

OMNI-LITE INDUSTRIES CANADA INC.

President's Message

November 20, 2001

Dear Shareholder;

The period from January to September 2001 has been another period of aggressive growth in revenue, cash flow and earnings for Omni-Lite Industries. The highlights of this period include:

- 1) Record revenue, cash flow and earnings for the third quarter and first nine months of fiscal 2001.
During the third quarter, total revenue increased to \$ 979,123 US or approximately \$1,544,077 CDN, an increase of 66% over the same period in 2000. During this time frame, cash flow increased by 135% to \$622,406 US or approximately \$981,845 CDN. The company reported net income for the period of \$533,214 US (\$.05US/share) or approximately \$841,145 CDN (\$.08CDN/share), an increase of 150% over the same period in fiscal 2000.
- 2) Over the nine-month period to September 30, 2001 total revenue increased to \$ 2,068,596 US, an increase of 47% over the previous period. Over the same three-quarters cash flow increased to \$1,191,150 US, an increase of 84% over the same period in 2000. Net income increased to \$921,295 or 81% above that achieved in the January to September period in 2000.
- 3) In the third quarter of fiscal 2001, the company successfully completed the development of a component for SNC Technologies of Canada. The company has received the first production contract for this component and began production in Q3 of 2001. Of particular importance, the company was successful in enhancing it's Aerospace Division with the continuation of projects with Huck International, Inc. and Monogram Aerospace Fasteners. These products will be utilized in the products of Boeing, Airbus, Bombardier and other large aircraft manufacturers. The successful implementation of these projects will make the Aerospace and Military divisions the fastest growing in the company. The company expects continued growth in revenue and earnings as the Research and Development efforts conducted in this period lead to long term production contracts.
- 4) In June 2001, the company initiated a normal issuer bid through Sprott Securities in Toronto. A total of 183,300 shares were purchased and subsequently canceled.

Enclosed herewith are the financial statements for Omni-Lite Industries Canada Inc. for the fiscal period ending September 30, 2001. Also is attached an expanded Management Discussion and Analysis and the schedules required by Form 51-901F of the British Columbia Securities Commission.

Yours sincerely,

David F. Grant
President and CEO

Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the nine month period ended September
30, 2001
(Unaudited)

Contents

Consolidated Interim Financial Statements	
Interim Balance Sheets	2
Interim Statements of Income and Retained Earnings	3
Interim Statements of Cash Flows	4
Notes to Interim Financial Statements	5 - 8

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

As at	September 30, 2001	December 31, 2000 (audited)
Assets		
Current		
Cash	\$ 83,023	\$ 121,862
Accounts receivable	890,937	675,619
Inventory (Note 3)	787,977	520,195
Prepaid expenses	7,656	3,952
	<u>1,769,593</u>	<u>1,321,628</u>
Investment	104,319	102,986
Capital assets (Note 4)	4,565,168	4,381,402
Deferred development and patent expenditures (Note 5)	700,991	579,465
	<u>\$ 7,140,071</u>	<u>\$ 6,385,481</u>

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities	\$ 197,225	\$ 191,004
Income taxes payable	26,635	8,935
Due to related parties (Note 6)	658,479	701,768
Current portion of long-term debt		58,445
	<u>882,339</u>	<u>960,152</u>
Long-term debt	1,336,000	1,333,555
Future income taxes	393,000	330,000
	<u>2,611,339</u>	<u>2,623,707</u>
Share capital (Note 7)	2,218,693	2,249,923
Retained earnings	2,310,039	1,511,851
	<u>4,528,732</u>	<u>3,761,774</u>
	<u>\$ 7,140,071</u>	<u>\$ 6,385,481</u>

On behalf of the Board:

"Signed" _____ Director
David Grant

"Signed" _____ Director
Robert Inkster

Omni-Lite Industries Canada Inc.
Consolidated Interim Statements of Income and Retained Earnings
(Unaudited)
United States Dollars

