15,108</b>
<b>Future income taxes</b>	<b>1,576,143</b>	<b>1,387,200</b>
	<u>4,959,820</u>	<u>5,040,768</u>
<b>Share capital (Note 8 (b))</b>	<b>5,687,039</b>	<b>5,266,780</b>
<b>Contributed surplus</b>	<b>428,147</b>	<b>305,667</b>
<b>Retained earnings</b>	<b>5,041,206</b>	<b>4,479,871</b>
<b>Accumulated other comprehensive income</b>	<b>(16,648)</b>	<b>(2,872)</b>
	<u>11,139,744</u>	<u>10,049,446</u>
	<b>\$ 16,186,421</b>	<b>\$ 15,090,214</b>

On behalf of the Board:

"David Grant" signed Director  
David Grant

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

**Omni-Lite Industries Canada Inc.**  
**Consolidated Interim Statements of Income**  
**In United States Dollars**  
**(Unaudited – prepared by management)**

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the three month period ended June 30, 2008	For the three month period ended June 30, 2007
<b>Revenue (Note 9)</b>	<b>\$4,019,396</b>	\$3,037,035	<b>\$2,059,929</b>	\$1,403,839
<b>Cost of goods sold</b>	<u>1,118,981</u>	<u>892,220</u>	<u>591,270</u>	<u>469,101</u>
<b>Gross margin</b>	<u>2,900,415</u>	<u>2,144,815</u>	<u>1,468,659</u>	<u>934,738</u>
<b>Overhead expenses</b>				
Amortization	327,336	224,942	171,027	100,728
General and administrative	949,969	857,902	527,187	512,247
Interest on long-term debt (Note 11)	64,813	94,962	28,429	63,290
Research and product design	47,716	43,756	20,584	18,750
	<u>1,389,834</u>	<u>1,221,562</u>	<u>747,227</u>	<u>695,015</u>
<b>Income from operations</b>	<b>1,510,581</b>	923,253	<b>721,432</b>	239,723
<b>Gain on dilution</b>	-	140,445	-	-
<b>Income before income taxes</b>	<u>1,510,581</u>	<u>1,063,698</u>	<u>721,432</u>	<u>239,723</u>
Provision for income taxes				
Current	297,894	67,674	166,193	47,674
Future	275,850	135,750	137,900	67,875
	<u>573,744</u>	<u>203,424</u>	<u>304,093</u>	<u>115,549</u>
<b>Net income</b>	<b>936,837</b>	860,274	<b>417,339</b>	124,174
<b>Earnings per share - basic</b>	<b>\$0.09</b>	\$0.08	<b>\$0.04</b>	\$0.01
- diluted	<b>\$0.09</b>	\$0.08	<b>\$0.04</b>	\$0.01
<b>Weighted average shares outstanding - basic</b>	<b>10,905,420</b>	11,088,611	<b>10,905,420</b>	11,088,611
- diluted	<b>10,992,006</b>	11,255,217	<b>10,992,006</b>	11,255,217

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

(Unaudited – prepared by management)

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the three month period ended June 30, 2008	For the three month period ended June 30, 2007
Retained earnings, beginning of period	\$4,479,871	\$3,365,430	\$4,813,328	\$4,017,182
Net Income	936,837	860,274	417,339	124,174
Common shares repurchased in excess of carrying value (Note 8 (e))	(375,502)	(173,886)	(189,461)	(89,538)
Retained earnings, end of period	<u>\$5,041,206</u>	<u>\$4,051,818</u>	<u>\$5,041,206</u>	<u>\$4,051,818</u>

**Consolidated Statements of Comprehensive Income**  
**United States Dollars**

(Unaudited – prepared by management)

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the three month period ended June 30, 2008	For the three month period ended June 30, 2007
Net income	\$936,837	\$860,274	\$417,339	\$124,174
Other Comprehensive Income, Net of Tax	<u>(13,776)</u>	<u>-</u>	<u>(3,990)</u>	<u>-</u>
<b>Comprehensive income</b>	<b>\$923,061</b>	<b>\$860,274</b>	<b>\$413,349</b>	<b>\$124,174</b>

