

**Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the interim nine month period ended
September 30, 2009
(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, 2009.

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, 2009 and the interim consolidated statements of earnings, retained earnings, comprehensive income, accumulated other comprehensive income 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, Meyer 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.

***“David F. Grant”** signed*

David F. Grant
Chief Executive Officer
Cerritos, California, USA
November 13, 2009

***“Timothy Wang”** signed*

Timothy Wang
Chief Financial Officer
Cerritos, California, USA
November 13, 2009

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

As at	September 30, 2009 (unaudited)	December 31, 2008 (audited)
Assets		
Current		
Cash	\$ 263,338	\$ -
Accounts receivable	761,072	1,045,990
Inventory	3,219,503	2,693,668
Income taxes receivable	107,301	67,509
Due from related parties (Note 6)	106,070	-
Prepaid expenses	26,614	-
	<u>4,483,898</u>	<u>3,807,167</u>
Loan receivable	196,387	189,819
Deferred acquisition (Note 4)	-	1,102,540
Investments (Note 5)	178,483	270,455
Property, plant and equipment	13,431,725	11,614,267
Future income tax asset	222,900	222,900
	<u>\$ 18,513,393</u>	<u>\$ 17,207,148</u>
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness	\$ -	\$ 7,664
Accounts payable and accrued liabilities	404,347	659,808
Capital lease	4,189	37,700
Due to related parties (Note 6)	-	124,408
Equipment obligation (Note 4)	706,406	-
Current portion of long-term debt (Note 7)	1,243,780	2,088,824
	<u>2,358,722</u>	<u>2,918,404</u>
Long-term debt (Note 7)	2,467,400	1,053,646
Future income tax liability	2,515,312	2,362,800
	<u>7,341,434</u>	<u>6,334,850</u>
Share capital (Note 8 (b))	5,519,546	5,519,546
Contributed surplus (Note 12)	578,594	562,319
Retained earnings	5,080,965	4,706,967
Accumulated other comprehensive income/(loss)	(7,146)	83,466
	<u>11,171,959</u>	<u>10,872,298</u>
	<u>\$ 18,513,393</u>	<u>\$ 17,207,148</u>

On behalf of the Board:

"David F. Grant" signed Director
David Grant

"Donald J. Kelly" signed Director
Donald Kelly

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

(Unaudited – prepared by management)

	For the nine month period ended September 30, 2009	For the nine month period ended September 30, 2008	For the three month period ended September 30, 2009	For the three month period ended September 30, 2008
Revenue (Note 9)	\$ 3,209,969	\$ 6,088,126	\$ 1,084,771	\$ 2,068,730
Cost of goods sold	1,049,346	1,668,909	395,866	549,928
Gross margin	2,160,623	4,419,217	688,905	1,518,802
Overhead expenses				
Amortization	561,533	508,175	168,699	180,839
General and administrative	775,590	1,528,659	244,285	578,690
Royalty/Commissions	60,043	-	7,140	-
Interest on long-term debt	117,134	80,116	62,076	15,303
Research and product design	144,325	83,103	39,887	35,387
	1,658,625	2,200,053	522,087	810,219
Income from operations	501,998	2,219,164	166,818	708,583
Other income/(expense)	-	-	-	-
Income before income taxes	501,998	2,219,164	166,818	708,583
Provision for income taxes				
Current	(23,000)	372,894	33,240	75,000
Future	151,000	413,750	38,500	137,900
	128,000	786,644	71,740	212,900
Net income	373,998	1,432,520	95,078	495,683
Earnings per share - basic (Note 14)	\$ 0.04	\$ 0.13	\$ 0.01	\$ 0.05
- diluted (Note 14)	\$ 0.04	\$ 0.13	\$ 0.01	\$ 0.05
Weighted average shares outstanding				
- basic (Note 14)	10,620,854	10,915,532	10,620,854	10,917,293
- diluted (Note 14)	10,627,606	10,978,699	10,627,505	10,980,460

