

Omni-Lite Industries Canada Inc.
Condensed Consolidated Financial Statements
For the interim three month period ended March 31, 2013
(in United States Dollars)

Contents

Notice to Reader	2
Condensed Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Income/Loss, Comprehensive Income/Loss	4
Statements of Changes in Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 28

UNAUDITED CONDENSED INTERIM CONSOLIDATED 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 condensed consolidated financial statements for the period ended March 31, 2013.

NOTICE TO THE READER OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements of Omni-Lite Industries Canada Inc. and the accompanying condensed consolidated interim statements of financial position as at March 31, 2013 and the condensed interim consolidated statements of income/loss, comprehensive income/loss, changes in equity and cash flows for the three month period ended are the responsibility of the Company's management.

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

The condensed interim consolidated 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, 2013

"Timothy Wang" signed

Timothy Wang
Chief Financial Officer
Cerritos, California, USA
May 30, 2013

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

As at	Note	March 31, 2013 (unaudited)	December 31, 2012
Assets			
Current			
Cash		\$ 2,358,674	\$ 2,745,856
Accounts receivable	12	756,683	712,029
Inventory	3	2,404,544	2,366,020
Income taxes receivable		39,899	40,699
Current portion of due from related parties	6	15,075	13,176
Prepaid expenses		123,619	98,157
		<u>5,698,494</u>	<u>5,975,937</u>
Investments	4	288,766	398,374
Property, plant and equipment	5	13,706,114	13,809,091
Due from related parties	6	1,535,059	1,434,895
Deferred tax asset		1,095,602	888,702
		<u>\$22,324,035</u>	<u>\$22,506,999</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	12	\$ 373,075	\$ 297,942
Income taxes payable		5,832	5,277
Current debt	8	740,890	923,781
		<u>1,119,797</u>	<u>1,227,000</u>
Deferred tax liability		3,480,066	3,387,066
		<u>4,599,863</u>	<u>4,614,066</u>
Shareholders' Equity			
Share capital	9(b)	8,793,402	8,814,933
Contributed surplus	13	1,562,517	1,539,667
Retained earnings		7,370,093	7,430,565
Accumulated other comprehensive income/loss		(1,840)	107,768
		<u>17,724,172</u>	<u>17,892,933</u>
		<u>\$22,324,035</u>	<u>\$22,506,999</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/loss, and
Comprehensive Income/loss
United States Dollars

(Unaudited – prepared by management)

For the three month period ended March 31	Note	2013	2012
Revenue	10	\$ 1,055,939	\$ 1,367,644
Cost of goods sold	3	483,191	603,402
Gross margin		572,748	764,242
Overhead expenses			
Amortization		233,491	204,123
Foreign exchange (gain)/loss		2,484	(1,187)
General and administrative		213,003	226,525
Employee benefits		228,643	240,903
Royalty/Commissions		3,383	9,335
Interest on long-term debt	8	6,653	12,274
Share-based compensation	13	22,850	6,700
Research and product design		46,739	35,635
		757,246	734,308
Income/loss from operations		(184,498)	29,934
Other income/loss			
Interest income		11,124	12,664
Unrealized loss on share purchase warrants	9(b)	-	(4,561)
		11,124	8,103
Income/loss before income taxes		(173,374)	38,037
Income tax provision/(recovery)			
Current		1,355	(70,106)
Deferred		(113,900)	44,600
		(112,545)	(25,506)
Net income/loss		\$ (60,829)	\$ 63,543
Other comprehensive income/loss			
Gain on available for sale financial assets	4	(109,608)	7,648
Comprehensive income/loss		\$ (170,437)	\$ 71,191
Earnings per share - basic	14	(\$ 0.01)	\$ 0.01
- diluted	14	(\$ 0.01)	\$ 0.01
Weighted average shares outstanding - basic	14	12,223,276	13,012,134
- diluted	14	12,235,152	13,204,428

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, 2012		\$ 8,814,933	\$ 1,539,667	\$ 7,430,565	\$ 107,768	\$ 17,892,933
Repurchase under normal course issuer bid	9(d)	(21,236)	-	357	-	(20,879)
Share-based compensation	13	-	22,850	-	-	22,850
Share issue costs	9(b)	(295)	-	-	-	(295)
Net income/loss		-	-	(60,829)	-	(60,829)
Available for sale financial assets	4	-	-	-	(109,608)	(109,608)
Balance at March 31 , 2013		\$ 8,793,402	\$ 1,562,517	\$ 7,370,093	\$ (1,840)	\$ 17,724,172

