

OMNITEK ENGINEERING CORP.
INTERIM FINANCIAL STATEMENTS
June 30, 2007
(Unaudited)

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OMNITEK ENGINEERING CORP.
Consolidated Balance Sheet (Unaudited)

ASSETS

	<u>June 30, 2007</u>
CURRENT ASSETS	
Cash	\$ 55,540
Accounts receivable	126,695
Inventory (Note 3)	1,167,636
Deposits	117,031
Deferred tax asset (Note 2)	<u>130,645</u>
Total Current Assets	<u>1,597,547</u>
FIXED ASSETS, NET (Note 4)	<u>39,477</u>
OTHER ASSETS	
Investment	71
Prepaid Expense	349,679
Intellectual property, net (Note 5)	<u>416,317</u>
Total Other Assets	<u>766,067</u>
TOTAL ASSETS	<u><u>\$ 2,403,091</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Trade accounts payable and accrued expenses	\$ 148,789
Accrued expenses – related parties (Note 7)	176,784
Customer deposits (Note 6)	90,730
Shareholder loans (Note 7)	<u>96,003</u>
Total Current Liabilities	<u>512,307</u>
MINORITY INTEREST (NOTE 1)	<u>-</u>
STOCKHOLDERS' EQUITY	
Common stock, no par value, 25,000,000 shares authorized; 3,934,038 shares issued and outstanding	2,226,575
Additional paid-in capital	1,055,830
Accumulated deficit	<u>(1,391,620)</u>
Total Stockholders' Equity	<u>1,890,785</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 2,403,091</u></u>

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

OMNITEK ENGINEERING CORP.
Consolidated Statements of Operations

	For the Six Months Ended June 30,	
	2007 (Unaudited)	2006 (Unaudited)
REVENUE		
Sales	\$ 344,382	\$ 514,695
Cost of sales	261,338	358,335
Gross profit	83,044	156,359
OPERATING EXPENSES		
General and administrative	197,552	128,886
Bad debt expense	(8,568)	(714)
Research and development expense	297,344	103,836
Depreciation and amortization expense	68,199	6,059
Total Operating Expenses	554,527	238,068
Loss from Operations	(471,483)	(81,708)
OTHER INCOME (EXPENSE)		
Impairment of investments	-	-
Interest expense	(1,901)	-
Interest income	2,263	3,353
Total Other Income (Expense)	362	3,353
LOSS BEFORE INCOME TAX EXPENSE	(471,121)	(78,355)
Income tax benefit (expense)	(762)	(800)
NET LOSS	\$ (471,883)	\$ (79,155)
BASIC LOSS PER SHARE	\$ (0.08)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	5,971,902	3,472,656

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

OMNITEK ENGINEERING CORP.
Consolidated Statements of Stockholders' Equity

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
Balance, June 30, 2006	3,472,656	\$1,432,397	\$ 474,409	\$ (581,484)
Common stock issued for cash at an average price of \$1.58	126,382	200,000	-	-
Stock offering costs	-	(20,000)	-	-
Common stock issued for services and related party payable	35,000	55,300	-	-
Common stock issued for purchase of Pensare, Inc.	300,000	474,000	-	-
Net loss for the year ended December 31, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (338,253)</u>
Balance, December 31, 2006	3,934,038	\$2,141,697	\$ 474,409	\$ (919,737)
Common stock issued 2-for-1	3,934,038			
Common stock issued for cash at \$1.89	44,909	84,878		
Vested Options June 30, 2007			581,421	
Net loss for six months ended June 30, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,283)</u>
Balance, June 30, 2007	<u>7,912,985</u>	<u>\$ 2,226,575</u>	<u>\$ 1,055,830</u>	<u>\$ (1,290,020)</u>