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

(Unaudited – prepared by management)

	For the nine month period ended September 30, 2009	For the nine month period ended September 30, 2008	For the three month period ended September 30, 2009	For the three month period ended September 30, 2008
Retained earnings, beginning of period	\$ 4,706,967	\$ 4,479,871	\$ 4,985,887	\$ 5,041,206
Net income	373,998	1,432,520	95,078	495,683
Common shares repurchased in excess of carrying value (Note 8 (e))	-	(569,585)	-	(194,083)
Retained earnings, end of period	\$ 5,080,965	\$ 5,342,806	\$ 5,080,965	\$ 5,342,806

Consolidated Statements of Comprehensive Income
United States Dollars

(Unaudited – prepared by management)

	For the nine month period ended September 30, 2009	For the nine month period ended September 30, 2008	For the three month period ended September 30, 2009	For the three month period ended September 30, 2008
Net income	\$ 373,998	\$ 1,432,520	\$ 95,078	\$ 495,683
Other Comprehensive Income, Net of Tax (Note 5)	(90,612)	(30,982)	(69,647)	(14,334)
Comprehensive income	\$ 283,386	\$ 1,401,538	\$ 25,431	\$ 481,349

Consolidated Statements of Accumulated Other Comprehensive Income
United States Dollars

(Unaudited – prepared by management)

	For the nine month period ended September 30, 2009	For the nine month period ended September 30, 2008	For the three month period ended September 30, 2009	For the three month period ended September 30, 2008
Accumulated Other Comprehensive Income, Beginning of Period	\$ 83,466	-	\$ 62,501	\$ (16,648)
Other Comprehensive Income, Net of Tax (Note 5)	(90,612)	\$ (30,982)	(69,647)	(14,334)
Accumulated Other Comprehensive Income/(Loss), End of Period	\$ (7,146)	\$ (30,982)	\$ (7,146)	\$ (30,982)

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

(Unaudited – prepared by management)

	For the nine month period ended September 30, 2009	For the nine month period ended September 30, 2008	For the three month period ended September 30, 2009	For the three month period ended September 30, 2008
Cash flows from operating activities				
Net income for the year	\$ 373,998	\$ 1,432,520	\$ 95,078	\$ 495,683
Adjustments for:				
Amortization	561,533	508,175	168,699	180,839
Future income taxes	152,512	413,700	38,500	137,900
Stock based compensation	16,275	209,700	11,800	69,900
	<u>1,104,318</u>	<u>2,564,095</u>	<u>314,077</u>	<u>884,322</u>
Net change in non-cash working capital items				
Accounts receivable	284,918	(110,731)	34,697	73,948
Inventory	(525,835)	(558,477)	(165,135)	(227,030)
Prepaid expenses	(26,614)	-	7,608	-
Income taxes receivable	(39,792)	(68,000)	33,239	(68,000)
Accounts payable and accrued liabilities	(255,461)	(86,830)	7,148	84,664
Income taxes payable	-	(392,084)	-	(287,033)
	<u>541,534</u>	<u>1,347,973</u>	<u>231,634</u>	<u>460,871</u>
Cash flows from financing activities				
Advances from related parties	32,738	579,391	(20,211)	381,391
Repayment to related parties	(269,784)	(1,158,459)	(86,401)	(732,210)
Advances of long-term debt	3,945,878	2,771,807	3,071,879	1,340,000
Repayment of long-term debt	(3,377,168)	(1,878,511)	(2,798,273)	(624,413)
Issue of common shares	-	532,100	-	-
Share issuance costs	-	(1,231)	-	(570)
Repurchase of common shares	-	(780,796)	-	(276,795)
	<u>331,664</u>	<u>64,301</u>	<u>166,994</u>	<u>166,994</u>
Cash flows from investing activity				
Deferred acquisition	(229,688)	610,440	(76,562)	54,711
Purchase of property, plant and equipment	(372,508)	(1,977,905)	(119,384)	(500,983)
	<u>(602,196)</u>	<u>(1,367,465)</u>	<u>(195,946)</u>	<u>(446,272)</u>
Increase (decrease) in cash	<u>271,002</u>	<u>44,809</u>	<u>202,682</u>	<u>102,002</u>
Cash, beginning of period	<u>(7,664)</u>	<u>(5,651)</u>	<u>60,656</u>	<u>(62,844)</u>
Cash, end of period	<u>\$ 263,338</u>	<u>\$ 39,158</u>	<u>\$ 263,338</u>	<u>\$ 39,158</u>

