

**Omni-Lite Industries Canada Inc.  
Consolidated Financial Statements  
For the interim nine month period ended  
September 30, 2004  
(Unaudited- Prepared by Management)  
(in United States Dollars)**

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## UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2004.

## NOTICE TO THE READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Omni-Lite Industries Canada Inc. and the accompanying interim consolidated balance sheet as at September 30, 2004 and the interim consolidated statements of earnings, retained earnings and cash flows for the period then ended are the responsibility of the Company's management.

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

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

*signed "David F. Grant"*

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David F. Grant  
Chief Executive Officer  
Cerritos, California, USA  
November 26, 2004

*signed "Timothy C. Wang"*

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Timothy C. Wang  
Chief Financial Officer  
Cerritos, California, USA  
November 26, 2004

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

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

<b>As at</b>	<b>September 30, 2004 (Unaudited)</b>	<b>December 31, 2003 (audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 21,774	\$ 196,764
Accounts receivable	645,173	296,570
Inventory	1,361,104	1,144,470
Prepaid expenses	3,893	14,864
	<u>2,031,944</u>	<u>1,652,668</u>
<b>Restricted cash</b>	<b>38,706</b>	<b>60,026</b>
<b>Investments</b>	<b>106,866</b>	<b>106,866</b>
<b>Capital assets</b>	<b>6,069,816</b>	<b>6,200,395</b>
<b>Deferred development and patent expenditures</b>	<b>4,255</b>	<b>4,255</b>
	<u>\$ 8,251,587</u>	<u>\$ 8,024,210</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 333,284	\$ 349,660
Income taxes payable	26,568	77,169
Due to related party (Note 1)	167,074	193,557
Current portion of long-term debt	348,500	509,979
Deferred revenue	32,329	-
	<u>907,755</u>	<u>1,130,365</u>
<b>Long-term debt</b>	<b>2,212,829</b>	<b>2,173,950</b>
<b>Future income taxes</b>	<b>282,176</b>	<b>320,000</b>
	<u>3,402,760</u>	<u>3,624,315</u>
<b>Share capital (Note 2)</b>	<b>2,083,009</b>	<b>2,172,617</b>
<b>Stock options</b>	<b>67,500</b>	<b>44,000</b>
<b>Share purchase loans receivable (Note 2(d))</b>	<b>(49,030)</b>	<b>(49,043)</b>
<b>Retained earnings</b>	<b>2,747,348</b>	<b>2,232,321</b>
	<u>4,848,827</u>	<u>4,399,895</u>
	<u>\$ 8,251,587</u>	<u>\$ 8,024,210</u>

On behalf of the Board:

"Signed" \_\_\_\_\_ Director  
Don Kelly

"Signed" \_\_\_\_\_ Director  
David F. Grant

**Omni-Lite Industries Canada Inc.**  
**Consolidated Interim Statements of Income and Retained Earnings**  
**(Unaudited – Prepared by Management)**  
**(in United States Dollars)**

	<b>For the nine month period ended September 30, 2004</b>	For the nine month period ended September 30, 2003	<b>For the three month period ended September 30, 2004</b>	For the three month period ended September 30, 2003
<b>Revenue</b>	<b>\$ 2,443,852</b>	\$ 2,184,899	<b>\$906,909</b>	\$866,866
<b>Cost of goods sold</b>	<b>729,946</b>	593,898	<b>275,250</b>	247,105
<b>Gross margin</b>	<b>1,713,906</b>	1,591,001	<b>631,659</b>	619,761
<b>Overhead expenses</b>				
Amortization	171,302	130,873	56,189	45,221
General and administrative	785,619	718,898	277,023	230,399
Interest on long-term debt	69,223	75,956	24,377	22,107
Research and product design	26,745	15,140	15,797	236
	<b>1,052,889</b>	940,867	<b>373,386</b>	297,963
<b>Income before the undernoted</b>	<b>661,017</b>	650,134	<b>258,273</b>	321,798
<b>Other income (loss)</b>				
Foreign exchange	(49,179)	(20,224)	(11,740)	5,659
Rental	79,788	74,261	26,621	26,100
	<b>30,614</b>	54,037	<b>14,881</b>	31,759
<b>Income before income taxes</b>	<b>691,631</b>	704,171	<b>273,154</b>	353,557
<b>Income taxes</b>				
Current	(37,672)	13,519	31,180	(14,731)
Future	-	135,000	-	116,000
	<b>(37,672)</b>	148,519	<b>31,180</b>	101,269
<b>Net income for the period</b>	<b>729,303</b>	555,652	<b>241,974</b>	252,288
Retained earnings, beginning of period	2,232,321	1,721,434	2,637,650	2,024,798
Purchase price of common shares repurchased in excess of carrying value (Note 2(b))	(214,276)	(32,780)	(132,276)	(32,780)
<b>Retained earnings, end of period</b>	<b>\$ 2,747,348</b>	\$ 2,244,306	<b>\$ 2,747,348</b>	\$ 2,244,306
<b>Earnings (loss) per share – basic and diluted</b>	<b>\$0.08</b>	\$0.06	<b>\$0.03</b>	\$0.03
<b>Weighted average shares outstanding - basic</b>	<b>8,610,292</b>	9,200,269	<b>8,610,292</b>	9,234,269
<b>diluted</b>	<b>8,801,930</b>	9,290,415	<b>8,801,930</b>	9,290,415

