

Omni-Lite Industries Canada Inc.
Condensed Consolidated Financial Statements
For the interim three month period ended March 31, 2012
(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, 2012.

NOTICE TO THE READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The financial statements of Omni-Lite Industries Canada Inc. and the accompanying interim condensed consolidated statements of financial position as at March 31, 2012 and the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period ended are the responsibility of the Company's management.

These condensed consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MNP LLP.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed financial statements in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

"David F. Grant" signed

David F. Grant
Chief Executive Officer
Cerritos, California, USA
May 30, 2012

"Timothy Wang" signed

Timothy Wang
Chief Financial Officer
Cerritos, California, USA
May 30, 2012

Omni-Lite Industries Canada Inc.
Condensed Consolidated Statements of Financial Position
United States Dollars

As at	Note	March 31, 2012 (unaudited)	December 31, 2011
Assets			
Current			
Cash		\$ 4,723,081	\$ 5,231,092
Accounts receivable	12	1,021,900	861,732
Inventory	3	3,090,752	3,143,297
Income taxes receivable		157,886	87,386
Prepaid expenses	6	150,087	176,466
		<u>9,143,706</u>	<u>9,499,973</u>
Investments	4	343,886	336,238
Property, plant and equipment	5	13,353,391	13,376,026
Due from related parties	6	967,345	886,537
Deferred income tax asset		281,525	281,525
		<u>\$24,089,853</u>	<u>\$24,380,299</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	12	\$ 405,728	\$ 437,535
Income taxes payable		2,046	8,621
Current portion of long-term debt	8	1,362,255	1,460,442
		<u>1,770,029</u>	<u>1,906,598</u>
Long-term debt	8	96,103	178,771
Deferred income tax liability		3,393,947	3,349,347
Share purchase warrants	9(b)	139,533	134,972
		<u>5,399,612</u>	<u>5,569,688</u>
Shareholders' Equity			
Share capital	9(b)	9,318,241	9,404,228
Contributed surplus	13	1,485,728	1,485,988
Retained earnings		7,832,992	7,874,763
Accumulated other comprehensive income		53,280	45,632
		<u>18,690,241</u>	<u>18,810,611</u>
		<u>\$24,089,853</u>	<u>\$24,380,299</u>

On behalf of the Board:

signed "David F. Grant" Director
David F. Grant

signed "Donald J. Kelly" Director
Donald J. Kelly

Omni-Lite Industries Canada Inc.
Condensed Consolidated Statements of Income, and
Comprehensive Income
United States Dollars
(Unaudited – prepared by management)

For the three month period ended March 31	Note	2012	2011
Revenue	10	\$ 1,367,644	\$ 1,482,314
Cost of goods sold	3	603,402	602,439
Gross margin		764,242	879,875
Overhead expenses			
Amortization		204,123	233,589
Foreign exchange (gain)/loss		(1,187)	(88,484)
General and administrative		226,525	155,536
Employee benefits		240,903	180,698
Royalty/Commissions		9,335	20,071
Interest on long-term debt	8	12,274	20,096
Share-based compensation	13	6,700	11,025
Research and product design		35,635	36,508
		734,308	569,039
Income from operations		29,934	310,836
Other income			
Interest income		12,664	10,763
Unrealized loss on share purchase warrants	9(b)	(4,561)	-
		8,103	10,763
Income before income taxes		38,037	321,599
Income tax provision/(recovery)			
Current		(70,106)	(71,600)
Deferred		44,600	85,300
		(25,506)	13,700
Net income		\$ 63,543	\$ 307,899
Other comprehensive income			
Gain on available for sale financial assets	5	7,648	166,548
Comprehensive income		\$ 71,191	\$ 474,447
Earnings per share - basic	14	\$ 0.01	\$ 0.03
- diluted	14	\$ 0.01	\$ 0.03
Weighted average shares outstanding - basic	14	13,012,134	11,769,089
- diluted	14	13,204,428	12,084,374

Omni-Lite Industries Canada Inc
Condensed Consolidated Statements of Changes in Equity
United States Dollars

(Unaudited – prepared by management)

	Note	Share capital	Contributed surplus	Retained earnings	Other comprehensive income/loss	Total
Balance at December 31, 2011		\$ 9,404,228	\$ 1,485,988	\$ 7,874,763	\$ 45,632	\$ 18,810,611
Shares issued upon option exercise	9(b)	22,169	(6,960)	-	-	15,209
Repurchase under normal course issuer bid	9(d)	(107,663)	-	(105,314)	-	(212,977)
Share-based compensation	13	-	6,700	-	-	6,700
Share issue costs	9(b)	(493)	-	-	-	(493)
Net income		-	-	63,543	-	63,543
Available for sale financial assets	4	-	-	-	7,648	7,648
Balance at March 31 , 2012		\$ 9,318,241	\$ 1,485,728	\$ 7,832,992	\$ 53,280	\$ 18,690,241

