

**OMNITEK ENGINEERING CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2007**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Omnitek Engineering Corporation  
San Marcos, California

We have audited the balance sheet of Omnitek Engineering Corporation as of December 31, 2007, and the related statements of operations, stockholders equity and cash flows for the years ended December 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Omnitek Engineering Corporation as of December 31, 2007, and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006, in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management's assertion about the effectiveness of Omnitek Engineering Corporation's internal control over financial reporting as of December 31, 2007 and, accordingly, we do not express an opinion thereon.

/s/ HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP  
Salt Lake City, Utah  
April 8, 2008

**OMNITEK ENGINEERING CORP.**  
Consolidated Balance Sheet

ASSETS

	<u>December 31, 2007</u>
<b>CURRENT ASSETS</b>	
Cash	\$ 23,442
Accounts receivable	71,868
Inventory (Note 3)	1,166,907
Deposits	70,130
Deferred tax asset (Note 2)	<u>462,354</u>
Total Current Assets	<u>1,794,701</u>
<b>FIXED ASSETS, NET (Note 4)</b>	<u>33,127</u>
<b>OTHER ASSETS</b>	
Prepaid Expense	3,250
Intellectual property, net (Note 5)	<u>354,789</u>
Total Other Assets	<u>358,039</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,185,867</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<b>CURRENT LIABILITIES</b>	
Trade accounts payable and accrued expenses	\$ 76,070
Accrued expenses – related parties (Note 7)	241,690
Customer deposits (Note 6)	79,603
Shareholder loans (Note 7)	<u>15,000</u>
Total Current Liabilities	<u>412,363</u>
<b>STOCKHOLDERS' EQUITY</b>	
Common stock, no par value, 25,000,000 shares authorized; 16,006,398 shares issued and outstanding	2,320,476
Additional paid-in capital	1,701,337
Accumulated deficit	<u>(2,248,309)</u>
Total Stockholders' Equity	<u>1,773,504</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 2,185,867</u></u>

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

**OMNITEK ENGINEERING CORP.**  
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2007	2006
REVENUE		
Sales	\$ 1,017,217	\$ 906,971
Cost of sales	<u>774,707</u>	<u>810,754</u>
Gross profit	<u>242,510</u>	<u>96,217</u>
OPERATING EXPENSES		
General and administrative	1,414,509	326,307
Bad debt expense	(4,943)	27,361
Research and development expense	356,316	167,610
Depreciation and amortization expense	<u>136,676</u>	<u>34,802</u>
Total Operating Expenses	<u>1,902,558</u>	<u>556,080</u>
Loss from Operations	<u>(1,660,048)</u>	<u>(459,863)</u>
OTHER INCOME (EXPENSE)		
Impairment of investments	(71)	(559)
Interest expense	(4,747)	-
Interest income	<u>5,347</u>	<u>6,590</u>
Total Other Income (Expense)	<u>529</u>	<u>6,031</u>
LOSS BEFORE INCOME TAX EXPENSE	(1,659,519)	(453,832)
Income tax benefit (expense)	<u>330,947</u>	<u>36,424</u>
NET LOSS	<u>\$ (1,328,572)</u>	<u>\$ (417,408)</u>
BASIC LOSS PER SHARE	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>15,830,260</u>	<u>14,217,336</u>

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



**OMNITEK ENGINEERING CORP.**  
Consolidated Statements of Stockholders' Equity

	<u>Common Stock</u>		Additional	Accumulated
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>
			<u>Capital</u>	
Balance, December 31, 2006	15,736,152	\$ 2,141,697	\$ 474,409	\$ (919,737)
Common stock issued for cash	109,818	103,779	-	-
Common stock issued for conversion Of Note Payable	160,428	75,000	-	-
Value of options issued for services	-	-	1,225,728	-
Contributed Interest	-	-	1,200	-
Net loss for year ended December 31, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,328,572)</u>
Balance, December 31, 2007	<u>16,006,398</u>	<u>\$ 2,320,476</u>	<u>\$ 1,701,337</u>	<u>\$ (2,248,309)</u>