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

For the interim nine month period ended September 30, 2009

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, research and development, and production operations are located in Cerritos, California, U.S.A. An international sales office is located in Barbados. A corporate office is located in Calgary. The Company's 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 transaction currency is usually denominated in United States dollars, these consolidated financial statements are stated in United States dollars.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The 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 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.

(b) 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 and includes raw materials, labour and allocated overheads.

(c) 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.

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

For the interim nine month period ended September 30, 2009

2. Significant Accounting Policies - continued

(d) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. 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.

(e) Investments

On January 1st, 2007, the Company adopted the new accounting standard related to financial instruments. Under the new accounting policy, investments classified as available-for-sale are reported at fair value with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments classified as held-for-trading are reported at fair value with unrealized gains or losses included in earnings. Prior to January 1, 2007 investments were valued at the lower of the original cost and quoted market value.

(f) 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.

(g) Long-lived assets

Long-lived assets, including intangible assets and property, plant and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows resulting from the use of these assets. When any such impairment exists, the related assets will be written down to fair value.

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

For the interim nine month period ended September 30, 2009

2. Significant Accounting Policies - continued

(h) Future income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(i) Foreign exchange

These consolidated financial statements have been presented in United States (U.S.) dollars, the principal currency of the Company's operations. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate on the date of the transaction.

Foreign currency balances of foreign subsidiaries are translated into their U.S. dollar equivalents 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 expense are translated at historical rates;
- sales, other revenue, royalties and all other expenses are translated at the rate of exchange on the date of the transaction.
- amortization of assets translated at historical exchange rates are translated at the same rates as the assets to which they relate.

The resulting foreign exchange gains and losses from the above transactions are included in income.

(j) Measurement uncertainty

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

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

For the interim nine month period ended September 30, 2009

2. Significant Accounting Policies - continued

(j) Measurement uncertainty (continued)

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts for finished goods inventory is based on standard costs and includes cost allocation estimates. Income tax rates expected to apply when the future income tax liabilities or assets are to be settled or realized and the related valuation allowance are based on estimates and assumptions. Factors used to estimate stock based compensations are based on management's assumptions at the time the related options were granted. 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.

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

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

(k) Stock-based compensation plan

The Company accounts for all stock options granted to employees, officers, directors and consultants using the fair value method of accounting for stock based compensation expense. Under this method, the associated compensation expense is charged to earnings with a corresponding increase to contributed surplus over the vesting period of the options granted.

(l) Per share amounts

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

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

For the interim nine month period ended September 30, 2009

2. Significant Accounting Policies - continued

(m) 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 CICA handbook Section 3450, "Research and Development", 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.

(n) Recent accounting pronouncements

As of January 1, 2008, Omni-Lite will be required to adopt the CICA Handbook Section 3031, "Inventories". The new standard requires inventories to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's current treatment. The adoption of this standard should not have a material impact on Omni-Lite's Consolidated Statements.

As of January 1, 2008, Omni-Lite will be required to adopt two new CICA standards, Section 3862, "Financial Instruments – Disclosures" and Section, "3863, Financial Instruments – Presentation", which will replace Section 3861; "Financial Instruments – Disclosure and Presentation". The new disclosure standard will increase disclosure regarding the risks associated with financial instruments and how those risks are managed.

As of January 1, 2008, Omni-Lite will be required to adopt CICA Handbook Section 1535, "Capital Disclosures", which will require Omni-Lite to disclose its objectives, policies and processes for managing capital.

