

Omni-Lite Industries Canada Inc.
For the Quarter Ended June 30, 2006

MANAGEMENT DISCUSSION AND ANALYSIS
(in \$US)

The Management Discussion and Analysis (“MD&A”) should be read in conjunction with the financial statements and related notes of Omni-Lite Industries Canada Inc. (the “Company”) for the quarter ending June 30, 2006. The Company’s reporting currency is in United States (“US”) dollars and all amounts in this MD&A are expressed in US dollars. The Company reports its financial position, results of operations and cash flows in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). This discussion has been completed as of August 29, 2006.

Revenue

For the six months ended June 30, 2006, Omni-Lite Industries Canada Inc. reported record revenue of \$2,344,616 (\$2,626,204 CDN), a 21% increase over the corresponding period in 2005. Sales in the Aerospace division were the strongest in the first half of 2006, representing 35% of revenue, up 17% over the same period in 2005. The Automotive division represented 20% of the revenue, up 85% over the same period on 2005. The Sports and Recreation division contributed 19% to revenue. The Military division brought in 18% of revenue, which is 9% lower than in the same period in 2005. The remaining 8% of revenues are from the Commercial division.

Net Earnings

Net income for the first six months of 2006 was \$718,254 (\$804,516 CDN) or \$0.07 (\$0.08 CDN) per common share. This compares to net income of \$681,968 or \$0.07 per share in the first six months of 2005, an increase of 5%.

Earnings per share were calculated using the weighted average shares outstanding of 10,485,327. As of June 30, 2006, there were 10,554,228 shares outstanding.

ALL FIGURES IN US DOLLARS UNLESS OTHERWISE NOTED

SUMMARY OF FINANCIAL HIGHLIGHTS (US \$)

Weighted Average Shares Issued And Outstanding: 10,485,327	For the six months ended June 30, 2006	For the six months ended June 30, 2005	% Increase
Revenue	\$2,344,616	\$1,934,388	21%
Cash flow from operations ⁽¹⁾	\$1,156,099	\$903,053	28%
Net Income	\$718,254	\$681,968	5%
EPS (US)	\$0.07	\$0.07	-

- (1) Cash flow from operations is a non-GAAP term requested by the oil and gas investment community that represents net earnings adjusted for non-cash items including depreciation, depletion and amortization, future income taxes, asset write-downs and gains (losses) on sale of assets, if any.

For the three months ended June 30, 2006, revenue was a new record for Omni-Lite at \$1,330,936 (\$1,490,781 CDN), an increase of 32%. Net income was \$377,435 (\$422,765 CDN), an increase of 1% over the same period in 2005. Cash flow from operations increased by 38% over the same period in 2005 to \$654,887.

ALL FIGURES IN US DOLLARS UNLESS OTHERWISE NOTED

SUMMARY OF FINANCIAL HIGHLIGHTS (US \$)

Weighted Average Shares Issued And Outstanding: 10,485,327	For the three months ended June 30, 2006	For the three months ended June 30, 2005	% Increase
Revenue	\$1,330,936	\$1,010,728	32%
Cash flow from operations ⁽¹⁾	\$654,887	\$474,129	38%
Net Income	\$377,435	\$372,812	1%
EPS (US)	\$0.04	\$0.04	-

- (1) Cash flow from operations is a non-GAAP term requested by the oil and gas investment community that represents net earnings adjusted for non-cash items including depreciation, depletion and amortization, future income taxes, asset write-downs and gains (losses) on sale of assets, if any.

Omni-Lite as a Business

Omni-Lite Industries is a developer and manufacturer of specialized products utilized by a wide range of customers. By combining advanced materials and precision computer-controlled cold forging techniques with a team of key design and material engineers, production technicians, marketing and administrative support personnel, Omni-Lite has risen to the forefront of technological development in progressive cold forging.

Omni-Lite Industries Canada Inc.'s common shares are publicly traded on the TSX Venture Exchange under the symbol "OML".

Omni-Lite's Markets

Omni-Lite's primary market is the development and manufacture of precision components utilized by many of the world's largest corporations. Omni-Lite's components has been utilized in the products of Daimler-Chrysler, GM, Ford, Mazda, Nike, adidas, Reebok, Boeing, Airbus, Bombardier, the U.S. Army, and NATO. The requirements and stature of these customers necessitates that the Company operates at a very high level of engineering and production efficiency. Currently, revenues are received through five divisions: Automotive, Aerospace, Sports and Recreation, Military, and Commercial.

The majority of the growth has resulted from a combination of new components being developed and from increases in sales of existing components. Growth will continue to be strong as prototype components are approved and enter the production phase.

Growth Record

From the period January 1998 to April 2000, Omni-Lite's manufacturing capability increased from two production systems to ten allowing Omni-Lite to begin expanding into the automotive, aerospace, commercial, and the military fields. During 2000, the Company commenced discussions towards purchasing a larger cold forging system. This equipment with a retail price of over \$520,000 US was purchased in February 2001 for approximately \$280,000 US. The table above shows the assets of the company increasing as the equipment was purchased. The Company continued to execute its expansion plans in 2002 as Omni-Lite moved into the new production facilities and created a world-class metallurgical laboratory. Then, the procurement of an additional five progressive forging systems for \$1,420,000 US was initiated. In March 2003, the Company received a shipment of new cold forging systems which brought the total number of machines to sixteen.