	For the nine month period ended September 30, 2001	For the nine month period ended September 30, 2000	For the three month period ended September 30, 2001	For the three month period ended September 30, 2000
Revenue	\$ 1,909,725	\$ 1,408,580	\$ 926,166	\$ 590,650
Cost of goods sold	457,701	386,710	203,409	183,717
Gross margin	1,452,024	1,021,870	722,758	406,933
Overhead expenses				
Amortization	206,855	111,228	72,192	43,728
General and administrative	319,566	326,199	114,110	126,256
Interest on long-term debt	81,151	29,326	26,495	8,189
	607,572	466,753	212,797	178,173
Income before the undernoted	844,452	555,117	509,961	228,760
Other income				
Rental	158,871	-	52,957	-
Income before income taxes	1,003,323	555,117	562,918	228,760
Income taxes				
Current	19,028	19,712	12,704	8,123
Future	63,000	27,756	18,000	11,439
	82,028	47,468	30,704	19,562
Net income for the period	921,295	507,649	532,214	209,198
Retained earnings, beginning of period	1,511,851	963,501	1,875,394	1,261,952
Purchase price of common shares repurchased in excess of carrying value (Note 7(b))	(123,107)	-	(97,569)	-
Retained earnings, end of period	\$ 2,310,039	\$ 1,471,150	\$ 2,310,039	\$ 1,471,150
Earnings per share	\$ 0.09	\$ 0.05	\$ 0.05	\$ 0.02
Weighted average shares outstanding	9,894,521	10,701,712	9,825,917	10,598,468

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

	For the nine month period ended September 30, 2001	For the nine month period ended September 30, 2000	For the three month period ended September 30, 2001	For the three month period ended September 30, 2000
Cash flows from operating activities				
Net income for the period	\$ 921,295	\$ 507,649	\$ 532,214	\$ 209,198
Adjustments for:				
Amortization	206,855	111,228	72,192	43,728
Future income taxes	63,000	27,756	18,000	11,438
Cash flow from operations	<u>1,191,150</u>	<u>646,633</u>	<u>622,406</u>	<u>264,364</u>
Net change in assets and liabilities				
Accounts receivable	(215,318)	(113,052)	(367,095)	(26,447)
Inventory	(267,782)	(273,037)	65,432	(51,707)
Prepaid expenses	(3,704)	-	(1,754)	-
Accounts payable and accrued liabilities	6,221	(132,355)	(32,986)	(10,882)
Income taxes payable	17,700	21	12,700	21
	<u>728,267</u>	<u>128,210</u>	<u>298,703</u>	<u>175,349</u>
Cash flows from financing activities				
Due to related parties	(43,289)	89,964	(13,991)	10,147
Issue (repurchase) of common shares	(154,338)	84,000	(118,396)	84,000
Proceeds (repayment) from (of) long-term debt	(56,000)	19,076	(85,000)	(19,418)
	<u>(253,627)</u>	<u>193,040</u>	<u>(217,387)</u>	<u>74,729</u>
Cash flows from investing activities				
Deferred development and patent expenditures	(196,344)	27,363	(67,524)	48,765
Purchase of capital assets	(315,803)	(91,166)	1,063	(78,504)
Purchase of investments	(1,333)	(85,034)	(1,333)	-
	<u>(513,480)</u>	<u>(148,837)</u>	<u>(67,794)</u>	<u>(29,739)</u>
Increase (decrease) in cash	(38,839)	172,413	13,523	220,339
Cash, beginning of period	121,862	96,640	69,500	48,714
Cash, end of period	\$ 83,023	\$ 269,053	\$ 83,023	\$ 269,053

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
(Unaudited)
United States Dollars

September 30, 2001

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 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

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 in conformity with Canadian generally accepted accounting principles 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 judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements except for the following:

(a) Per share amounts

Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, in accordance with new standards approved by the Canadian Institute of Chartered Accountants.