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian generally accounting standards for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in the calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 "Inventories" and IAS 38 "Intangible Assets", thus mitigating the impact of the adoption of IFS on its Consolidated Financial Statements.

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

For the interim nine month period ended September 30, 2009

3. Changes in Accounting Policies

On January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments Recognition and Measurement", and Section 3865 "Hedges". The Company has evaluated the impact of these new standards and determined that the adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

(a) *Comprehensive Income*

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). The Company's consolidated financial statements include a Statement of Comprehensive Income. Accordingly, cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI") and included in a Statement of Accumulated Other Comprehensive Income.

(b) *Financial Instruments*

The financial instruments standard establishes the recognition and measurements criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions.

Measurements in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in 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.

The Company has made the following classifications:

Cash and cash equivalents are designated as "held-for-trading" and are measured at fair value, which approximates carrying value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, due to related parties and long-term debt are designated as "other liabilities".

Long-term investments are financial instruments classified as "available-for-sale". They are initially recorded at their fair value unless fair value is not readily determinable. Subsequent changes to the market value of the investments are recorded as changes to other comprehensive income. Realized gains and losses are recognized in income when the investments are actually disposed of.

Impact upon adoption of Sections 1530, 3855 and 3865

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

For the interim nine month period ended September 30, 2009

3. Changes in Accounting Policies - continued

(c) *Section 1506 “Accounting Changes”*

Beginning January 1, 2007 the Company adopted Section 1506 “Accounting Changes” the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 “Financial Instruments Disclosures” and Section 3863 “Financial Instruments Presentation” which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

4. Deferred Acquisition / Equipment Obligation

In the first nine months of 2009, \$229,688 (2008 - \$779,893) was paid for the purchase of production equipment. The Company received equipment to the amount of \$2,288,634 (2008 - \$1,390,333).

5. Investments

As at September 30, 2009, Long-term investments were made up of an investment in the common shares of a public company. The Company's investments are accounted for at cost as the shares of the public company are held in escrow. When shares are released from escrow, the fair market price is recorded in the investment value. As a result of the escrow conditions the investment is recorded at a fair value of \$178,483.

6. Related Party Transactions

Due to related parties includes an amount of \$nil (2008 - \$189,746) due to a shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment; and an amount of \$106,070 (2008 - (\$230,281) due from/(to) California Nanotechnologies Corp. which is unsecured bearing interest at 5% per annum.

In the nine months of the year, the Company received \$51,000 (2008 - \$81,000) in management fees from California Nanotechnologies Corp. The transaction was conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

For 2009, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value of the annual salary would approximate \$140,000 (2008 - \$120,000). 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.

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

For the interim nine month period ended September 30, 2009

6. Related Party Transactions - continued

The Company has issued an interest free loan to two employees for \$25,000 related to the acquisition of various properties. The loan is secured by the value of the related property and is to be repaid in five years. The Company has issued a loan to one of its officers and directors for \$171,387 at a 5% interest rate and is to be repaid in five years. The loan is secured by the related property.

7. Long-term Debt

September 30, 2009 2008

Effective September 2009, the company established a new long-term primary credit facility (the "Credit Agreement") with total credit facilities of up to \$2,750,000, comprised of a term loan facility in the amount of \$2,000,000, bearing interest at the Prime Rate plus one-quarter of one percent (0.25%) maturing on October 30, 2012, repayable in monthly installments of \$33,333.

\$ 2,000,000 -

The Credit Agreement also includes a commercial advance line of up to \$750,000 for operating purposes, bearing interest at the Prime Rate plus one-quarter of one percent (0.25%) maturing on October 30, 2010. 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 ratios, which have been met as at September 30, 2009.

