Omni-Lite Industries Canada Inc.
For the year ended December 31, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis ("MD&A") of financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and the related notes of Omni-Lite Industries Canada Inc. for the years ended December 31, 2016 and December 31, 2015. Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") reports its financial position, results of operation0.s and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB. The Company's functional currency is in United States ("US") dollars and all amounts in this MD&A are expressed in US dollars. This discussion has been completed as of April 28, 2017.

Company Overview

Omni-Lite Industries Canada Inc. is a world recognized research and development Company with the core mission of utilizing material science for mission critical applications. The Company's specialized, precision components are produced utilizing computer-controlled cold forging systems that are networked to provide an optimal environment for engineering enhancements, leading to maximum production efficiencies. These capabilities provide financial benefits such as high industry gross and net margins, and significant cash flow and EBITDA[1] ratios, which allow the Company to execute an ambitious growth strategy.

By combining its progressive cold forging techniques with a team of key design and material engineers, production technicians, marketing and administrative support personnel, Omni-Lite has been able to deliver components with the exacting criteria required by customers in a broad group of industries. The Company's mandate is to further leverage this unique mix of skills and competencies to achieve additional growth.

Omni-Lite is managed as a single business by the chief operating decision-makers. The Company operates four business segments defined as the Aerospace, Military, Specialty Automotive, and Sports and Recreation divisions. Through its wholly owned subsidiaries which include: Omni-Lite Industries International Inc., Omni-Lite Industries California Inc., Formed Fast International Inc., and Omni-Lite Properties Inc., the Company designs, engineers, manufactures, and markets specialized components to a broad spectrum of Fortune 500 customers. Its components are utilized in the products for Boeing, Airbus, Bombardier, the U.S. Military, Chrysler, Ford, Nike, and adidas. The requirements and stature of these customers necessitates that the Company operate at a very high level of engineering and production efficiency.

(1) "EBITDA" is a non-IFRS term which represents earnings or losses before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Company's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with IFRS.

The distribution of revenue among the four business divisions for the year ended December 31, 2016 is as follows:

Division	**Aerospace**	**Military**	**Specialty Automotive**	**Sport & Recreation**
December 31, 2016	40%	15%	34%	11%

To ensure future growth, Omni-Lite is committed to funding the research and development of new products and materials and to apply for patents to protect the intellectual property that pertains to its business. To date, the Company has been granted eight (8) U.S. Patents covering innovations in materials, processes, and design.

To gain access to new nanostructured materials and technical services being pioneered in this innovative industry, Omni-Lite invested in California Nanotechnologies Corp., a publicly listed company trading as "CNO" on the TSX Venture Exchange. Approximately 18 percent of outstanding shares of CNO are held by Omni-Lite.

Omni-Lite's overall strategy is to continue striving to be the best in the progressive cold forging business. This strategy, entitled the Vision 2020 Plan is summarized below:

Vision 2020 Plan

- Create superior shareholder value through development of quality products, financial discipline, and investment
- Sales growth of 20 percent to 25 percent per year
- Commission 35 Progressive cold forging systems
- Maintain research and development efforts for future initiatives
- Continual update of ancillary systems to support production and quality
- Upgrade the current facility and lease adjoining space to improve efficiencies
- Growth and retention of highly skilled workforce and management
- Commit to maintaining the environment through waste reduction, energy conservation, and recycling.

Outlook

In September of 2015 Omni-Lite initiated a program to review the potential of converting an existing cold forming system to operate at elevated temperatures, in order that the hot forging of aircraft Titanium and other super alloys could be evaluated. In April 2017, the Company produced the first complete Ti 6Al-4V fully tubular component from this system. This significant technical breakthrough should lead to significant revenue opportunities within the Aerospace, Military, Marine, Sports and Recreation and Medical Industries.

