

**Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the interim three month period ended
March 31, 2007
(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, 2007.

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, 2007 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.

***“David F. Grant”** signed*

David F. Grant
Chief Executive Officer
Cerritos, California, USA
May 30, 2007

***“Timothy Wang”** signed*

Timothy Wang
Chief Financial Officer
Cerritos, California, USA
May 30, 2007

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

As at	March 31, 2007 (unaudited)	December 31, 2006 (audited)
Assets		
Current		
Cash	\$65,952	\$3,690
Accounts receivable	1,320,960	1,012,710
Inventory	1,693,931	1,314,243
Income taxes receivable	29,669	59,484
Prepaid expenses	42,226	19,157
	<u>3,152,738</u>	<u>2,409,284</u>
Deferred acquisition	1,788,443	1,708,194
Investments	260,858	106,866
Property, plant and equipment (Note 6)	9,173,901	9,142,413
Intangible assets	1,110	189,024
	<u>\$14,377,050</u>	<u>\$13,555,781</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$468,107	\$681,174
Dividends payable	-	190,555
Due to related parties (Note 3)	1,862,063	996,416
Current portion of long-term debt (Note 4)	1,627,127	1,683,702
	<u>3,957,297</u>	<u>3,551,847</u>
Long-term debt (Note 4)	19,234	20,608
Future income taxes	993,875	926,000
Non-controlling interest	-	322,428
	<u>4,970,406</u>	<u>4,820,883</u>
Share capital (Note 5)	5,129,267	5,126,243
Contributed surplus	260,195	243,225
Retained earnings	4,017,182	3,365,430
	<u>9,406,644</u>	<u>8,734,898</u>
	<u>\$14,377,050</u>	<u>\$13,555,781</u>

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 and Retained Earnings
In United States Dollars
(Unaudited – prepared by management)

For the interim three month period ended March 31	2007	2006
Revenue (Note 6)	\$1,633,196	\$1,013,680
Cost of goods sold	423,119	297,340
Gross margin	1,210,077	716,340
Overhead expenses		
Amortization	124,214	93,771
General and administrative	345,655	209,163
Interest on long-term debt (Note 7)	31,672	15,388
Research and product design	25,006	24,169
	526,547	342,491
Income from operations	683,530	373,849
Gain on dilution	140,445	-
Income before income taxes	823,975	373,849
Provision for income taxes		
Current (Note 7)	20,000	11,923
Future	67,875	52,700
	87,875	64,623
Income before non-controlling interest	736,100	309,226
Non-controlling interest (Note 8)	-	31,593
Net income	736,100	340,819
Retained earnings, beginning of year	3,365,430	3,310,564
Common shares repurchased in excess of carrying value (Note 5 (d))	(84,348)	(141,898)
Retained earnings, end of year	\$4,017,182	\$3,509,485
Earnings per share - basic	\$0.07	\$0.03
- diluted	\$0.07	\$0.02
Weighted average shares outstanding - basic	11,074,684	10,406,747
- diluted	11,269,019	10,945,451

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

For the interim three month period ended March 31	2007	2006
Cash flows from operating activities		
Net income for the year	\$736,100	\$340,819
Adjustments for:		
Amortization	124,214	93,771
Future income taxes	67,875	52,700
Gain on dilution	(140,445)	-
Non-controlling interest	(181,983)	(11,078)
Stock based compensation	16,970	25,000
	<u>622,731</u>	<u>501,212</u>
Net change in non-cash working capital items		
Accounts receivable	(308,250)	215,454
Inventory	(379,688)	(182,510)
Accounts payable and accrued liabilities	(213,067)	-
Prepaid expenses	(23,069)	-
Income taxes receivable	29,815	(114,406)
Income taxes payable	-	(43,442)
	<u>(271,528)</u>	<u>376,308</u>
Cash flows from financing activities		
Advances from related parties	1,523,993	39,625
Repayment to related parties	(658,346)	-
Repayment of long-term debt	(57,949)	(320,324)
Issue of common shares	26,004	215,272
Repurchase of common shares	(107,328)	(141,898)
Dividend on common shares	(190,555)	(176,690)
	<u>535,819</u>	<u>(384,015)</u>
Cash flows from investing activity		
Cash received from subscriptions to California Nanotechnologies	-	85,000
Deferred acquisition	(80,249)	(24,750)
Reclass of investment in California Nanotechnologies Corp.	(153,992)	-
Purchase of property and equipment	32,212	(454,293)
	<u>(202,029)</u>	<u>(394,043)</u>
Increase (decrease) in cash	<u>62,262</u>	<u>(401,750)</u>
Cash, beginning of period	3,690	456,676
Cash, end of period	<u>\$65,952</u>	<u>\$54,926</u>

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

For the interim three month period ended March 31, 2007

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, 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.