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

For the three month period ended March 31	Note	2012	2011
Cash flows from operating activities			
Net income for the period		\$ 63,543	\$ 307,899
Adjustments for:			
Amortization		204,123	233,589
Deferred income taxes		44,600	85,300
Unrealized gain on share purchase warrants	9(b)	4,561	-
Share-based compensation	13	6,700	11,025
		<u>323,527</u>	<u>637,813</u>
Net change in non-cash working capital items			
Accounts receivable		(160,168)	(189,087)
Income taxes receivable		(70,500)	(41,314)
Inventory		52,545	25,718
Prepaid expenses		26,379	(44,671)
Accounts payable and accrued liabilities		(31,808)	108,361
Income taxes payable		(6,575)	-
Increase in cash from operations		<u>133,400</u>	<u>496,820</u>
Cash flows from financing activities			
Payments from related parties		9,512	31,283
Advances to related parties		(90,321)	(151,968)
Advances of long-term debt		-	725,792
Repayment of long-term debt		(180,854)	(1,383,277)
Share issue costs	9(b)	(493)	(642,008)
Issue of common shares	9(b)	15,209	7,007,668
Repurchase of common shares	9(d)	(212,977)	(71,977)
Increase/(decrease) in cash from financing activities		<u>(459,924)</u>	<u>5,515,513</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(181,487)	(145,710)
Decrease in cash from investing activities		<u>(181,487)</u>	<u>(145,710)</u>
Increase/(decrease) in cash		<u>(508,011)</u>	<u>5,866,623</u>
Cash, beginning of period		<u>5,231,092</u>	<u>30,301</u>
Cash, end of period		<u>\$ 4,723,081</u>	<u>\$ 5,896,924</u>
Supplemental Cash Flow Information:			
Interest paid		\$ 12,649	\$ 19,445
Income taxes paid		6,969	4,791

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

For the interim three month period ended March 31, 2012

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. The condensed consolidated financial statements of the Company for the interim three month period ended March 31, 2012 include the accounts of the Company and its wholly-owned subsidiaries. The financial statements were authorized for issue by the Board of Directors on May 17, 2012. Its head office, research and development, and production operations are located at 17210 Edwards Road, Cerritos, California, U.S.A, 90703. An international sales office is located in Barbados. A corporate, registered office is located at #1600, 205 - 5th Avenue S.W., Calgary, Alberta T2P 2V7. The Company's activities consist of developing, producing and marketing specialized metal matrix composite, aluminum, carbon and stainless steel alloy 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 functional currency is denominated in United States dollars, these condensed consolidated financial statements are stated in United States dollars.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The principal accounting policies are set out below. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Consolidated Financial Statements and the notes thereto in the Company's 2011 Audited Annual Financial Statements.

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied to the Company in these financial statements. Application of the majority of these standards and interpretations is not expected to have a material effect on the financial statements in the future.

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The condensed interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Consolidation

These condensed consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Omni-Lite Industries International Inc., Omni-Lite Industries California Inc., Formed Fast International Inc., and Omni-Lite Properties Inc. All significant inter-company balances and transactions have been eliminated on consolidation.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(b) Basis of measurement

These condensed consolidated financial statements have been prepared on a going concern basis, using historical cost convention except for available for sale financial assets which are measured at fair value. In addition, they have been prepared on an accrual basis of accounting except for cash flow information.

(c) Inventory

Inventory consists of raw materials and finished goods. Inventory is carried at the lower of average actual costs (including materials, labour and allocated overhead) and net realizable value. Finished goods inventory is recorded at average standard costs of production which approximates actual cost and includes raw materials, labour and allocated overheads.

(d) Revenue recognition

Revenue is recognized when goods are shipped to the customer, all significant contractual obligations have been satisfied, and collection of the resulting receivable is reasonably assured.

(e) Cash

Cash includes short-term, highly liquid investments that mature within nine months of their purchase.

(f) Property, plant and equipment

Property, plant and equipment are carried at deemed cost, historical cost less accumulated amortization and any impairment losses. Amortization is provided using the following methods and annual rates intended to amortize the cost of assets over their estimated useful lives.

Building	-	4% declining balance
Production and other equipment	-	15-30 years straight-line
Computer equipment	-	30% declining balance
Non-consumable tooling	-	7 years straight-line
Vehicle	-	7 years straight-line

Borrowing costs that are directly attributable to the acquisition of property, plant and equipment are capitalized. The Company reviews the criteria for capitalization and the useful life of its capital assets on an on-going basis considering changes in circumstances.