In 2005, Omni-Lite placed orders for two more new progressive forging systems to be used for aerospace products, four smaller forging machines to be used for military products, and an automated inspection machine. The two large systems were delivered in early 2006. The Company placed an order for 12 new cold forging systems in May 2006 with a list price of over \$6.68 million US. To date, a total of \$1,298,821 US was paid as a deposit for the above mentioned equipment. The Company has committed to pay an additional amount totaling \$5,381,179 for complete payment of all the new equipment.

Growth Expectations

In 2006, Omni-Lite will continue its focus on building sales in all of Omni-Lite's divisions. With the "Vision 2010" plan, Omni-Lite plans to purchase up to 16 new cold forging systems. A larger facility will be required in 2 to 3 years' time to allow for the additional equipment. Presently, extra office space at the current location has been converted to production space. Omni-Lite anticipates it will be able to attract new business from the various market segments, mainly in Aerospace, Military, and Automotive. The Company has purchased four micro cold forging systems and is developing and executing a business plan for the micro segment of the market. The Company is targeting overall growth of 25% to 30% per year for the next four years.

Risk Factors

Risk factors are substantially unchanged. Please refer to the 2005 annual report for disclosure.

Transactions with Related Parties

Due to related parties includes two amounts: an amount of \$1,072,257 due to a shareholder of the Company; and an amount of \$124,625 due to a director and shareholder of the Company, which are unsecured, non-interest bearing and have no set terms of repayment.

Third Party Investor Relations Contracts

No third party investor relations arrangements have been made.

International Operations

In September 1997, Omni-Lite Industries Canada Inc. was established by the amalgamation of Omni-Lite Industries Inc. and Omni-Lite Industries Corp. which were both incorporated in Calgary, Alberta. To support the international scope of the market place, Omni-Lite has established two wholly owned subsidiaries in Barbados. The staff in Barbados is responsible for marketing, sales, and maintaining international markets for Omni-Lite's products. These complement the production center in Cerritos,

California. The Cerritos facility is located in the heart of Southern California's aerospace industry. This allows for easy access to specialized equipment, materials, and workforce.

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:

June 30, 2006	United States	Canada	Barbados	Inter-corporate Elimination	Total
Revenues	\$ 2,201,840	\$ -	\$ 399,000	\$ (256,224)	\$ 2,344,616
Property and Equipment	\$ 7,883,985	\$ 1,012	\$ -	\$ -	\$ 7,884,997

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 made in 2006 further reduced the Company's ownership to 25%. On May 24, 2006, E-FORM was renamed California Nanotechnologies, Inc. ("CNI") Because of the relationship between the management of the two corporations, current accounting rules require that CNI's financial statements be consolidated with the Company resulting in the inclusion of CNI's assets in the Company balance sheet.

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 OTHERWISE NOTED

	June 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005	June 30, 2005	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004
Revenue	1,330,936	1,013,680	1,092,705	1,322,953	1,010,728	923,660	709,803	906,909
Cash Flow from operations	654,887	501,212	424,607	634,183	474,129	428,924	319,717	304,637
Net Income	377,435	340,819	103,027	464,421	372,812	309,156	38,994	241,974
EPS(US)	.04	.03	.01	.05	.04	.03	.00	.03
EPS(CDN)	.04	.04	.01	.05	.05	.04	.00	.04

Omni-Lite's revenue tends to peak in the third quarter of each year coinciding with the seasonal increase in demand for products from the Sports and Recreation division. The traditionally low revenue periods in the first and fourth quarters have grown to provide a more balanced income stream throughout the year.

Liquidity and Capital Resources

The following table summarizes the Company's cash flows by activity and cash on hand:

	June 30/06	June 30/05
Net cash from operations	1,156,099	903,053
Net cash from (used in) financing activities	1,161,430	(229,441)
Net cash from (used in) investing activities	2,350,549	(135,116)
Net increase in cash (decrease)	(416,351)	252,796
Cash at the beginning of the period	456,676	66,347
Cash at the end of the period	40,325	319,143

Cash Flows and Liquidity

For Q2, the primary source of liquidity was cash from operations and cash from financing. It is anticipated that internally generated cash flow in the Company, both in the short-term and long-term, will meet the ongoing working capital requirements of Omni-Lite.

Cash flow generated by operating activities was \$1,156,099. Accounts receivables remained high as of June 30, 2006, as a large portion of shipments were made late in the quarter. Most customers are paying within given terms. Inventory continues to grow as the Company is stocking larger quantities of raw materials because of long lead times for delivery. The number of components stocked by the Company has also increased due to the just-in-time delivery requirements of major customers.

Financing activities increased cash by \$1,161,430. In January and June of 2006, dividends of \$0.02 CDN per share were paid to shareholders on record as of January 13, 2006 and June 15, 2006. Cash in the amount of \$351,828 was used to repurchase 174,000 shares under the normal course issuer bid.

Cash used in investing activities were \$2,350,549. The funds were for equipment purchases, deposits on equipment and repayment of bank debt.

As the Company's sales continue to grow and become more balanced from quarter to quarter, the ability to meet working capital requirements has improved. A calculation between total current assets divided by total current liabilities shows that the current ratio is 1.12x. The ratio indicates that the Company improved its ability to generate sufficient cash to meet on-going demands.

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.