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
United States Dollars

September 30, 2001

3. Inventory

The major components of inventory are classified as follows:

	September 30, 2001	December 31, 2000 (audited)
Raw materials	\$ 69,703	\$ 35,469
Finished goods	<u>718,274</u>	<u>484,726</u>
	\$ 787,977	\$ 520,195

4. Capital Assets

	September 30, 2001		December 31, 2000 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 770,000	\$ -	\$ 770,000	\$ -
Building	1,209,549	58,991	1,212,731	-
Production and other equipment	2,850,043	229,788	2,582,515	199,682
Computer equipment	45,116	20,761	30,734	14,896
	<u>\$ 4,874,708</u>	<u>\$ 309,540</u>	<u>\$ 4,595,980</u>	<u>\$ 214,578</u>
Net book value	\$ 4,565,168		\$ 4,381,402	

5. Deferred Development and Patent Expenditures

	September 30, 2001		December 31, 2000 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Deferred development and patent expenditures	<u>\$ 1,089,918</u>	<u>\$ 388,927</u>	<u>\$ 893,584</u>	<u>\$ 314,119</u>
Net book value	\$ 700,991		\$ 579,465	

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
United States Dollars

September 30, 2001

6. Due to Related Parties

Due to related parties includes an amount of \$658,479 (December 31, 2000 - \$665,766) to a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. Included is also a loan from another director of the Company in the amount of \$nil (December 31, 2000 - \$32,002). This loan bore interest at 9% per annum and was repaid on April 2001.

7. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Issued

	For the 9 months ending September 30, 2001		For the year ended December 31, 2000 (audited)	
	Number of Shares	Amount	Number of Shares	Amount
Total issued and outstanding, begin of period	9,903,902	\$2,249,923	10,753,902	\$2,169,387
Repurchase of shares under normal course issuer bid ⁽²⁾	(183,300)	(31,230)		
Issued for cash upon exercise of stock options	-	-	150,000	80,536
Returned to treasury ⁽¹⁾	-	-	(1,000,000)	-
Total issued and outstanding, end of period	9,720,602	\$2,218,693	9,903,902	\$2,249,923

⁽¹⁾ 500,000 (December 31, 2000 - 500,000) shares are held subject to a performance escrow. The performance conditions were not met and these shares were returned to treasury in October, 2001.

⁽²⁾ During the current period, the Company repurchased 183,300 of its common shares at a purchase cost of \$154,338 resulting in a \$31,230 reduction in share capital and a \$123,107 decrease in retained earnings.

(c) Stock options

The Company has granted stock options to the 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, 2000	726,333	CDN \$0.60 to \$2.50	CDN \$1.27
Options - exercised/granted	210,000	CDN\$ 0.98 to \$1.30	CDN \$1.16
Options outstanding, September 30, 2001	936,333	CDN \$0.60 to \$2.50	CDN \$1.24
Options exercisable at September 30, 2001	595,222	CDN \$0.60 to \$2.50	CDN \$1.27

Omni-Lite Industries Canada Inc.
Notes to Consolidated Financial Statements
United States Dollars

September 30, 2001

7. Share Capital - continued

The options that are exercisable at September 30, 2001 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
93,000	CDN \$0.60 to \$0.99	CDN \$ 0.85	3.2 years	33,000	CDN \$0.60
766,667	CDN \$1.00 to \$1.99	CDN \$ 1.22	2.4 years	503,334	CDN \$1.21
<u>76,666</u>	CDN \$2.00 to \$2.50	CDN \$ 2.11	1.7 years	<u>58,888</u>	CDN \$2.13
936,333				595,222	

8. Segmented Information

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 has utilized and reported revenues based on the Company locations for each of these segments as follows:

September 30, 2001	United States	Canada	International	Inter-corporate elimination	Total
Revenues	\$ 705,096	\$ -	\$ 1,845,825	\$ (641,196)	\$ 1,909,725
Capital assets	\$ 4,551,955	\$ 13,213	\$ -	\$ -	\$ 4,565,168
December 31, 2000	United States	Canada	International	Inter-corporate elimination	Total
Revenues	\$ 910,209	\$ -	\$ 1,740,591	\$ (849,034)	\$ 1,801,766
Capital assets	\$ 4,364,669	\$ 16,733	\$ -	\$ -	\$ 4,381,402

9. Commitments

There have been no material changes in the existence, likelihood or amount of commitments from the preceding annual consolidated financial statements.