**Consolidated Statements of Accumulated Other Comprehensive Income**  
**United States Dollars**

(Unaudited – prepared by management)

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the three month period ended June 30, 2008	For the three month period ended June 30, 2007
Accumulated Other Comprehensive Income, Beginning of period	(2,872)	-	(12,658)	-
Other Comprehensive Income, Net of Tax	<u>(13,776)</u>	<u>-</u>	<u>(3,990)</u>	<u>-</u>
Accumulated Other Comprehensive Income, End of period	<b>(16,648)</b>	<b>-</b>	<b>(16,648)</b>	<b>-</b>

**Omni-Lite Industries Canada Inc.**  
**Consolidated Interim Statements of Cash Flows**  
**In United States Dollars**  
**(Unaudited – prepared by management)**

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the three month period ended June 30, 2008	For the three month period ended June 30, 2007
<b>Cash flows from operating activities</b>				
Net income for the year	\$ 936,837	\$ 860,274	\$ 417,339	\$ 124,174
Adjustments for:				
Amortization	327,336	224,942	171,027	100,728
Future income taxes	275,800	135,750	137,900	67,875
Gain on dilution	-	(140,445)	-	0
Non-controlling interest	-	(181,983)	-	0
Stock based compensation	139,800	48,470	69,900	31,500
	<u>1,679,773</u>	<u>947,008</u>	<u>796,166</u>	<u>324,277</u>
Net change in non-cash working capital items				
Accounts receivable	(184,679)	(139,674)	(94,764)	168,576
Inventory	(331,447)	(523,712)	(112,915)	(144,024)
Accounts payable and accrued liabilities	(171,494)	(262,073)	(9,391)	(49,006)
Prepaid expenses	-	(23,069)	-	-
Income taxes receivable	-	59,484	-	29,669
Income taxes payable	(105,051)	332	(171,186)	332
	<u>887,102</u>	<u>58,296</u>	<u>407,910</u>	<u>329,924</u>
<b>Cash flows from financing activities</b>				
Advances from related parties	264,391	1,707,855	264,391	132,362
Repayment to related parties	(492,639)	(1,015,030)	(285,202)	(305,184)
Advances of long-term debt	1,431,807	157,134	829,807	
Repayment of long-term debt	(1,254,098)	-	(872,723)	215,083
Issue of common shares	546,435	78,840	501,335	75,816
Share issuance costs	(3,696)	-	(3,195)	
Repurchase of common shares	(515,302)	(173,886)	(259,361)	(89,538)
Dividend on common shares	-	(190,555)	-	-
	<u>(23,102)</u>	<u>564,358</u>	<u>175,052</u>	<u>28,539</u>
<b>Cash flows from investing activity</b>				
Deferred acquisition	(535,938)	(137,235)	(306,250)	(56,986)
Reclass of investment in California Nanotechnologies Corp.	-	(153,992)	-	-
Purchase of property and equipment	(385,255)	(228,202)	(182,965)	(260,414)
	<u>(921,193)</u>	<u>(519,429)</u>	<u>(489,215)</u>	<u>(317,400)</u>
<b>Increase (decrease) in cash</b>	<u>(57,193)</u>	<u>103,225</u>	<u>94,248</u>	<u>40,963</u>
Cash, beginning of period	(5,651)	3,690	(157,092)	65,952
<b>Cash, end of period</b>	<b>\$ (62,844)</b>	<b>\$ 106,915</b>	<b>\$ (62,844)</b>	<b>\$106,915</b>

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited – prepared by management)**  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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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. Its head office, research and development, and production operations are located in Cerritos, California, U.S.A. An international sales office is located in Barbados. A corporate office is located in Calgary. The Company's activities consist of developing, producing and marketing specialized metal matrix composite, aluminum and carbon steel products. These products include components for the sports and recreation, automobile, aerospace, military and commercial industries. Since the most significant portion of the Company's operations are located in the United States and its transaction currency is usually denominated in United States dollars, these consolidated financial statements are stated in United States dollars.