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

**OMNITEK ENGINEERING CORP.**  
Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,328,572)	\$ (417,408)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization and depreciation expense	136,676	34,802
Impairment of investments	71	559
Options granted	1,225,728	7,925
Contributed interest	1,200	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(13,333)	26,450
(Increase) decrease in inventory	74,467	(507,152)
(Increase) decrease in deposits	72,563	271,991
(Increase) decrease in prepaid expenses	(3,251)	-
(Increase) decrease in deferred tax asset	(331,709)	7,330
Increase (decrease) in accounts payable and customer deposits	(73,975)	89,193
Increase in related party payable	72,537	97,999
Increase (decrease) in accrued commissions		(9,943)
Net Cash Used by Operating Activities	(167,598)	(388,254)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(5,600)	(5,322)
Purchase of fixed assets	-	(24,228)
Net Cash Used by Investing Activities	(5,600)	(29,550)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	75,000	-
Proceeds from note payable – related party	-	15,000
Common stock issued for cash	103,779	200,000
Stock offering costs	-	(20,000)
Net Cash Provided by Financing Activities	178,779	195,000
NET INCREASE (DECREASE) IN CASH	5,581	(222,804)
CASH AT BEGINNING OF YEAR	17,861	240,665
CASH AT END OF YEAR	\$ 23,442	\$ 17,861

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

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

	For the Years Ended December 31,	
	<u>2007</u>	<u>2006</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
<b>CASH PAID FOR:</b>		
Interest	\$ 4,747	\$ -
Income taxes	\$ 762	\$ 800
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Stock issued for purchase of Pensare, Inc	\$ -	\$ 474,000
Stock issued for related party payable	\$ -	\$ 37,375
Stock issued for Note Payable	\$ 75,000	\$ -

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

**OMNITEK ENGINEERING CORP.**

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

NOTE 1- ORGANIZATION AND BUSINESS ACTIVITY

Omnitek Engineering Corp.

Omnitek Engineering, Corp. (Omnitek) was incorporated on October 9, 2001 as a California corporation. Omnitek develops and supplies new natural gas engines, advanced engine management systems for gaseous fuels and is the manufacturer of a proprietary technology used to convert old or new diesel engines to operate on natural gas, propane or hydrogen. 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  
December 31, 2007 and 2006

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. Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

c. Accounts Receivable

An allowance for uncollectible accounts receivable is established by charges to operations for amounts required to maintain an adequate allowance, in management's judgment, to cover anticipated losses from customer accounts and sales returns. Such accounts are charged to the allowance when collection appears doubtful. Any subsequent recoveries are credited to the allowance account.

d. 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.

	December 31,	
	2007	2006
Numerator - loss	\$ (1,328,572)	\$ (417,408)
Denominator - weighted average Number of shares outstanding	<u>15,830,260</u>	<u>14,217,336</u>
Loss per share	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>

e. Newly Issued Accounting Pronouncements

During the year ended December 31, 2007 the Company adopted the following accounting pronouncements, which had no impact on the financial statements or results of operation:

**OMNITEK ENGINEERING CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Newly Issued Accounting Pronouncements (continued)

**SFAS No. 154** -- In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 *“Accounting Changes and Error Corrections, an amendment of APB Opinion 20 and FASB Statement No. 3,”* which changes the requirements for accounting for and reporting on a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We believe that the adoption of SFAS No. 154 will not have a material impact on our results of operations.

**SFAS No. 156** -- In March 2006, the FASB issued SFAS No. 156 *“Accounting for Servicing of Financial Assets, an amendment of FASB No. 140,”* which modifies the accounting for and reporting of servicing asset and servicing liabilities. This statement is effective as of the beginning of our first fiscal year that begins after September 15, 2006. SFAS No. 156 is not currently applicable to the company and, we believe that the adoption of SFAS No. 156 will not have a material impact on our results of operations.

