Omni-Lite Industries Canada Inc.
Schedule "C"
British Columbia Form 51-901F
For the Year Ended December 31, 2003

MANAGEMENT DISCUSSION AND ANALYSIS (in $US)

Item 1 General

This discussion has been completed as of May 17, 2004.

A. Discussion of Operations and Financial Condition

For the year ended December 31, 2003, Omni-Lite Industries Canada Inc. reported revenue including rental of $3,012,445 ($3,899,911 CDN). The strong growth in sales in the Automotive, Aerospace, and Military divisions has increased sales over 2002 by 27%. The Sports and Recreation Division represented the largest portion of sales with 36% of revenue, down from 45% in 2002. As the other divisions continue to grow, the amount of revenue becomes less weighted towards Sports and Recreation, allowing for more balanced revenue streams. Automotive sales contributed 18% of the revenue, up from 12% in 2002. The Aerospace and Military divisions rounded out the remaining sales with contributions of 24% and 22%, respectively.

Net income rose to $682,404 ($883,440 CDN) versus a loss of $369,404 ($478,230 CDN) in 2002. In 2003, the Company was able to benefit from the new equipment and facilities commissioned in 2002. Productivity and output increased by 33% which resulted in lower unit costs for production. With selling prices remaining stable, the increased efficiency improved the gross margin to 72%, up from 65% in 2002.

Overall, overhead expenses decreased by 30%, reflecting the writeoff of deferred development costs in 2002. Amortization costs have increased by 20% as a result of the addition of new equipment in 2003. General and administrative costs have increased 22% to $984,864. This increase is due to additional staffing costs as the Company grows. 39% of G&A expenses are salaries paid to employees. Presently, the CEO does not receive a salary for his services, the fair value of which would be $85,000. Interest expense also increased as the Company's term loans were refinanced to pay for the equipment purchase and to improve cashflow. Research and product design expenses dropped 86% because of savings obtained from the overlap of design similarities between components developed in 2003 and the high priority given to production. R&D costs will rise in 2004 as many of the new projects have greater complexity and cannot share tooling designs.

In February, 5,800 square feet of office space was leased out for a term of 3 years with a 2 year option for extension. The lease will generate approximately $100,000 per year in rental income. Foreign exchange expense increased to $51,299, as a result of the Canadian dollar appreciating approximately 21% over the year, and increasing the value of a Canadian dollar loan when converted to US dollars for reporting purposes.

Earnings per share were $0.07 ($0.10 CDN) compared to a loss of $0.04 based on the weighted average shares outstanding of 9,179,677. 450,000 common shares were repurchased in 2003 through the Normal Course Issuer Bid which reduced the actual number of outstanding shares to 8,784,269. As of December 31, 2003, there were 8,966,769 shares outstanding and 182,500 shares were awaiting cancellation.

For the year, cash flow from operations increased by 151% to $993,392 ($1,391,712 CDN). The increase reflects the increase in revenue and productivity.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)

Shares Issued And Outstanding : 8,966,769	**For the year ended December 31, 2003**	**For the year ended December 31, 2002**	**% Increase**
Revenue and rental	$3,012,445	$2,338,785	29%
Cash flow from operations	$993,392	$415,671	139%
Net Income (Loss)	$682,404	$(369,404)	-
EPS (US) (Loss)	$0.07	$(0.04)	-
EPS (CDN) (Loss)	$0.10	$(0.06)	-

As disclosed in Note 2(k) of the financial statements, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, industry credit risk and foreign currency risk. 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 balance sheet contracts to manage these risks.

The Company’s short and long-term borrowings 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, 2003, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $27,000 (2002 - $22,200). The related disclosures regarding these debt instruments are included in Note 8 of the financial statements.

A significant portion of the Company's operations are located outside of Canada 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 United States dollar.

Stock-based compensation plan

Effective January 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock based compensation and other stock-based payments. This section requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the company's stock, and as a result, the implementation of the section has no impact on the financial statements. For 2002, the Company has chosen not to use the fair value method to account for stock-based employee compensation plans. The Company did not record compensation expense when options are issued to employees and consultants for options issued in 2002. Any consideration paid by employees and consultants on the exercise of the options is credited to capital stock.