When the cost of a part of an item of property, plant and equipment is significant in relation to the total cost of an item and the items have different useful lives, they are accounted for as separate items (significant components) of property, plant and equipment. The costs of day-to-day servicing of property, plant and equipment are recognized in direct operating expenses. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other (income)/expense in the statement of comprehensive income. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(g) Investments

Investments classified as available-for-sale are reported at fair value with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments classified as “at fair value through profit or loss” are reported at fair value with unrealized gains or losses included in earnings.

(h) Intangible assets

Patents are recorded at cost and are amortized on a straight-line basis over a period of ten years based on management’s analysis of the market and competition. Patents represent accumulated costs and are not intended to reflect present or future values. The recoverability of these amounts is dependent upon future profitable operations.

(i) Impairment of non-financial assets

The Company assesses, at the end of each reporting period, whether there is an indication that an asset group may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics, other technologies and economic declines. Internal triggering events for impairment include lower profitability or planned restructuring. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets, cash generating units (“CGU”).

If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge. The Company’s corporate assets, which do not generate separate cash inflows, are allocated to the CGUs on a reasonable basis for impairment testing purposes.

The Company’s impairment tests compare the carrying amount of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs to sell (“FVLCS”) and value in use (“VIU”). FVLCS is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction of similar assets or observable market prices, less the costs of disposal. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses its judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

(j) Provisions

Provisions cover risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, awards in similar cases, the expected timing of such possible awards, insurance coverage and deductibles and independent expert advice are considered along with assumptions regarding the probability of a successful claim and the range of possible awards. The actual costs can deviate from these estimates.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(j) Provisions - continued

A provision is recognized in the financial statements when the Company has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At March 31, 2012, and March 31, 2011 there were no provisions recognized in the financial statements.

(k) Income taxes

Income tax expense for the period consists of current and deferred tax. Income tax is recognized in the condensed consolidated statement of comprehensive income, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Taxable income differs from income as reported in the condensed consolidated statement of comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where the Company operates.

In general, deferred taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the condensed consolidated financial statements. Deferred tax liabilities are not recognized and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

(l) Foreign exchange

These condensed consolidated financial statements have been presented in United States (U.S.) dollars, the functional currency of the Company's operations. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the foreign exchange rate in effect at the statement of financial position date. Revenue and expense transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate on the date of the transaction with all consequential exchange differences recognized in net income.

Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. All resulting exchange differences from translation of the functional currency into a different reporting currency are recognized as a separate component of other comprehensive income.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(m) Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts for finished goods inventory is based on standard costs and includes cost allocation estimates. Income tax rates expected to apply when the deferred income tax liabilities or assets are to be settled or realized and the related valuation allowance are based on estimates and assumptions. Factors used to estimate share-based compensation are based on management's assumptions at the time the related options were granted. The condensed consolidated financial statements also include estimates of the useful economic life of property, plant and equipment and deferred development and patent expenditures. Due to varying assumptions required to be made with regards to future recoverability of these assets, the amortization recorded by management based on their best estimate in this regard may be significantly different from those determined based on future operational results.

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

The Company has conducted a study of its internal policies with respect to transfer pricing within the consolidated group. The consolidated income tax provision provided herein has been based on management's best estimate of the pricing that is equivalent to comparative uncontrolled pricing for the same or similar products and is subject to assessment by taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is a possibility that a reassessment can occur.

The effect on the financial statements, resulting from changes in estimates, if any, will be reflected in the period a determination is made that the change in estimate is warranted. The effect on the condensed consolidated financial statements for changes in estimates, in future periods, could be significant.

(n) Share-based compensation plan

The Company accounts for all share options granted to employees, officers, directors and consultants using the fair value method of accounting for share-based compensation expense. Under this method, the associated compensation expense is charged to earnings with a corresponding increase to contributed surplus less an estimated forfeiture rate over each vesting period (tranches) of the options granted. The forfeiture rate is based on past experience of actual forfeitures. Each tranche is treated as a separate share option grant, and subsequently valued at the start of each tranche's vesting period.

(o) Per share amounts

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds from the exercise of dilutive options and warrants are used to purchase common shares at the weighted average market price during the period.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(p) Research and Development expenses

Expenses related to research and development activities that do not meet generally accepted criteria for deferral are expensed as incurred, net of related tax credits and government grants. Development expenses that meet generally accepted criteria for deferral, in accordance with the IAS 38, "Intangible Assets", are capitalized, net of related tax credits and government grants, and are amortized against earnings over the estimated benefit period. Research and development expenses are mainly comprised of salaries and related expenses, material costs as well as fees paid to third party consultants.

(q) Segmented information

The Company and its wholly owned subsidiaries are grouped into three geographical segments in the United States, Canada, and Barbados and each are supported by a corporate segment. The three geographical segments share common economic characteristics. The Operating Segments' financial results are reviewed regularly by the Company's chief operating decision-makers ("CODM"). The CODM make decisions about resource allocation and assess segment performance based on the internally prepared segment information.