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**2. Significant Accounting Policies**

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These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful 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.

(b) 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 and includes raw materials, labour and allocated overheads.

(c) 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.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited – prepared by management)**  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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**2. Significant Accounting Policies - continued**

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(d) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. 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

The Company reviews the criteria for capitalization and the useful life of its capital assets on an on-going basis considering changes in circumstances.

(e) Investments

On January 1<sup>st</sup>, 2007, the Company adopted the new accounting standard related to financial instruments. Under the new accounting policy, 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 held-for-trading are reported at fair value with unrealized gains or losses included in earnings. Prior to January 1, 2007 investments were valued at the lower of the original cost and quoted market value.

(f) 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.

(g) Long-lived assets

Long-lived assets, including intangible assets and property, plant and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows resulting from the use of these assets. When any such impairment exists, the related assets will be written down to fair value.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited – prepared by management)**  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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**2. Significant Accounting Policies - continued**

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(h) Future income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(i) Foreign exchange

These consolidated financial statements have been presented in United States (U.S.) dollars, the principal currency of the Company's operations. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate on the date of the transaction.

Foreign currency balances of foreign subsidiaries are translated into their U.S. dollar equivalents using the temporal method for integrated operations on the following basis:

- monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet dates;
- non-monetary assets, liabilities and related amortization expense are translated at historical rates;
- sales, other revenue, royalties and all other expenses are translated at the rate of exchange on the date of the transaction.
- amortization of assets translated at historical exchange rates are translated at the same rates as the assets to which they relate.

The resulting foreign exchange gains and losses from the above transactions are included in income.

(j) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited – prepared by management)**  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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**2. Significant Accounting Policies - continued**

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(j) Measurement uncertainty (continued)

Accounts receivable are stated after evaluation as to their collectibility 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 future 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 stock based compensations 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 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.

(k) Stock-based compensation plan

The Company accounts for all stock options granted to employees, officers, directors and consultants using the fair value method of accounting for stock based compensation expense. Under this method, the associated compensation expense is charged to earnings with a corresponding increase to contributed surplus over the vesting period of the options granted.

(l) Per share amounts

The Corporation 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.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
(Unaudited – prepared by management)  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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**2. Significant Accounting Policies - continued**

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(m) 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 CICA handbook Section 3450, "Research and Development", 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.

(n) Recent accounting pronouncements

As of January 1, 2008, Omni-Lite will be required to adopt the CICA Handbook Section 3031, "Inventories". The new standard requires inventories to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's current treatment. The adoption of this standard should not have a material impact on Omni-Lite's Consolidated Statements.

As of January 1, 2008, Omni-Lite will be required to adopt two new CICA standards, Section 3862, "Financial Instruments – Disclosures" and Section, "3863, Financial Instruments – Presentation", which will replace Section 3861; "Financial Instruments – Disclosure and Presentation". The new disclosure standard will increase disclosure regarding the risks associated with financial instruments and how those risks are managed.

As of January 1, 2008, Omni-Lite will be required to adopt CICA Handbook Section 1535, "Capital Disclosures", which will require Omni-Lite to disclose its objectives, policies and processes for managing capital.

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian generally accounting standards for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in the calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 "Inventories" and IAS 38 "Intangible Assets", thus mitigating the impact of the adoption of IFS on its Consolidated Financial Statements.

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited – prepared by management)**  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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### **3. Changes in Accounting Policies**

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On January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments Recognition and Measurement", and Section 3865 "Hedges". The Company has evaluated the impact of these new standards and determined that the adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

(a) *Comprehensive Income*

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). The Company's consolidated financial statements include a Statement of Comprehensive Income. Accordingly, cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI") and included in a Statement of Accumulated Other Comprehensive Income.

