

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the three month period ended March 31,
2001
(Unaudited – See Notice to Reader)

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Notice to Reader

We have compiled the consolidated interim balance sheet of Omni-Lite Industries Canada Inc. as at March 31, 2001 and the consolidated interim statement of operations and retained earnings and cash flows for the interim period then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
May 28, 2001

Omni-Lite Industries Canada Inc.
Consolidated Balance Sheets
(Unaudited – See Notice to Reader)
United States Dollars

As at	March 31, 2001	December 31, 2000 (audited)
Assets		
Current		
Cash	\$ 18,833	\$ 121,862
Accounts receivable	694,263	675,619
Inventory (Note 3)	668,470	520,195
Prepaid expenses	10,558	3,952
	<u>1,392,124</u>	<u>1,321,628</u>
Investment	102,986	102,986
Capital assets (Note 4)	4,648,125	4,381,402
Deferred development and patent expenditures (Note 5)	587,861	579,465
	<u>\$ 6,731,096</u>	<u>\$ 6,385,481</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 247,755	\$ 191,004
Income taxes payable	8,935	8,935
Due to related parties (Note 6)	697,768	701,768
Current portion of long-term debt	58,445	58,445
	<u>1,012,903</u>	<u>960,152</u>
Long-term debt	1,472,555	1,333,555
Future income taxes	364,000	330,000
	<u>2,849,458</u>	<u>2,623,707</u>
Share capital (Note 7)	2,249,923	2,249,923
Retained earnings	1,631,715	1,511,851
	<u>3,881,638</u>	<u>3,761,774</u>
	<u>\$ 6,731,096</u>	<u>\$ 6,385,481</u>

On behalf of the Board:

"signed" Director
David Grant

"signed" Director
Don Kelly

Omni-Lite Industries Canada Inc.
Consolidated Interim Statements of Income and Retained Earnings
(Unaudited – See Notice to Reader)
United States Dollars

For the interim three month period ended March 31	2001	2000
Revenue	\$ 462,906	\$ 419,967
Cost of goods sold	125,055	88,968
Gross margin	337,851	330,999
Overhead expenses		
Amortization	65,613	33,250
General and administrative	146,630	139,670
Interest on long-term debt	7,049	7,877
	219,292	180,798
Income before the undernoted	118,559	150,201
Other income		
Rental	35,305	-
Income before income taxes	153,864	150,201
Income taxes		
Current	-	5,334
Future	34,000	7,510
	34,000	12,844
Net income for the period	119,864	137,357
Retained earnings, beginning of period	1,511,851	963,501
Retained earnings, end of period	\$ 1,631,715	\$ 1,100,858
Earnings per share	\$ 0.01	\$ 0.01
Weighted average shares outstanding	9,903,902	9,753,902

Omni-Lite Industries Canada Inc.
Consolidated Statements of Cash Flows
(Unaudited – See Notice to Reader)
United States Dollars

For the interim three month period ended March 31	2001	2000
Cash flows from operating activities		
Net income for the period	\$ 119,864	\$ 137,357
Adjustments for:		
Amortization	65,613	33,250
Future income taxes	34,000	7,510
Cash flow from operations	<u>219,477</u>	<u>178,117</u>
Net change in assets and liabilities		
Accounts receivable	(18,644)	(27,267)
Inventory	(148,275)	(100,340)
Prepaid expenses	(6,606)	-
Accounts payable and accrued liabilities	56,751	(17,652)
	<u>102,703</u>	<u>32,858</u>
Cash flows from financing activities		
Due to related parties	(4,000)	(41,803)
Proceeds from long-term debt	139,000	(65,001)
	<u>135,000</u>	<u>(106,804)</u>
Cash flows from investing activities		
Deferred development and patent expenditures	(31,387)	(361)
Proceeds from sale of capital assets	-	4,255
Purchase of capital assets	(309,345)	-
	<u>(340,732)</u>	<u>3,894</u>
Decrease in cash	(103,029)	(70,052)
Cash, beginning of period	<u>121,862</u>	<u>96,640</u>
Cash, end of period	\$ 18,833	\$ 26,588

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
(Unaudited – See Notice to Reader)
United States Dollars

March 31, 2001

1. Nature of Operations

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 operations are located in Calgary, with research and development and production operations in Cerritos, California, U.S.A. and an international office in Barbados. 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.

2. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements except for the following:

(a) Per share amounts

Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, in accordance with new standards approved by the Canadian Institute of Chartered Accountants.

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
United States Dollars

March 31, 2001

3. Inventory

The major components of inventory are classified as follows:

	March 31, 2001	December 31, 2000 (audited)
Raw materials	\$ 130,325	\$ 35,469
Finished goods	<u>538,145</u>	<u>484,726</u>
	\$ 668,470	\$ 520,195

4. Capital Assets

	March 31, 2001		December 31, 2000 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	Land	\$ 770,000	\$ -	\$ 770,000
Building	1,209,549	19,795	1,212,731	-
Production and other equipment	2,885,033	221,238	2,582,515	199,682
Computer equipment	40,734	16,158	30,734	14,896
	<u>\$ 4,905,316</u>	<u>\$ 257,191</u>	<u>\$ 4,595,980</u>	<u>\$ 214,578</u>
Net book value	\$ 4,648,125		\$ 4,381,402	

5. Deferred Development and Patent Expenditures

	March 31, 2001		December 31, 2000 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	Deferred development and patent expenditures	\$ 924,971	\$ 337,110	\$ 893,584
Net book value	\$ 587,861		\$ 579,465	

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
United States Dollars

March 31, 2001

6. Due to Related Parties

Due to related parties includes an amount of \$665,766 (December 31, 2000 - \$669,766) to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. Included is also a loan from another director of the Company in the amount of \$32,002 (December 31, 2000 - \$32,002). This loan bears interest at 9% per annum and has been repaid in April 2001.

7. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Issued

	For the 3 months ending March 31, 2001		For the year ended December 31, 2000 (audited)	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, begin of period	9,903,902	\$2,249,923	10,753,902	\$2,169,387
Issued for cash upon exercise of stock options	-	-	150,000	80,536
Returned to treasury ⁽¹⁾	-	-	(1,000,000)	-
Total issued and outstanding, end of period	9,903,902	\$2,249,923	9,903,902	\$2,249,923

⁽¹⁾ 500,000 (December 31, 2000 - 500,000) shares are held subject to a performance escrow. These shares will remain in escrow pending certain financial milestones that would be a direct benefit to the Company.

(c) Stock options

The Company has granted stock options to the 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, 2000	726,333	CDN \$0.60 to \$2.50	CDN \$1.27
Options - exercised/granted	160,000	CDN\$ 0.98 to \$1.20	CDN \$1.12
Options outstanding, Mar. 31, 2001	886,333	CDN \$0.60 to \$2.50	CDN \$1.24
Options exercisable at Mar. 31, 2001	681,333	CDN \$0.60 to \$2.50	CDN \$1.27

The options that are exercisable at March 31, 2001 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Contractual Life	Number of Options Currently Vested	Weighted Average Exercise Price of Options Currently Exercisable
93,000	CDN \$0.60 to \$0.99	CDN \$ 0.85	1.5 years	33,000	CDN \$0.60
736,667	CDN \$1.00 to \$1.99	CDN \$ 1.23	2.3 years	591,667	CDN \$1.22
<u>56,666</u>	CDN \$2.00 to \$2.50	CDN \$ 2.15	3.2 years	<u>56,666</u>	CDN \$2.15
886,333				681,333	

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
United States Dollars

March 31, 2001

8. 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 has utilized and reported revenues based on the Company locations for each of these segments as follows:

March 31, 2001	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 176,740	\$ -	\$ 440,830	\$ (154,664)	\$ 462,906
Capital assets	\$ 4,631,763	\$ 16,362	\$ -	\$ -	\$ 4,648,125

December 31, 2000	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 910,209	\$ -	\$ 1,740,591	\$ (849,034)	\$ 1,801,766
Capital assets	\$ 4,364,669	\$ 16,733	\$ -	\$ -	\$ 4,381,402

9. Commitments

There have been no material changes in the existence, likelihood or amount of commitments from the preceding annual consolidated financial statements.

10. Subsequent Event

On May 11, 2001, the Company has filed with the Canadian Venture Exchange its intention to make a Normal Course Issuer Bid ("the Bid") to purchase on the open market up to 495,000 common shares. The Bid will begin on May 18, 2001 and expire on May 17, 2002.
