

**Omni-Lite Industries Canada Inc.  
Consolidated Financial Statements  
For the interim three month period ended  
March 31, 2006  
(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, 2006.

## 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, 2006 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, 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.

*signed "David F. Grant"*

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David F. Grant  
Chief Executive Officer  
Cerritos, California, USA  
May 30, 2006

*signed "Timothy C. Wang"*

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Timothy C. Wang  
Chief Financial Officer  
Cerritos, California, USA  
May 30, 2006

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

<b>As at</b>	<b>March 31, 2006</b>	<b>December 31, 2005 (audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 54,926	\$ 456,676
Accounts receivable	834,275	1,049,729
Inventory	1,249,482	1,066,972
Prepaid expenses	32,177	32,177
	<u>2,170,860</u>	<u>2,605,554</u>
<b>Deferred acquisition</b>	<b>436,550</b>	411,800
<b>Investments</b>	<b>106,866</b>	106,866
<b>Property and equipment (Note4)</b>	<b>7,008,447</b>	6,647,786
<b>Deferred development and patent expenditures</b>	<b>1,646</b>	1,785
	<u>\$ 9,724,369</u>	<u>\$ 9,773,791</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 362,325	\$ 476,732
Income taxes payable	4,963	48,405
Dividends payable	-	176,690
Deferred revenue	-	-
Due to related party (Note 2)	39,625	-
Current portion of long-term debt (note 5)	234,575	436,680
	<u>641,488</u>	<u>1,138,507</u>
<b>Long-term debt (Note 5)</b>	<b>296,014</b>	414,233
<b>Future income taxes</b>	<b>774,700</b>	722,000
	<u>1,712,202</u>	<u>2,274,740</u>
<b>Non-controlling interest</b>	<b>295,407</b>	221,484
<b>Share capital (Note 3)</b>	<b>4,018,275</b>	3,803,003
<b>Contributed surplus</b>	<b>189,000</b>	164,000
<b>Retained earnings</b>	<b>3,509,485</b>	3,310,564
	<u>7,716,760</u>	<u>7,277,567</u>
	<u>\$ 9,724,369</u>	<u>\$ 9,773,791</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)**

<b>For the interim three month period ended March 31</b>	<b>2006</b>	<b>2005</b>
<b>Revenue (Note 4)</b>	<b>\$ 1,013,680</b>	<b>\$ 923,660</b>
<b>Cost of goods sold</b>	<b>297,340</b>	<b>265,565</b>
<b>Gross margin</b>	<b>716,340</b>	<b>658,095</b>
<b>Overhead expenses</b>		
Amortization	93,771	70,450
General and administrative	209,163	196,338
Interest on long-term debt	15,388	24,895
Research and product design	24,169	24,300
	<b>342,491</b>	<b>315,983</b>
<b>Income before income taxes</b>	<b>373,849</b>	<b>342,112</b>
Future Income tax	52,700	32,000
Current Income tax	11,923	956
<b>Non-controlling interest</b>	<b>31,593</b>	<b>-</b>
<b>Net income</b>	<b>340,819</b>	<b>309,156</b>
Retained earnings, beginning of period	3,310,564	2,570,880
Common shares repurchased in excess of carrying value	(141,898)	-
<b>Retained earnings, end of period</b>	<b>\$ 3,509,485</b>	<b>\$ 2,880,036</b>
Earnings per share - basic	\$ 0.03	\$ 0.03
- diluted	\$ 0.03	\$ 0.03
Weighted average shares outstanding - basic	<b>10,406,747</b>	<b>9,205,970</b>
- diluted	<b>10,945,451</b>	<b>9,769,095</b>