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

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

	<b>For the nine month period ended September 30, 2004</b>	<b>For the nine month period ended September 30, 2003</b>	<b>For the three month period ended September 30, 2004</b>	<b>For the three month period ended September 30, 2003</b>
<b>Cash flows from operating activities</b>				
Net income for the period	<b>\$ 729,303</b>	\$ 555,652	<b>\$ 241,974</b>	\$ 252,288
Adjustments for:				
Amortization	<b>171,302</b>	130,873	<b>56,189</b>	45,221
Stock based compensation	<b>23,500</b>	-	-	-
Foreign exchange, unrealized loss	<b>(49,174)</b>	(20,224)	<b>(13,526)</b>	5,658
Future income taxes	<b>37,824</b>	135,000	<b>20,000</b>	116,000
Cash flow from operations	<b>912,755</b>	801,301	<b>304,637</b>	419,167
Net change in assets and liabilities				
Accounts receivable	<b>(348,603)</b>	(194,283)	<b>9,432</b>	(46,953)
Inventory	<b>(216,634)</b>	(173,742)	<b>23,947</b>	257
Prepaid expenses	<b>10,971</b>	(1,252)	<b>12,633</b>	(673)
Accounts payable and accrued liabilities	<b>(16,376)</b>	(84,364)	<b>48,700</b>	(106,792)
Income taxes payable	<b>(50,601)</b>	(3,954)	-	-
Deferred revenue	<b>32,329</b>	-	<b>(27,000)</b>	-
	<b>323,841</b>	343,706	<b>372,349</b>	266,006
<b>Cash flows from financing activities</b>				
Due to related parties	<b>(26,483)</b>	(280,218)	<b>(38,033)</b>	(151,044)
Proceeds (repayment) from (of) long-term debt	<b>(122,600)</b>	504,460	<b>(176,003)</b>	(60,270)
	<b>(149,083)</b>	224,242	<b>(214,036)</b>	(211,314)
<b>Cash flows from investing activities</b>				
Deposits on equipment	-	-	-	-
Repurchase of common shares	<b>(303,885)</b>	(58,007)	<b>(163,895)</b>	(58,007)
Purchase of capital assets	<b>(45,864)</b>	(415,937)	<b>(28,899)</b>	(16,219)
	<b>(349,749)</b>	(473,944)	<b>(193,794)</b>	(74,226)
<b>Increase (decrease) in cash</b>	<b>(174,991)</b>	94,004	<b>(35,481)</b>	(19,534)
<b>Cash, beginning of period</b>	<b>196,764</b>	75,377	<b>57,254</b>	188,915
<b>Cash, end of period</b>	<b>\$ 21,773</b>	\$ 169,381	<b>\$ 21,773</b>	\$ 169,381

## Basis of and Responsibility for Presentation

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These unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which are more fully described in the annual audited financial statements for the year ended December 31, 2003 included in the Company's 2003 Annual Report. These statements do not include all of the disclosures required by Canadian GAAP for annual financial statements.

These financial statements have been prepared using the same accounting policies and methods of application as the audited financial statements of the Company for the year ended December 31, 2003.

In management's opinion, all adjustments necessary for fair presentation have been included in these financial statements.

