Omni-Lite Continues Engineering And Financial Success In 1999

MANAGEMENT DISCUSSION AND ANALYSIS

OMNI-LITE INDUSTRIES CANADA INC. AS A BUSINESS

Omni-Lite's competitive strengths lie in the development and manufacture of specialized products utilizing advanced materials and precision computer controlled cold forging techniques. Combining these advantages and a team of key design and material engineers, production technicians and marketing and administrative support personnel has enabled Omni-Lite to prosper in the competitive environment of the
21st century. This strategy has quickly brought Omni-Lite to the forefront of technological development.

OMNI-LITE'S MARKETS

Omni-Lite's primary market is the development of precision components utilized by many of the world's largest corporations. In 1999, Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, the U.S. Army and NATO. Milestones achieved in 1999 include the completion and delivery of a transmission component utilized in the SUV program at Daimler-Chrysler, a 2nd generation coupling for the US Army and NATO, a critical component of an inventory control system for the apparel industry and several products for the 2000 Olympics in Sydney, Australia.

Omni-Lite's sports and recreational products are marketed in over 140 countries worldwide through the catalogs of adidas, Nike, Eastbay, M-F Athletics and Springco.

C. PRODUCT PROFILE

Omni-Lite's annual growth rate has been fueled by continued interest in the company's automotive, military and sports and recreation products. Of particular significance is the development of new revenue streams from the commercial and aerospace products now provided by the company.

1. Automotive Products

Omni-Lite's strength in the automotive area has been established through the manufacture of a series of components utilized in the transmissions of Daimler-Chrysler automobiles. In 1999, Omni-Lite delivered a second component for the SUV program at Daimler-Chrysler. The company has recently been approached to develop a 3rd component for this customer.

This technology has been extrapolated to airbag components for GM, Ford and Mazda. Omni-Lite's automated production systems are ideally suited to providing close tolerance components in a competitive marketplace. The quality of Omni-Lite's components have continually placed Omni-Lite as one of the most highly rated suppliers with one of the highest quality and lowest rejection rates in the industry.

2. Military Products

In September 1997 Omni-Lite began the manufacture of a specialized coupling for the U.S. Army. Production began in December 1997 under a 5-year contract. Since the initiation of this contract, Omni-Lite has been asked to complete an aggressive program to vastly improve this product. Omni-Lite has successfully delivered this second-generation coupling to the US arsenal. The company is now in full-scale production of this component which should result in significant increases in revenue during fiscal 2000. In a second development, Omni-Lite has completed two prototype contracts to develop products for the US Special Forces. These products are currently being tested by the US Military.

3. Sports and Recreation

Omni-Lite's initial success in supplying products to athletes who won 20 gold medals in the Olympics in Atlanta, including the gold shoes that propelled Michael Johnson to two gold medals, has allowed the company to capture a market of approximately 50% of the track spikes used worldwide and allowed expansion into a number of other related opportunities.

Omni-Lite's composite track and field products are continuing to be shipped from the Asian factories supplying Nike, adidas, Reebok, Puma, New Balance and Fila. The company has developed a mating receptacle for molding into the sole of various sports shoes including golf, soccer, football and track and field. Omni-Lite sports and recreation products are resold worldwide through Nike, adidas, Eastbay, Footlocker, Champs Sports, Springco Athletics, M-F Athletics and about 300 independent sporting goods catalogs and retail stores. Omni-Lite compression style track spikes are mandatory at several track facilities including the Pan-American Games facility in Winnipeg. The compression style of product is also mandatory for the US Olympic Trials held in Sacramento, California. Omni-Lite has completed the development of several new products for the Olympics in Sydney, Australia in September 2000. As a result many of the track and field athletes at the Olympics will be utilizing Omni-Lite’s components. Many of these could become production products in future generations of athletic footwear.

D. GROWTH RECORD

January 1998 saw the initiation of an expansion program during which Omni-Lite's manufacturing capability increased from two production systems to ten by April 2000. Throughout 1999, Omni-Lite continued on a growth curve that saw revenue increase 13% over the previous year's results. Revenues for calendar 1999 exceeded US$ 1,924,000 with cash flow of over US$ 984,000. Of particular note

4th quarter revenues exceeded US$ 686,000 producing net income of US$ 0.03 per share; an increase of 650% over the previous period.