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

<b>For the interim three month period ended March 31</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Net income for the year	\$ 340,819	\$ 309,156
Adjustments for:		
Amortization	93,771	70,450
Future income taxes	52,700	32,000
Minority Interest	(11,078)	-
Stock based compensation	25,000	17,318
	<u>501,212</u>	<u>428,924</u>
Net change in non-cash working capital items		
Accounts receivable	215,454	31,027
Inventory	(182,510)	(46,736)
Accounts payable and accrued liabilities	(114,406)	(881)
Income taxes payable	(43,442)	(24,500)
Deferred revenue	-	(12,500)
	<u>376,308</u>	<u>375,334</u>
<b>Cash flows from financing activities</b>		
Due to related parties (Note 2)	39,625	(144,986)
Repayment of long-term debt	(320,324)	(1,442,303)
Issue of common shares	215,272	1,506,503
Dividends on common shares	(176,690)	(140,196)
Repurchase of common shares	(141,898)	-
	<u>(384,015)</u>	<u>(220,982)</u>
<b>Cash flows from investing activity</b>		
Cash received from subscription of E-FORM	85,000	-
Deferred acquisition	(24,750)	-
Purchase of property and equipment	(454,293)	(112,500)
	<u>(394,043)</u>	<u>(112,500)</u>
<b>Increase (decrease) in cash</b>	<u>(401,750)</u>	<u>41,852</u>
Cash, beginning of period	456,676	66,347
<b>Cash, end of period</b>	<u>\$ 54,926</u>	<u>\$ 108,199</u>

Omni-Lite Industries Canada Inc.  
Notes to Consolidated Interim Financial Statement  
(Unaudited – Prepared by Management)  
For the Interim Three Month Period Ending  
March 31, 2006

**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, 2005. 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, 2005.

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 \$39,625 due to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment.

**3. Equity Instruments (in U.S. Dollars unless otherwise stated)**

(a) Authorized  
Unlimited number of common shares

(b) Issued

	<b>For the three months ending</b>		<b>For the year ended December</b>	
	<b>March 31, 2006</b>		<b>31, 2005 (audited)</b>	
Common Shares	Number	Amount	Number	Amount
<b>Total issued and outstanding, beginning of period</b>	<b>10,170,779</b>	<b>\$3,517,193</b>	8,349,304	\$2,015,999
Issued upon conversion of predecessor shares	-	-	-	-
Issued upon exercise of stock options	<b>230,000</b>	<b>159,226</b>	110,000	77,324
Issued under private placement	-	-	1,650,000	1,317,702
Share issuance costs	-	-		(250,227)
Issued upon exercise of warrants	<b>123,350</b>	<b>136,543</b>	211,475	362,718
Cancelled on repurchase under normal course issuer bid	<b>(84,000)</b>	<b>(30,033)</b>	(75,000)	(27,683)
	<b>10,440,129</b>	<b>3,782,929</b>	10,245,779	3,495,833
To be cancelled from repurchase under normal course issuer bid	-	-	(75,000)	(27,683)
	<b>10,440,129</b>	<b>3,782,929</b>	10,170,779	3,468,150
Share purchase loan	-	-	-	49,043
<b>Total issued and outstanding, end of period</b>	<b>10,440,129</b>	<b>\$3,782,929</b>	10,170,779	\$3,517,193

**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statement**  
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**For the Interim Three Month Period Ending**  
**March 31, 2006**

	<b>For the three months ending</b>		<b>For the year ended December</b>	
	<b>March 31, 2006</b>		<b>31, 2005 (audited)</b>	
<b><u>Warrants</u></b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
Total issued and outstanding, beginning of period	<b>613,525</b>	<b>\$ 214,423</b>	-	\$ -
issuance of warrants	-	-	825,000	288,325
Exercise of warrants	<b>(23,350)</b>	<b>(8,161)</b>	(211,475)	(73,902)
Total issued and outstanding, end of period	<b>590,175</b>	<b>\$ 206,262</b>	613,525	\$ 214,423
<b><u>Broker Warrants</u></b>				
Total issued and outstanding, beginning of period	<b>168,750</b>	<b>\$ 71,387</b>	-	\$ -
Issuance of Units	-	-	168,750	71,387
Exercise of Units	<b>(100,000)</b>	<b>(42,303)</b>		
Total issued and outstanding, end of period	<b>68,750</b>	<b>\$ 29,084</b>	168,750	\$ 71,387
<b>Total equity instruments</b>	<b>\$ 4,108,275</b>		<b>\$3,803,003</b>	