(b) *Financial Instruments*

The financial instruments standard establishes the recognition and measurements criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions.

Measurements in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in 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.

The Company has made the following classifications:

Cash and cash equivalents are designated as "held-for-trading" 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.

Impact upon adoption of Sections 1530, 3855 and 3865

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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Unaudited – prepared by management)**  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

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**3. Changes in Accounting Policies - continued**

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(c) *Section 1506 “Accounting Changes”*

Beginning January 1, 2007 the Company adopted Section 1506 “Accounting Changes” the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 “Financial Instruments Disclosures” and Section 3863 “Financial Instruments Presentation” which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

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**4. Deferred Acquisition**

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In the first half of 2008, \$542,938 (2007 - \$1,148,410) was paid for the purchase of production equipment. The Company received equipment to the amount of \$1,098,667 (2007 - \$1,369,677).

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**5. Investments**

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As at June 30, 2008, investments were made up of investments in the common shares of two public companies. One of the Company's investments is accounted for at cost as the shares of the public company are held in escrow. As a result of no active market the investment is recorded at a cost of \$176,012 and has a fair value of \$697,108. The other investment is recorded at fair value of \$18,000.

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**6. Related Party Transactions**

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Due to related parties includes an amount of \$324,747 (2007 - \$285,903) due to a shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment; and an amount of \$446,100 (2007- \$713,192) due to California Nanotechnologies Corp. which is unsecured bearing interest at 7% per annum.

For 2008, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value of the annual salary would approximate \$120,000 (2007 - \$120,000). 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.

**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statements**  
(Unaudited – prepared by management)  
**In United States Dollars**

**For the interim six month period ended June 30, 2008**

**7. Long-term Debt**

**June 30,**  
**2008**                      2007

The Company has two revolving lines of credit with an aggregate maximum of \$2,000,000 (2007 - \$2,000,000) secured by a general security agreement over all the assets of the Company. One bears interest at Prime rate minus 0.5% and the other bears interest at LIBOR plus 1.75% (2007 Libor plus 1.75%). Maturity date: November 1, 2008; Renewed yearly.

**\$ 1,910,300**              \$ 1,730,300

Revolving line of credit, maximum \$75,000 (2007 - \$75,000) unsecured, bearing interest at the Prime rate plus 2.0%. Maturity date: April 1, 2009; Renewed yearly.

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Term loan, non-interest bearing secured by a vehicle, having a carrying value of \$26,371. Maturity date: July 20, 2011, repayable in monthly installments of \$458.

**18,317**                              20,608

**\$ 1,928,617**              \$ 1,750,908

Less : current portion

**(1,915,796)**                      (1,735,800)

**\$ 12,821**                              \$ 15,108

**8. Share Capital**

(a) Authorized

Unlimited number of common shares

(b) Issued

	<b>For the period ended June 30, 2008</b>		<b>For the year ended December 31, 2007</b>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
<b>Total issued and outstanding, beginning of year</b>	<b>10,980,854</b>	<b>\$5,266,780</b>	<b>11,087,653</b>	<b>\$5,126,243</b>
Issued upon private placement	200,000	500,000	-	-
Issued upon exercise of stock options	41,000	48,972	131,601	254,958
Share issuance costs	-	(3,696)	-	(1,556)
Cancelled on repurchase under normal course issuer bid	(258,000)	(125,017)	(200,000)	(94,442)
	<b>10,963,854</b>	<b>5,687,039</b>	<b>11,019,254</b>	<b>5,285,203</b>
To be cancelled from repurchase under normal course issuer bid	-	-	(38,400)	(18,423)
<b>Total issued and outstanding, end of period</b>	<b>10,963,854</b>	<b>\$5,687,039</b>	<b>10,980,854</b>	<b>\$5,266,780</b>

**Omni-Lite Industries Canada Inc.**  
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(Unaudited – prepared by management)  
**In United States Dollars**