E. GROWTH EXPECTATIONS

In 1999 Omni-Lite continued a period of rapid growth and development. Much of this growth has been from Omni-Lite's current customer base. This suggests a large degree of satisfaction and close cooperation between Omni-Lite and its customers. As the production facility is currently operating at 10-15% of its full capacity, the company is now formalizing a sales team in order to expedite sales growth to maximize plant utilization. Further growth in 2000 will stem from the development of components from both new and existing customers.

F. RISK FACTORS

The business climate of the 21st century presents risks that include the development of competition on a worldwide basis. As Omni-Lite grows in revenue the company becomes subject to increasing interest from corporations that would like to imitate the successes that have been achieved. The company has and will continue to aggressively protect itself through a variety of means that include:

1. patent and trademark protection
2. license agreements
3. joint venture agreements
4. development of proprietary technology and products

While key individuals are continuously trained in the critical aspects of the company's technology, providing redundancy at the production level, retaining highly skilled staff is a challenge in the strong economies in which the company operates. The company has experienced additional expense as key staff are trained and key functions such as accounting are brought in-house. The full benefit of these expenditures began to appear in the 3rd and 4th quarters of 1999 and should continue in 2000.

G. INTERNATIONAL OPERATIONS

To support the international scope of the market place, Omni-Lite has established two wholly owned subsidiaries in Barbados. These complement the production center in Cerritos, California. This structure enables the company to retain a high net income.

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For each of the years ended
December 31, 1999 and 1998

Contents

Management Report

The accompanying financial statements and all information in the annual report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. Financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safe-guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

BDO Dunwoody LLP, the external auditors, conduct an independent examination of the financial statements in accordance with generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal controls and such tests and procedures as considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The audit committee of the Board of Directors, with a majority of its members being outside directors, have reviewed the financial statements, including notes thereto, with management and BDO Dunwoody LLP. The financial statements have been approved by the Board of Directors on the recommendations of the audit committee.

April 8, 2000

Auditors' Report

To the Shareholders of
Omni-Lite Industries Canada Inc.

We have audited the consolidated balance sheets of Omni-Lite Industries Canada Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
April 8, 2000
(except for Notes 13 and 18 which is dated April 27, 2000)

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

December 31	1999	1998
Assets		
Current		
Cash	**$ 96,640**	$ 102,560
Accounts receivable	**580,468**	297,821
Due from related parties (Note 6)	**30,815**	160,500
Inventory	**375,303**	249,144
Prepaids	**-**	18,882
	1,083,226	828,907
Due from related parties (Note 6)	**219,919**	219,919
Deposit on equipment	**-**	200,000
Investment (Note 14)	**17,986**	17,985
Capital assets (Note 4)	**2,449,808**	1,224,266
Deferred development and patent expenditures (Note 5)	**536,620**	515,801
	$ 4,307,559	$ 3,006,878

	1999	1998
Liabilities and Shareholders' Equity		
Current		
Accounts payable	**$ 310,875**	$ 110,392
Income taxes payable	**19,691**	29,262
Due to related party (Note 6)	**143,351**	32,467
	473,917	172,121
Long-term debt (Note 7)	**445,754**	300,000
Deferred income taxes	**255, 000**	211,000
	1,174,671	683,121
Share capital (Note 8)	**2,169,387**	2,169,387
Retained earnings	**963,501**	154,370
	3,132,888	2,323,757
	$ 4,307,559	$ 3,006,878

On behalf of the Board:

____________________ Director

The accompanying notes are an integral part of these consolidated financial statements.