(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, 2005	946,333	CDN \$0.60 to \$1.91	CDN \$1.10
Options - granted	135,000	CDN \$2.55	CDN \$2.55
- exercised	(230,000)	CDN \$0.60 to \$1.19	CDN \$ 0.79
- cancelled	-	-	-
<b>Options outstanding at Mar 31, 2006</b>	<b>851,333</b>	<b>CDN \$0.60 to 2.55</b>	<b>CDN \$0.97</b>
<b>Options exercisable at Mar 31, 2006</b>	<b>266,443</b>	<b>CDN \$0.60 to \$1.91</b>	<b>CDN \$1.16</b>
Options exercisable at Dec. 31, 2005	403,108	CDN \$0.60 to \$1.91	CDN \$1.02

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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March 31, 2006

**Equity Instruments – continued**

The options that are exercisable at March 31, 2006 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
218,000	CDN \$0.60 to \$0.85	CDN \$0.72	2.18 years
203,333	CDN \$0.94 to \$1.28	CDN \$1.08	2.77 years
295,000	CDN \$1.72 to \$1.91	CDN \$1.86	3.69 years
135,000	CDN \$2.55	CDN \$2.55	4.94 years
851,333	CDN \$0.60 to \$2.55	CDN \$0.97	2.50 years

  

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
118,666	CDN \$0.60 to \$0.85	CDN \$0.79	2.08 years
77,777	CDN \$0.98 to \$1.28	CDN \$1.13	1.58 years
70,000	CDN \$1.72 to \$1.91	CDN \$1.86	1.08 years
266,443	CDN \$0.60 to \$1.91	CDN \$1.17	1.67 years

(d) Common Share Purchase Warrants

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	March 31, 2006
August 9, 2006	\$1.60	825,000	(234,825)	-	590,175
<b>Warrants outstanding</b>		<b>825,000</b>	<b>(234,825)</b>	<b>-</b>	<b>590,175</b>

Equity Instruments Outstanding	(Audited)		
	March 31, 2006	December 31, 2005	March 31, 2005
Common shares, issued and outstanding	10,440,129	10,170,779	9,999,304
Stock options	851,333	946,333	831,333
Outstanding Warrants	590,175	613,525	825,000
Broker Warrants	12,500	112,500	112,500
Compensation Units - warrants	56,250	56,250	56,250
Fully diluted equity instruments	11,950,387	11,899,387	11,824,387



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**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statement**  
**(Unaudited – Prepared by Management)**  
**For the Interim Three Month Period Ending**  
**March 31, 2006**

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#### 4. Segmented Information

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**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, 2006	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$959,298	-	\$97,332	(\$42,950)	\$ 1,013,680
Capital assets	\$7,007,042	\$1,405	-		\$ 7,008,447

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#### 5. Long Term Debt

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Revolving line of credit, maximum \$1,000,000 (2005 - \$1,000,000) secured by a general security agreement over all the assets of the Company, bearing interest at Union Bank of California's reference rate (7.75%) (2005 – 7.25%) or LIBOR plus 2.0% (2004 – LIBOR plus 2.0%) Maturity date: September 27, 2006; Renewed yearly

Term loan, secured by related property, bearing interest at LIBOR plus 2%. Effective rate is 4.81%. (2005 – 4.54%) Maturity date: October 1, 2013, repayable in monthly blended installments of \$3,396. The carrying value of the collateralized property is \$1,955,563 (2005 - \$1,967,538).

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