Omni-Lite Industries Canada Inc.
For the Year Ended December 31, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (in $US)

The Management Discussion and Analysis ("MD&A") should be read in conjunction with the financial statements of Omni-Lite Industries Canada Inc. (the "Company") for the year ending December 31, 2005 (audited) and the related notes. The Company's reporting currency is in United States ("US") dollars and all amounts in this MD&A are expressed in US dollars. The Company reports its financial position, results of operations and cash flows in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). This discussion has been completed as of April 27, 2005.

A. Company Overview

Founded in September 1992, Omni-Lite Industries is now considered one of the world's leading developers and manufacturers of precision components utilizing advanced composite materials and computer-controlled cold forging techniques.

One of Omni-Lite's early successes included supplying ultra lightweight ceramic composite track spikes and other components to the sports and recreation industry. 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 meet the exacting criteria required by customers in various industries including Aerospace, Military, Automotive and Commercial.

Omni-Lite's wholly owned subsidiaries include Omni-Lite Industries International Inc., Omni-Lite Industries California Inc., Formed Fast International Inc., and Omni-Lite Properties Inc. Omni-Lite owns 38% of Omni-Lite E-FORM Technologies Inc.

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

B. 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 are utilized in the products of Boeing, Airbus, Bombardier, the U.S. Army, NATO, Daimler-Chrysler, Nike, adidas and Reebok. 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 generated through five divisions: Aerospace, Military, Sports & Recreation, Automotive and Commercial.

Over the past year, the Aerospace division was the fastest growing division and represented 35% of revenue. This growth has resulted from the development of new components and an increase in sales of existing components. Omni-Lite is determined to expand its capabilities to fund research for new products and patent development within the Aerospace division. Growth will continue to be strong as prototype components are approved and enter the production phase.

Omni-Lite received several new contracts in the Military division in 2005. The Military division contributed 25% of total sales. Growth could increase within this division as the demand for these components may increase as the U.S. and its allies continue military action and training.

The Sports and Recreation division accounted for 25% of revenue in 2005. Omni-Lite's Sports and Recreation products are marketed in over 140 countries worldwide. The Company's ultra-light, compression style track spikes have become the industry standard.

The Automotive division represented 13% of sales. The Commercial division contributed to the remaining 2% of total revenue.

C. Consolidated Financial Results

Revenue: For the year ended December 31, 2005, Omni-Lite Industries Canada Inc. reported revenue of $4,360,046 ($5,083,814 CDN), an increase of 38%. The Aerospace Division represented the largest portion of sales with 35% of revenue, a 74% increase in sales over last year.

The Military division contributed 25% of revenue, a 56% increase from 2004. The Sports and Recreation, Automotive and Commercial divisions provided 25%, 13% and 2% of the revenue, respectively. Sales by division and by geographic location are summarized below:

Division/ Segments	Aerospace	Military	Sport & Recreation	Automotive	Commercial
2005	35%	25%	25%	13%	2%

Geographic allocation	United States	Canada	Barbados
2005	78%	-	22%

Net Income: Net income was $1,249,416 ($1,456,819 CDN) versus $768,297 ($925,644 CDN) in 2004, increase of 63%.

Cost of Goods Sold: Cost of Goods Sold ("COGS") increased from $901,472 in 2004 to $1,243,429 in 2005, the increased amount corresponded to the increases in Sales.

Operating Expenses: The operating expenses increased by 4%, reflecting a 21% increase in general and administrative costs. General and administrative expenses increased for a number of reasons including: additional employees added, and an increase in commissions paid to outside sales representatives. The lease agreement to a third party for the office space was not extended beyond the initial three year contract. This resulted in a reduction in rental income to Omni-Lite which had been offsetting G&A expense. A number of loans were repaid or reduced which resulted in a 28% decrease in interest expense. Research and product design expenses decreased to $53,986 in 2005 from $169,600 in 2004.