In 2016, Omni-Lite will continue to focus on building revenue in the aerospace, military, and specialty automotive segments through on-going product development and organic customer growth. The Aerospace division is experiencing growth due to a cyclical resurgence in the aerospace industry and a focus on some of the components that the Company manufactures for aircraft utilizing a greater share of composite material. The Specialty Automotive division is growing primarily due to an emphasis on new components focusing on "green" technology for diesel engines. With the "Vision 2020" strategy, Omni-

Lite has purchased a large seven station progressive forging system. This system will be the most sophisticated at Omni-Lite, with five of the seven dies modified with the OD-Plus System, which provides for the opening and closing of the forging tooling, in real time, under high pressure. This system was delivered to Omni-Lite in September of 2015.

Selected Annual Consolidated Financial Information

All figures are in US dollars except as noted.

Basic Weighted Average Shares Issued And Outstanding, December 31, 2016: 10,911,638	**For the year ended December 31, 2016**	**For the year ended December 31, 2015**	**For the year ended December 31, 2014**	**For the year ended December 31, 2013**
Revenue	$7,179,808	$7,479,958	$5,850,318	$5,301,035
Net Income	762,595	884,975	469,283	137,949
EPS (US)	0.07	0.08	0.04	0.01
Total Assets	21,667,500	21,983,721	21,846,710	22,336,473
Long term debt	-	-	-	300,000

Results from Operations

Revenue: For the year ended December 31, 2016, Omni-Lite reported revenue of $7,179,808, a decrease of 4 percent from the prior year.

The Aerospace division represented the largest portion of revenues with 40 percent. Revenues in this division were higher by 6 percent when compared to the year ended December 31, 2015. The Military division contributed 15 percent of revenue, a 15 percent decrease from 2015. The Automotive division contributed 34 percent of revenue, an increase of 11 percent over 2015. The Sports and Recreation division contributed 11 percent of revenue, a 2 percent decrease from 2015.

Revenues by division and by geographic location are summarized below:

Division	**Aerospace**	**Military**	**Specialty Automotive**	**Sport & Recreation**
2016	**40%**	**15%**	**34%**	**11%**
2015	34%	30%	23%	13%

Geographic Segment	**United States**	**Canada**	**Barbados**
2016	**93%**	**-**	**7%**
2015	89%	-	11%

Cost of Goods Sold: Cost of Goods Sold (“COGS”) decreased 6 percent from $3,196,665 in 2015 to $3,020,568 in 2016. Gross margin, excluding the non-recurring write-down and recovery provisions for inventory, in 2016 increased to 58 percent compared to 57 percent in 2015 as a result of continuing to improve production efficiencies.

Operating Expenses: Total operating expenses increased by 6 percent from the prior period as the Company prepares for higher production capacities in the future.

Research and product design ("R&D") expense was $28,435, a decrease of 12 percent over the year ago period.

Current income tax expense decreased to $5,766 from $11,233 in the prior year due to a lower taxable income, and a partial offset from U.S. energy tax credits. Deferred tax expense increased to $274,341 from $174,937 resulting from a reduction of tax deductions available in future years. Deferred income tax expense reflects, in part, the effect of temporary tax-to-book differences in the depreciation in the carrying value of the Company's capital equipment. For a capital-intensive company, such as Omni-Lite, these tax considerations can have significant effects on cash flow.

Net Income: Net income was $762,595 versus $884,975 in 2015, a decrease of 14 percent which was primarily due to decreases in revenue from the Military division.

Earnings per share: Basic earnings per share were $0.07 compared to $0.08 generated in 2015 based on the weighted average shares outstanding of 10,911,638 and 11,660,362 in 2015. Actual shares outstanding were 10,369,120. During the year, pursuant to a normal course issuer bid under applicable securities legislation, the Company acquired 1,145,200 (2015 - 561,900) of its issued and outstanding common shares.

The diluted earnings per share were $0.07 compared to $0.07 in 2015. At December 31, 2016, the diluted weighted average number of shares was 11,414,608. No (2015 – 60,000) options were excluded in calculating the weighted-average number of diluted common shares outstanding, because their exercise price was less than the annual average common share market price in the year.

