

**Omni-Lite Industries Canada Inc.  
Consolidated Financial Statements  
For the interim nine month period ended  
September 30, 2006  
(Unaudited- Prepared by Management)  
(in United States Dollars)**

**Contents**

---

**Consolidated Interim Financial Statements**

<b>Notice to Reader</b>	<b>2</b>
<b>Consolidated Interim Balance Sheet</b>	<b>3</b>
<b>Consolidated Interim Statement of Income and Retained Earnings</b>	<b>4</b>
<b>Consolidated Interim Statement of Cash Flows</b>	<b>5</b>
<b>Notes to Consolidated Interim Financial Statements</b>	<b>6 - 9</b>

## 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, 2006.

## 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, 2006 and the interim consolidated statements of earnings, retained earnings and cash flows for the nine month period ended are the responsibility of the Company's management.

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

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

*signed "David F. Grant"*

---

David F. Grant  
Chief Executive Officer  
Cerritos, California, USA  
November 29, 2006

*signed "Timothy C. Wang"*

---

Timothy C. Wang  
Chief Financial Officer  
Cerritos, California, USA  
November 29, 2006

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

<b>As at</b>	<b>September 30, 2006</b>	<b>December 31, 2005 (audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 79,883	\$ 456,676
Accounts receivable	1,554,836	1,049,729
Inventory	1,177,818	1,066,972
Prepaid expenses	36,627	32,177
	<u>2,849,164</u>	<u>2,605,554</u>
<b>Deferred acquisition</b>	<b>1,581,038</b>	<b>411,800</b>
<b>Investments</b>	<b>106,866</b>	<b>106,866</b>
<b>Property, plant and equipment (Note 4)</b>	<b>8,576,629</b>	<b>6,647,786</b>
<b>Intangible assets, Trademarks, and Patents</b>	<b>196,512</b>	<b>1,785</b>
	<u>\$ 13,310,209</u>	<u>\$ 9,773,791</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 988,160	\$ 476,732
Income taxes payable	14,720	48,405
Dividends payable	-	176,690
Deferred revenue	-	-
Due to related party (Note 2)	1,036,882	-
Current portion of long-term debt (Note 5)	757,549	436,680
	<u>2,797,311</u>	<u>1,138,507</u>
<b>Long-term debt (Note 5)</b>	<b>341,084</b>	<b>414,233</b>
<b>Future income taxes</b>	<b>830,100</b>	<b>722,000</b>
<b>Non-controlling interest (Note 6)</b>	<b>407,894</b>	<b>221,484</b>
	<u>4,376,389</u>	<u>2,496,224</u>
<b>Share capital (Note 3)</b>	<b>4,700,954</b>	<b>3,803,003</b>
<b>Contributed surplus</b>	<b>239,000</b>	<b>164,000</b>
<b>Retained earnings</b>	<b>3,993,866</b>	<b>3,310,564</b>
	<u>8,933,820</u>	<u>7,277,567</u>
	<u>\$ 13,310,209</u>	<u>\$ 9,773,791</u>

On behalf of the Board:

Signed "Donald J. Kelly" Director  
Donald J. Kelly

Signed "David F. Grant" 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, 2006</b>	For the nine month period ended September 30, 2005	<b>For the three month period ended September 30, 2006</b>	For the three month period ended September 30, 2005
<b>Revenue (Note 4)</b>	<b>\$4,168,552</b>	\$3,267,341	<b>\$1,823,936</b>	\$1,332,953
<b>Cost of goods sold</b>	<b>1,425,979</b>	985,750	<b>738,609</b>	416,301
<b>Gross margin</b>	<b>2,742,573</b>	2,281,591	<b>1,085,327</b>	916,652
<b>Overhead expenses</b>				
Amortization	<b>283,353</b>	235,312	<b>99,395</b>	114,045
General and administrative	<b>1,078,983</b>	651,982	<b>421,219</b>	245,994
Interest on long-term debt	<b>49,293</b>	54,925	<b>16,807</b>	20,236
Research and product design	<b>235,914</b>	54,451	<b>186,048</b>	14,099
	<b>1,647,543</b>	996,670	<b>723,469</b>	394,374
<b>Income before income taxes</b>	<b>1,095,030</b>	1,284,921	<b>361,858</b>	522,278
<b>Future income taxes</b>	<b>108,100</b>	115,000	<b>48,100</b>	50,000
<b>Current income taxes</b>	<b>17,517</b>	17,480	<b>(14,030)</b>	1,805
	<b>125,617</b>	132,480	<b>34,070</b>	51,805
<b>Income before non-controlling interest</b>	<b>969,413</b>	1,152,441	<b>327,788</b>	470,473
<b>Non-controlling interest (Note 6)</b>	<b>182,021</b>	(6,052)	<b>105,392</b>	(6,052)
<b>Net income for the period</b>	<b>1,151,434</b>	1,146,389	<b>433,180</b>	464,421
Retained earnings, beginning of period	<b>3,310,564</b>	2,570,880	<b>3,740,663</b>	3,252,848
Dividends on common shares		(163,147)		(163,147)
Purchase price of common shares repurchased in excess of carrying value	<b>(468,132)</b>	-	<b>(179,977)</b>	-
<b>Retained earnings, end of period</b>	<b>\$3,993,866</b>	\$3,554,122	<b>\$3,993,866</b>	\$3,554,122
<b>Earnings (loss) per share - basic</b>	<b>\$0.11</b>	\$0.12	<b>\$0.04</b>	\$0.05
<b>- diluted</b>	<b>\$0.11</b>	\$0.11	<b>\$0.04</b>	\$0.05
<b>Weighted average shares outstanding - basic</b>	<b>10,557,149</b>	9,747,582	<b>10,836,256</b>	10,002,857
<b>- diluted</b>	<b>10,823,718</b>	10,017,568	<b>11,102,824</b>	10,272,843

**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, 2006</b>	For the nine month period ended September 30, 2005	<b>For the three month period ended September 30, 2006</b>	For the three month period ended September 30, 2005
<b>Cash flows from operating activities</b>				
Net income for the period	<b>\$1,151,434</b>	\$1,146,389	<b>\$433,180</b>	\$464,421
Adjustments for:				
Amortization	<b>283,353</b>	235,312	<b>99,395</b>	114,045
Future income taxes	<b>108,100</b>	115,000	<b>48,100</b>	50,000
Non-controlling interest	<b>38,495</b>	(11,948)	<b>(105,392)</b>	(11,948)
Stock based compensation	<b>75,000</b>	52,318	<b>25,000</b>	17,500
Cash flow from operations	<b>1,656,382</b>	1,537,071	<b>500,283</b>	634,018
Net change in non-cash working capital items				
Accounts receivable	<b>(505,107)</b>	(462,404)	<b>(347,938)</b>	(387,697)
Inventory	<b>(110,846)</b>	38,205	<b>50,497</b>	147,955
Prepaid expenses	<b>(4,450)</b>	-	<b>(4,450)</b>	-
Accounts payable and accrued liabilities	<b>511,428</b>	(113,989)	<b>542,446</b>	(49,746)
Income taxes payable	<b>(33,685)</b>	(24,500)	<b>116</b>	-
Deferred revenue	-	(12,500)	-	-
	<b>1,513,722</b>	961,883	<b>740,954</b>	344,530
<b>Cash flows from financing activities</b>				
Due to related parties	<b>1,036,882</b>	(144,986)	<b>(160,000)</b>	-
Proceeds (repayment) from (of) long-term debt	<b>247,720</b>	(1,585,241)	<b>196,679</b>	(134,479)
Issue of common shares	<b>897,951</b>	1,530,469	<b>519,599</b>	23,966
Dividends on common shares	<b>(176,690)</b>	(303,343)	-	(163,147)
Repurchase of common shares	<b>(468,132)</b>	-	<b>(179,977)</b>	-
	<b>1,537,731</b>	(503,101)	<b>376,301</b>	(273,660)
<b>Cash flows from investing activities</b>				
Cash received from subscription of E-FORM	<b>147,915</b>	242,000	-	242,000
Deferred acquisition	<b>(1,169,238)</b>	-	<b>(282,217)</b>	-
Purchase of property and equipment	<b>(2,406,923)</b>	(333,911)	<b>(795,480)</b>	(198,795)
	<b>(3,428,246)</b>	(91,911)	<b>(1,077,697)</b>	43,205
<b>Increase (decrease) in cash</b>	<b>(376,793)</b>	366,871	<b>39,558</b>	114,075
<b>Cash, beginning of period</b>	<b>456,676</b>	66,347	<b>40,325</b>	319,143
<b>Cash, end of period</b>	<b>\$79,883</b>	\$433,218	<b>\$79,883</b>	\$433,218