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

OMNITEK ENGINEERING CORP.
Consolidated Statements of Cash Flows

For the
Six Months Ended

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (240,141)	\$ (79,155)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization and depreciation expense	68,199	6,059
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(68,160)	(17,786)
(Increase) decrease in inventory	73,737	(356,220)
(Increase) decrease in deposits	25,663	172,128
Increase (decrease) in accounts payable	(3,862)	30,794
Increase in related party payable	7,631	39,750
Increase in customer deposits	14,734	13,136
Net Cash Used by Operating Activities	49,743	(118,224)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(5,000)	(18,055)
Purchase of fixed assets	-	-
Net Cash Used by Investing Activities	(5,000)	(18,055)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable – related party	80,000	-
Common stock issued for cash	84,878	-
Stock offering costs	-	-
Net Cash Provided by Financing Activities	164,878	-
NET INCREASE (DECREASE) IN CASH	37,679	(209,349)
CASH AT BEGINNING OF YEAR	17,861	240,665
CASH AT END OF SIX MONTHS	\$ 55,540	\$ 31,316

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

OMNITEK ENGINEERING CORP.
Consolidated Statements of Cash Flows (Continued)

For the Six Months Ended June 30,	
2007	2006

SUPPLEMENTAL CASH FLOW INFORMATION

CASH PAID FOR:

Interest	\$	142	\$	-
Income taxes	\$	762	\$	800

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

OMNITEK ENGINEERING CORP.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1- ORGANIZATION AND BUSINESS ACTIVITY

Omnitek Engineering Corp.

Omnitek Engineering, Corp. (Omnitek) was incorporated on October 9, 2001 as a California corporation. Omnitek is in the business of designing, developing, manufacturing and marketing advanced technologies for the transportation sector. Omnitek is involved in the development of transportation safety systems, advanced engine technologies and emissions control systems for internal combustion engines burning gasoline, diesel, compressed natural gas (CNG), liquefied petroleum gas (LPG) or hydrogen. This includes passenger cars, commercial trucks and buses, off-road construction equipment, stationary industrial engines such as pumps, compressors and generators, locomotives and ships. Omnitek also offers solutions to reduce emissions of flairs, boilers and other combustion devices that need a spark energy source to operate. Omnitek began operations on October 10, 2001, and was a spin-off from Nology Engineering, Inc.

Performance Stores, Inc.

On May 23, 2002, Omnitek, along with Werner Funk, Kevin Schulties, Tom Moore and Gigi Ho formed a Nevada Corporation under the name of PerformanceDepot.com ("Performance"). Performance is an internet based E-commerce site. Performance was 40% owned by Omnitek and 45.3% owned by Werner Funk, president of Omnitek. In December 2003, Performance changed its corporate name to Performance Stores, Inc." As of August 31, 2004 the ownership by Omnitek changed from 40% down to 23%. As part of the change in accounting from a consolidation to an equity method, the company recognized a \$246,122 increase to additional paid in capital.

The minority interest value associated with Performance at December 31, 2004 was zero because the loss attributable to the minority interest shareholders exceeded the basis of the shareholders.

Pensare, Inc.

On November 3, 2006, Omnitek acquired Pensare, Inc., which included two technologies and their customer list with the issuance of 300,000 shares of the Company's common stock. Both technologies will be used on every new engine and diesel-to-natural gas conversion kit sold by the Company. Effective January 1, 2007, Pete Petersen, formerly president of Pensare, joined the Company as Vice President of Engineering. The Company believes that the acquisition is an integral part of implementing its business plan.

The acquisition of Pensare was accounted for as a purchase pursuant to *SFAS No. 141 Business Combinations* and was valued at the fair market value of the common stock issued for the acquisition. The 300,000 shares issued for the acquisition were valued at \$1.58 per share which was the last price the Company sold shares of common stock to outside investors in an arms length transaction. The total purchase price of \$474,000 was allocated \$82,000 to customer lists and \$392,000 to purchased technology relating to high pressure filters. The customer lists and purchased technology are being amortized on 2 year and 5 year terms, respectively. No amounts were allocated to goodwill. At the time of acquisition, Pensare had no other assets or liabilities.