(r) Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurements in subsequent periods depends on whether the financial instrument has been classified as "at fair value through profit or loss", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "at fair value through profit or loss" are measured at fair value with changes in fair value recognized in net income. Financial assets "available-for-sale" are measured at fair value, with changes in fair value recognized in Other Comprehensive Income ("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. Transaction costs related to fair value financial assets and liabilities are included in net income when incurred.

Cash and share purchase warrants are designated as "at fair value through profit or loss" and are measured at fair value, which approximates carrying value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, due to related parties and long-term debt are designated as "other liabilities". Long-term investments are financial instruments classified as "available-for-sale". They are initially recorded at 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. Realized gains and losses are recognized in income when the investments are actually disposed of.

The Company's consolidated financial statements include a Statement of Comprehensive Income. Accordingly, cumulative changes in OCI are included in a Statement of Changes in Equity.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(r) Financial Instruments - continued

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices listed in Level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Cash and investments of the Company are measured at Level 1.

A financial asset is assessed at each reporting date to determine whether it is impaired based on objective evidence indicating that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value and any amounts in OCI are transferred to earnings. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in net earnings. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(s) Capital Disclosures

The Company discloses its objective, policies and processes for managing capital.

(t) Recent accounting pronouncements

In October 2009, the International Accounting Standards Board (“IASB”) published IFRS 7, “Financial Instruments: Disclosures – Transfer of financial assets (Amendment)”. The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact to the Company after initial application.

In November 2009, the International Accounting Standards Board (“IASB”) published IFRS 9, “Financial Instruments,” which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities “at fair value through profit or loss”. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of profit or loss and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact to the Company upon implementation of the issued standard.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

(t) Recent accounting pronouncements - continued

IFRS 10, "Consolidated Financial Statements" has been issued and is effective for periods beginning on or after January 1, 2013. This standard will replace all of the existing guidance on control and consolidation in IAS 27, Consolidated and separated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control and includes detailed guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The Company does not expect the impact of the standard to be significant.

IFRS 11, "Joint Arrangements" has been issued and is effective for periods beginning on or after January 1, 2013. The new rules are aimed at providing investors with greater clarity about a participant's involvement in a joint arrangement. The key change in relation to the participant's contractual rights and obligations arising from their joint arrangements will determine the accounting under IFRS 11 rather than the arrangement's legal form. The Company does not expect the impact of the standard to be significant.

IFRS 12, "Disclosure of interest in other entities" has been issued and is effective for periods beginning on or after January 1, 2013. IFRS 12 sets out the required disclosures for entities reporting under the two new standards IFRS 10 and IFRS 11 *Joint arrangements*. The new rules also replace the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Company does not expect the impact of the standard to be significant.

On May 12, 2011, the IASB issued IFRS 13, "Fair value measurements," which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another Standard requires it. IFRS 13 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied prospectively. The Company uses fair value measurements in the preparation of its financial statements and consequently will be subject to the new requirements.

In June 2011, the IASB amended IAS 1, "Presentation of Financial Statements." The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendment to IAS 1 will be effective for the Company's fiscal years beginning on January 1, 2013, with earlier application permitted. The Company does not expect any changes to its consolidated financial statement presentation from this amendment as the items within OCI that may be reclassified to the statement of income are already grouped together.

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

For the interim three month period ended March 31, 2012

2. Significant Accounting Policies - continued

IAS 12 - Income Taxes ("IAS 12") was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company does not expect the impact of the standard to be significant.

3. Inventory

The major components of inventory are classified as follows:

	<u>March 31, 2012</u>	December 31, 2011
Raw materials	\$ 422,637	\$ 481,443
Finished goods	<u>2,668,115</u>	<u>2,661,854</u>
	\$ 3,090,752	\$ 3,143,297

The cost of finished goods and raw material inventories recognized as expense and included in cost of goods sold was \$603,402 (March 31, 2011 - \$602,439). There inventory write-down included in cost of goods sold was \$ 22,954 (March 31, 2011 - \$nil). The Company carries the inventory amounts above according to the weighted average method.

4. Investments

As at March 31, 2012, long-term investments consists of an available-for-sale investment in the common shares of a public company accounted for at fair value. The Company's investments are recorded at the fair value as supported by the market price listed on the TSX Venture Exchange.