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	2013	2012
Cash flows from operating activities			
Net income/loss for the period		\$ (60,829)	\$ 63,543
Adjustments for:			
Amortization		233,491	204,123
Deferred taxes		(113,900)	44,600
Unrealized gain on share purchase warrants	9(b)	-	4,561
Share-based compensation	13	22,850	6,700
		<u>81,612</u>	<u>323,527</u>
Net change in non-cash working capital items			
Accounts receivable		(44,654)	(160,168)
Income taxes receivable		800	(70,500)
Inventory		(38,524)	52,545
Prepaid expenses		(25,462)	26,379
Accounts payable and accrued liabilities		75,133	(31,808)
Income taxes payable		555	(6,575)
Increase in cash from operations		<u>49,460</u>	<u>133,400</u>
Cash flows from financing activities			
Payments from related parties		55,175	9,512
Advances to related parties		(157,238)	(90,321)
Advances of long-term debt		-	-
Repayment of long-term debt		(182,891)	(180,854)
Share issue costs	9(b)	(295)	(493)
Issue of common shares	9(b)	-	15,209
Repurchase of common shares	9(d)	(20,879)	(212,977)
Increase/(decrease) in cash from financing activities		<u>(306,128)</u>	<u>(459,924)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(130,514)	(181,487)
Decrease in cash from investing activities		<u>(130,514)</u>	<u>(181,487)</u>
Increase/(decrease) in cash		<u>(387,182)</u>	<u>(508,011)</u>
Cash, beginning of period		<u>2,745,856</u>	<u>5,231,092</u>
Cash, end of period		<u>\$ 2,358,674</u>	<u>\$ 4,723,081</u>
Supplemental Cash Flow Information:			
Interest paid		\$ 4,821	\$ 12,649
Income taxes paid		6,485	6,969

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

For the interim three month period ended March 31, 2013

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, 2013 include the accounts of the Company and its wholly-owned subsidiaries. The condensed consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2013. 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 condensed 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 consolidated financial statements and should be read in conjunction with the Consolidated Financial Statements and the notes thereto in the Company's 2012 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 condensed consolidated financial statements. Application of the majority of these standards and interpretations is not expected to have a material effect on the condensed consolidated 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 interim 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 Condensed Consolidated Financial Statements
(Unaudited – Prepared by Management)
United States Dollars

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(b) Basis of measurement

These condensed interim 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

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 condensed consolidated statement of comprehensive income/loss. 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 Condensed Consolidated Financial Statements
(Unaudited – Prepared by Management)
United States Dollars

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(g) 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.

(h) 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.

(i) 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 Condensed Consolidated Financial Statements
(Unaudited – Prepared by Management)
United States Dollars

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(i) Provisions - continued

A provision is recognized in the condensed consolidated 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, 2013, and March 31, 2012 there were no provisions recognized in the condensed consolidated financial statements.

(j) 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/loss, 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/loss. 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.

(k) 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 condensed consolidated 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/loss.

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/loss.

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

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(l) Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenue, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant accounting judgments and estimates made by the Company in applying accounting policies:

Judgments

Determining cash generating units (“CGU’s”)

For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash flows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible and intangible assets, each CGU’s carrying value is compared to the greater of its fair value less costs to sell and value in use.

Deferred taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Estimates

Valuation of amounts receivables

Amounts receivable are reviewed on a regular basis to estimate recoverability of balances. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Inventory

The amounts for finished goods inventory is based on standard costs and includes cost allocation estimates.

Share-based payments

The Corporation uses an option pricing model to determine the fair value of share-based payments. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

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

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(l) Significant accounting estimates and judgments - continued

Depreciation and amortization

The 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.

Transfer pricing

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.

(m) Share-based compensation plan

The Company provides equity-settled share-based payments in the form of a share option plan to its employees, officers, directors and consultants. The Company accounts for these share options 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.