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**8. Share Capital - continued**

(c) Stock options

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

	Number	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding at Dec. 31, 2006	657,734	CDN \$0.60 to \$2.55	CDN \$1.65
Options - granted	410,000	CDN \$2.22 to \$2.43	CDN \$2.40
- exercised	(131,601)	CDN \$0.60 to \$1.91	CDN \$1.23
- cancelled	(32,500)	CDN \$1.55 to \$2.43	CDN \$1.86
Options outstanding at Dec. 31, 2007	903,633	CDN \$1.55 to \$2.43	CDN \$1.86
<b>Options - granted</b>	<b>-</b>		
<b>- exercised</b>	<b>(41,000)</b>	<b>CDN \$0.85</b>	<b>CDN \$0.85</b>
<b>- cancelled</b>	<b>(10,000)</b>	<b>CDN \$1.55</b>	<b>CDN \$1.55</b>
<b>Options outstanding at June 30, 2008</b>	<b>852,633</b>	<b>CDN \$0.94 to \$2.55</b>	<b>CDN \$2.09</b>
<hr/>			
Options exercisable at Dec. 31, 2007	283,332	CDN \$0.60 to \$2.55	CDN \$1.54
<b>Options exercisable at June 30, 2008</b>	<b>317,333</b>	<b>CDN \$0.94 to \$2.55</b>	<b>CDN \$1.75</b>

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. These options will expire on dates ranging from July 4, 2008 to October 12, 2012.

No options were granted during the period.

(d) The options that are exercisable at June 30, 2008 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
66,733	CDN \$0.94 to \$1.19	CDN \$0.95	1.49 years
248,400	CDN \$1.72 to \$1.91	CDN \$1.65	2.44 years
537,500	CDN \$1.98 to \$2.55	CDN \$2.44	3.86 years
852,633	CDN \$0.94 to \$2.55	CDN \$2.09	1.25 years
<hr/>			
Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
66,733	CDN \$0.94 to \$1.19	CDN \$0.95	1.49 years
155,600	CDN \$1.72 to \$1.91	CDN \$1.61	2.35 years
95,000	CDN \$2.55	CDN \$2.55	2.75 years
317,333	CDN \$0.94 to \$2.55	CDN \$1.75	1.49 years

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(e) Normal course issuer bid

During the quarter, pursuant to a normal course issuer bid under applicable securities legislation the Company acquired 131,200 (2007 – 50,000) of its issued and outstanding common shares. The Company repurchased the 131,200 (2007 – 50,000) common shares for \$263,939 (2007 - \$220,415) resulting in a \$74,704 (2007 - \$46,529) reduction in share capital and an \$189,235 (2007 - \$173,886) decrease in retained earnings.

**9. 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 based on the Company locations for each of these segments as follows:

June 30, 2008	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 3,892,022	\$ -	\$ 339,398	\$ (212,024)	\$ 4,019,396
June 30, 2007	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 2,845,567	\$ -	\$ 405,735	\$ (214,267)	\$ 3,037,035

**10. Supplemental Cash Flow Information**

Interest and income taxes paid (recovery)

	<u>June 30, 2008</u>	June 30, 2007
Interest paid	\$ 64,813	\$ 94,962
Income taxes paid	\$ 297,894	\$ 67,674

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**Omni-Lite Industries Canada Inc.**  
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**11. Financial Instruments**

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As disclosed in Note 3, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, foreign currency risk and market risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not use off balance sheet contracts to manage these risks.

Interest rate risk

The Company's short and long-term borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at June 30, 2008, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$19,157 (2007 - \$18,431).

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 June 30, 2008, 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.

	<b>USD</b>	<b>USD</b>
	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Cash	<b>\$ 4,022</b>	<b>\$ 3,002</b>
Accounts payable	<b>12,284</b>	<b>160,858</b>

Market Risk

The Company has financial instruments that may fluctuate in value as a result of changes in market price. Any changes in value are reported in Other Comprehensive Income.