

Omni-Lite Industries Canada Inc.
 Schedule "C"
 British Columbia Form 51-901F
 For the Quarter Ended March 31, 2002

**MANAGEMENT DISCUSSION AND
 ANALYSIS**

Item 1 General

A. Discussion of Operations and Financial Condition

Total revenue for first quarter 2001 increased to \$731,561US from \$498,211US, an increase of approximately 47%. EBITDA over the period increased to \$418,026US from \$226,526US, an increase of approximately 85%. Over this same period, cash flow increased to \$389,587US from \$219,477US, an increase of approximately 78%. Net income increased from \$119,864US to \$274,965US, an increase of 129%. Earnings per share increased from \$.01 US/share to \$.03 US/share or \$.05 CDN/share. Of particular note, the amortization period estimated for projects on hand at January 1, 2002 was revised to 3 years straight-line from 10 years.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US \$)

Weighted Average Shares Issued And Outstanding : 9,116,457	For the quarter ended March 31, 2002	For the quarter ended March 31, 2001	% Increase
Total Revenue	\$731,561	\$498,211	47
EBITDA	\$418,026	\$226,526	85
Cash flow from operations	\$389,587	\$219,477	78
Net Income	\$274,965	\$119,864	129
EPS (US)	\$0.03	\$0.01	150
EPS (CDN)	\$0.05	\$0.02	157

B. Omni-Lite as a Business

Omni-Lite's key competitive strengths include the development and manufacture of specialized products utilizing advanced materials and precision computer controlled cold forging techniques. Combining these advantages and a team of key design and material engineers, production technicians, marketing and administrative support personnel has enabled Omni-Lite to prosper in the competitive environment of the 21st century. This strategy has quickly brought Omni-Lite to the forefront of technological development.

In first quarter 2002, of particular significance is the development of a multi-component program with Monogram. To date the company has developed and begun shipping nine components to Monogram. These products from the Aerospace division will be utilized in the products of Boeing, Airbus, Bombardier and other aircraft manufactures. The successful implementation of these projects has made the Aerospace and Military divisions the fastest growing in the company. Ongoing Research and Development into the metallurgy, structural design and production of these and other complex components will be the key to the company's financial success.

C. Omni-Lite's Markets

Omni-Lite's primary market is the development of precision components utilized by many of the world's largest corporations. In 2002, Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, the U.S. Army and NATO and the aircraft manufacturers mentioned above. The requirements and stature of these customers necessitates that the company operate at a very high level of engineering and production efficiency. To this end the company has added, in 2002, a full-time quality manager and full-time tool and die support. These initiatives, coupled with the move to the new facility at the end of Q2 in 2002, should provide improved efficiencies for the corporation.

Omni-Lite's Sports and Recreation products are marketed in over 140 countries worldwide through the catalogs of Nike, adidas, Eastbay, M-F Athletics and Springco.

D. Growth Record

January 1998 saw the initiation of an expansion program during which Omni-Lite's manufacturing capability increased from two production systems to ten by April 2000. During 2000, the company commenced discussions towards purchasing a larger cold forging system. This equipment with a retail price of over \$520,000US was purchased in February 2001 for approximately \$280,000US. The equipment is being modified for a variety of product developments which are scheduled to begin in the second quarter of 2002. In March 2002 the company purchased an additional five progressive forging systems for \$1,420,000US. These machines were all purchased at a significant discount to retail list value and included favorable financing terms.

E. Growth Expectations

In 2002, Omni-Lite continued a period of rapid development. Several new projects were initiated in the Aerospace, Automotive and Military Divisions. These long-term developments bode well for the company's future growth.

F. Risk Factors

The business climate of the 21st century presents risks that include the development of competition on a worldwide basis. Of particular concern over the last year, has been the continued slowing of the U.S. economy and the terrorist attacks of September 11, 2001.

As Omni-Lite grows in revenue the company becomes subject to increasing interest from corporations that would like to imitate the successes that have been achieved. The company has and will continue to aggressively protect itself through a variety of means that include:

1. patent and trademark protection
2. license agreements
3. joint venture agreements
4. development of proprietary technology and products

Of particular significance is the fact that Omni-Lite has received five U.S. patents to date. The company is in the process of applying for two additional patents.

While key individuals are continuously trained in the critical aspects of the company's technology, providing redundancy at the production level, retaining highly skilled staff is a challenge in the marketplace in which the company operates. The company has experienced additional expense as key staff are trained.

G. International Operations

To support the international scope of the market place Omni-Lite has established two wholly owned subsidiaries in Barbados. These complement the production center in Cerritos, California. The staff in Barbados is responsible for marketing, sales, and maintaining international markets for Omni-Lite's products.

Item 2 Quarterly Information

The following table summarizes the company's financial performance over the last eight quarters. All figures in US dollars unless noted.