OMNITEK ENGINEERING CORP.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1- ORGANIZATION AND BUSINESS ACTIVITY (continued)

The financial statements at December 31, 2005 (the Company) include Omnitek Engineering Corp only. For the year ended December 31, 2006, the financial results are those of Omnitek as Pensare ceased to exist at the acquisition date. All significant intercompany accounts and transactions have been eliminated, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Methods

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a December 31, year-end.

b. Basic Loss Per Share

The computations of basic loss per share of common stock are based on the weighted average number of common shares outstanding during the period of the consolidated financial statements.

	June 30,	
	2007	2006
Numerator - loss	\$ (471,121)	\$ (79,155)
Denominator - weighted average Number of shares outstanding	<u>5,971,902</u>	<u>3,472,656</u>
Loss per share	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>

The Company does not have any outstanding common stock equivalents.

c. Newly Issued Accounting Pronouncements

During the year ended December 31, 2006, the Company adopted the following accounting pronouncements, which had no impact on the financial statements or results of operation:

SFAS No. 123(R) -- In December 2004, the FASB issued SFAS No. 123 (Revised 2005) (SFAS 123 (R)) "Share-based payment". SFAS 123 (R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be re-measured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. FASB 123 (R) replaces FASB 123, Accounting for Stock-Based Compensation and supersedes APB option No. 25, Accounting for Stock Issued to Employees. This guidance is effective as of the first interim or annual reporting period after December 15, 2005 for Small Business filers. The adoption of SFAS No. 123 (R) did not have a material impact on the results of operations of the Company.

OMNITEK ENGINEERING CORP.
Notes to the Consolidated Financial Statements
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Estimates

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Revenue Recognition

The Company recognizes revenue from the sale of new engines for use with compressed natural gas and engine components to convert existing engines to compressed natural gas use. Revenue is recognized after delivery of the products, and when collection is reasonably assured.

f. Technology Development and Website Designs

The costs of computer software developed or obtained for internal use, during the preliminary project phase, as defined under Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or obtained for Internal use", are expensed as incurred. The costs of website development, during the planning stage, as defined under Emerging Issues Task Force No. 00-2 "Accounting for Web Site Development Costs", are expensed as incurred. Computer software and website development costs incurred during the application and infrastructure development stage, including external direct costs of materials and services consumed in developing software, creating graphics and website content, payroll, and interest costs, are capitalized and amortized over the estimated useful life, beginning when the software is ready for use and after all substantial testing is completed and the website is operational.

g. Long – Lived Assets

The Company assesses the recoverability of its long lived assets annually and when ever circumstances would indicate that there may be an impairment. The Company compares the estimated undiscounted future cash flows to the carrying value of the long lived assets to determine if an impairment has occurred. In the event that an impairment has occurred, the Company will recognize the impairment immediately.

NOTE 3 - INVENTORY

Inventory is stated at the lower of cost or market. The Company's inventory consists of finished goods and raw material located in San Marcos, Ca., and Bayswater, Australia.

<u>Location</u>	<u>Amount</u>
San Marcos, CA	\$ 1,247,144
Bayswater, Australia	15,181
Allowance for obsolete inventory	<u>(94,689)</u>
Total	<u>\$ 1,167,636</u>

OMNITEK ENGINEERING CORP.
Notes to the Consolidated Financial Statements
June 30, 2007 and 2006

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2007 consisted of the following:

Research and Development Equipment	\$	39,684
Tooling Equipment		22,453
Less accumulated depreciation		<u>(22,660)</u>
Total	\$	<u>39,477</u>

Depreciation expense for the six months ended June 30, 2007 and 2006 was \$6350.46 and \$4076, respectively.

NOTE 5 - INTELLECTUAL PROPERTY

The Company's patents and trademarks at June 30, 2007 were as follows:

Patents	\$	32,217
Trademarks		1,320
Intellectual property and customer list		474,000
Less accumulated amortization		<u>(96,220)</u>
Total	\$	<u>416,317</u>

Amortization expense for the six months ended June 30, 2007 and 2006 was \$61,848 and \$1,983, respectively.