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if options and warrants to issue common shares were exercised. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, in accordance with standards approved by the Canadian Institute of Chartered Accountants.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)

All figures in US dollars unless noted.

Basic Weighted Average Shares Issued And Outstanding, December 31, 2016: 10,991,638	**For the year ended December 31, 2016**	**For the year ended December 31, 2015**	**% Increase (Decrease)**
Revenue	$7,179,808	$7,479,958	(4%)
Cash flow from operations[(2)]	2,174,333	2,136,228	1%
EBITDA[(2)]	2,056,566	1,959,409	5%
Net Income	762,595	884,975	(14%)
EPS (US)	0.07	0.08	-

(2) Cash flow from operations is a non-IFRS 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. EBITDA is a non-IFRS financial measure defined as earnings before interest, taxes, depreciation and amortization. These are non-IFRS financial measures, as defined herein, and should be read in conjunction with IFRS financial measures. These non-IFRS financial measures are not presented as an alternative to IFRS cash flows from operations or as a measure of our liquidity or as an alternative to reported net income

as an indicator of our operating performance. The non-IFRS financial measures as used herein may not be comparable to similarly titled measures reported by other companies. We believe the use of EBITDA and non-IFRS cash flow from operations along with IFRS financial measures enhances the understanding of our operating results and may be useful to investors in comparing our operating performance with that of other companies and estimating our enterprise value. EBITDA is also a useful tool in evaluating the operating results of the Company given the significant variation that can result from, for example, the timing of capital expenditures and the amount of working capital in support of our customer programs and contracts. We also use EBITDA internally to evaluate the operating performance of the Company, to allocate resources and capital, and to evaluate future growth opportunities.

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

	Dec 31/2016	Sep 30/2016	Jun 30/2016	Mar 31/2016	Dec 31/2015	Sep 30/2015	Jun 30/2015	Mar 31/2015
Revenue	1,411,288	2,173,388	2,110,643	1,484,489	1,462,704	2,002,623	2,241,296	1,773,335
Cash Flow from Operations[3]	319,018	908,908	604,607	341,800	118,319	663,086	829,469	525,354
Adjusted EBITDA[3]	137,699	906,537	599,740	341,793	261,179	698,385	854,870	521,841
Net Income (Loss)	(323,794)	505,223	410,946	170,220	(365,372)	370,453	567,581	312,313
EPS (Loss) - basic (US)	(.029)	.047	.037	.015	(.031)	.032	.048	.027
EPS (Loss) - diluted (US)	(.023)	.043	.036	.015	(.030)	.031	.045	.026

[3] See definition from Summary of Financial Highlights from prior page.

In the fourth quarter of 2016, revenue was $1,411,288. Net loss was $261,002 versus a loss of $365,372 in 2015.

Liquidity and Capital Resources

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

	Dec 31/2016	Dec 31/2015
Net cash from operating activities	**$ 1,965,273**	$ 1,497,655
Net cash from (used) in financing activities	**(1,395,427)**	(532,719)
Net cash from (used) in investing activities	**(1,144,484)**	(1,600,012)
Net increase (decrease) in cash	**(574,638)**	(635,076)
Cash at the beginning of the year	**1,051,614**	1,686,690
Cash at the end of the year	**476,976**	1,051,614

At December 31, 2016, the single source of liquidity was cash from operating activities and these amounts were used along with the beginning cash balances for equipment purchases in executing the Vision 2020 plan. At the period end, the Company's working capital (current assets – current liabilities) was $4,232,880, a decrease of 8% from 2015 when working capital was $4,599,895.

A comparison between total current assets divided by total current liabilities shows that at December 31, 2016 the current ratio[3] was 12.9x compared to 9.2x at December 31, 2015. Debt ratio[3] ((Current liability + Total long-term debt)/Total Assets) decreased to 0.02x in 2016 compared to 0.03x in 2015. The Company is able to meet its debt service.