	<u>Carrying Amount</u>
Investments at January 1, 2011	\$ 176,176
Purchase 1,375,000 shares, July 5, 2011	114,594
Gain from market price valuation	45,468
Investments at December 31, 2011	<u>\$ 336,238</u>
Gain from market price valuation	7,648
Investments at March 31, 2011	\$ 343,886

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5. Property, Plant and Equipment

	March 31, 2012			December 31, 2011	
	Additions	Cost	Accumulated	Cost	Accumulated
			Amortization		Amortization
Land	\$ -	\$ 770,000	\$ -	\$ 770,000	\$ -
Building	-	1,494,410	531,260	1,494,410	520,992
Production and other equipment	3,059	12,532,000	2,681,492	12,528,941	2,600,978
Computer equipment	3,395	145,576	115,850	142,181	112,557
Vehicle	-	28,400	23,329	28,400	22,315
Non consumable tooling	175,033	4,193,798	2,458,862	4,018,765	2,349,829
	\$ 181,487	\$19,164,184	\$5,810,793	\$18,982,697	\$5,606,671
Net book value		\$13,353,391		\$13,376,026	

Equipment not in service not subject to amortization in the amount of \$1,939,274 (December 31, 2011 - \$1,939,274) is included in production and other equipment.

6. Related Party Transactions

Due from related parties includes advances to a company under common control. An amount of \$791,903 (December 31, 2011 - \$749,276) is due from California Nanotechnologies Corp. bearing interest at 5% per annum and due on demand. The loan is secured by all the assets of California Nanotechnologies Inc.

For the three month period ended March 31, 2012, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value salary would approximate \$35,000 (March 31, 2011 - \$35,000). Due to the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of \$nil.

The Company has outstanding an unsecured interest free loan to two employees in the amount of \$40,000 (December 31, 2011 - \$20,000) related to the acquisition of property with maturity dates in 2016 and 2017. Another employee has received an unsecured interest free loan from the Company with an amount due of \$9,500 (December 31, 2011 - \$11,165), repayable in bi-weekly installments of \$231 with a maturity date in 2013. The Company has issued a loan to the Chief Executive Officer for \$125,942 (December 31, 2011 - \$106,096) at a 5% interest rate and with a maturity date in 2014. The loan is secured by the related property.

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6. Related Party Transactions - continued

The Company has advanced funds to the Chief Executive Officer in the amount of \$83,788 (December 31, 2011 - \$73,307). These amounts are non-interest bearing; have no fixed terms of repayment, and are expected to be used to fund business related expenses on behalf of the Company.

Significant subsidiaries:

The tables set forth below provide information relative to Omni-Lite Industries Canada Inc.'s significant subsidiaries, including each such entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Omni-Lite Industries Canada Inc., a brief description of the entity, and the market areas served, if applicable.

Company (Jurisdiction of Incorporation/ Formation)	Percentage of ownership by Omni-Lite Industries Canada, Inc	Overview	Market Area
Omni-Lite Industries California, Inc. (California, USA)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated on October 4, 1985. It is the head office which conducts research and development, and production operations.	United States
Omni-Lite Properties, Inc. (California, USA)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated on December 26, 2000. It owns the property and significant equipment for the head office.	United States
Omni-Lite Industries International, Inc. (Barbados)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated in Barbados on February 8, 2005. It conducts all international sales in the sports and recreation division.	International
Formed Fast International Inc. (Barbados)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc. which was formed and incorporated in Barbados on February 24, 1998. It is an investment holding company.	n/a

7. Compensation of Key Management Personnel

The remuneration of key management personnel during the period was as follows:

	<u>March 31, 2012</u>	March 31, 2011
Remuneration	\$ 91,110	\$ 79,414

Key management personnel of the Company include the Chief Executive Officer, President, Vice-president and Chief Financial Officer.

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8. Long-term Debt

	March 31, 2012	December 31, 2011
<p>Effective October 2011, the Company refinanced a long-term primary credit facility (the "Credit Agreement") with total credit facilities of up to \$2,400,000, including a term loan facility in the amount of \$1,200,000 bearing interest at the Prime Rate plus one-quarter of one percent (0.25%), (3.5% effective average interest rate), maturing on October 30, 2012, repayable in monthly principal installments of \$33,333. The Credit Agreement also includes a commercial advance line of up to \$1,200,000 for operating purposes, bearing interest at the Prime Rate plus one-quarter of one percent (0.25%), maturing on August 31, 2013. The available credit line at March 31, 2012 was \$1,200,000 (December 31, 2011 - \$1,200,000). The Credit Agreement is secured by all the accounts, inventory, equipment, and general intangibles of the Company. Under this agreement, the Company has agreed to certain conditions and financial covenant ratios, based on financial results including net worth, current and debt service ratios, and profitability, which have been met as at March 31, 2012 with two exceptions which were waived. Advances are automatically repayable daily with available funds after clearing operating disbursements.</p>	\$ 1,033,333	\$ 1,133,333
<p>Promissory Note, Total principal amount \$800,000 with 60-month term, bearing interest at LIBOR plus 1.85% per annum (2.2% effective average interest rate in 2012 and 2011). Secured by equipment with a net book value of \$697,778 (December 31, 2011 – \$704,444). Maturing on July 15, 2013, repayable in monthly principal and interest installments of \$14,962.</p>	227,773	271,104
<p>Promissory Note, Total principal amount \$692,800 with 60-month term, bearing interest at LIBOR plus 1.85% per annum (2.2% effective average interest rate in 2011 and 2010). Secured by equipment with a net book value of \$572,975 (December 31, 2011 – \$575,688). Maturing on July 15, 2013, repayable in monthly principal and interest monthly installments of \$12,957.</p>	197,252	234,776
	\$ 1,458,358	\$ 1,639,213
Less: current portion	(1,362,255)	(1,460,442)
	\$ 96,103	\$ 178,771

There were no borrowing costs capitalized during the three month period ended March 31, 2012 (December 31, 2011 – nil). The credit facilities of the Company are subject to annual review.