Earnings per share: Basic earnings per share were $0.13 ($0.15 CDN) compared to $0.09 in 2004 based on the weighted average shares outstanding of 9,854,497. In 2005, Omni-Lite repurchased 150,000 (2004 - 435,000) common shares through the Normal Course Issuer Bid. 1,971,475 new shares were issued which increased the weighted average number of shares to 9,854,497 from 8,558,412.

The diluted earnings per share were $0.12 ($0.14 CDN) compared to $0.09 in 2004. As of December 31, 2005, the diluted weighted average number of shares was 10,151,406.

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 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 recent standards approved by the Canadian Institute of Chartered Accountants.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)
All figures in US dollars unless noted.

Shares Issued And Outstanding : 9,854,497	**For the year ended December 31, 2005**	**For the year ended December 31, 2004**	**% Increase (Decrease)**
Revenue	$4,360,046	$3,153,655	38%
Cash flow from operations[1]	$1,961,678	$1,185,472	65%
Net Income	$1,249,416	$768,297	63%
EPS (US)	$0.13	$0.09	41%
EPS (CDN)	$0.15	$0.11	37%

(note: at 12/31/05, $1US = $1.1660 CDN; 12/31/05, $1US = $1.2048 CDN)

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

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 31/2005	Sept 30/2005	June 30/2005	Mar 31/2005	Dec 31/2004	Sept 30/2004	June 30/2004	Mar 31/2004
Revenue	1,092,705	1,332,953	1,010,728	923,660	709,803	906,909	855,134	681,809
Cash Flow from Operations[1]	424,607	634,018	474,129	428,924	319,717	304,637	234,235	326,883
Net Income	103,027	464,421	372,812	309,156	38,994	241,974	221,546	265,782
EPS(US)	.01	.05	.04	.03	.00	.03	.03	.03
EPS(CDN)	.01	.05	.04	.04	.00	.04	.03	.04

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

Omni-Lite'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 lower revenues experienced in the first and fourth quarters have grown to provide a more balanced income stream throughout the year.

In the fourth quarter of 2005, revenue was $1,092,705, an increase of 54% over the same period in 2004. Net income for the quarter was $103,026 compared to $48,955 in fourth quarter 2004, an increase of 110%. Inventory in fourth quarter 2005 increased as more raw materials were purchased in anticipation for new projects to be initiated in the first quarter of 2006.

Liquidity and Capital Resources

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

	Dec 31/2005	Dec 31/2004
Net cash from operating activities	1,544,631	693,263
Net cash from (used in) financing activities	(516,524)	(475,099)
Net cash from (used in) investing activities	(639,778)	(408,607)
Net increase (decrease) in cash	390,329	(190,443)
Cash at the beginning of the period	66,347	256,790
Cash at the end of the period	456,676	66,347

As of December 31, 2005, the primary source of liquidity was cash from operating activities. The Company had cash amounts of $456,676. For the year, the Company's working capital (current assets – current liabilities) was $1,467,047 (1,710,577 CDN), an increase of 207% from previous year.

A comparison between total current assets divided by total current liabilities shows that at the end of 2005 the current ratio was 2.29x compared to 1.36x at the end of 2004. Debt ratio ((Current Liability + Total long-term debt)/Total Assets) decreased to 0.15x in 2005 from 0.39x in 2004. 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 from operating activities increased by 123% to $1,544,631 ($1,801,040 CDN). The increase in Cash flow from operations mainly stems from the substantial revenue growth.

-Cash flow used in financing activities was $516,524. $1,803,605 of long-term debt was repaid. $144,986 was repaid to related parties. $301,330 was paid to shareholders as a semi-annual dividend. $227,273 was used to repurchase 150,000 common shares through a Normal Course Issuer Bid ("NCIB") which was carried out by Sprott Securities Inc. For 2005, the cash impact of the NCIB was $108,973.

-Cash flow used in investing activities was $637,778. $411,800 was used as a deposit for equipment as part of the "Vision 2010" expansion plan.