David Grant

____________________ Director

Don Kelly

Omni-Lite Industries Canada Inc.
Consolidated Statements of Operations and Retained Earnings
United States Dollars

For the years ended December 31	1999	1998
Revenue	**$ 1,924,339**	$ 1,701,395
Direct costs		
Cost of goods sold and related overhead	**629,344**	486,294
Gross margin	**1,294,995**	1,215,101
Overhead expenses		
Amortization	**131,123**	95,269
General and administrative	**237,753**	190,477
Interest on long term debt	**40,116**	6,167
	408,992	291,913
Income before other items	**886,003**	923,188
Other		
Write down of inventory	**(30,000)**	-
Foreign exchange and other	**28,542**	8,193
	(1,458)	8,193
Income before income taxes	**884,545**	931,381
Income taxes		
Current	**122,414**	105,537
Deferred	**44,000**	101,000
Utilization of loss carryovers	**(91,000)**	(76,275)
	75,414	130,262
Net income for the year	**809,131**	801,119
Retained earnings (deficit), beginning of year	**154,370**	(11,229)
Excess of purchase price paid over carrying value for purchase of subsidiary (Note 3)	**-**	(635,520)
Retained earnings, end of year	**$ 963,501**	$ 154,370
Earnings per share (Note 13)	**$ 0.08**	$ 0.08
Weighted average number of shares outstanding	**10,753,902**	10,256,321

The accompanying notes are an integral part of these consolidated financial statements.

Omni-Lite Industries Canada Inc.
Consolidated Statements of Cash Flows
United States Dollars

For the years ended December 31	1999	1998
Cash flows from operating activities		
Net income for the year	$ 809,131	$ 801,119
Adjustments for:		
Amortization	131,123	95,269
Deferred income taxes	44,000	101,000
Cash flow from operations	984,254	997,388
Net change in non-cash working capital balances		
Accounts receivable	(282,647)	(203,901)
Inventory	(126,159)	(7,082)
Prepaids	18,882	(10,982)
Accounts payable	200,483	54,304
Income taxes payable	(9,571)	29,262
Due to related parties	240,569	32,467
	1,025,811	891,456
Cash flows from financing activities		
Issue of share capital, net of share issue costs	-	121,607
Repayments and advances to related parties, net	-	(191,579)
Repayment of long-term debt	-	(354,922)
Proceeds from long-term debt	145,754	300,000
	145,754	(124,894)
Cash flows from investing activities		
Purchase of capital assets	(1,282,637)	(755,738)
Deferred development costs	(94,848)	(104,852)
Advances to Formed Fast Inc.	-	250,000
Deposit on capital assets acquisition	200,000	(128,000)
Investment in shares	-	(17,985)
	(1,177,485)	(756,575)
Increase (decrease) in cash	(5,920)	9,987
Cash, beginning of year	102,560	92,573
Cash, end of year	$ 96,640	$ 102,560

The accompanying notes are an integral part of these consolidated financial statements.

December 31, 1999 and 1998

1. Nature of Operations

Omni-Lite Industries Canada Inc. (the "Company") is a public company incorporated under the Laws of the Business Corporations Act of Alberta in 1992. Its head office operations are located in Calgary, with research and development and production operations in Cerritos, California, U.S.A. and an international office in Barbados. The companies activities consist of developing, producing and marketing specialized metal matrix composite, aluminum and carbon steel products. These products include components for the sports and recreation, automobile, aerospace, military and commercial industries. Since the most significant portion of the Company's operations are located in the United States and its normal transaction currency is United States dollars, these financial statements are stated in United States dollars.

2. Significant Accounting Policies

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

(a) Consolidation
These financial statements include the accounts of the Company and its wholly owned subsidiaries, Omni-Lite Industries International Inc., Omni-Lite Industries California Inc. and Formed Fast Barbados Inc. (Note 3). All significant inter-company transactions have been eliminated. Foreign subsidiaries included in the consolidation are translated using the temporal method for integrated operations.

(b) Inventory
Inventory consists of raw materials, work-in-progress and finished goods inventory that is carried at lower of average standard costs, which includes materials, labour and allocated overhead costs, and net realizable value. Included in inventory is approximately $52,500 (1998 - $16,000) of allocated overhead.

(c) Revenue recognition
Revenue is recognized when goods are shipped to the customer.

2. Significant Accounting Policies - continued

(d) Capital assets

Capital assets are carried at cost less accumulated amortization calculated on the following basis-

Production equipment	-	30 year straight-line
Computer equipment	-	30% declining balance
Furniture & fixtures	-	20% declining balance
Leasehold improvements	-	5 year straight-line

One-half the normal amortization is provided for in the year of acquisition.