Estimated principal repayments are as detailed below:

2012	\$ 1,362,255
2013	<u>96,103</u>
	\$ 1,458,358

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9. Share Capital

(a) Authorized
Unlimited number of common shares with no par value.

(b) Issued

Share capital

	Number of Shares	Amount
Total issued and outstanding, January 1, 2011	10,233,866	\$ 5,046,031
Issued under private placement	3,220,000	5,616,339
Issued upon exercise of stock options	15,000	17,316
Share issuance costs	-	(640,975)
Broker options commissions	-	(332,819)
Cancelled on repurchase under normal course issuer bid	(355,600)	(301,664)
Total issued and outstanding, December 31, 2011	13,113,266	\$ 9,404,228
Issued upon exercise of stock options	19,000	22,169
Share issuance costs	-	(493)
Cancelled on repurchase under normal course issuer bid	(150,000)	(107,663)
Total issued and outstanding, March 31, 2012	12,982,266	\$ 9,318,241

On February 16, 2011, Omni-Lite completed a private placement of 3,220,000 Units at \$2.15 CAD per Unit for total proceeds of \$6,923,000 CAD. Each Unit was comprised of one (1) common share and one-half of one (1) common share purchase warrant exercisable at \$2.70 CAD per common share until February 16, 2013. These warrants were valued at \$0.85 CAD per warrant for a total of \$1,374,519 CAD. As part of the commission, the Company issued brokers options to purchase 225,400 Units at \$2.15 CAD per Unit until February 16, 2013. Each Unit was comprised of one (1) common share and one-half of one (1) common share purchase warrant exercisable at \$2.70 CAD per common share. These options were valued at \$1.03 CAD per common share and \$0.85 CAD per warrant for a total of \$328,797 CAD. The ascribed values of the warrants were determined using the Black-Scholes fair value pricing model based on a risk free rate of 1.94%, expected volatility of 67.44% and an expected life of two (2) years. The total costs to complete the private placement were \$638,454, which included a 7% broker cash commission on gross proceeds.

Warrants

	Number	Amount
Total issued and outstanding, January 1, 2011	-	\$ -
Issuance of warrants	1,610,000	1,391,329
Unrealized gain on share purchase warrants	-	(1,256,357)
Total issued and outstanding, December 31, 2011	1,610,000	\$ 134,972
Unrealized loss on share purchase warrants	-	4,561
Total issued and outstanding, March 31, 2012	1,610,000	\$ 139,533

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9. Share Capital - continued

Warrants – continued

Upon adoption of IFRS at January 1, 2011, the Company recorded an adjustment as a result of accounting for share purchase warrants issued using the principles of IAS 32, Financial Instruments: Recognition and Measurement (Note 2). As the exercise price of the share purchase warrants is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. At March 31, 2012 the fair value of share purchase warrants issued and outstanding with Canadian dollar exercise prices was \$139,533 (December 31, 2011 - \$134,972). The share purchase warrants are re-measured at fair value at each statement of financial position date with the change in fair value recorded in earnings during the period of change. The change in fair value for the interim three month period ended March 31, 2012 was a loss of \$4,561 (March 31, 2011 - \$nil). The fair value of share purchase warrants is reclassified to equity upon exercise.

(c) Share options

The Company has granted share options to directors, consultants, and employees of the Company as follows:

	Number	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding at Jan. 1, 2011	749,500	CAD \$0.60 to \$2.55	CAD \$1.32
Options - granted	40,000	CAD \$1.38 to \$2.00	CAD \$1.82
- exercised	(15,000)	CAD \$0.60 to \$0.90	CAD \$0.77
- forfeited	(48,486)	CAD \$0.60 to \$0.90	CAD \$0.70
- expired	(123,333)	CAD \$1.98 to \$2.55	CAD \$2.40
Options outstanding at Dec. 31, 2011	602,681	CAD \$0.60 to \$2.55	CAD \$1.32
Options - exercised	(19,000)	CAD \$0.60 to \$0.90	CAD \$0.81
- forfeited	(6,500)	CAD \$0.60 to \$0.90	CAD \$0.70
- expired	(6,668)	CAD \$0.60 to \$0.90	CAD \$0.70
Options outstanding at March 31, 2012	570,513	CAD \$0.60 to \$2.55	CAD \$1.22
Options exercisable at March 31, 2012	303,173	CAD \$0.60 to \$2.55	CAD \$1.49

The Company established a share 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. From grant date, options vest at one-third of the total grant annually with an expiration term of 5 years. The current stock option plan was approved by shareholders on December 8, 2011 and notification of acceptance of filing by the TSX Venture Exchange was given on April 3, 2012.