(3) Non-IFRS measure - certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-IFRS measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Corporation's financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS measure. However, they should not be used as an alternative to IFRS because they may not be consistent with calculations of other companies.

Cash flow from operating activities increased to $1,965,273 from $1,497,654 in 2015. This represents an increase in cash generated by the Company of $467,619.

Cash flow used in financing activities was $1,395,427. The Company repurchased common shares for $1,450,745 (2015 – $684,668).

Cash flow used in investing activities was $1,144,484 (2015 - 1,600,012). The Company purchased a solar array system $270,685 that when operational in 2017 will supply 50% of the facilities electric power.

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from our credit line, and long term debt securitized by real estate and equipment. At December 31, 2016, Omni-Lite had $1,200,000 of available credit on the primary credit facility.

The terms of the long-term primary credit facility requires that certain financial covenants be met. At December 31, 2016, the Company was in compliance with these covenants.

Capital Disclosures

The objective for managing the Company's capital structure is to ensure that the Company has the financial capacity, liquidity and flexibility to fund expansion projects and product development efforts. The Company generally relies on operating cash flows to fund expansion and product development. However, given the long cycle time of some of the development projects, significant capital investment prior to cash flow generation may be required. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity. The Company's capital management policies are aimed at:

> Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity; maintaining sufficient undrawn committed credit capacity to provide liquidity; ensuring ample covenant room permitting it to draw down credit lines as required and ensuring the Company maintains a credit rating that is appropriate for their circumstances.

As a capital equipment-intensive company, Omni-Lite's management measures the performance of the Company by the metrics of Cash Flow from Operations, EBITDA[(1)] and Adjusted EBITDA[(1)] The calculation of EBITDA[(1)] and Adjusted EBITDA[(1)] on a 12-month rolling basis is set out in the following table.

	December 31, 2016	December 31, 2015
Net Income	**$ 762,595**	$ 884,975
Add:		
Interest expense	**(30,243)**	(30,327)
Provision for income taxes	**280,107**	186,170
Depreciation	**1,044,107**	983,550
Other Expense, net	**-**	(64,959)
EBITDA	**$ 2,056,566**	$ 1,959,409
Add:		
Stock based compensation	**93,290**	87,856
Write down of inventory	**(184,876)**	184,876
Non-recurring items	**20,789**	104,134
Adjusted EBITDA	**$ 1,985,769**	$ 2,336,275

(1) "EBITDA" is a non-IFRS term which represents earnings or losses before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. Adjusted EBITDA is a non-IFRS financial measure defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation provision, gains (losses) on sale of assets, and non-recurring items, if any. These are non-IFRS financial measures, as defined herein, and should be read in conjunction with IFRS financial measures. These non-IFRS financial measures are not presented as an alternative to IFRS cash flows from operations, as a measure of our liquidity or as an alternative to reported net income as an indicator of our operating performance. The non-IFRS financial measures as used herein may not be comparable to similarly titled measures reported by other companies. We believe the use of Adjusted EBITDA and non-IFRS cash flow from continuing operations along with IFRS financial measures enhances the understanding of our operating results and may be useful to investors in comparing our operating performance with that of other companies and estimating our enterprise value. Adjusted EBITDA is also a useful tool in evaluating the operating results of the Company given the significant variation that can result from, for example, the timing of capital expenditures and the amount of working capital in support of our customer programs and contracts. We also use Adjusted EBITDA internally to evaluate the operating performance of the Company, to allocate resources and capital, and to evaluate future growth opportunities.

Risk Factors

Capability to Deliver Results

Omni-Lite's results are dependent on a number of factors including customer demand, market cycle, the Company's continued success in materials and production methods, foreign exchange rates, effective marketing, retention of expertise, and continued access to the financial markets.

Economic Factors

The Company's business and operating performance is subject to economic forces beyond its control, such as changes in consumer preferences, spending patterns, and general economic downturns.