527,620 -

Revolving line of credit with an aggregate maximum of \$2,075,000 (2008 - \$2,000,000) secured by a general security agreement over all the assets of the Company. It has two interest rate options that may be used interchangeably at the Company's discretion: (1) Prime Rate minus 0.5% or (2) LIBOR plus 1.75%. Maturity date: November 1, 2009; Renewed yearly. The bank maintains a first-position blanket lien perfected by a UCC-1 filing, including a first position on residual value in all machinery and equipment that is free and clear of debt¹

- \$ 1,748,300

Promissory Note, Total principal amount \$800,000 with 60-month term, bearing interest at 4.63% per annum. Secured by equipment with a net book value of \$788,889. Repayable in monthly installments of \$14,962.

628,391 739,047

Promissory Note, Total principal amount \$692,800 with 60-month term, bearing interest at 4.63% per annum. Secured by equipment with a net book value of \$683,178. Repayable in monthly installments of \$12,957

544,186 640,015

Term loan, non-interest bearing secured by a vehicle, having a carrying value of \$16,228. Maturity date: July 20, 2011, repayable in monthly installments of \$458.

10,983 15,108

Less: current portion

\$ 3,711,180	\$ 3,142,470
(1,243,780)	(2,088,824)
\$ 2,467,400	\$ 1,053,646

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

For the interim nine month period ended September 30, 2009

The credit facilities of the Company are subject to annual review.

Estimated principal repayments over the next five years as detailed below:

2010	\$	1,243,780
2011		723,567
2012		725,683
2013		1,018,150
2014		-
	\$	<u>3,711,180</u>

8. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	For the year ended September 30, 2009		For the year ended December 31, 2008	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, beginning of year	10,620,854	\$5,519,546	10,980,854	\$5,266,780
Issued upon private placement	-	-	200,000	500,000
Issued upon exercise of stock options	-	-	54,400	64,420
Share issuance costs	-	-	-	(1,481)
Cancelled on repurchase under normal course issuer bid	-	-	(539,400)	(271,185)
	10,620,854	5,519,546	10,695,854	5,558,534
To be cancelled from repurchase under normal course issuer bid	-	-	(75,000)	(38,988)
Total issued and outstanding, end of year	10,620,854	\$5,519,546	10,620,854	\$5,519,546

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(c) Stock options

The Company has granted stock 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, 2007	903,633	CDN \$0.60 to \$2.55	CDN \$1.65
Options - granted	-	CDN \$2.22 to \$2.43	CDN \$2.40
- exercised	(54,400)	CDN \$0.85	CDN \$0.85
- cancelled	(10,000)	CDN \$1.55	CDN \$1.55
Options outstanding at Dec. 31, 2008	839,233	CDN \$0.94 to \$2.55	CDN \$2.09
Options - granted	50,000		
- exercised	-		
- cancelled	(339,233)	CDN \$1.98 to \$2.55	CDN \$2.40
Options outstanding at September 30, 2009	550,000	CDN \$0.60 to \$2.55	CDN \$1.86
Options exercisable at September 30, 2009	505,000	CDN \$0.60 to \$2.55	CDN \$1.95

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. No options were granted during the period.

(d) The options that are exercisable at September 30, 2009 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
50,000	CDN \$0.60 to \$0.90	CDN \$0.82	4.66 years
50,000	CDN \$0.91 to \$1.37	CDN \$0.94	0.26 years
203,333	CDN \$1.38 to \$2.00	CDN \$1.64	1.16 years
246,667	CDN \$2.01 to \$2.55	CDN \$2.43	2.42 years
550,000	CDN \$0.60 to \$2.55	CDN \$1.86	1.54 years

Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
-	CDN \$0.60 to \$0.90	-	-
50,000	CDN \$0.91 to \$1.37	CDN \$0.94	0.26 years
220,000	CDN \$1.38 to \$2.00	CDN \$1.67	1.22 years
235,000	CDN \$2.01 to \$2.55	CDN \$2.44	2.39 years
505,000	CDN \$0.91 to \$2.55	CDN \$1.95	1.67 years

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8. Share Capital - continued