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9. Share Capital - continued

(c) Share options - continued

The options that are outstanding at March 31, 2012 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
389,679	CAD \$0.60 to \$0.90	CAD \$0.75	2.98 years
40,000	CAD \$1.38 to \$2.00	CAD \$1.82	4.34 years
140,834	CAD \$2.01 to \$2.43	CAD \$2.36	0.50 years
570,513	CAD \$0.60 to \$2.43	CAD \$1.20	2.73 years

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
162,339	CAD \$0.60 to \$0.90	CAD \$0.73	2.98 years
140,834	CAD \$2.00 to \$2.43	CAD \$2.36	0.50 years
303,173	CAD \$0.60 to \$2.43	CAD \$1.49	1.83 years

The options that were outstanding at December 31, 2011 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
421,847	CAD \$0.60 to \$0.90	CAD \$0.75	3.22 years
40,000	CAD \$1.38 to \$2.00	CAD \$1.82	4.59 years
140,834	CAD \$2.01 to \$2.43	CAD \$2.36	0.75 years
602,681	CAD \$0.60 to \$2.43	CAD \$1.20	2.73 years

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
107,189	CAD \$0.60 to \$0.90	CAD \$0.77	3.16 years
140,834	CAD \$2.00 to \$2.43	CAD \$2.36	0.75 years
248,023	CAD \$0.60 to \$2.43	CAD \$1.67	1.79 years

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2012	December 31, 2011
Risk free interest rate (%)	1.5 – 3.0%	1.5 – 3.0%
Expected life (years)	5	5
Volatility rate (%)	60 – 70%	60 – 70%
Dividend yield (%)	1.00 – 2.50%	1.00 – 2.50%
Forfeiture rate (%)	26.8%	26.8%

In estimating expected stock price volatility at the time of a particular stock option grant, the Company relies on observations of historical volatility trends.

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9. Share Capital - continued

(d) Normal course issuer bid

During the interim three month period, pursuant to a normal course issuer bid under applicable securities legislation the Company acquired 150,000 (December 31, 2011 – 355,600) of its issued and outstanding common shares. The Company repurchased the common shares for \$212,977 resulting in a \$107,663 reduction in share capital and a \$105,314 decrease in retained earnings.

10. Segmented Information

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 from products sold based on the Company locations for each of these segments as follows:

March 31, 2012	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,241,845	\$ -	\$ 346,335	\$ (220,536)	\$ 1,367,644
Net income/(loss)	(56,338)	2,620	117,261	-	63,543
March 31, 2011	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,394,148	\$ -	\$ 280,572	\$ (192,406)	\$ 1,482,314
Net income	166,422	68,273	73,204	-	307,899

11. Seasonality

Seasonal fluctuations have no material impact on the Company's revenues.

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12. Financial Instruments

Financial instruments of the Company consist of cash, share purchase warrants, accounts receivable, loans due from related parties, investments, accounts payable and accrued liabilities, and long-term debt.

	March 31, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
At fair value through profit or loss				
Cash	\$ 4,723,081	\$ 4,723,081	\$ 5,231,092	\$ 5,231,092
Share purchase warrants	139,533	139,533	134,972	134,972
Loans and receivable				
Accounts receivable	1,021,900	1,021,900	861,732	861,732
Due from related parties	967,345	967,345	886,537	886,537
Available for sale				
Investments	343,886	343,886	336,238	336,238
Other financial liabilities				
Accounts payable and accrued liabilities	405,728	405,728	437,535	437,535
Long-term debt	1,458,358	1,458,358	1,639,213	1,639,213

The table below sets out fair value measurements using the fair value hierarchy.

	Total	Level 1	Level 2	Level 3
Assets				
Cash	\$ 4,723,081	\$ 4,723,081	\$ -	\$ -
Share purchase warrants	139,533	139,533	-	-
Investments	343,886	343,886	-	-

There have been no transfers during the interim three month period between Levels 1 and 2.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to various risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not use off statement of financial position contracts to manage these risks.

Interest rate risk

The Company's revolving line of credit and the two promissory note borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at March 31, 2012, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$14,584 (March 31, 2011 - \$21,277). The related disclosures regarding these debt instruments are included in Note 8 of these financial statements.

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12. Financial Instruments - continued

Foreign currency risk

A significant portion of the Company's operations are located outside of the United States and, accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates.