As disclosed in Note 2(j) 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, 2005, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $8,500 (2004 - $27,000). The related disclosures regarding these debt instruments are included in Note 8 of the financial statements.

Income Tax Expense: Income tax expenses were $366,090 in 2005 compared to $26,737 in the previous year. Current income tax expense was $38,090. Future income tax expense was $328,000. The future income tax liability of $722,000 resulted from the cumulative difference in depreciation between the tax depreciation period of 7 years and the accounting depreciation period of 30 years for the equipment. As the difference in accumulated depreciation amounts reduce, the future tax liability taken in prior periods will offset tax expense until the future tax liability is reduce to $nil.

The Company's functional and reporting currency is US dollars; however, the calculation of income tax expense is based on income in the currency of the country of origin. As such, the Company is continually subject to foreign exchange fluctuations, particularly as the Canadian dollar moves against the US dollar.

Foreign Exchange: A 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 United States dollar.

Off-Balance Sheet arrangements: The Company does not have any off-balance sheet arrangements.

D. Growth Record

All figures are in US dollars except as noted.

Shares Issued And Outstanding : 9,854,497	**For the year ended December 31, 2005**	**For the year ended December 31, 2004**	**For the year ended December 31, 2003**	**For the year ended December 31, 2002**
Revenue	$4,360,046	$3,153,655	$2,920,744	$2,296,254
Net Income (Loss)	$1,249,416	$768,297	$682,404	$(369,404)
EPS (US) (Loss)	$0.13	$0.09	$0.07	$(0.04)
EPS (CDN) (Loss)	$0.14	$0.11	$0.09	$(0.06)
Total Assets	$9,773,791	$8,431,336	$8,024,210	$7,394,496
Total Long-term debt	$850,913	$2,654,518	$2,173,950	$1,899,000

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 a shipment of new cold forging systems which brought the total number of machines to 16. In 2005, Omni-Lite placed orders for two more new progressive forging systems to be used for aerospace products, four smaller forging machines to be used for military products, and an automated inspection machine. A total of $411,800 was paid as a deposit for the above mentioned equipment. The two large systems were delivered in early 2006. The Company has committed to pay an additional amount totaling $1,552,045 for complete payment of the new equipment.

E. Growth Expectations

In 2006, Omni-Lite will continue its focus on building sales in all of Omni-Lite's divisions. With the "Vision 2010" plan, Omni-Lite plans to purchase up to 16 new cold forging systems. A larger facility would be required in 2 to 3 years time to allow for the additional equipment. Presently, extra office space at the current location is being converted to production space. Omni-Lite anticipates it will be able to attract new business from the various market segments, mainly in aerospace, military, and automotive. The Company is targeting overall growth of 25% to 30% per year for the next four 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 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 progressive cold forging by continuing to invest in research and development. To lead the future scientific and commercialization programs, Omni-Lite E-FORM Technologies Inc. was established for advanced Nanotechnology and related material science research.

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 its assets in the U.S 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 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.

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, 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 9002 compliant and aims to be registered by end of 2006. 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 losses being carried forward, reassessments would not likely 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 seven U.S. patents to date.

G. Transactions with Related Parties

For 2005 and 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 be $110,000 (2004 - $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 2005.

I. 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.

J. 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 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, 2005	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 3,666,832	$ -	$ 1,033,126	$ (339,912)	$ 4,360,046
Property and equipment	$ 6,645,987	$ 1,799	$ -	$ -	$ 6,647,786

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

During 2005, the Company was engaged in contracts for products with four (2004 – seven) customers, which accounted for $2,905,810 (2004 - $2,166,893) or 67% (2004 – 69%) of the Company's total revenue. During the same period, export sales to two (2004 – three) customers in various international countries (outside of the United States) amounted to $913,958 (2004 - $831,340) or 21% (2004 – 26%) of the Company's total revenue.

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.