ALL FIGURES IN US DOLLARS UNLESS NOTED

	Mar 31/02	Dec 31/01	Sept 30/01	June 30/01	Mar 31/01	Dec 31/00	Sept 30/00	June 30/00
Total Rev	731,561	385,582	979,123	591,263	498,211	393,186	590,650	397,963
Cash Flow	389,587	-39,288	622,406	349,267	219,477	147,094	264,364	204,151
Net Income	274,965	-101,409	532,214	269,217	119,864	40,701	209,198	161,094
EPS(US)	.03	-.01	.05	.03	.01	.01	.02	.02
EPS(CDN)	.05	-.02	.08	.04	.01	.01	.03	.03

Of particular note, because of the reduction in the number of shares and fluctuations in exchange rates over the year, the earnings per share at year-end are .14CDN/share.

Item 3 Liquidity and Capital Resources

The company anticipates that cash flow will meet the on going working capital requirements of the company. Between June 2001 and December 2001 the company repurchased 329,300 common shares through its normal course issuer bid which expired in May 2002. The company will continue the repayment of long-term debt with excess funds. In April 2002 the company made the last mortgage payment on the new Cerritos facility. The facility is currently being modified to allow the rental of approximately 6000 square feet, providing additional revenue to the company.

The information contained in this discussion may be considered to contain forward-looking statements. Such forward-looking statements address future events and conditions and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. There is no representation by the Company that actual results will be the same in whole or in part as implied by the forward-looking statements provided.

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the three month period ended March 31,
2002
(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, 2002 and the consolidated interim statements of income 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.

Signed "*BDO Dunwoody LLP*"

Chartered Accountants

Calgary, Alberta
May 19, 2002

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

As at	March 31, 2002	December 31, 2001 (audited)
Assets		
Current		
Cash	\$ 163,182	\$ 40,331
Accounts receivable	841,764	505,207
Inventory (Note 3)	866,710	789,570
Deposit	100,000	-
Prepaid expenses	8,339	5,556
	<u>1,979,995</u>	<u>1,340,664</u>
Investment	84,846	84,846
Capital assets (Note 4)	4,542,015	4,576,020
Deferred development and patent expenditures (Note 5)	657,299	715,942
	<u>\$ 7,264,155</u>	<u>\$ 6,717,472</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 194,165	\$ 280,409
Income taxes payable	33,535	33,535
Due to related parties (Note 6)	738,899	359,576
Current portion of long-term debt	1,290,000	913,555
	<u>2,256,599</u>	<u>1,587,075</u>
Long-term debt	-	444,445
Future income taxes	435,000	412,000
	<u>2,691,599</u>	<u>2,443,520</u>
Share capital (Note 7(b))	2,267,849	2,183,114
Subscriptions receivable (Note 7(d))	(61,096)	-
Retained earnings	2,365,803	2,090,838
	<u>4,572,556</u>	<u>4,273,952</u>
	<u>\$ 7,264,155</u>	<u>\$ 6,717,472</u>

On behalf of the Board:

"signed" Director
David Grant

"signed" Director
Don Kelly

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

For the interim three month period ended March 31	2002	2001
Revenue	\$ 667,422	\$ 462,906
Cost of goods sold	175,957	125,055
Gross margin	491,465	337,851
Overhead expenses		
Amortization	95,358	65,613
General and administrative	137,578	146,630
Interest on long-term debt	18,576	7,049
	251,512	219,292
Income before the undernoted	239,953	118,559
Other income		
Foreign exchange	11,182	-
Rental	52,957	35,305
	64,139	35,305
Income before income taxes	304,092	153,864
Income taxes		
Current	6,127	-
Future	23,000	34,000
	29,127	34,000
Net income for the period	274,965	119,864
Retained earnings, beginning of period	2,090,838	1,511,851
Retained earnings, end of period	\$ 2,365,803	\$ 1,631,715
Earnings per share – basic and diluted	\$ 0.03	\$ 0.01
Weighted average shares outstanding - basic	9,116,457	9,903,902
diluted	9,290,415	10,051,607

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

For the interim three month period ended March 31	2002	2001
Cash flows from operating activities		
Net income for the period	\$ 274,965	\$ 119,864
Adjustments for:		
Amortization	95,358	65,613
Foreign exchange	(3,736)	-
Future income taxes	23,000	34,000
Cash flow from operations	<u>389,587</u>	<u>219,477</u>
Net change in assets and liabilities		
Accounts receivable	(336,557)	(18,644)
Inventory	(77,140)	(148,275)
Prepaid expenses	(2,783)	(6,606)
Accounts payable and accrued liabilities	(86,244)	56,751
	<u>(113,137)</u>	<u>102,703</u>
Cash flows from financing activities		
Due to related parties	379,323	(4,000)
Issue of share capital	27,375	-
Proceeds (repayment) from (of) long-term debt	(68,000)	139,000
	<u>338,698</u>	<u>135,000</u>
Cash flows from investing activities		
Deferred development and patent expenditures	-	(31,387)
Deposit	(100,000)	-
Purchase of capital assets	(2,710)	(309,345)
	<u>(102,710)</u>	<u>(340,732)</u>
Increase in cash	122,851	(103,029)
Cash, beginning of period	40,331	121,862
Cash, end of period	\$ 163,182	\$ 18,833