**FIN No. 48** --In June 2006, the FASB issued Financial Interpretation No. (FIN) 48, *“Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109.”* FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. We believe that the adoption of FIN 48 will not have a material impact on our results of operations due to the ongoing net losses incurred by the Company, which will offset any taxable income that may arise.

**SFAS No. 157** -- In September 2006, the FASB issued SFAS No. 157, *“Fair Value Measurements,”* that provides guidance for using fair value to measure assets and liabilities. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop the assumptions that market participants would use when pricing the asset or liability. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In addition, SFAS 157 requires that fair value measurements be separately disclosed by level within the fair value hierarchy. This standard will be effective for financial statements issued for fiscal periods beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact of applying the various provisions of SFAS 157.

**OMNITEK ENGINEERING CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Provision For Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company adopted the provision on January 1, 2007. To the extent allowed by GAAP, we provide valuation allowances against the deferred tax assets for amounts when the realization is uncertain

The Company files income tax returns in the U.S. Federal jurisdiction, and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2001.

The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended December 31, 2007, the Company did not recognize interest and penalties.

The provision (benefit) for income taxes for the year ended December 31, 2007 and 2006 consists of the following:

	<u>2007</u>	<u>2006</u>
Federal:		
Current	\$ -	\$ -
Deferred	(258,399)	(33,934)
State:		
Current	800	800

Deferred	<u>(73,310)</u>	<u>(3,290)</u>
	<u>\$ (330,909)</u>	<u>\$ (36,424)</u>

**OMNITEK ENGINEERING CORP.**

Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Provision For Taxes (Continued)

Net deferred tax assets consist of the following components as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
NOL Carryover	\$ 236,050	\$ 119,670
Depreciation	97,212	-
R&D Carryforward	74,019	15,515
Related Party Accruals	98,003	-
Deferred tax liabilities:		
Depreciation	(42,930)	(4,540)
Valuation allowance	<u>-</u>	<u>-</u>
Net deferred tax asset	<u>\$ 462,354</u>	<u>\$ 30,645</u>

The income tax provision differs from the amount of income tax determined by applying the estimated U.S. federal and state income tax rates of 39% to pretax income from continuing operations for the year ended December 31, 2007 and 2006 due to the following:

	<u>2007</u>	<u>2006</u>
Book income	\$ (663,808)	\$ (177,305)
Meals & Entertainment	478	93
State Tax Deduction	(320)	(312)
Contributed Services	-	34,280
Related Party Expense	38,191	21,565
Stock for Services	490,771	-
Depreciation	36,030	-
Research & Development Limitation	13,693	8,460
Allowance for Doubtful	10,350	-
NOL Carryover	<u>75,415</u>	<u>114,019</u>
Income Tax Expense	<u>\$ 800</u>	<u>\$ 800</u>

g. 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.

**OMNITEK ENGINEERING CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. During the year ended December 31, 2007 and 2006, the Company expensed \$37,246 and \$23,504, respectively.

i. 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.

j. Concentration of Risks

Customers

During the year ended December 31, 2007, ten customers accounted for approximately 63% of sales. For the year ended December 31, 2006, three customers accounted for approximately 64% of sales.

Suppliers

During the year ended December 31, 2007, three suppliers accounted for 23% of products purchased. For the year ended December 31, 2006, one supplier accounted for approximately 17% of the products purchased.

k. 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.

l. 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.

**OMNITEK ENGINEERING CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

**NOTE 3 - INVENTORY**

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

<u>Location</u>	<u>Amount</u>
San Marcos, CA	\$ 1,280,966
Bayswater, Australia	11,441
Allowance for obsolete inventory	<u>(125,500)</u>
Total	<u>\$ 1,166,907</u>

The Company has established an allowance for obsolete inventory. Expense for obsolete inventory was \$30,811 and \$94,689, for the years ended December 31, 2007 and 2006, respectively.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2007 consisted of the following:

Research and Development Equipment	\$ 39,684
Tooling Equipment	22,453
Less accumulated depreciation	<u>(29,010)</u>
Total	<u>\$ 33,127</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$12,700 and \$10,818, respectively.