2. Significant Accounting Policies

Other than the changes in accounting policies noted below, the Company's interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements. The interim consolidated financial statements do not contain all disclosures as required by Canadian generally accepted accounting principles and accordingly should be read in conjunction with the Company's annual audited consolidated financial statements.

In the opinion of management, all adjustments necessary for a fair presentation are reflected in the unaudited interim consolidated financial statements.

Changes in Accounting Policies

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.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Because the Company does not have any OCI, the Company's interim consolidated financial statements do not include a Statement of Comprehensive Income which would otherwise describe the components of comprehensive income. Accordingly, since there are no cumulative changes in OCI to be included in accumulated other comprehensive income ("AOCI"), the Company has not presented AOCI as a new category within shareholders' equity in the interim consolidated balance sheet and has not included a Statement of Accumulated Other Comprehensive Income, which would otherwise provide the continuity of the AOCI balance.

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.

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

For the interim three month period ended March 31, 2007

2. Significant Accounting Policies (continued)

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 carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities and due to related parties are designated as "other liabilities".

Long-term investments are financial instruments classified as "available-for-sale". They are initially recorded at cost which is equal to 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.

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.

Long-term Investments

The Company has exchanged its interest of 500,000 shares with a carrying value of approximately \$153,000 in California Nanotechnologies, Inc., an investee corporation that was consolidated in the prior year for the right to acquire 3,024,229 shares in California Nanotechnologies Corp. ("CNO") (formerly Veritek, "VTK"). The Company will earn the right to trade these shares when certain performance conditions are satisfied. The shares will be released into a time related escrow arrangement once a minimum commitment of \$300,000 in arm's length research and development costs are incurred by CNO. These shares are being held in escrow until these requirements are met and approved by the TSX Venture Exchange. As such, this investment has been recorded at its carrying value of approximately \$153,000 as its fair value is not readily determinable.

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

For the interim three month period ended March 31, 2007

3. Due to Related Parties

Due to related parties represents: an amount of \$542,205 (2006 - \$996,416) due to a shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment; an amount of \$343,761 (2006 - \$nil) due to a shareholder and officer of the Company, which is unsecured bearing 7% interest; and an amount of \$976,097 (2006 - \$nil) due to California Nanotechnologies Corp. which is unsecured bearing interest 7% interest.

4. Long-term Debt

	2007	2006
Revolving line of credit, maximum \$2,000,000 (2006 - \$2,000,000) secured by a general security agreement over all the assets of the Company, bearing interest at either the Prime rate minus 0.5% or LIBOR plus 1.75% (2006 Libor plus 1.75%). Maturity date: November 1, 2008; Renewed yearly.	\$ 1,621,627	\$ 1,678,202
Term loan, secured by related property, no interest. Maturity date: July 20, 2011, repayable in monthly installments of \$458.	24,734	26,108
	\$ 1,646,361	\$ 1,704,310
Less : current portion	(1,627,127)	(1,683,702)
	\$ 19,234	\$ 20,608

5. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	For the three months ended March 31, 2007		For the year ended December 31, 2006 (audited)	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, beginning of year	11,087,653	\$5,126,143	10,170,779	\$3,517,193
Issued upon exercise of stock options	29,934	26,005	473,599	398,817
Share issuance costs	-	-	-	(3,640)
Issued upon exercise of warrants	-	-	782,275	1,352,386
Cancelled on repurchase under normal course issuer bid (Note 10(f))	(50,000)	(22,981)	(299,000)	(120,170)
	11,067,587	5,129,267	11,127,653	5,144,586
To be cancelled from repurchase under normal course issuer bid (Note 10(f))	-	-	(40,000)	(18,343)
Total issued and outstanding, end of period	11,067,587	5,129,267	11,087,653	5,126,243