Omni-Lite Industries Canada Inc.
Schedule "C"
British Columbia Form 51-901F
For the Quarter Ended September 30, 2001

**MANAGEMENT DISCUSSION AND
ANALYSIS**

Item 1 General

A. Discussion of Operations and Financial Condition

In the third quarter, revenue including rental income increased to \$ 979,123 US or approximately \$1,544,077 CDN, an increase of 66% over the same period in 2000. During this time frame, cash flow increased by 135% to \$622,406 US or approximately \$981,845 CDN. The company reported net income for the three month period of \$533,214 US (\$.05US/share) or approximately \$841,145 CDN (\$.08CDN/share). Since June 2001 the company has been active in repurchasing it's common shares through a normal course issuer bid. In the year to date, a total of 183,300 shares were purchased and subsequently canceled.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US \$)

Shares Issued And Outstanding : 9,720,602	Three months ended September 30, 2001	Three months ended September 30, 2000	Nine months ended September 30,2001	Nine months ended September 30, 2000	For the year ended Dec. 31, 2000
Total Revenue	\$979,123	\$590,650	\$2,068,596	\$1,408,580	\$1,801,766
Cash flow from operations	\$622,406	\$264,364	\$1,191,150	\$646,633	\$793,727
Net Income	\$533,214	\$209,198	\$921,295	\$507,649	\$548,350
EPS (US)	\$0.05	\$0.02	\$0.09	\$0.05	\$0.06
EPS (CDN)	\$0.08	\$0.03	\$0.14	\$0.07	\$0.09

THIRD QUARTER FINANCIAL HIGHLIGHTS (US \$)

Shares Issued And Outstanding : 9,720,602	Three months ended September 30, 2001	Three months ended September 30, 2000	% Increase
Revenue and rental income	\$979,123	\$590,650	66%
Cash flow from operations	\$622,406	\$264,364	135%
Net Income	\$532,214	\$209,198	154%
EPS (US)	\$0.05	\$0.02	150%
EPS (CDN)	\$0.08	\$0.03	166%

Over the nine-month period to September 30, 2001 total revenue increased to \$ 2,068,596 US, an increase of 47% over the previous period. Over the same three quarters cash flow increased to \$1,191,150 US, an increase of 84% over the same period in 2000. Net income increased to \$921,295 or 81% above that achieved in the January to September period in 2000.

NINE MONTHS FINANCIAL HIGHLIGHTS(US\$)

Shares Issued And Outstanding : 9,720,602	Nine months ended September 30, 2001	Nine months ended September 30, 2000	% Increase
Revenue and rental income	\$2,068,596	\$1,408,580	47%
Cash flow from operations	\$1,191,150	\$646,633	84%
Net Income	\$921,295	\$507,649	81%
EPS (US)	\$0.09	\$0.05	80%
EPS (CDN)	\$0.14	\$0.07	100%

B. Omni-Lite as a Business

Omni-Lite's key competitive strengths include 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, 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.

In the third quarter of fiscal 2001, the company successfully completed the development of a component for SNC Technologies Inc. of Canada. Production of this component began in Q3 of 2001. Of particular importance, the company was successful in furthering its Aerospace Division with the continuation of projects with Huck International, Inc. and Monogram Aerospace Fasteners. These products will be utilized in the products of Boeing, Airbus, Bombardier and other aircraft manufactures. The successful implementation of these projects will make the Aerospace and Military divisions the fastest growing in the company. Ongoing Research and Development into the metallurgy, structural design and production of these and other complex components will be the key to the company's financial success.

C. 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 2001, Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, the U.S. Army and NATO. The requirements and stature of these customers necessitates that the company operate at a very high level of engineering and production efficiency.

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

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. During 2000, the company commenced discussions towards purchasing a larger cold forging system. This equipment with a retail price of over \$806,000 CDN was purchased in February 2001 for approximately \$434,000 CDN. The equipment is being modified for a variety of product developments which is scheduled to begin in the second quarter of 2002.

E. Growth Expectations

In the first nine months of 2001, Omni-Lite continued a period of rapid development. Several new projects were initiated in the Aerospace, Automotive and Military Divisions. These long term developments bode well for the companies growth in the latter part of 2001 and early 2002. To help provide future growth and to add additional depth to the management team at Omni-Lite, Tim Wang, P.Eng. joined Omni-Lite in the third quarter as Manager of Sales and Business Development.

F. Risk Factors

The business climate of the 21st century presents risks that include the development of competition on a worldwide basis. Of particular concern over the last year, has been the continued slowing of the U.S. economy.