In September 2003, the CICA issued an amendment to section 3870 "Stock based compensation and other stock based payments". The amended section is effective for fiscal years beginning on or after January 1, 2004. The amendment requires that companies measure all stock based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Company implemented this amended standard in 2003 in accordance with the early adoption provisions of the standard. Per the transitional provisions, early adoption requires that compensation expense be calculated and recorded in the income statement for options and warrants issued on or after January 1, 2003.

The impact of adopting the new accounting for stock based compensation on the consolidated balance sheets and statements of income are:

Change in consolidated balance sheet		**2003**		2002
Increase				
Contributed surplus	**$**	**44,000**	$	-

Change in consolidated statement of operations		**2003**		2002
Increase				
General and administrative expenses	**$**	**44,000**	$	-

The fair value of share options granted in 2003 was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), Expected volatility (0.53 to 0.59), risk-free interest rate (5.0%), and weighted average life of 5 years.

(n) Per share amounts

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

B. 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”.

C. 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 were 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 operate at a very high level of engineering and production efficiency. Currently, revenues are received through four divisions: Automotive, Aerospace, Sports and Recreation, and Military.

Over the past year, the Automotive and Aerospace divisions have shown strong growth with sales increasing 99% and 41%, respectively. The majority of the growth has resulted from the new components developed and increases in sales of existing components. Growth will continue to be strong as prototype components are approved and enter the production phase.

The Military division experienced major swings in revenue as production and development problems plagued its customers. During the last quarter of 2003, orders for components stabilized as production issues were solved and the division has since contributed strongly to revenue. Compared to 2002, sales by the Military division increased 43%. Growth should continue to be strong in this division as the need for the components may increase as the U.S. and its allies continue military action.

The Sports and Recreation division has continued to provide steady revenue and is expected to remain stable. Omni-Lite's Sports and Recreation products are marketed in over 140 countries worldwide through the products and catalogs of Nike, adidas, Eastbay, M-F Athletics and Springco.

D. Growth Record

All figures are in US dollars except as noted.

Shares Issued And Outstanding : 8,966,769	**For the year ended December 31, 2003**	**For the year ended December 31, 2002**	**For the year ended December 31, 2001**	**For the year ended December 31, 2000**
Revenue and rental	$3,012,445	$2,338,785	$2,443,532	$1,801,766
Net Income (Loss)	$682,404	$(369,404)	$819,886	$548,350
EPS (US) (Loss)	$0.07	$(0.04)	$0.08	$0.06
EPS (CDN) (Loss)	$0.10	$(0.06)	$0.14	$0.09
Total Assets	$8,024,210	$7,394,496	$6,717,472	$6,385,481
Total Long-term debt	$2,173,950	$1,899,000	$444,445	$1,333,555

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 $520,000US was purchased in February 2001 for approximately $280,000US. 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 $1,420,000US was initiated. In March 2003, the company received final shipment of new cold forging systems, bringing the total number of machines to 16. To fund the purchase of the building and equipment, debt was incurred and has increased to $2,173,950 by the end of 2003.

E. Growth Expectations

In 2004, Omni-Lite will continue its focus on building sales in all of Omni-Lite's divisions. With the new facilities, technical services, and increased forging capabilities, Omni-Lite will be able to attract new business from the various market segments, mainly in aerospace and automotive. New projects have been initiated in each sales division and the sales department has aggressively pursued new opportunities in each division. The Company is targeting overall growth of 25% to 30% per year for the next five years.

F. Risk Factors

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.

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

1. **Market cycle –** The Company's revenues are dependent on market segments that may experience cyclical changes in demand such as in the aerospace, automotive, and defense sectors. The Company minimizes its risk by diversifying 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 progressive cold forging by continuing to invest in research and development.

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. The Company is expanding its sales force to further penetrate current markets.