**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statement**  
**(Unaudited – Prepared by Management)**  
**For the Interim Nine Month Period Ending**  
**September 30, 2006**

**1. Basis of and Responsibility for Presentation**

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, 2005. 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, 2005.

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

**2. Due to Related Parties**

Due to related parties includes an amount of \$1,036,882 due to a shareholder of the Company. The amount due to related parties is unsecured, non-interest bearing and has no set terms of repayment.

**3. Equity Instruments**

(a) Authorized  
Unlimited number of common shares

(b) Issued

	<b>For the nine months ending September 30, 2006</b>		<b>For the year ended December 31, 2005 (audited)</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
Common Shares				
<b>Total issued and outstanding, beginning of period</b>	<b>10,170,779</b>	<b>\$3,517,193</b>	8,349,304	\$2,015,999
Issued upon conversion of predecessor shares	-	-	-	-
Issued upon exercise of stock options	<b>301,999</b>	<b>216,712</b>	110,000	77,324
Issued under private placement	-	-	1,650,000	1,317,702
Share issuance costs	-	-		(250,227)
Issued upon exercise of warrants and broker warrants	<b>782,275</b>	<b>1,071,529</b>	211,475	362,718
Cancelled on repurchase under normal course issuer bid	<b>(274,000)</b>	<b>(104,480)</b>	(75,000)	(27,683)
	<b>10,981,053</b>	<b>4,700,954</b>	10,245,779	3,495,833
To be cancelled from repurchase under normal course issuer bid	-	-	(75,000)	(27,683)
	<b>10,981,053</b>	<b>4,700,954</b>	10,170,779	3,468,150
Share purchase loan	-	-	-	49,043
<b>Total issued and outstanding, end of period</b>	<b>10,981,053</b>	<b>\$4,700,954</b>	10,170,779	\$3,517,193

**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statement**  
**(Unaudited – Prepared by Management)**  
**For the Interim Nine Month Period Ending**  
**September 30, 2006**

The fair value of warrants issued in the current period was estimated using Black-Scholes option-pricing model with the following assumptions: Dividend yield (2%), Expected volatility (0.58), risk-free interest rate (2.9%), and weighted average life of 1.5 years.

	<b>For the nine months ending</b>		For the year ended December	
	<b>September 30, 2006</b>		31, 2005 (audited)	
<u><b>Warrants</b></u>	<b>Number</b>	<b>Amount</b>	Number	Amount
Total issued and outstanding, beginning of period	<b>613,525</b>	<b>\$214,423</b>	-	\$ -
issuance of warrants	-	-	825,000	288,325
Exercise of warrants	<b>(613,525)</b>	<b>(214,423)</b>	(211,475)	(73,902)
Total issued and outstanding, end of period	-	\$ -	613,525	\$ 214,423
	<b>For the nine months ending</b>		For the year ended December	
	<b>September 30, 2006</b>		31, 2005 (audited)	
<u><b>Broker Warrants</b></u>	<b>Number</b>	<b>Amount</b>	Number	Amount
Total issued and outstanding, beginning of period	<b>168,750</b>	<b>\$71,387</b>	-	\$ -
Issuance of Units	-	-	168,750	71,387
Exercise of Units	<b>(168,750)</b>	<b>(71,387)</b>	-	-
Total issued and outstanding, end of period	-	\$ -	168,750	\$ 71,387
 	<b>Total equity instruments</b>		<b>\$3,803,003</b>	
	<b>\$4,700,954</b>			