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### 1. Due to Related Party

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Due to related parties includes an amount of \$165,074 due to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment.

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### 2. Share Capital

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(a) Authorized  
Unlimited number of common shares

(b) Issued

	For the 9 months ending September 30, 2004		For the year ended December 31, 2003 (audited)	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, beginning of period	8,784,269	\$ 2,172,617	9,234,269	\$ 2,283,916
Cancelled from repurchase under normal course issuer bid	(322,300)	(79,715)	(267,500)	(66,161)
	8,461,969	2,092,902	8,966,769	2,217,755
To be cancelled from repurchase under normal course issuer bid	(40,000)	(9,893)	(182,500)	(45,138)
Total issued and outstanding, end of period	8,421,969	\$ 2,083,009	8,784,269	\$ 2,172,617

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## Share Capital – continued

### (c) Stock options

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

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding at Dec. 31, 2003	836,333	CDN \$0.60 to \$2.01	CDN \$0.95
Options - granted	30,000	CDN \$1.04	CDN \$1.04
Options - cancelled	50,000	CDN \$1.20	CDN \$1.20
Options outstanding at September 30, 2004	806,333	CDN \$0.60 to \$1.91	CDN \$0.93
Options exercisable at September 30, 2004	307,667	CDN \$0.60 to \$1.91	CDN \$1.03

The Company established a stock option plan for employees, directors and consultants on September 15, 1997. Under this plan, the Company is authorized to issue options up to 10% of the outstanding number of issued and outstanding shares. Vesting of options is determined on a grant-by-grant basis. Options granted can have expiry dates up to 5 years from the date of grant.

The options that are exercisable at September 30, 2004 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Vested	Weighted Average Exercise Price of Options Currently Exercisable
568,000	CDN \$0.01 to \$0.99	CDN \$0.74	3.43 years	205,996	CDN \$0.78
238,333	CDN \$1.00 to \$1.99	CDN \$1.39	3.42 years	101,666	CDN \$1.54
<b>806,333</b>				<b>307,662</b>	

The Company does not record compensation expense when stock options are issued to employees in 2002.

Had compensation expense related to employees been determined based on the fair value at the grant dates, the net income and earnings per share for the nine month period ended September 30, 2004 would have been reduced to the pro forma amounts indicated below:

Net income	- as reported	\$	729,303
	- pro forma	\$	727,748
Earnings per share - basic and diluted			
	- as reported	\$	0.08
	- pro forma	\$	0.08

The fair value of share options granted in the current period was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), Expected volatility (0.58), risk-free interest rate (5.0%), and weighted average life of 5 years.

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## Share Capital – continued

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### (d) Share purchase loans receivable

During 2002, the Company issued promissory notes to options holders totaling \$49,030 to exercise stock options to acquire an aggregate of 76,667 common shares at exercise prices ranging from CDN\$0.98 to CDN\$1.40 per common share. The promissory notes are non-interest bearing and have a repayment date of 1 year from the date of the note. The repayment date was subsequently extended by one year.

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## 3. Segmented Information

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### **Operating Segments:**

The Company operates as one operational segment selling specialized products to the sports and recreation, automobile, aerospace, military and commercial industries.

### **Geographic Segments:**

The Company has its operations and subsidiaries in the United States, Canada and in Barbados. The Company allocates its revenues between countries based on location that has title to the contract. The Company has utilized and reported revenues based on the Company locations for each of these segments as follows:

September 30, 2004	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 2,019,613	\$ -	\$ 746,838	\$ (322,599)	\$ 2,443,852
Capital assets	\$ 5,983,664	\$ -	\$ 86,152	\$ -	\$ 6,069,816

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## 4. Long Term Debt

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Revolving line of credit, maximum \$500,000 (2003 - \$500,000) secured by a general security agreement over all the assets of the Company, bearing interest at Union Bank of California's reference rate (4.75%) or LIBOR plus 2.5% (LIBOR at 9/30/04 – 2.48%) Maturity date: September 26, 2005; Renewed yearly

Term loans, up to \$2.5 million, secured by all the assets of the Company, an assignment of insurance and inter-corporate guarantees, bearing interest at Union Bank of California's reference rate (4.75% at 9/30/2004). Effective interest rate to date was 4.2% at September 30, 2004. (2003 – 4.4%) Maturity date: October 31, 2007.

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