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

Of particular significance is the fact that Omni-Lite has received four U.S. patents to date. The company has received a Notice of Allowance that a fifth patent will be issued in the next two to four months.

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 marketplace in which the company operates. The company has experienced additional expense as key staff are trained.

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. The staff in Barbados is responsible for marketing, sales, and maintaining international markets for Omni-Lite's products.

Item 2 Quarterly Information

The following table summarizes the company's financial performance over the last eight quarters. All figures in US dollars unless noted.

ALL FIGURES IN US DOLLARS UNLESS NOTED

	Sept 30/01	June 30/01	Mar 31/01	Dec 31/00	Sept 30/00	June 30/00	Mar 31/00	Dec 31/99
Total Rev	979,123	591,263	498,211	393,186	590,650	397,963	419,967	686,036
Cash Flow	622,406	349,267	219,477	147,094	264,364	204,151	178,117	384,852
Net Income	532,214	269,217	119,864	40,701	209,198	161,094	137,357	316,215
EPS(US)	.05	.03	.01	.01	.02	.02	.01	.03
EPS(CDN)	.08	.04	.01	.01	.03	.03	.02	.05

Item 3 Liquidity and Capital Resources

The company anticipates that cash flow will meet the on going working capital requirements of the company. The company will continue to purchase shares through the normal course issuer bid and continue the repayment of long-term debt with excess funds. Currently, the company is servicing a \$600,000 CDN mortgage on the new Cerritos facility. A payment of \$150,000 CDN was made against the mortgage in October 2001.

The information contained in this discussion may be considered to contain forward-looking statements. Such forward-looking statements address future events and conditions and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. There is no representation by the Company that actual results will be the same in whole or in part as implied by the forward-looking statements provided.

SCHEDULE 'B'

Omni-Lite Industries Canada Inc.
British Columbia Form 51-901F
For the Quarter Ended September 30, 2001

Item 1 Expenditures for the year to date

<u>Cost of Goods Sold</u>	\$ 457,701US
<u>G and A</u>	
Professional Fees	\$ 84,184 US
Business Promotion	21,935
Repairs and Maintenance	23,194
Office Expenses	62,790
Insurance	42,354
Salaries	31,580
Other	<u>53,529</u>
Total	\$ 319,566

Deferred Development Expenses are composed primarily of Salaries and Professional Fees

Item 2 Aggregate expenditures to non-arm's length parties

There were no transactions with related parties outside the normal course of business.

Item 3 For the period under review

- a) Summary of all common shares issued by the corporation during the current fiscal year

NIL

- b) Summary of options granted

Description of Optionee	Number of Optioned Shares	Exercise Price(CDN)	Original date of Grant	Expiration Date
Consultant	100,000	1.20	Jan 17, 2001	Jan 17, 2006
Employee	30,000	.98	Mar 20, 2001	Mar 20, 2006
Employee	30,000	.98	Mar 20, 2001	Mar 20, 2006
Employee	50,000	1.28	Sept 13, 2001	Sept 13, 2006

Item 4 As at the end of the quarter

a) Particulars of authorized capital

The corporation is authorized to issue an unlimited number of common shares. Each common share is entitled to receive notice and vote at shareholder meetings and will participate on a pro rata basis in any dissolution or winding up of the corporation.

b) Summary of shares issued and outstanding

As at September 30, 2001 there were 9,720,602 Common Shares issued and outstanding at a recorded value of \$2,218,693 US.

c) Summary of options, warrants and convertible debentures outstanding

See notes to financial statements, Schedule "A", Note 7(c)

d) Total number of shares in escrow or subject to pooling agreement

A total of 500,000 shares were held in performance escrow at September 30, 2001 pending certain financial milestones that would be a direct benefit to the company. These financial milestones were not met and the 500,000 shares were returned to treasury and cancelled in October, 2001.

Item 5 list of Officers and Directors as at the date of filing

Name of Director

Robert D. Inkster
David F. Grant
Donald J. Kelly
Paul Schreckengost

Name of Officer

David F. Grant President and CEO
Paul Burkey Chief Operating Officer
Michael Walker V.P. Research and Development
Catherine Grant Secretary