Business Risk Factors

Other risks include those recognized by companies within the manufacturing sector and include,

1. **Market cycle** – The Company's revenues are dependent on divisions such as the aerospace, defense, and specialty automotive and sports and recreational sectors that may experience cyclical changes in demand. The Company minimizes its risk by diversifying its customer base.

2. **Better technology** – Improvements in materials and processing methods developed by others, which Omni-Lite does not adopt or license may provide other companies with a greater competitive edge. Omni-Lite strives to remain at the forefront of material science and progressive forging by continuing to invest in research and development. As part of this strategy, Omni-Lite was the co-founder and remains a principal shareholder of California Nanotechnologies Corp. ("CNO"). CNO was established to undertake advanced nanotechnology and related material science research and to lead in future scientific and commercialization programs.

3. **Sales issues** – The Company's sales may not grow at the same rate historically shown. There may not be suitable projects identified for the Company to undertake.

4. **Raw material costs** – Supply and demand dictates the price of the raw materials utilized by Omni-Lite. Certain raw materials can only be obtained from a few suppliers. Delays or increased costs may be associated with obtaining these raw materials. Material costs are kept low by ordering economical lot sizes, but may increase if supplies become limited.

5. **Customer supplied material** – Certain customers provide their own raw material. Delays may result if the customer's raw material is not supplied on a timely basis to the Company.

6. **Employee costs** - The cost of labour may increase, as competition for qualified employees in the Southern California area is generally strong. Labor costs are managed by including employees in the stock option and bonus plan and by increasing efficiency through advanced technology. The position of CEO does not receive a salary at this time and additional costs could be introduced if the current structure is changed, a factor, which could affect net earnings.

7. **Key personnel** - The success of the Company and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key employees and members of its board of directors. The loss of their services to the Company may have a materially adverse effect on the Company. The Company has a stock option plan for management and employees as a method of motivation and retaining key employees.

8. **Quality issues** – The Company is ISO 9001:2008 registered and is working on obtaining ISO/TS 16949 certification. Delays in establishing compliance and registration in ISO/TS 16949 may cause delays in shipping or loss of business in the automotive division.

9. **One manufacturing facility** - If the Company suffered a loss to the facility due to catastrophe, its operations could be seriously harmed. The Company's facility is subject to catastrophic loss due to fire, flood, terrorism or other, natural or man-made disasters. In particular, due to its location, the facility could be subject to a severe loss caused by earthquake.

10. **Development efforts** – Many of the Company's products are complex and require long development times before entering the production phase. Typical lead times may range from four months to eighteen months depending on the complexity of the component. The long lead-time may delay the profitability of the project.

11. **Political turmoil** – The Company's business dealings are international. Changes in governments or policies may cause delays or restrictions that may affect the operating results.

12. **Taxation matters** – As any Company, at times, certain tax strategies could be challenged by local taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is always the possibility that a reassessment can occur.

Asset Protection

As Omni-Lite's revenues increase, 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:

- Patent and trademark protection – The Company protects novel ideas and processes developed at Omni-Lite by filing with the U.S. Patent and Trademark Office.
- Confidentiality agreements – These agreements prevent employees and third parties from sharing any information considered proprietary with unauthorized individuals or companies.

Of particular significance is the fact that Omni-Lite has received eight patents.

Financial Instruments

Financial instruments of the Company consist of cash, accounts receivable, loans due from related parties, investment, accounts payable and accrued liabilities, and current portion of long-term debt.

	December 31, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At fair value through profit or loss				
Cash	**$ 476,976**	**$ 476,976**	$ 1,051,614	$ 1,051,614
Loans and receivable				
Accounts receivable	**1,178,813**	**1,178,813**	1,411,906	1,411,906
Due from related parties	**1,458,368**	**1,458,368**	1,481,863	1,481,863
Available-for-sale				
Investment	**355,910**	**355,910**	203,377	203,377
Other financial liabilities				
Accounts payable and accrued liabilities	**354,608**	**354,608**	376,269	376,269
Equipment payable	-	-	187,583	187,583

The table below sets out fair value measurements using the fair value hierarchy.