Share-based compensation transactions with non-employees are measured at the fair value of the goods or services recovered. However, if the fair value cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or services.

(n) 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.

(o) 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.

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

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(p) 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.

(q) 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 and due from related parties are designated as "loans and receivables". Accounts payable and accrued liabilities, 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.

Financial instruments measured at fair value on the condensed consolidated 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.

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

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(q) Financial Instruments - continued

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. Share purchase warrants are measured at level 2.

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.

(r) Capital Disclosures

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

(s) Recent accounting pronouncements

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. The Company is currently assessing the impact upon implementation of the issued standard.

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.

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

For the interim three month period ended March 31, 2013

2. Significant Accounting Policies - continued

(t) Recent accounting pronouncements - continued

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 Condensed Consolidated Financial Statements
(Unaudited – Prepared by Management)
United States Dollars

For the interim three month period ended March 31, 2013

3. Inventory

The major components of inventory are classified as follows:

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Raw materials	\$ 485,559	\$ 490,912
Finished goods	<u>1,918,986</u>	<u>1,875,108</u>
	\$ 2,404,544	\$ 2,366,020

The cost of finished goods and raw material inventories recognized as expense and included in cost of goods sold was \$483,191 (March 31, 2012 - \$603,402). The inventory write-down included in cost of goods sold was \$20,882 (March 31, 2012 - \$22,954). The Company carries the inventory amounts above according to the weighted average method.

4. Investments

As at March 31, 2013, 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 December 31, 2011	\$ 336,238
Gain from market price valuation	<u>62,136</u>
Investments at December 31, 2012	\$ 398,374
Loss from market price valuation	<u>(109,608)</u>
Investments at March 31, 2013	\$ 288,766

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

For the interim three month period ended March 31, 2013

5. Property, Plant and Equipment

	March 31, 2013			December 31, 2011		
	Additions	Cost	Accumulated Amortization	Additions	Cost	Accumulated Amortization
Land	\$ -	\$ 770,000	\$ -	\$ -	\$ 770,000	\$ -
Building	-	1,494,410	569,273	-	1,494,410	559,929
Production and other equipment	42,812	13,228,587	3,037,651	656,834	13,185,775	2,940,865
Computer equipment	-	151,800	129,190	9,619	151,800	126,614
Vehicle	-	28,400	27,386	-	28,400	26,371
Non consumable tooling	87,702	4,742,238	2,945,821	634,771	4,654,536	2,822,051
	\$ 130,514	\$20,415,435	\$ 6,709,321	\$1,301,224	\$20,284,921	\$ 6,475,830
Net book value		\$13,706,114			\$13,809,091	

Equipment not in service not subject to amortization in the amount of \$1,748,130 (December 31, 2012 - \$1,748,130) 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 \$1,178,423 (December 31, 2012 - \$1,111,149) is due from California Nanotechnologies Corp. bearing interest at 2% 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, 2013, 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, 2012 - \$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, 2012 - \$40,000) related to the acquisition of property with maturity dates in 2016 and 2017. Other employees have received unsecured interest free loans from the Company with amounts due totalling \$23,874 (December 31, 2012 - \$20,253), with a current portion of \$15,075 (December 31, 2012 - \$13,176), repayable in bi-weekly instalments with maturity dates in 2013 and 2014. The Company has issued a loan to the Chief Executive Officer for \$307,837 (December 31, 2012 - \$276,669) at a 5% interest rate and with a maturity date in 2014. The loan is secured by the related property.

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

For the interim three month period ended March 31, 2013

6. Related Party Transactions - continued

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, 2013</u>	<u>March 31, 2012</u>
Remuneration	\$ 100,293	\$ 91,110