(e) Investments

Investments are carried at original cost and are only written down if there is other than a temporary decline in value. Realized gains and losses are recognized when shares are actually disposed.

(f) Deferred development costs and patent expenditures

Expenditures on development of new products are capitalized as incurred. Deferred development costs are being amortized over 10 years using the straight-line basis. The unamortized costs are reviewed on an annual basis and are written down if the value which can be considered reasonably recoverable from net revenues over the remaining amortization period is less than the carrying value at that time. These costs are recorded net of related investment tax credits claimed.

(g) Deferred income taxes

The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes result primarily from claiming capital cost allowance on capital assets and research and development expenditures for income tax purposes in excess of amortization recorded in the accounts.

(h) Foreign exchange

Foreign currency balances of foreign subsidiaries are translated using the temporal method for integrated operations on the following basis:

- monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet dates;
- non-monetary assets, liabilities and related amortization and depletion expense are translated at historical rates;
- sales, other revenue, royalties and all other expenses are translated at the average rate of exchange during the month in which they are recognized.

The resulting foreign exchange gains and losses are included in earnings.

2. Significant Accounting Policies - continued

(i) Financial instruments

The Company carries a number of financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(j) Measurement uncertainty

The amounts for work in progress in inventory is based on standard costing and other cost allocation estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in estimates in future periods could be significant.

The Company has conducted a study for it's 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 same or similar products.

The consolidated financial statements include estimates of useful economic life of capital and development costs. 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 effect on the financial statements resulting from such adjustments, if any, required to the above estimates will be reflected in the period of settlement.

(k) Stock-based compensation plan

The Company has a stock-based compensation plan, as described in Note 17. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled will be charged to retained earnings.

3. Business Combination

On February 28, 1998, the Company completed its acquisition of Formed Fast Inc., a customer of the Company's automotive components since July of 1996. Consideration paid was 526,000 shares at a value of $685,720. Subject to attainment by the original Formed Fast shareholder of certain sales objectives which would provide incremental revenue to the Company, additional shares not exceeding 1,500,000 will be released from escrow. Any shares remaining in escrow on December 11, 2002 will be cancelled. Subsequent to the year end, 1,000,000 shares have been cancelled (Note 18). This business combination has been accounted for using the purchase method, however because the combination was with a related party, it has been accounted for at the carrying amount in accordance with CICA Handbook Section 3840.

The assets acquired on the purchase of Formed Fast Inc. are as detailed below:

Working capital	$	34,200
Capital assets		250,000
Debts assumed		(234,000)
Net book value of assets acquired	$	50,200
Purchase price paid via the issue of 2,026,000 shares (Note 8(b))	$	685,720
Net purchase price discrepancy allocated to retained earnings	$	635,520

4. Capital Assets

					1999		1998
		Cost	**Accumulated Amortization**		**Net Book Value**		Net Book Value
Production and other equipment	**$**	**2,575,103**	**131,997**	**$**	**2,443,106**	$	1,220,515
Computer equipment		**18,554**	**11,961**		**6,593**		2,839
Leasehold improvements		**4,012**	**3,903**		**109**		912
	$	**2,597,669**	**147,861**	**$**	**2,449,808**	$	1,224,266

5. Deferred Development and Patent Expenditures

						1999		1998
		Cost		**Accumulated Amortization**		**Net Book Value**		Net Book Value
Deferred development and patent costs	**$**	**767,607**	**$**	**234,157**	**$**	**536,620**	$	515,801

6. Due from (to) Related Parties

The amount includes a housing loan to the Company's officers in the amount of $219,919 bearing interest at 5%, repayable over a maximum period of 10 years. The property acquired with the housing loan currently serves as security on the Company's revolving line of credit (Note 7). Of the amounts outstanding, $44,848 were repaid on the housing loan subsequent to year end.

During the year, a director loaned the Company US$110,884. This loan bears interest at 9% and has no terms of repayment. Subsequent to the year end, $75,000 of this loan was repaid.