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

March 31, 2002

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 consolidated 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 judgment with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements except for the following:

Stock-based compensation

Effective January 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock based compensation and other stock-based payments. This section requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the company's stock, and as a result, the implementation of the section has no impact on the financial statements. The Company has chosen not to use the fair value method to account for stock-based employee compensation plans, but to disclose pro-forma information for options granted after January 1, 2002. The Company records no compensation expense when options are issued to employees. Any consideration paid by employees on the exercise of the options is credited to capital stock.

Deferred development

The amortization period estimated for projects on hand at January 1, 2002 was revised to 3 years straight-line

Deposit

Deposit related to the purchase of 5 new cold forging systems for \$1,420,000. The Company has committed to monthly payments of \$100,000 per month which commenced on March 2002. The exchange amount equaled carrying values and represented costs if incurred by the related party.

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

March 31, 2002

3. Inventory

The major components of inventory are classified as follows:

	March 31, 2002	December 31, 2001 (audited)
Raw materials	\$ 220,667	\$ 225,242
Work in progress	-	5,100
Finished goods	646,043	559,228
	\$ 866,710	\$ 789,570

4. Capital Assets

	March 31, 2002		December 31, 2001 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 770,000	\$ -	\$ 770,000	\$ -
Building	1,209,549	60,508	1,209,549	48,381
Production and other equipment	2,880,426	279,177	2,878,100	255,969
Computer equipment	45,880	24,155	45,115	22,394
	\$ 4,905,855	\$ 363,840	\$ 4,902,764	\$ 326,744
Net book value	\$ 4,542,015		\$ 4,576,020	

5. Deferred Development and Patent Expenditures

	March 31, 2002		December 31, 2001 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Deferred development and patent expenditures	\$ 1,134,312	\$ 477,013	\$ 1,134,693	\$ 418,751
Net book value	\$ 657,299		\$ 715,942	

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
(Unaudited – See Notice to Reader)
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March 31, 2002

6. Due to Related Parties

Due to related parties includes an amount of \$550,847 (December 31, 2001 - \$359,576) 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 \$188,052 (2001 - \$nil). This loan is due on demand and bears interest at 8.19% per annum.

7. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Issued

	For the 3 months ending March 31, 2002		For the year ended December 31, 2001 (audited)	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, begin of period	9,084,602	\$2,183,114	9,903,902	\$ 2,249,923
Issued for cash upon exercise of stock options	53,000	27,375	10,000	8,000
Repurchase of shares under normal course issuer bid	-	-	(183,300)	(41,641)
Returned to treasury	-	-	(500,000)	-
	9,137,602	2,210,489	9,230,602	2,216,282
To be issued for promissory notes upon exercise of stock options (Note 7(d))	76,667	57,360	-	-
To be cancelled from repurchase under normal course issuer bid	-	-	(146,000)	(33,168)
Total issued and outstanding, end of period	9,214,269	\$2,267,849	9,084,602	\$ 2,183,114

(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, 2001	906,333	CDN \$0.60 to \$2.50	CDN \$1.26
Options - exercised/granted	129,667	CDN \$0.60 to \$1.40	CDN \$1.04
Options outstanding, Mar. 31, 2002	776,666	CDN \$0.98 to \$2.50	CDN \$1.27
Options exercisable at Mar. 31, 2002	498,333	CDN \$1.20 to \$2.01	CDN \$1.28

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

March 31, 2002

7. Share Capital - continued

The options that are exercisable at March 31, 2001 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
50,000	CDN \$0.60 to \$0.99	CDN \$ 0.98	1.0 years	10,000	CDN \$0.98
670,000	CDN \$1.00 to \$1.99	CDN \$ 1.22	3.0 years	455,000	CDN \$1.23
56,666	CDN \$2.00 to \$2.50	CDN \$ 2.11	2.7 years	33,333	CDN \$2.01
<u>776,666</u>				<u>498,333</u>	

(d) Subscriptions receivable

During the period, the Company issued promissory notes to options holders totaling \$57,360 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. As the notes are current, they have been translated at the balance sheet rate at March 31, 2002 to an amount of \$61,096.

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, 2002	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 226,562	\$ -	\$ 642,739	\$ (201,879)	\$ 667,422
Capital assets	\$ 4,530,608	\$ 11,407	\$ -	\$ -	\$ 4,542,015

9. Commitments

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

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

March 31, 2002

10. Non-Cash Transaction

Subscriptions receivable

During the period, the Company issued promissory notes to options holders to acquire an aggregate of 76,667 common shares as detailed in Note 7(d).