4. **Financial instruments –** The Company currently has the majority of assets outside of Canada and is subject to fluctuations in exchange rate. 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. There are short term and long term financial liabilities that are subject to floating rates. The Company reduces the exposure to this risk by repaying debt on an accelerated schedule.

5. **Raw material costs –** Supply and demand dictates the price of raw materials used 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.

6. **Employee costs** - The cost of labour may increase, as competition for qualified employees in the Southern California area is strong. Labour costs are managed by including employees in the stock option plan and by increasing efficiency. The position of CEO does not receive a salary at this time and additional costs could be introduced if the current structure is changed which will 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 9002 compliant and aims to be registered by third quarter 2004. Delays in establishing compliance and registration may cause delays in shipping or loss of business. The Company has hired a veteran Quality Manager to lead implementation of the quality systems and procedures.

9. **One manufacturing facility -** If we suffer loss to our facility due to catastrophe, our 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, the facility could be subject to a severe loss caused by earthquake due to its location.

10. **Development efforts –** Many of the Company's products are complex and require a long development time before entering the production phase. Typical lead times may range from 4 months to 18 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 –** The Company follows tax strategies that may, at times, 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. Management has determined during the preparation of the financial statements whether a tax liability should be established based on the likelihood of the tax strategy being challenged. Given the unrecognized future tax asset with respect to loss carry forward balances available, it is unlikely that a reassessment would have a material impact on the Company.

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:

- Patent and trademark protection – The Company protects novel ideas and processes developed at Omni-Lite by filing with the U.S. Patent Office.
- Confidentiality agreements – These agreements prevent parties from sharing any information considered proprietary with unauthorized parties.
- License agreements – Omni-Lite may agree to allow other parties to license its technology for manufacturing products that it does not currently produce.
- Joint venture agreements – The Company may use a joint venture agreement to co-develop a particular part or technology. The resulting product or technology may be subject to a license agreement.

Of particular significance is the fact that Omni-Lite has received five U.S. patents to date and has two inventions in patent-pending.

G. Transactions with Related Parties

1. Due to related parties includes an amount of $ 193,557 (2002 - $599,147) due to David F. Grant, a director and shareholder of the Company, which is unsecured, non-interest bearing and has no set terms of repayment. The money was loaned during periods when cash flow was tight and allowed the Company to operate without having to seek cash from external sources. The Company is committed to repaying the loan as excess funds become available.

2. During the year, the Company purchased 3 cold forging machines for $852,000 from a company whose president is a director of the Company. The fair value of these machines is approximates carrying value based on sales price of similar

machines to other companies. This transaction with a related party is in the normal course of operations and has been recorded at the carrying amount, which is the amount of consideration established and agreed by the related parties. This purchased was made without a dealer mark up which allowed the Company to obtain a substantial savings. There are no ongoing commitments.

3. For 2003, the Company did not pay the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) salaries for their roles. It is management’s estimate that the fair value of these salaries would approximate $155,000. 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. Subsequent to year end, an existing employee was appointed CFO without significant increase to existing costs.

H. Third Party Investor Relations Contracts

In 2003, Mikel Damke of Northern Capital Partners Ltd. was contracted for the period January 1, 2003 to March 31, 2003. The compensation of $3000 CDN per month was paid for providing services that include verbal and written communications to shareholders and potential investors. After March 31, 2003, no third party investor relations arrangements were made.

I. 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 facility is located in the heart of Southern California’s aerospace industry. This allows for easy access to specialized equipment, materials, and workforce. The staff in Barbados are responsible for marketing, sales, and maintaining international markets for Omni-Lite’s products.

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:

December 31, 2003	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 2,334,917	$ -	$ 984,112	$ (398,285)	$ 2,920,744
Property and equipment	$ 6,102,893	$ 8,100	$ 89,402	$ -	$ 6,200,395

December 31, 2002	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 883,734	$ -	$ 2,204,604	$ (792,084)	$ 2,296,254
Property and equipment	$ 5,420,640	$ 6,787	$ 97,527	$ -	$ 5,524,954

During 2003, the Company was engaged in contracts for products with five (2002 – four) customers, which accounted for $2,386,280 (2002 - $1,655,648) or 82% (2002 – 75%) of the Company's total revenue. During the same period, export sales to two (2002 – nine) customers in various international countries (outside of the United States) amounted to $831,929 (2002- $994,348) or 28% (2002 – 45%) of the Company's total revenue.

