Omni-Lite Industries Canada Inc.
For the Year Ended December 31, 2004

MANAGEMENT DISCUSSION AND ANALYSIS (in $US)

The following discussion and analysis should be read in conjunction with the Company's financial statements and notes for the year ending December 31, 2004. This discussion has been completed as of June 3, 2005.

A. Discussion of Operations and Financial Condition

For the year ended December 31, 2004, Omni-Lite Industries Canada Inc. reported revenue of $3,153,655 ($3,799,524 CDN), an increase of 8%. The Sports and Recreation Division represented the largest portion of sales with 30% of revenue, down from 36% in 2003. As the other divisions continue to grow, the amount of revenue becomes less weighted towards Sports and Recreation, allowing for more balanced revenue streams. Aerospace division sales contributed 28% of the revenue, up from 24% in 2003. The Automotive and Military divisions provided 14% and 21% of the revenue, respectively. The Commercial division contributed the remaining 7% of revenue.

Net income was $768,297 ($925,644 CDN) versus $682,404 ($883,440 CDN) in 2003.

Cost of Goods Sold ("COGS") increased by 10% from $818,853 in 2003 to $901,472 in 2004. The COGS increased in 2004 because the Company began shipping larger components which have greater material costs and lower production rates.

Overall, overhead expenses increased by 8%, reflecting a large increase in Research and Development spending. Amortization costs have increased by 28% as a result of the addition of new equipment in 2003 which receives the full depreciation rate starting in 2004. General and administrative costs are 6% less at $883,391. 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 decreased by 30% since the Company refinanced its debt in 2003 and continued to pay down debt. Research and product design expenses increased to $169,600 in 2004 from $27,103 in 2003. R&D costs rose in 2004 as many of the new projects have greater complexity and cannot share tooling designs.

Foreign exchange expense was $14,802, as a result of the Canadian dollar appreciating approximately 7% over the year, and increasing the value of a Canadian dollar loan when converted to US dollars for reporting purposes. This expense was included in G&A expenses.

Earnings per share were $0.09 ($0.11 CDN) compared to $0.07 based on the weighted average shares outstanding of 8,558,412. 435,000 common shares were repurchased in 2004 through the Normal Course Issuer Bid which reduced the actual number of outstanding shares to 8,298,303. As of December 31, 2004, there were 8,437,004 shares outstanding and 87,700 shares were awaiting cancellation. As stated in Note 3 of the Financial Statements, shares previously issued related to the share purchase loan are considered to be options and reduced the issued and outstanding shares by 60,001.

For the year, cash flow from operations increased by 19% to $1,185,472 ($1,428,257 CDN). The increase reflects the increase in revenue and amortization expense which is non-cash.

All figures are in US dollars except as noted.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)

Shares Issued And Outstanding : 8,298,303	**For the year ended December 31, 2004**	**For the year ended December 31, 2003**	**% Increase (Decrease)**
Revenue	$3,153,655	$2,920,744	8%
Cash flow from operations	$1,185,471	$993,392	19%
Net Income	$768,297	$682,404	13%
EPS (US)	$0.09	$0.07	29%
EPS (CDN)	$0.11	$0.09	22%

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, 2004, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $27,000 (2003 - $27,000). The related disclosures regarding these debt instruments are included in Note 9 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		2004		2003
Increase				
Contributed surplus	**$**	**84,000**	$	44,000

Change in consolidated statement of operations		2004		2003
Increase				
General and administrative expenses	**$**	**40,000**	$	44,000

The fair value of share options granted in 2004 was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil) (2003 – (Nil)), Expected volatility 0.58 (2003 - (0.53 to 0.59)), risk-free interest rate 3.69% to 5% (2003 – (3.66% to 4.16%)), and weighted average life of 5 years (2003 – 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 five divisions: Automotive, Aerospace, Sports and Recreation, Military, and Commercial.

Over the past year, Aerospace division has shown strong growth with sales increasing 26%. 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 completed a defense contract in August 2004 and was awarded a continuation for another 12 months in Q4 2004. With delay in awarding the contract, sales by the Military division increased 4%. Growth should increase in this division as the need for the components may increase as the U.S. and its allies continue military action and training.

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.