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 476,976	$ 476,976	**$ -**	**$ -**
Investment	355,910	355,910	**-**	**-**

There have been no transfers during the year between Levels 1 and 2.

The carrying values of accounts receivable, accounts payable and accrued liabilities and current portion of long-term debt approximate their fair value due to their short-term nature.

The fair value of the Company’s due from related parties approximate their fair values due to the interest rates applied to these instruments, which approximate market interest rates.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to various risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not use off statement of financial position contracts to manage these risks

Interest rate risk
The Company’s revolving line of credit facility and promissory note borrowings, if any, are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at December 31, 2016, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $nil (December 31, 2015 - $nil). The related disclosures regarding these debt instruments are included in Note 9 of the consolidated financial statements.

Foreign currency risk
A significant portion of the Company’s operations are located outside of the United States and, accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates.

The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and receivables to offset foreign currency payables and planned expenditures. The Company reports in its functional currency, the U.S. dollar. At December 31, 2016, the Company had the following balances denominated in Canadian dollars. The balances have been translated into U.S. dollars in accordance with the Company’s foreign exchange accounting policy.

	U.S. Dollar December 31, 2016	U.S. Dollar December 31, 2015
Cash	**$ 6,725**	$ 5,302
Accounts payable	**73,904**	391

Omni-Lite operates with a U.S. dollar functional currency which gives rise to currency exchange rate risk on Omni-Lite’s Canadian dollar denominated monetary assets and liabilities, such as Canadian dollar bank accounts and accounts payable, as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	**$ (6,718)**
U.S. Dollar Exchange Rate – 10% decrease	**6,718**

Other Price Risk
The Company has financial instruments that may fluctuate in value as a result of changes in market price. The Company has an investment in shares of California Nanotechnologies Corp. This investment is recorded on the consolidated statement of financial position at fair value as of the statement of financial position date with changes from the prior year’s fair value reported in OCI. A 1% change in the price of the investment would have an impact of $3,559 (December 2015 - $2,034).

Liquidity Risk

The Company is exposed to liquidity risk due to the borrowings under the credit facilities. This risk is mitigated by complying with the covenants and managing the cash flow by controlling receivables and payables.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at December 31, 2016:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 354,608	$ -	$ -	$ -	$ 354,608
Total	$ 354,608	$ -	$ -	$ -	$ 354,608

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the year ended December 31, 2016, the Company was engaged in contracts for products with five (December 31, 2015 – two) customers in excess of 10% of revenue, which accounted for $5,542,749 (December 31, 2015 - $3,951,983) or 77% (December 31, 2015 – 53%) of the Company's total revenue. During the same period, there were no sales (December 31, 2015 – $nil) to customers in an international country (outside of the United States) (December 31, 2015 - $nil) of at least 10% (December 31, 2015 – nil) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of account receivable, cash and due from related parties. The table below provides an analysis of the age of past due accounts receivables which are not considered impaired.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days
December 31, 2016	$ 1,178,813	$ 900,239	$ 192,642	$ 59,710	$ 21,441	$ 4,781
December 31, 2015	$ 1,411,906	$ 1,049,977	$ 172,403	$ 168,494	$ 21,032	$ -

Outstanding Share Capital

As of April 28, 2017:

- 10,369,120 Common Shares issued and outstanding
- 1,045,488 Stock options outstanding and 570,055 exercisable

Transactions with Related Parties

Due from related parties includes advances to a company under common management. An amount of $1,048,656 (December 31, 2015 - $1,047,116) is due from California Nanotechnologies Corp. bearing interest at 2% per annum and due on demand. The loan is secured by all the assets of California Nanotechnologies Inc. Additional security for the loan has been provided by one of the founders and a current member of the board of directors of California Nanotechnologies Corp. In September, 2016, the Company guaranteed a long-term credit facility with an advance line in the amount of $250,000. At December 31, 2016, the credit line balance was $40,000.