The options that are exercisable at December 31, 2008 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
53,333	CDN \$0.94 to \$1.19	CDN \$0.96	0.99 years
248,400	CDN \$1.55 to \$1.98	CDN \$1.65	1.94 years
537,500	CDN \$1.98 to \$2.55	CDN \$2.44	3.36 years
839,233	CDN \$0.94 to \$2.55	CDN \$2.11	2.76 years
Number of Options Currently Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
53,333	CDN \$0.94 to \$1.19	CDN \$0.96	0.74 years
241,733	CDN \$1.55 to \$1.98	CDN \$1.63	1.88 years
224,167	CDN \$2.43 to \$2.55	CDN \$2.46	3.12 years
519,233	CDN \$0.94 to \$2.55	CDN \$1.92	2.32 years

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

	2009	2008
Risk free interest rate (%)	4.0 – 4.5%	4.0 – 4.5%
Expected life (years)	5	5
Volatility rate (%)	52 – 62%	52 – 62%
Dividend yield (%)	0.87 – 2.02%	0.87 – 2.02%

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8. Share Capital - continued

(e) Normal course issuer bid

During the year, pursuant to a normal course issuer bid under applicable securities legislation the Company acquired nil (2008 – 165,200) of its issued and outstanding common shares. The Company repurchased the common shares for \$nil (2008 - \$280,055) resulting in nil\$ (2008 - \$85,972) reduction in share capital and \$nil (2008 - \$194,083) decrease in retained earnings.

9. 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 based on the Company locations for each of these segments as follows:

September 30, 2009	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 3,300,315	\$ -	\$ 639,298	\$ (726,644)	\$ 3,209,969
September 30, 2008	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 5,799,586	\$ -	\$ 695,434	\$ (406,894)	\$ 6,088,126

10. Supplemental Cash Flow Information

Interest and income taxes paid (recovery)

	September 30, 2009	September 30, 2008
Interest paid	\$ 62,075	\$ 80,116
Income taxes paid	-	372,894

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11. Financial Instruments

As disclosed in Note 3, 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, foreign currency risk and market risk. 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 balance sheet contracts to manage these risks.

Interest rate risk

The Company's long term credit facility and the two promissory notes 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 September 30, 2009, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$37,112 (2008 - \$26,442).

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. As at September 30, 2009, 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	USD
	September 30, 2009	December 31, 2008
Cash	\$ 26,784	\$ 6,486
Accounts payable	292	11,992

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11. Financial Instruments - continued

At September 30, 2009, if the U.S. dollar strengthened or weakened by 10% relative to the Canadian dollar, the impact on net income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	\$ (2,678)
U.S. Dollar Exchange Rate – 10% decrease	\$ 2,678

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

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	\$ (29)
U.S. Dollar Exchange Rate – 10% decrease	\$ 29

Market 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 balance sheet at fair value as of the balance sheet 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 period's fair value reported in Other Comprehensive Income.

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 September 30, 2009 and includes the related interest charges:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Trade accounts payable and accrued liabilities	\$ 404,347	\$ -	\$ -	\$ -	\$ 404,347
Bank loan and interest	1,244,681	1,448,349	1,018,150	-	3,711,180
Total	\$1,649,028	\$1,448,349	\$1,018,150	\$ -	\$4,115,527

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11. Financial Instruments - continued

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. During 2009, the Company was engaged in contracts for products with four (2008 – three) customers, which accounted for \$2,267,169 (2008 - \$3,571,085) or 71% (2008 – 59%) of the Company's total revenue. During the same period, export sales to six (2008 – six) customers in various international countries (outside of the United States) amounted to \$636,300 (2008 - \$697,674) or 20% (2008 – 8%) 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 but not impaired financial assets by type of credit risk.