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

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

For the interim three month period ended March 31, 2013

8. Long-term Debt

	March 31, 2013	December 31, 2012
<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 September 30, 2014, 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 December 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 with three exceptions which were not waived as of the report date. Advances are automatically repayable daily with available funds after clearing operating disbursements.</p>	\$ 633,333	\$ 733,333
<p>Promissory note, total principal amount \$800,000 with 60-month term, bearing interest at LIBOR plus 1.85% per annum (2.3% effective average interest rate in 2013 and 2012). Secured by equipment with a net book value of \$671,111 (December 31, 2012 – \$677,778). Maturing on July 15, 2013, repayable in monthly principal and interest installments of \$14,962.</p>	57,641	102,062
<p>Promissory note, total principal amount \$692,800 with 60-month term, bearing interest at LIBOR plus 1.85% per annum (2.34% effective average interest rate in 2013 and 2012). Secured by equipment with a net book value of \$562,122 (December 31, 2012 – \$564,836). Maturing on July 15, 2013, repayable in monthly principal and interest monthly installments of \$12,957.</p>	49,916	88,386
	\$ 740,890	\$ 923,781
Less: current portion	(740,890)	(923,781)
	\$ -	\$ -

There were no borrowing costs capitalized during the three month period ended March 31, 2013 (December 31, 2012 – nil). The credit facilities of the Company are subject to annual review.

Estimated principal repayments are as detailed below:

2013	\$	540,890
2014		<u>200,000</u>
	\$	740,890

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

For the interim three month period ended March 31, 2013

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, December 31, 2011	13,113,266	\$ 9,404,228
Issued upon exercise of stock options	25,666	28,939
Share issuance costs	-	(2,157)
Cancelled on repurchase under normal course issuer bid	(858,300)	(616,077)
Total issued and outstanding, December 31, 2012	12,280,632	\$ 8,814,933
Share issuance costs	-	(295)
Cancelled on repurchase under normal course issuer bid	(29,500)	(21,236)
Total issued and outstanding, March 31, 2013	12,251,132	\$ 8,793,402

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, December 31, 2011	1,610,000	\$ 134,972
Unrealized gain on share purchase warrants	-	(134,357)
Total issued and outstanding, December 31, 2012	1,610,000	\$ -
Expired share purchase warrants	(1,610,000)	-
Total issued and outstanding, March 31, 2013	-	\$ -

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

For the interim three month period ended March 31, 2013

9. Share Capital - continued

(b) Issued - 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, 2013 the fair value of share purchase warrants issued and outstanding with Canadian dollar exercise prices was \$nil (December 31, 2012 - \$nil). 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, 2013 was \$nil (March 31, 2012 - \$(4,561)). 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 Dec. 31, 2011	602,681	CAD \$0.60 to \$2.55	CAD \$1.20
Options - granted	215,000	CAD \$1.38 to \$2.00	CAD \$1.41
- exercised	(25,666)	CAD \$0.60 to \$0.90	CAD \$0.78
- forfeited	(56,502)	CAD \$0.60 to \$2.00	CAD \$1.49
- expired	(140,834)	CAD \$0.60 to \$2.55	CAD \$2.36
Options outstanding at Dec. 31, 2012	594,679	CAD \$0.60 to \$2.00	CAD \$0.99
Options outstanding at March 31, 2013	594,679	CAD \$0.60 to \$2.00	CAD \$0.99
Options exercisable at March 31, 2013	314,679	CAD \$0.60 to \$0.90	CAD \$0.74

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 October 19, 2012 and notification of acceptance of filing by the TSX Venture Exchange was given on May 17, 2013.

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

For the interim three month period ended March 31, 2013

9. Share Capital - continued

(c) Share options - continued

The options that are outstanding at March 31, 2013 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
379,679	CAD \$0.60 to \$0.90	CAD \$0.75	1.98 years
215,000	CAD \$1.38 to \$2.00	CAD \$1.41	4.02 years
594,679	CAD \$0.60 to \$2.00	CAD \$0.99	2.72 years
Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
314,679	CAD \$0.60 to \$0.90	CAD \$0.74	1.96 years

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

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
379,679	CAD \$0.60 to \$0.90	CAD \$0.75	2.23 years
215,000	CAD \$1.38 to \$2.00	CAD \$1.41	4.27 years
594,679	CAD \$0.60 to \$2.00	CAD \$0.99	2.96 years
Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
235,672	CAD \$0.60 to \$0.90	CAD \$0.76	2.20 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, 2013	December 31, 2012
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 – 3.00%	1.00 – 3.00%
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.

