

Omni-Lite Industries Canada Inc.
Schedule "C"
British Columbia Form 51-901F
For the Year Ended December 31, 2002

**MANAGEMENT DISCUSSION AND
ANALYSIS**

Item 1 General

A. Discussion of Operations and Financial Condition

Revenue from operations for fiscal 2002 was \$2,296,254US from \$2,231,704US, an increase of 3%. Total revenue (including rental income) for the year was \$2,338,785 US down from \$2,443,532US EBITDA over the period was \$ 504,116US from \$1,287,575 US, a decrease of approximately 60 %. Over this same period, cash flow from operations decreased to \$415,671US from \$1,151,862US, a decrease of approximately 64%. Net Loss of \$369,404US from net income of \$819,886US. Loss per share was \$ 0.04US a decrease from Earnings per share of \$ 0.08US.

The loss in 2002 was due primarily to a non-cash item. The Company has amortized all deferred development expenses in the current year. The total amortization of deferred development expenses was \$711,687US. Beginning in 2002, the Company has started to expense all product design and development costs as period costs.

Other one-time costs incurred in 2002 include prior years Business Property Taxes assessed and expensed in the current year of \$80,000US and higher building expenses relating to the move into the new premises. These costs impacted the cash flow from Operations.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US \$)

Weighted Average Shares Issued And Outstanding : 9,234,269	For the year ended December 31, 2002	For the year ended December 31, 2001	% Increase (Decrease)
Revenue and Rental	\$2,338,785	\$2,443,532	(4)
EBITDA	\$504,116	\$1,287,575	(60)
Cash flow from operations	\$415,671	\$1,151,862	(64)
Net Income (Loss)	(\$369,404)	\$819,886	(145)
EPS (US) (Loss)	(\$0.04)	\$0.08	(150)
EPS (CDN) (Loss)	(\$0.06)	\$0.13	(150)

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 fiscal 2002, the company successfully completed the development of 12 components for Monogram Aerospace Fasteners with approximately 3,900,000 parts shipped. These products from the Aerospace division will be utilized in the products of Boeing, Airbus, Bombardier and other aircraft manufacturers. The successful implementation of this project has made the Aerospace division the fastest growing in the company.

Sales in the Military division were disrupted by changes in the distribution channel when a customer's business was sold to another company. Problems stemming from the transfer of technology from one company to the other have caused delays in the production of the completed assembly. This has created a substantial backlog for the assembly for which Omni-Lite manufactures a crucial component. It is estimated that full production will resume by second quarter 2003 and that the customer's inventory of Omni-Lite's component will be depleted around that time. Omni-Lite continues to build inventory for this crucial component in anticipation of a surge in orders when the customer's production problems are solved. It is anticipated that revenues, cash flow, and profits will increase substantially when the issues are resolved.

In the Automotive Division, Omni-Lite restructured the transmission component program and began supplying Borg-Warner directly. This restructuring has allowed the unit price of this product line to double. To become a supplier to Borg-Warner, many new services have been added to Omni-Lite's capabilities, such as, Electronic Data Interchange (EDI), automated vision inspection, and Eddy-current analysis. The production costs at Omni-Lite have also risen as requirements for inspection of the components have increased. Some of these costs will be minimized as the new processes are fully integrated into production. It is anticipated that other opportunities with BorgWarner will arise from Omni-Lite's dedication to customer service and quality.

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 2002, Omni-Lite's components were utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, the U.S. Army and NATO and the aircraft manufacturers mentioned above. The requirements and stature of these customers necessitates that the company operate at a very high level of engineering and production efficiency. To this end the company has added, in 2002, a full-time quality manager and full-time tool and die support. These initiatives, coupled with the move to the new facility in Q3 should provide improved efficiencies for the corporation. During 2003 the company will continue enhancing its key strength areas by implementing an expansion to the on-site lab for testing and the implementation of a fully computerized manufacturing control system.

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. 2003 is a pre-olympic year and we expect to see increase in the market for this year.

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 \$520,000US was purchased in February 2001 for approximately \$280,000US. In July, equipment for creating a metallurgical lab was purchased. Omni-Lite moved into the new production facility in August 2002. In March 2003, the company received shipment for the final three of the five progressive forging systems that were negotiated for purchase for \$1,420,000US in March 2002. The company now has 16 cold forging systems of various sizes. These machines were all purchased at a significant discount to retail list value and included favorable financing terms.

E. Growth Expectations

In 2002, Omni-Lite continued a period of expansion and development. Several new projects were initiated in the Aerospace and Automotive Divisions. In support of these projects, a metallurgical laboratory and other test equipment were purchased. These long-term developments bode well for the company's future growth. With the new technical services, new facilities, and increased forging capabilities, Omni-Lite is attracting new business from the various market segments, mainly in aerospace and automotive. The new facilities should result in increased efficiencies, increased cost control, and ability to expand the diversity of the client base.

F. Risk Factors

The business climate of the 21st century presents risks that include the development of competition on a worldwide basis.

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 five U.S. patents to date. The company is in the process of applying for two additional patents.

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.

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

	Dec 31/02	Sept 30/02	June 30/02	Mar 31/02	Dec 31/01	Sept 30/01	June 30/01	Mar 31/01
Total Revenue	487,569	673,822	445,833	731,561	374,935	979,123	591,263	498,211
Cash Flow	(234,220)	199,463	60,841	389,587	(39,288)	622,406	349,267	219,477
Net Income	(611,551)	25,600	(58,418)	274,965	(101,409)	532,214	269,217	119,864
EPS(US)	(0.02)	0.00	(0.01)	0.03	(0.01)	0.05	0.03	0.01
EPS(CDN)	(0.11)	0.01	(0.01)	0.05	(0.02)	0.08	0.04	0.01

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 the repayment of long-term debt with excess funds. Subsequent to year-end a lease was signed for a portion of the new facility for a period of three years and a total value of \$313,200US to the company.

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.