For 2016 and 2015, the Company did not pay the Chief Executive Officer a salary. It is management's estimate that the fair value of the annual salary would approximate $160,000 (2015 - $160,000). Due to the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of $nil.

The Company has no outstanding, unsecured interest free loans to employees under the Company's *Greenhouse Gas Reduction Incentives for Employees* program (December 31, 2015 - $20,000), forgiven after five years of service time, related to the acquisition of property. Two employees (2015 – nil) received a grant related to the purchase of a hybrid/electric car under the Company's *Greenhouse Gas Reduction Incentives for Employees* program in the amount of $5,000 each. Of the three grants outstanding, one matures in 2018 and two in 2021. There were no employee loans which were written off as bad debt expense (December 31, 2015 - $4,910). Two current employees have received unsecured interest free loans from the Company with amounts due totalling $3,860 (December 31, 2015 - $4,501), with a current portion of $3,064 (December 31, 2015 – 4,501), and maturity dates in 2016 and 2017. The Company has issued a loan due on demand to the Chief Executive Officer for $390,852 (December 31, 2015 - $405,246) at a 2% interest rate. The loan is secured by the Chief Executive Officer's related residential property.

Third Party Investor Relations Contracts

On November 24, 2016, the Company entered into an investor relations contract with Mikel Damke of Victoria BC. As such, Mr. Damke assisted with communications between the Company, current and prospective shareholders, stockbrokers, analysts and the media. His remuneration for this twelve month contract $4,250.00 CAD per month. In addition to this remuneration, the Company has been advised that Mr. Damke owns shares in Omni-Lite.

Board of Directors

The Company currently has four directors, and there is one director position open.

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. These complement the production center in Cerritos, California. The Cerritos production center is located in the heart of Southern California's aerospace industry which facilitates access to customers, specialized equipment, materials, and workforce. The staff in Barbados is responsible for marketing, sales, and maintaining international markets for Omni-Lite's products.

The Company allocates its revenues between countries based on the 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:

December 31, 2016	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenue	**$ 6,969,876**	**$ -**	**$ 537,572**	**$ (327,640)**	**$ 7,179,808**
Net income/(loss)	**669,236**	**(68,299)**	**161,658**	**-**	**762,595**

December 31, 2015	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 7,030,769	$ -	$ 789,849	$ (340,660)	$ 7,479,958
Net income	493,492	(25,647)	417,130	-	884,975

New accounting policies

For the twelve months ended December 31, 2016, the Company did not adopt any new IFRS standards.

Recent accounting pronouncements

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces International Accounting Standard ("IAS") 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by the Company on January 1, 2018 and the Company is currently evaluating the impact of the standard on its consolidated financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments". The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by the Company on January 1, 2018 and the Company is currently evaluating the impact of the standard on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by the Company on January 1, 2019 and the Company is currently evaluating the impact of the standard on its consolidated financial statements.

Forward-looking statements

In the interest of providing Omni-Lite shareholders and potential investors with information regarding the Company and its subsidiaries, including Management's assessment of Omni-Lite's future plans and operations, certain statements contained in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this document include, but are not limited to, statements with respect to: projections relating to the adequacy of the Company's provision for taxes; the potential impact of implementation of Vision 2020 on Omni-Lite's financial condition and projected capital investment. Although these "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to general global events outside the Company's control, there are factors which could cause actual results, performance or achievements to vary from those expressed or inferred herein including risks associated with an investment in the common shares of the Company and the risks related to the Company's business. Risk factors are discussed in greater detail in the section on "Risk Factors" previously in this MD&A. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document, and except as required by law Omni-Lite does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Intention of management's discussion and analysis

This MD&A is intended to provide an explanation of financial and operational performance compared with prior periods and the Company's prospects and plans. It provides additional information that is not contained in the Company's consolidated financial statements.

Additional Omni-Lite documents are filed with Canadian regulatory agencies

Further information regarding Omni-Lite Industries Canada Inc. can be accessed under the Company's public filings found at www.sedar.com and on the Company's website www.omni-lite.com.