Aging	Current AR	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
Accounts Receivable	\$ 424,160	\$ 140,576	\$ 167,250	\$ 28,038	\$ 1,047

12. Contributed Surplus

The following is a continuity schedule of contributed surplus:

	September 30, 2009	2008
Balance, beginning of year	\$ 562,319	\$ 305,667
Stock-based compensation expense	16,275	279,600
Exercise of options	-	(22,948)
Balance, end of year	\$ 578,594	\$ 562,319

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13. 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 totaling \$347,915 made in 2007 further reduced the Company's ownership to 25%. On May 24, 2007, Omni-Lite E-FORM Technologies Inc. was renamed California Nanotechnologies, Inc ("CNI"). CNI's financial statements were consolidated with the Company because of the relationship between the management of the two corporations, in accordance with the Company's policy for consolidating variable interest entities.

On February 9, 2007, California Nanotechnologies Inc. (CNI) completed a reverse take over transaction with Veritek Technologies Inc. (Veritek). As a result of this transaction, the Company's proportionate share decreased to below 20% and therefore CNI was no longer consolidated with Omni-Lite Industries Canada Inc.

The Company has exchanged its interest of 500,000 shares with a carrying value of approximately \$153,000 in CNI for the right to acquire 3,024,229 shares in California Nanotechnologies Corp. ("CNO") (formerly Veritek, "VTK"). The Company will earn the right to trade these shares when certain performance conditions are satisfied. The shares will be released into a time related escrow arrangement once a minimum commitment of \$300,000 in arm's length research and development costs is incurred by CNO. These shares are being held in escrow until these requirements are met and approved by the TSX Venture Exchange. The investment in CNO used to be accounted for using the equity method and it is now accounted for at cost. As such, this investment has been recorded at its carrying value of approximately \$248,130, as its fair value is determinable when removed from escrow.

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.

550,000 (2008 – 839,233) options were excluded in calculating the weighted-average number of diluted common shares outstanding for the period ended September 30, 2009, because their exercise price was greater than the annual average common share market price in the periods. Outstanding options were the only potential dilutive instruments.

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15. Capital Disclosures

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

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

The Company has the ability to make adjustments to its capital structure by issuing additional equity or debt, returning cash to shareholders and making adjustments to its capital investment programs. The Company's capital consists of shareholders' equity, short-term borrowings, long-term debt, and cash and cash equivalents as follows:

Net Debt	September 30, 2009	2008
Long-term debt	\$ 2,467,400	\$ 1,053,646
Current portion long-term debt	1,243,780	2,088,824
Due to related parties	-	124,408
Bank indebtedness	-	7,664
Equipment obligation	706,406	-
Total Net Debt	4,417,586	3,274,542
Shareholders' Equity	11,171,959	10,872,298

The Company monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.

The Company uses the ratio of net debt to cash flow from operating activities as a key indicator of leverage and to monitor the strength of the balance sheet. Net debt is a non-GAAP measure that does not have a standard meaning prescribed by GAAP and is unlikely to be comparable to similar measures presented by others. The Company calculates net debt using long-term debt and short-term borrowings less cash and cash-equivalents. For the twelve-month period ended September 30, 2009, the net debt to cash flow from operating activities was 2.57 times compared to 1.36 times at December 31, 2008. It is expected that the target ratio to fluctuate between 1.0 and 2.0 times, however, this can be higher when the Company invests in new equipment. Whenever the target ratio is exceeded, a strategy is developed to reduce the leveraging and lower the ratio back to target levels over a period.

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15. Capital Disclosures - continued

The interest coverage ratio allows the Company to monitor its ability to fund the interest requirements associated with its debt. The interest coverage decreased in 2009 from 26.16 times at September 30, 2008 to 7.98 times at September 30, 2009. Interest coverage is calculated by dividing the twelve month trailing earnings before interest, taxes, depreciation and amortization by interest expense. EBITDA is a non-GAAP 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.

	September 30, 2009	September 30, 2008
Net Income/(Loss)	\$ (183,485)	\$ 1,449,593
Add:		
Interest Expense	170,959	132,985
Provision for Income Taxes	514,228	1,271,684
Amortization	862,668	624,369
EBITDA	\$ 1,364,370	\$ 3,478,631

16. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.