The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and receivables to offset foreign currency payables and planned expenditures. The Company reports in its functional currency, the United States dollar. At March 31, 2012, the Company had the following balances denominated in Canadian dollars. The balances have been translated into United States currency in accordance with the Company's foreign exchange accounting policy.

	USD March 31, 2012	USD December 31, 2011
Cash	\$ 39,984	\$ 177,363
Accounts payable	89,313	91,524

At March 31, 2012, if the U.S. dollar strengthened or weakened by 10% relative to the Canadian dollar, the impact on net income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	\$ (3,998)
U.S. Dollar Exchange Rate – 10% decrease	3,998

Omni-Lite operates with a U.S. dollar functional currency which gives rise to currency exchange rate risk on Omni-Lite's Canadian dollar denominated monetary assets and liabilities, such as Canadian dollar bank accounts and accounts payable, as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	\$ 4,933
U.S. Dollar Exchange Rate – 10% decrease	(4,933)

Other Price Risk

The Company has financial instruments that may fluctuate in value as a result of changes in market price. The Company has an investment in shares of California Nanotechnologies Corp. This investment is recorded on the statement of financial position at fair value as of the statement of financial position date for the shares which have been released from escrow while the shares remaining in escrow are carried at cost, with changes from the prior year's fair value reported in Other Comprehensive Income.

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12. Financial Instruments - continued

Liquidity Risk

The Company is exposed to liquidity risk due to the borrowings under the credit facilities. This risk is mitigated by complying with the covenants and managing the cash flow by controlling receivables and payables.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at March 31, 2012, and includes the related interest charges:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Trade accounts payable and accrued liabilities	\$ 405,728	\$ -	\$ -	\$ -	\$ 405,728
Bank loan and interest	1,389,846	96,508	-	-	1,486,354
Total	\$ 1,795,574	\$ 96,508	\$ -	\$ -	\$ 1,892,082

The bank loans may be prepaid in whole or in part at any time without penalty.

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the three months ended March 31, 2012, the Company was engaged in contracts for products with three (March 31, 2011 – five) customers in excess of 10% of revenue, which accounted for \$788,694 (March 31, 2011 - \$1,116,620) or 58% (March 31, 2011 – 75%) of the Company's total revenue. During the same period, export sales to one (March 31, 2011 – one) customer in an international country (outside of the United States) amounted to \$282,470 (March 31, 2011 - \$207,200) or 21% (March 31, 2011 – 14%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of account receivable. The table below provides an analysis of our current financial assets and the age of our past due accounts receivables but not impaired financial assets by type of credit risk.

Total	Current	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
\$ 1,021,900	\$ 823,512	\$ 191,236	\$ 402	\$ 6,750	\$ -

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13. Contributed Surplus

The following is a continuity schedule of contributed surplus:

	March 31, 2012	December 31, 2011
Balance, beginning of period	\$ 1,485,988	\$ 1,124,861
Share-based compensation	6,700	49,800
Exercise of options	(6,960)	(5,600)
Broker options commissions	-	332,819
Relinquishment of options	-	(15,892)
Balance, end of period	\$ 1,485,728	\$ 1,485,988

14. Earnings per Common Share

The basic earnings per common share is calculated using net income divided by the weighted-average number of common shares outstanding. The diluted earnings per common share is calculated using net income divided by the weighted-average number of diluted common shares outstanding.

180,834 (March 31, 2011 – 518,666) options were excluded in calculating the weighted-average number of diluted common shares outstanding for the interim three month period ended March 31, 2012, because their exercise price was greater than the annual average common share market price in the periods. Outstanding options and warrants were the only potential dilutive instruments.

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15. Capital Disclosures

The objective for managing the Company's capital structure is to ensure that the Company has the financial capacity, liquidity and flexibility to fund expansion projects and product development efforts. The Company generally relies on operating cash flows to fund the expansion and product development. However, given the long cycle time of some of the development projects which require significant capital investment prior to cash flow generation, it is not unusual for capital expenditures to exceed cash flow from operating activities in any given period. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity. The Company's capital management policies are aimed at:

Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity; maintaining sufficient undrawn committed credit capacity to provide liquidity; ensuring ample covenant room to draw credit lines as required; and ensuring the Company maintains a credit rating that is appropriate for their circumstances.

EBITDA is a non-IFRS measure which is calculated using net income excluding interest expense, provision for income taxes, depreciation and amortization. The calculation of EBITDA is set out in the following table.

For the interim three month period ended	March 31, 2012	March 31, 2011
Net Income	\$ 63,543	\$ 307,899
Add:		
Interest Expense	12,274	20,096
Provision for Income Taxes	(25,506)	13,700
Amortization	204,123	233,589
EBITDA	\$ 254,434	\$ 575,284

16. Subsequent event

On May 4, 2012, the Company announced a dividend of two cents (CAD) per share for shareholders of record on May 22, 2012. The dividend is payable on May 29, 2012.