(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, Dec. 31, 2005	946,333	CDN \$0.60 to \$1.91	CDN \$1.10
Options - granted	135,000	CDN \$2.55	CDN \$2.55
- exercised	(301,999)	CDN \$0.60 to \$1.19	CDN \$ 0.80
- cancelled	-	-	-
<b>Options outstanding at September 30, 2006</b>	<b>779,334</b>	<b>CDN \$0.60 to 2.55</b>	<b>CDN \$0.97</b>
<b>Options exercisable at September 30, 2006</b>	<b>411,555</b>	<b>CDN \$0.60 to \$1.91</b>	<b>CDN \$1.13</b>
Options exercisable at Dec. 31, 2005	403,108	CDN \$0.60 to \$1.91	CDN \$1.02

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 exercise price is determined by the market closing price on the day of the grant.

Omni-Lite Industries Canada Inc.  
Notes to Consolidated Interim Financial Statement  
(Unaudited – Prepared by Management)  
For the Interim Nine Month Period Ending  
September 30, 2006

**Equity Instruments – continued**

The options that are exercisable at September 30, 2006 are summarized as follows:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
183,334	CDN \$0.60 to \$0.85	CDN \$0.72	1.68 years
173,333	CDN \$0.94 to \$1.28	CDN \$1.08	2.22 years
287,667	CDN \$1.72 to \$1.91	CDN \$1.64	3.19 years
135,000	CDN \$2.55	CDN \$2.55	4.40 years
779,334	CDN \$0.60 to \$2.55	CDN \$0.97	2.06 years

  

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
169,333	CDN \$0.60 to \$0.85	CDN \$0.71	1.65 years
102,222	CDN \$0.98 to \$1.28	CDN \$1.14	1.27 years
140,000	CDN \$1.72 to \$1.91	CDN \$1.70	2.32 years
411,555	CDN \$0.60 to \$1.91	CDN \$1.12	1.13 years

(d) Common Share Purchase Warrants

Expiry date	Exercise Price (CDN)	Issued	Exercised	Expired/ Cancelled	September 30, 2006
<b>August 9, 2006</b>	<b>\$1.60</b>	<b>825,000</b>	<b>(825,000)</b>	-	-
<b>Warrants outstanding</b>		<b>825,000</b>	<b>(825,000)</b>	-	-

(Audited)

Equity Instruments Outstanding	September 30, 2006	December 31, 2005	June 30, 2005
Common shares, issued and outstanding	10,981,053	10,170,779	9,999,304
Stock options	779,334	946,333	831,333
Outstanding Warrants	-	613,525	825,000
Broker Warrants	-	112,500	112,500
Compensation Units - warrants	-	56,250	56,250
<b>Fully diluted equity instruments</b>	<b>11,760,387</b>	<b>11,899,387</b>	<b>11,824,387</b>



**Omni-Lite Industries Canada Inc.**  
**Notes to Consolidated Interim Financial Statement**  
**(Unaudited – Prepared by Management)**  
**For the Interim Nine Month Period Ending**  
**September 30, 2006**

---

**4. Segmented Information**

---

**Operating Segments:**

The Company operates as one operational segment selling specialized products to the aerospace, military, automotive, sports and recreation, 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 the 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, 2006	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 3,661,367	\$ -	\$ 1,034,622	\$ (527,437)	\$ 4,168,552
Capital assets	\$ 8,576,010	\$ 619	\$ -	\$ -	\$ 8,576,629

---

**5. Long Term Debt**

---

Revolving line of credit, maximum \$1,500,000 (2005 - \$1,000,000) secured by a general security agreement over all the assets of the Company, bearing interest at Union Bank of California's reference rate (8.25%) (2005 – 7.25%) or LIBOR plus 1.75% (2005 –LIBOR plus 2%) Maturity date: September 27, 2007; Renewed yearly

Term loan, secured by related property, bearing interest at LIBOR plus 2%. Effective rate is 6.97%. (2005 – 4.54%) Maturity date: October 01, 2013, repayable in monthly blended installments of \$2,582.96. The carrying value of the collateralized property is \$1,931,851 (2005 - \$1,967,538).

---

**6. Non-controlling Interest**

---

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