During 1998, a shareholder loaned the Company CDN$50,000 (US$32,467) bearing interest at 12%, with no terms of repayment. This loan was paid out subsequent to the year end.

Subsequent to the year end, the due from related party of $30,815 was paid back in its entirety.

7. Long-term Debt

	1999	1998
Revolving line of credit with a credit limit of $500,000, bearing interest at the Bank's reference rate plus 1%, up for re-negotiation July 7, 2000, secured by general blanket security agreement on all of the assets of the Company along with a deed of trust on the California home of the President and a Director of the Company.	**$ 445,754**	$ 300,000

The Company is currently re-negotiating their revolving line of credit into a term-loan for 5 years at current rates, and as such, has classified the loan as a long-term obligation.

8. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	1999		1998	
	Number of Shares	**Amount**	Number of Shares	Amount
Total issued and outstanding, beginning of year	**10,753,902**	**$2,169,387**	8,431,236	$ 1,362,060
Issued for cash upon exercise of stock options	**-**	**-**	296,666	121,607
Issued on acquisition of subsidiary *(1)*	**-**	**-**	2,026,000	685,720
Total issued and outstanding, end of year	**10,753,902**	**$2,169,387**	10,753,902	$ 2,169,387

(1) 1,500,000 of these shares are held in escrow as per Note 3.

8. Share Capital - continued

(c) Stock options
As at December 31, 1999 the Company has the following stock options outstanding:

	Number of Shares	Price Cdn $/Share	Expiry Date
Directors and employees	133,000	$0.60	Sept. 15, 2002
Consultant	300,000 (1)	$2.25	Nov. 18, 2002
Consultant	30,000 (2)	$2.40	Feb. 13, 2003
Consultant	20,000	$2.72	Aug. 06, 2003
Directors and employees	228,154	$2.10	Oct. 8. 2003
Directors and employees	140,000	$2.10	Oct. 28, 2003
Employee	50,000	$2.10	Feb. 3, 2004
Directors	33,333	$2.01	April 1, 2004
Employees	40,000	$1.90	Apr. 1, 2004
Employees	100,000	$1.80	July 1, 2004
	1,074,487		

(1) These options vest at the rate of 1/3 each year over three years commencing November 1, 1998.
(2) These options vest at the rate of 1/3 each year over three years commencing February 13, 1999.

At December 31, 1998, the Company had stock options to employees, consultants and directors outstanding to purchase 1,074,487 common shares at exercise prices ranging from $0.60 to $2.72 per share. The options vest at a rate of 1/3 each year over a three year period and expire between September 15, 2002 to July 1, 2004. Certain of the options were re-priced to $1.20 per share subsequent to the year end.

During 1999, the Company issued 223,333 stock options to employees and consultants of the Company and cancelled 195,179 stock options from directors and a consultant. Subsequent to the year end, the Company granted a further 95,000 stock options. These new options carry exercise prices ranging from $1.20 to $2.50 Canadian per share and expire between January 21, 2002 to January 21, 2005.

9. Income Taxes

	1999	1998
Statutory tax rate	**44.6%**	44.6%
Income taxes at the statutory rate	**$ 392,300**	$ 415,400
Rate differential on income earned in foreign jurisdiction	**(225,886)**	(208,863)
Utilization of loss carryovers	**(91,000)**	(76,275
	$ 75,414	$ 130,262

At December 31, 1999, the Company had approximately $114,000 (1998 - $259,000) of Canadian loss carryover balances which commence expiring in 2002. In addition, the Company has capital cost pools and deferred development cost pools approximating $29,000 (1998 - $100,000) to deduct against future taxable income. At December 31, 1999, the Company has approximately $245,000 (1998 – $308,000) of US loss carryover balances and available depreciable US tax pools of approximately $1,890,000 (1998 – $703,000).

10. Segmented Information

Operating Segments:

The Company operates in five industry segments, the sports and recreation, automobile, aerospace, military and commercial industries all of which operate as one operational segment.

Geographic Segments:

The Company has its operations in the United States, Canada and internationally.