In 2003, the Company reorganized the sales team to handle all domestic sales directly from Cerritos, California and all overseas sales from Barbados. The large shift in revenues between the two main geographically segments reflect the change in how the customers were serviced from 2002 to 2003.

J. Board of Directors

The Company's chief executive officer and its corporate secretary are material shareholders. A resolution was passed in 2003 that increased the size of the board of directors to five members. During the year, one director resigned and two new directors were appointed to the board.

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 31/03	Sept 30/03	June 30/03	Mar 31/03	Dec 31/02	Sept 30/02	June 30/02	Mar 31/02
Revenue and Rental	753,285	892,966	724,512	641,682	498,751	673,822	445,833	720,379
Cash Flow	119,652	419,167	246,799	207,774	-234,220	199,463	60,841	389,587
Net Income	126,752	252,288	139,307	164,057	-611,551	25,600	-58,418	274,965
EPS(US)	.01	.03	.02	.02	-.07	.00	-.01	.03
EPS(CDN)	.01	.04	.02	.02	-.11	.01	-.01	.05

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. The growth has resulted from sales in the Military, Automotive, and Aerospace divisions which generally follow a release schedule provided by the customers and allow for better planning. This is contrasted by the results in 2002 which exhibited large fluctuations in revenue from quarter to quarter caused by production delays, the transition to the new facilities, and customer production issues.

In the fourth quarter of 2003, revenue and rental increased to $753,285, an increase of 51% over the same period in 2002. The fourth quarter benefited greatly from the renewal of steady shipments to a military customer. Net income for the quarter was $126,752 compared to a loss of $611,551 in fourth quarter 2002. The increase in income reflects the increase in revenue and the non-reoccurring amortization expense taken in 2002 for deferred development costs. Inventory in fourth quarter 2003 increased as more raw materials and tooling were purchased in anticipation for new projects to be initiated in the first quarter of 2004.

Item 3 Liquidity and Capital Resources

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

	Dec 31/03	Dec 31/02
Net cash from operating activities	836,319	530,075
Net cash from (used in) financing activities	(227,477)	1,156,330
Net cash from (used in) investing activities	(427,429)	(1,651,359)
Net increase in cash	181,413	35,046
Cash at the beginning of the period	75,377	40,331
Cash at the end of the period	256,790	75,377

As of December 31, 2003, the primary source of liquidity was cash from operating activities. The Company had cash of $256,790 including $60,026 of restricted cash relating to a holdback of the mortgage proceeds pending the completion of renovations. It is anticipated that internally generated cash flow both in the short-term and long-term will meet the on going working capital requirements of the Company.

Cashflow generated by operating activities was $836,319 even though $330,651 was used to build inventory. Inventory increased in 2003 due to higher anticipated sales for certain items and for stocking a wider range of products.

Cash flows used in financing activities was $227,477. Related parties were repaid $405,590. Term loans totaling $2,680,929 were received and used to payoff term loans of $2,220,000 which reduced the monthly payment requirements. $282,816 was used to repurchase 450,000 common shares through a Normal Course Issuer Bid which was carried out by Sprott Securities Inc.

Cash flows used in investing activities was $427,429. This amount was used to purchase equipment that expands the range of products and capacity that Omni-Lite can produce.

The Company will use excess funds for servicing debt to reduce interest payments and repurchasing common shares through the Normal Course Issuer Bid.

As the Company's quarterly sales continue to grow and become more balanced from quarter to quarter, the ability to meet working capital requirements have improved. A comparison between total current assets divided by total current liabilities shows that there was a substantial improvement in 2003 over 2002 with current ratios of 1.46 and 1.02, respectively. The change in ratios shows 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.