

**Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the interim three month period ended
March 31, 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 March 31, 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 March 31, 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
May 29, 2004

signed "Timothy C. Wang"

Timothy C. Wang
Chief Financial Officer
Cerritos, California, USA
May 29, 2004

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

As at	March 31, 2004 (Unaudited)	December 31, 2003 (audited)
Assets		
Current		
Cash	\$ 80,216	\$ 196,764
Accounts receivable	490,990	296,570
Inventory	1,323,914	1,144,470
Prepaid expenses	26,991	14,864
	<u>1,965,111</u>	<u>1,652,668</u>
Restricted cash	60,026	60,026
Investments	106,866	106,866
Capital assets	6,099,543	6,200,395
Deferred development and patent expenditures	4,255	4,255
	<u>\$ 8,192,801</u>	<u>\$ 8,024,210</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 340,844	\$ 349,660
Income taxes payable	26,568	77,169
Due to related party (Note 2)	158,516	193,557
Current portion of long-term debt	405,000	509,979
Deferred revenue	52,329	-
	<u>983,257</u>	<u>1,130,365</u>
Long-term debt	2,289,704	2,173,950
Future income taxes	300,000	320,000
	<u>3,572,961</u>	<u>3,624,315</u>
Share capital (Note 3)	2,151,297	2,172,617
Stock options	67,500	44,000
Share purchase loans receivable (Note 3(d))	(49,043)	(49,043)
Retained earnings	2,450,086	2,232,321
	<u>4,662,840</u>	<u>4,399,895</u>
	<u>\$ 8,192,801</u>	<u>\$ 8,024,210</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 interim three month period ended March 31	2004	2003
Revenue	\$ 681,809	\$ 618,348
Cost of goods sold	202,055	166,210
Gross margin	479,754	452,138
Overhead expenses		
Amortization	104,601	43,717
General and administrative	208,670	222,546
Interest on long-term debt	22,670	25,519
Research and product design	(44,381)	7,750
	291,560	299,532
Income before the undernoted	188,194	152,606
Other (expenses) income		
Rental	26,545	23,334
Foreign exchange	32,505	1,474
	59,050	24,808
Income before income taxes	247,244	177,414
Income taxes		
Current	-	13,357
Future	(18,538)	-
	(18,538)	13,357
Net Income for the period	265,782	164,057
Purchase price of common shares in excess of carrying value	(48,017)	-
Retained earnings, beginning of period	2,232,321	1,721,434
Retained earnings, end of period	\$ 2,450,086	\$ 1,885,491
Earnings per share - basic	\$ 0.03	\$ 0.02
- diluted	\$ 0.03	\$ 0.02
Weighted average shares outstanding - basic	8,797,327	9,234,269
- diluted	8,991,847	9,598,713

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

For the interim three month period ended March 31	2004	2003
Cash flows from operating activities		
Net income for the period	\$ 265,782	\$ 164,057
Adjustments for:		
Amortization	104,601	43,717
Future income taxes	(20,000)	-
Stock-based compensation	23,500	-
Cash flow from operations	<u>326,883</u>	<u>207,774</u>
Net change in assets and liabilities		
Accounts receivable	(194,420)	(194,361)
Inventory	(179,444)	(35,898)
Prepaid expenses	(12,127)	(648)
Accounts payable and accrued liabilities	(8,816)	215,486
Income taxes payable	(50,601)	-
Deferred revenue	52,329	-
	<u>(19,196)</u>	<u>192,353</u>
Cash flows from financing activities		
Due to related parties	<u>(35,041)</u>	<u>(72,903)</u>
Proceeds from long-term debt	<u>10,775</u>	<u>325,000</u>
	<u>(24,266)</u>	<u>252,097</u>
Cash flows from investing activities		
Deposits on equipment	-	484,000
Repurchase of common shares	<u>(69,337)</u>	<u>-</u>
Purchase of capital assets	<u>(3,749)</u>	<u>(994,182)</u>
	<u>(73,086)</u>	<u>(510,182)</u>
Decrease in cash	(116,548)	(65,732)
Cash, beginning of period	<u>196,764</u>	<u>75,377</u>
Cash, end of period	\$ 80,216	\$ 9,645

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
(Unaudited – Prepared by Management)
For the Interim Three Month Period Ending
March 31, 2004

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, 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.

2. Due to Related Party

Due to related parties includes an amount of \$158,516 due to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment.

3. Share Capital

(a) Authorized
 Unlimited number of common shares

(b) Issued

	For the 3 months ending March 31, 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	(86,200)	(21,320)	(267,500)	(66,161)
	8,698,069	2,151,297	8,966,769	2,217,755
To be cancelled from repurchase under normal course issuer bid	-	-	(182,500)	(45,138)
Total issued and outstanding, end of period	8,698,069	\$ 2,151,297	8,784,269	\$ 2,172,617

Omni-Lite Industries Canada Inc.
Notes to Consolidated Interim Financial Statement
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For the Interim Three Month Period Ending
March 31, 2004

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 Mar. 31, 2004	822,999	CDN \$0.60 to \$2.01	CDN \$0.94
Options exercisable at Mar. 31, 2004	238,333	CDN \$0.98 to \$1.91	CDN \$1.28

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 March 31, 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	3.93 years	119,996	CDN \$0.90
254,999	CDN \$1.00 to \$1.99	CDN \$1.39	2.07 years	168,332	CDN \$1.35
822,999				288,328	

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 three month period ended March 31, 2004 would have been reduced to the pro forma amounts indicated below:

Net income	- as reported	\$	308,782
	- pro forma	\$	308,123
Earnings per share- basic and diluted			
	- as reported	\$	0.03
	- pro forma	\$	0.03

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.

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Notes to Consolidated Interim Financial Statement
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4. Share Capital – continued

(d) Share purchase loans receivable

During 2002, the Company issued promissory notes to options holders totaling \$49,043 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:

March 31, 2004	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 615,738	\$ -	\$ 89,442	\$ (23,371)	\$ 681,809
Capital assets	\$ 6,013,391	\$ -	\$ 86,152	\$ -	\$ 6,099,543

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 3/31/04 – 1.16%) 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 March 31, 2004. (2003 – 4.4%) Maturity date: October 31, 2007.