December 31, 1999	United States	Canada	International	Total
Revenues, external	**$ 131,848**	**$ -**	**$ 1,792,491**	**$ 1,924,339**
Capital assets	**$ 2,441,036**	**$ 8,772**	$ -	**$ 2,449,808**

December 31, 1998	United States	Canada	International	Total
Revenues, external	$ 337,905	$ -	$ 1,363,490	$ 1,701,395
Capital assets	$ 993,199	$ 231,067	$ -	$ 1,224,266

In 1999, revenues from four customers of the Company's international segment represent approximately $1,110,500 (1998 - $1,226,000) of the Company's revenues.

11. Commitments

a) On October 1, 1999 the Company entered into a lease agreement for its office and production facilities. The lease expires September 30, 2000 and requires minimum monthly lease payments of $2,880. The Company must also pay its share of operating costs.

b) Pursuant to existing employment contracts dated July 1, 1999, the company is committed to paying severance to certain employees in the event of a sale and is also committed to paying bonuses based on sales and profitability.

c) The Company has committed to a 5% commission for a period of 10 years to an employee on the sale of a certain product.

12. Related Party Transactions

During 1999, the Company paid management fees to directors of the Company of approximately $nil (1998 – $59,000). The company also purchased machinery and equipment from a Company controlled by a director in the amount of $1,120,700 (1998 - $977,873). These transactions were recorded at the agreed to exchange amounts which equal carrying values of the vendor.

13. Earnings Per Share

Per share amounts have been calculated on the weighted average number of common shares outstanding. The weighted average shares outstanding for the year ending December 31, 1999 was 10,753,902 (1998 – 10,256,321) inclusive of the issued but escrowed shares (Note 8).

Fully diluted earnings per share amounts resulting from potential exercise of the options outstanding have not been disclosed as these exercises are not materially dilutive .

Giving effect to the cancellation of shares in escrow subsequent to year end (Note 18), pro forma earnings per share would still approximate $0.08 per share.

14. Investment

Investment of CDN $25,000 is in an unrelated corporation. This investment is accounted for by the cost method as there is no significant influence.

15. Financial Instruments

As disclosed in Note 2(i), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, industry credit risk and foreign currency risk. The Company manages it's exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

The Company's short and long term 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 December 31, 1999, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $4,500 (1998 - $3,000). The related disclosures regarding these debt instruments are included in Note 7 of these financial statements.

A significant portion of the Company's operations are located outside of Canada 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.

16. Statement of Cash Flows

a) Commencing this year the Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants for the Statement of Cash Flows and has adopted it retroactively.

c) Interest paid

	1999	1998
Interest	**$ 37,056**	$ 6,167
Income taxes paid	**$ 25,275**	$ -

c) Business combinations

During 1998, Formed Fast Inc. was acquired for $685,720 (Note 3) via the issuance of 2,026,000 common shares of the Company at a value of $0.338 per share.

17. Stock-Based Compensation Plans

A summary of the status of the Company's stock option plan as of December 31, 1998 and 1999, and the changes during the years ending on those dates is presented below (weighted average - "WA"):

	Number of Shares		**WA Exercise Price**	Number of Shares		WA Exercise Price
Outstanding at beginning of year	**250,000**	**$**	**0.96**	100,000	$	0.60
Granted	**190,000**		**1.59**	150,000		1.20
Total issued and outstanding, end of year	**440,000**	**$**	**1.23**	250,000	$	0.96

Range of Exercise Prices	Number Outstanding at Dec. 31, 1999	WA Remaining Contractual Life	WA Exercise Price
$ 0.60	100,000	2.7	0.60
$ 1.20	150,000	3.8	1.20
$ 1.80	100,000	4.5	1.80
$ 1.90	40,000	4.3	1.90
$ 2.10	50,000	4.1	2.10
	440,000	3.8	1.23

18. Subsequent Event

On April 27, 2000, the Company executed an agreement pursuant to the terms of which 1,000,000 of the 1,500,000 shares held in escrow (Note 3) are to be cancelled. The remaining 500,000 shares continue to be subject to an earn out agreement.

19. Comparative Figures

Certain comparative amounts presented in the financial statements have been reclassified to conform with the current period's presentation.

20. The Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.