The Automotive division showed a 38% reduction in sales due to the phasing out of certain components. It is expected that orders for the replacement part will increase and allow revenues to recover.

The Commercial division provided approximately $256,000 in revenue which reflected as increase in new product offerings.

D. Growth Record

All figures are in US dollars except as noted.

Shares Issued And Outstanding : 8,298,303	**For the year ended December 31, 2004**	**For the year ended December 31, 2003**	**For the year ended December 31, 2002**	**For the year ended December 31, 2001**
Revenue	$3,153,655	$2,920,744	$2,296,254	$2,231,704
Net Income (Loss)	$768,297	$682,404	$(369,404)	$819,886
EPS (US) (Loss)	$0.09	$0.07	$(0.04)	$0.08
EPS (CDN) (Loss)	$0.11	$0.09	$(0.06)	$0.14
Total Assets	$8,431,336	$8,024,210	$7,394,496	$6,717,472
Total Long-term debt	$2,026,403	$2,173,950	$1,899,000	$444,445

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 which brought the total number of machines to 16.

E. Growth Expectations

In 2005, 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 end of 2005. Delays in establishing compliance and registration may cause delays in shipping or loss of business.

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 $ 144,986 (2003 - $193,557) 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. For 2004, the Company did not pay the Chief Executive Officer ("CEO") a salary for his role. It is management's estimate that the fair value of this salary would approximate $85,000. 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.

H. Third Party Investor Relations Contracts

No third party investor relations arrangements were made in 2004.

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, 2004	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 2,638,229	$ -	$ 874,080	$ (358,654)	$ 3,153,655
Property and equipment	$ 6,500,744	$ 3,373	$ -	$ -	$ 6,504,117

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	$ 6,388,585	$ 8,100	$ -	$ -	$ 6,396,685

During 2004, the Company was engaged in contracts for products with seven (2003 – five) customers, which accounted for $2,166,893 (2003 - $2,386,280) or 69% (2003 – 82%) of the Company's total revenue. During the same period, export sales to three (2003 – two) customers in various international countries (outside of the United States) amounted to $831,340 (2003 - $831,929) or 26% (2003 – 28%) of the Company's total revenue.

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.

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 31/04	Sept 30/04	June 30/04	Mar 31/04	Dec 31/03	Sept 30/03	June 30/03	Mar 31/03
Revenue	709,803	906,909	855,134	681,809	735,845	866,866	699,685	618,348
Cash Flow	319,717	304,637	234,235	326,883	119,652	419,167	246,799	207,774
Net Income	48,955	241,974	221,546	265,782	126,752	252,288	139,307	164,057
EPS(US)	.00	.03	.03	.03	.01	.03	.01	.02
EPS(CDN)	.00	.04	.03	.04	.01	.04	.02	.02

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.

In the fourth quarter of 2004, revenue was $709,803, a decrease of 6% over the same period in 2003. Net income for the quarter was $48,955 compared to $126,752 in fourth quarter 2003. Inventory in fourth quarter 2004 increased as more raw materials were purchased in anticipation for new projects to be initiated in the first quarter of 2005.

Item 3 Liquidity and Capital Resources

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

	Dec 31/04	Dec 31/03
Net cash from operating activities	693,263	1,032,609
Net cash from (used in) financing activities	(475,099)	(227,477)
Net cash from (used in) investing activities	(408,607)	(623,719)
Net increase (decrease) in cash	(190,443)	181,413
Cash at the beginning of the period	256,790	75,377
Cash at the end of the period	66,347	256,790

As of December 31, 2004, the primary source of liquidity was cash from operating activities. The Company had cash of $66,347. 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.

Cash flow generated by operating activities was $693,263.

Cash flow used in financing activities was $475,099. Related parties were repaid $48,571. $397,117 was used to repurchase 435,000 common shares through a Normal Course Issuer Bid which was carried out by Sprott Securities Inc.

Cash flow used in investing activities was $408,607. This year non-consumable tooling was reclassed from inventory to capital assets. This tooling was valued at $484,055.

The Company will use excess funds for servicing debt to reduce interest payments.

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 at the end of 2004 the current ratios was 1.36 compared to 1.29 at the end of 2003. The ratios show 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.