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

For the interim three month period ended March 31, 2007

5. 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, Dec. 31, 2006	657,734	CDN \$0.60 to \$1.91	CDN \$1.65
Options - granted	-	-	CDN \$1.40
- exercised	(29,934)	CDN \$0.60 to \$1.55	CDN \$1.02
- cancelled	(20,000)	CDN \$1.72	CDN \$1.72
Options outstanding at Mar. 31, 2007	607,800	CDN \$0.60 to \$2.55	CDN \$1.68
Options exercisable at Mar. 31, 2007	221,689	CDN \$0.60 to \$1.91	CDN \$1.30
Options exercisable at Dec. 31, 2006	234,956	CDN \$0.60 to \$1.91	CDN \$1.35

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, 2007 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
61,000	CDN \$0.60 to \$0.85	CDN \$0.80	0.91 years
96,733	CDN \$0.98 to \$1.19	CDN \$1.00	2.51 years
315,067	CDN \$1.72 to \$1.91	CDN \$1.68	3.16 years
<u>135,000</u>	CDN \$1.98 to \$2.55	CDN \$2.55	3.94 years
607,800	CDN \$0.60 to \$2.55	CDN \$1.68	3.00 years
Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
61,000	CDN \$0.60 to \$0.85	CDN \$0.80	0.91 years
45,622	CDN \$0.98 to \$1.19	CDN \$0.94	2.42 years
<u>115,067</u>	CDN \$1.72 to \$1.91	CDN \$1.71	2.14 years
221,689	CDN \$0.60 to \$1.91	CDN \$1.30	1.86 years

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

For the interim three month period ended March 31, 2007

5. Share Capital – continued

(d) Normal course issuer bid

During the quarter, pursuant to a normal course issuer bid under applicable securities legislation the Company acquired 50,000 (2006 – 339,000) of its issued and outstanding common shares. The Company repurchased the 50,000 (2006 - 339,000) common shares for \$107,328 (2006 - \$700,834) resulting in a \$22,981 (2006 - \$138,513) reduction in share capital and a \$84,348 (2006 - \$562,321) decrease in retained earnings.

6. Segmented Information

Operating Segments:

The Company operates with segments 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, 2007	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,594,958	\$ -	\$ 70,288	\$ (32,050)	\$ 1,633,196
Property, plant and equipment	\$ 9,173,901	\$ -	\$ -	\$ -	\$ 9,173,901
December 31, 2006	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 4,617,823	\$ -	\$ 1,044,725	\$ (655,487)	\$ 5,007,061
Property, plant and equipment	\$ 9,142,188	\$ 225	\$ -	\$ -	\$ 9,142,413

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

For the interim three month period ended March 31, 2007

7. Supplemental Cash Flow Information

Interest and income taxes paid (recovery)

	March 31,	December 31,
	2007	2006
Interest paid	\$ 31,672	\$ 59,972
Income taxes paid (recovery)	\$ 20,000	\$ 121,389

8. Non-controlling Interest

On February 9, 2005, Omni-Lite E-FORM Technologies Inc. ("E-FORM") was incorporated in California, USA by officers and directors of Omni-Lite and related parties, who invested all of E-FORM's initial capital of \$122,000. At that time, 50% of the shares of E-FORM were issued to the Company for nominal consideration. In September 2005, additional subscriptions from third parties resulted in a further investment of \$120,000 and a reduction of the Company's ownership to 38.48%. Subsequent subscriptions totaling \$147,915 made in 2006 further reduced the Company's ownership to 25%. On May 24, 2006, Omni-Lite E-FORM Technologies Inc. was renamed California Nanotechnologies, Inc ("CNI"). Because of the relationship between the management of the two corporations, current accounting rules require that CNI's financial statements be consolidated with the Company resulting in the inclusion of CNI's assets in the Company balance sheet.

On February 9, 2007, the Company's variable interest entity, California Nanotechnologies Inc. (CNI) completed a reverse take over transaction with Veritek Technologies Inc. (Veritek). As a result of this transaction, the Company's proportionate share will decrease to below 20% and therefore CNI will no longer be consolidated with Omni-Lite Industries Canada Inc.

The Company has exchanged its interest of 500,000 shares with a carrying value of approximately \$153,000 in California Nanotechnologies, Inc., an investee corporation that was consolidated in the prior year for the right to acquire 3,024,229 shares in California Nanotechnologies Corp. ("CNO") (formerly Veritek, "VTK"). The Company will earn the right to trade these shares when certain performance conditions are satisfied. The shares will be released into a time related escrow arrangement once a minimum commitment of \$300,000 in arm's length research and development costs are incurred by CNO. These shares are being held in escrow until these requirements are met and approved by the TSX Venture Exchange. As such, this investment has been recorded at its carrying value of approximately \$153,000 as its fair value is not readily determinable.