NOTE 6 - CUSTOMER DEPOSITS

The Company may require a customer deposit based on the purchasing requirements placed on the Company by the vendor. These are usually special or unique orders that may not be sold to other customers. As of June 30, 2007 the Company had customer deposits of \$90,730.93.

NOTE 7 - RELATED PARTY TRANSACTIONS

Note Receivable

At December 31, 2005, the Company had a note receivable from Performance Depot in the amount of \$112,474 consisting of the following: \$100,000 note and accrued interest of \$12,474. The note receivable is considered a related party transaction based on common management. The Company fully impaired the note and accrued interest during the year ended December 31, 2005. There has been no change to the note and accrued interest during the year ended December 31, 2006.

Note Payable – Related Party

At December 2006, the Company had a promissory note payable outstanding to the President of the Company for \$15,000. The note is a non-interest bearing note and due on demand. At June 30, 2007, the Company had a convertible promissory note payable to a Shareholder of the Company for \$75,000. The note bears interest at the rate of 8% per annum with interest payable monthly and is due on March 15, 2008.

OMNITEK ENGINEERING CORP.
Notes to the Consolidated Financial Statements
June 30, 2007 and 2006

NOTE 7 - RELATED PARTY TRANSACTIONS (continued)

Accrued Expenses – Related Parties

During the six months ended June 30, 2007, related parties were due amounts for services performed for the Company. As of June 30, 2007 the related parties' payables consisted of the following:

Amounts due to the President and CFO	\$	176,784
Amounts due to related party company		<u>33,475</u>
Total	\$	<u>210,259</u>

NOTE 8 - STOCK OPTIONS

The fair values of stock options granted are estimated using the Black-Scholes Option Pricing Model. The following assumptions were made to value the stock options for 2007: risk-free interest rate of 2.33% to 4.75%; volatility of 24.74% to 165.47%; and option terms ranging from 1.75 to 5 years.

For the six months ended June 30, 2007, 960,000 stock options were granted to various individuals for services rendered, and zero stock options were exercised during the period. Of these 960,000 options, 160,000 vested immediately upon consummation of the option agreement. 350,000 options vest only at such time the Company becomes listed on the Pink Sheets. 150,000 options vest on January 1, 2008, 150,000 on January 1, 2009, and 150,000 on January 1, 2010.

The Company recognized an expense relating to the fully vested options in the amount of \$130,142, pursuant to a Black-Scholes analysis of the options. The 350,000 options vesting upon the Company becoming listed were valued at \$362,552, and recorded as prepaid expenses. The remaining options will be valued at such time they become fully vested.

The following is a summary of stock options:

	<u>Shares</u>	<u>Weighted Average</u> <u>Exercise Price</u>	
Outstanding, January 1, 2007	-	\$ 0.00	
Granted	960,000	1.08	Exercised
	-	0.00	Expired
	<u>-</u>	<u>0.00</u>	
Outstanding and exercisable at June 30, 2007	<u>960,000</u>	<u>\$ 1.08</u>	

<u>Equity Compensation Plans Not</u> <u>Approved by Shareholders</u>	<u>Shares Issuable</u> <u>Upon Exercise of</u> <u>Outstanding</u> <u>Options</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Options</u> <u>Available</u> <u>for</u> <u>Issuance</u> <u>Under</u> <u>Plans</u>
2006 Long-Term Incentive Plan	960,000	\$ 1.079	2,000,000
Total	<u>960,000</u>	<u>\$ 1.079</u>	<u>2,000,000</u>

OMNITEK ENGINEERING CORP.
Notes to the Consolidated Financial Statements
June 30, 2007 and 2006

NOTE 9 - EQUITY ACTIVITY

In March 2007, the Company issued 3,934,038 shares of no par value common stock in a 2-for-1 forward split.

In June 2007, the Company issued 44,900 shares of no par value common stock valued at \$1.89 per share, for cash.