**NOTE 5 - INTELLECTUAL PROPERTY**

The Companies patents and trademarks at December 31, 2007 was as follows:

Patents	\$ 37,217
Trademarks	1,920
Intellectual property and customer list	474,000
Less accumulated amortization	<u>(158,348)</u>
Total	<u>\$ 354,789</u>

Amortization expense for the years ended December 31, 2007 and 2006 was \$123,976 and \$23,984, respectively.

**NOTE 6 - CUSTOMER DEPOSITS**

The Company may require a customer deposit from international customers. As of December 31, 2007 the Company had customer deposits of \$79,603.

**OMNITEK ENGINEERING CORP.**  
Notes to the Consolidated Financial Statements  
December 31, 2007 and 2006

NOTE 7 - RELATED PARTY TRANSACTIONS

Note Receivable

At December 31, 2005, the Company had a note receivable from Performance Stores 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. Accrued interest on the note in the amount of \$10,274 was paid during 2007.

Note Payable – Related Party

At December 2007, 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.

Accrued Expenses – Related Parties

During the year ended December 31, 2007, related parties were due amounts for services performed for the Company. As of December 31, 2007 the related parties' payables consisted of the following:

Amounts due to the President	\$ 215,440
Amounts due to other officers of the company	<u>26,250</u>
Total	<u>\$ 241,690</u>

NOTE 8 - EQUITY ACTIVITY

During 2007, the Company issued 109,818 shares of no par value common stock for \$103,779 cash.

In 2007, the Company issued 15,736,152 shares of no par value common stock for two 2-for-1 stock splits. All share amounts for 2007 and 2006 have been adjusted to reflect the two forward splits.

In October, 2007, the company issued 160,428 shares of no par common stock as payment of a \$75,000 note payable.

During the year ended December 31, 2007, the Company granted 4,920,000 options to consultants and related parties to purchase common stock in the Company for services. The Company recognized an expense of \$1,225,728 related to options issued pursuant to FAS 123(R).

LONG-TERM INCENTIVE PLAN – In April 2007, the Company's shareholders approved its 2006 Long-Term Incentive Plan ("the Plan"). Under the plan, the Company may

issue up to 10,000,000 shares of both Incentive Stock Options to employees only and Non-Qualified Stock Options to employees and consultants at its discretion. As of December 31, 2007 the Company issued 4,920,000 options under the plan.

**OMNITEK ENGINEERING CORP.**  
Notes to the Consolidated Financial Statements  
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NOTE 8 - EQUITY ACTIVITY (Continued)

A summary of the status of the options granted at December 31, 2007 and 2006, and changes during the years then ended is presented below.

	For the years ended December 31,		2006	
	2007	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	-	-	-	-
Granted	4,920,000	.59	-	-
Exercised	-	-	-	-
Expired or cancelled	-	-	-	-
Outstanding at end of period	4,920,000	.59	-	-
Weighted average fair value of options exercisable	1,983,334	.41	-	-

A summary of the status of the options and warrants outstanding at December 31, 2007 is presented below:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price	
\$.01-.50	1,900,000	3.1 years	\$ 0.32	1,000,000	\$ 0.21	
.51-.74	1,980,000	6.8 years	0.58	583,334	0.58	
.75-1.00	1,040,000	5.6 years	0.85	400,000	0.75	
\$.01-1.00	4,920,000	5.2 years	\$ .59	1,983,334	\$ 0.41	

The fair value of each option granted is estimated on the date granted using the Black-Scholes pricing model, with the following assumptions used for the grants during 2007: risk-free interest rate of between 2.03% and 3.35%, expected dividend yield of zero, expected lives of one to seven years and expected volatility of between 60% and 78.97%.