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

For the interim three month period ended March 31, 2013

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 29,500 (December 31, 2012 – 858,300) of its issued and outstanding common shares. The Company repurchased the common shares for \$20,879 resulting in a \$21,236 reduction in share capital and a \$357 increase 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, 2013	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,029,636	\$ -	\$ 53,718	\$ (27,415)	\$ 1,055,939
Net income/(loss)	(73,812)	(6,334)	19,317	-	(60,829)
March 31, 2012	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 1,241,845	\$ -	\$ 346,335	\$ (220,536)	\$ 1,367,644
Net income	(56,338)	2,620	117,261	-	63,543

11. Seasonality

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

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

For the interim three month period ended March 31, 2013

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, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
At fair value through profit or loss				
Cash	\$ 2,358,674	\$ 2,358,674	\$ 2,745,856	\$ 2,745,856
Loans and receivable				
Accounts receivable	756,683	756,683	712,029	712,029
Due from related parties	1,535,059	1,535,059	1,448,071	1,448,071
Available for sale				
Investments	288,766	288,766	398,374	398,374
Other financial liabilities				
Accounts payable and accrued liabilities	373,075	373,075	297,942	297,942
Long-term debt	740,890	740,890	923,781	923,781

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

	Total	Level 1	Level 2	Level 3
Assets				
Cash	\$ 2,358,674	\$ 2,358,674	\$ -	\$ -
Investments	288,766	288,766	-	-

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, 2013, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$7,409 (March 31, 2012 - \$14,584). The related disclosures regarding these debt instruments are included in Note 8 of these condensed consolidated financial statements.

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

For the interim three month period ended March 31, 2013

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, 2013, 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, 2013	USD December 31, 2012
Cash	\$ 331,232	\$ (4,813)
Accounts payable	73,428	83,618

At March 31, 2013, 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/loss
U.S. Dollar Exchange Rate – 10% increase	\$ (33,123)
U.S. Dollar Exchange Rate – 10% decrease	33,123

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/loss
U.S. Dollar Exchange Rate – 10% increase	\$ (25,780)
U.S. Dollar Exchange Rate – 10% decrease	25,780

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 condensed consolidated 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.

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

For the interim three month period ended March 31, 2013

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, 2013:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Trade accounts payable and accrued liabilities	\$ 373,075	\$ -	\$ -	\$ -	\$ 373,075
Long-term debt	540,890	200,000	-	-	740,890
Total	\$ 913,965	\$ 200,000	\$ -	\$ -	\$ 1,113,965

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, 2013, the Company was engaged in contracts for products with four (March 31, 2012 – three) customers in excess of 10% of revenue, which accounted for \$848,183 (March 31, 2012 - \$788,694) or 80% (March 31, 2012 – 58%) of the Company's total revenue. During the same period, export sales to nil (March 31, 2012 – one) customers in an international country (outside of the United States) amounted to \$nil (March 31, 2012 - \$282,470) or nil% (March 31, 2012 – 21%) 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
\$ 756,683	\$ 490,598	\$ 237,586	\$ 20,561	\$ -	\$ 7,938

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

For the interim three month period ended March 31, 2013

13. Contributed Surplus

The following is a continuity schedule of contributed surplus:

	March 31, 2013	December 31, 2012
Balance, beginning of period	\$ 1,539,667	\$ 1,485,988
Share-based compensation	22,850	64,880
Exercise of options	-	(9,027)
Relinquishment of options	-	(2,174)
Balance, end of period	\$ 1,562,517	\$ 1,539,667

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.

180,346 (March 31, 2012 – 180,834) options were excluded in calculating the weighted-average number of diluted common shares outstanding for the interim three month period ended March 31, 2013, 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.

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

For the interim three month period ended March 31, 2013

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, 2013	March 31, 2012
Net Income/loss	\$ (60,829)	\$ 63,543
Add:		
Interest Expense	6,653	12,274
Provision for Income Taxes	(112,545)	(25,506)
Amortization	233,491	204,123
EBITDA	\$ 66,770	\$ 254,434

16. Subsequent events

On May 20, 2013, The Company announced that it granted 425,000 incentive stock options to the directors and officers of the Company. The options were granted at the exercise price of \$0.62 per share which was the closing price of the stock on May 17, 2013.

On May 23, 2013, the Company announced that it authorized the purchase of up to 611,000 common shares of the Company by way of a normal course issuer bid on the TSX Venture Exchange.