Omni-Lite Industries Canada Inc.
For the Year Ended December 31, 2006

MANAGEMENT DISCUSSION AND ANALYSIS ($US DOLLARS)

This 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, 2006 (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, 2007.

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 the application of metal matrix composites in 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 a broad group of industries including the Aerospace, Military, Automotive, Sports and Recreation and Commercial areas.

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. As of February 9, 2007, Omni-Lite owns approximately 13% of California Nanotechnologies Corp., a publicly listed company trading as "CNO" on the TSX Venture Exchange.

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 and Recreation, Automotive and Commercial. Omni-Lite is determined to continue to fund research for new products and materials and to apply for patents to protect the intellectual property that pertains to its business.

Over the past year, the automotive division was the fastest growing with a 68% increase in sales. This growth has resulted from the addition of a new business area, which the Company refers to as the Specialty Automotive market. Growth will continue to be strong as prototype components are approved and enter the production phase.

In early 2007, in the aerospace division, Omni-Lite signed an exclusive three-year supply contract with Alcoa Fastening Systems. This agreement covers 18 components that Omni-Lite currently manufactures for this customer. This long-term supply contract complements the multi-year agreement signed with Monogram Aerospace Fasteners in 2006.

In 2006, Omni-Lite substantially completed the development of a component required in a major military program. In 2007, this program has turned into a significant revenue generation project for the Company. Additional increases in this program are expected in 2008. In 2006, the Military division contributed 26% of total sales. Growth could increase within this division as the demand for the components that the Company manufactures increases as the U.S. and its allies continue military action and training.

The Sports and Recreation division accounted for 23% of revenue in 2006. 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.

C. Consolidated Financial Results

Revenue: For the year ended December 31, 2006, Omni-Lite Industries Canada Inc. reported revenue of $5,007,061 ($5,840,236 CDN), an increase of 15% from 2005. The Aerospace Division represented the largest portion of sales with 31% of revenue, a 3% increase in sales over last year.

The Military division contributed 26% of revenue, a 23% increase from 2005. The Sports and Recreation, Automotive and Commercial divisions provided 23%, 18% and 2% of the revenue, respectively. Sales by division and by geographic location are summarized below:

Division/ Segments	Aerospace	Military	Sport & Recreation	Automotive	Commercial
2006	31%	26%	23%	18%	2%

Geographic allocation	United States	Canada	Barbados
2006	79%	-	21%

Net Income: Net income was $1,001,312 ($1,167,930 CDN) versus $1,249,416 in 2005, a decrease of 20%.

Cost of Goods Sold: Cost of Goods Sold ("COGS") increased from $1,243,429 in 2005 to $1,766,530 in 2006, due to new complex projects undertaken in the Military and Aerospace divisions where revenue was not recognized until 2007. The Company added a significant number of employees to its payroll. Many of the new staff are in training. This corresponded to a gross margin of approximately 65%. Increases in productivity and sales of new components saw the gross margin increase in Q1 of 2007.

Operating Expenses: The operating expenses increased by 47%. General and administrative expenses increased for a number of reasons including: the consolidation of the financial results of California Nanotechnologies, Inc., the employment and training of additional staff and an increase in commissions paid to outside sales representatives.

To achieve the objectives of the Vision 2010 growth plan, the Company entered into a new banking relationship and now has a $2,000,000 US revolving line of credit. The Company was able to pay off the mortgage on the Cerritos building in September 2006. A number of loans were repaid or reduced which resulted in an 18% decrease in interest expense. Research and product design expenses increased to $162,217 in 2006 from $53,986 in 2005.

Earnings per share: Basic earnings per share were $0.09 ($0.11 CDN) compared to $0.13 ($0.15 CDN) in 2005 based on the weighted average shares outstanding of 10,693,164. In 2006, Omni-Lite repurchased 339,000 (2005 - 150,000) common shares through the Normal Course Issuer Bid. New shares were issued in the exercise of stock options and warrants which increased the weighted average number of shares to 10,693,164 from 9,854,497.

The diluted earnings per share were $0.09 ($0.11 CDN) compared to $0.12 ($0.14 CDN) in 2005. As of December 31, 2006, the diluted weighted average number of shares was 10,877,317.

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 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 : 10,693,164	**For the year ended December 31, 2006**	**For the year ended December 31, 2005**	**% Increase (Decrease)**
Revenue	5,007,061	$4,360,046	15%
Cash flow from operations(1)	1,490,916	$1,961,678	(24%)
Net Income	1,001,312	$1,249,416	(20%)
EPS (US)	$0.094	$0.127	(26%)
EPS (CDN)	$0.110	$0.148	(26%)

(note: at 12/31/06, $1US = $1.1664 CDN; 12/31/05, $1US = $1.1660 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 31/2006	Sept 30/2006	June 30/2006	Mar 31/2006	Dec 31/2005	Sept 30/2005	June 30/2005	Mar 31/2005
Revenue	838,509	1,823,936	1,330,936	1,013,680	1,092,705	1,332,953	1,010,728	923,660
Cash Flow from Operations(1)	(165,466)	500,283	654,887	501,212	424,607	634,018	474,129	428,924
Net Income	(150,122)	433,180	377,435	340,819	103,027	464,421	372,812	309,156
EPS(US)	(.014)	.040	.035	.032	.01	.05	.04	.03
EPS(CDN)	(.016)	.047	.040	.037	.01	.05	.05	.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. Due to the implementation of the Vision 2010 growth program in 2006 the Company's Q1 2007 revenues increased approximately 61% over the revenues in Q1 of 2006.

In the fourth quarter of 2006, revenue was $838,509, a decrease of 23% over the same period in 2005. Net loss for the quarter was $150,122 compared to a net profit of $103,027 in fourth quarter 2005. Inventory in fourth quarter 2006 increased as more raw materials were purchased in anticipation for new projects to be initiated in the first quarter of 2007.

Liquidity and Capital Resources

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

	Dec 31/2006	Dec 31/2005
Net cash from operating activities	1,390,237	1,544,631
Net cash from (used in) financing activities	2,208,226	(516,524)
Net cash from (used in) investing activities	(4,051,449)	(637,778)
Net increase (decrease) in cash	(452,986)	390,329
Cash at the beginning of the period	456,676	66,347
Cash at the end of the period	3,690	456,676

As of December 31, 2006, the sources of liquidity was cash from operating and financing activities. The Company had cash amounts of $3,690. At the year-end, the Company's working capital (current assets – current liabilities) was $-1,142,563 (-1,332,685 CDN).

A comparison between total current assets divided by total current liabilities shows that at the end of 2006 the current ratio was 0.68x compared to 2.29x at the end of 2005. Debt ratio ((Current Liability + Total long-term debt)/Total Assets) increased to 0.36x in 2006 from 0.26x in 2005.

-Cash flow from operating activities decreased by 10% to $1,390,237 ($1,621,572 CDN).

-Cash flow used in financing activities was $2,208,226. $75,841 was repaid to related parties. $370,260 was paid to shareholders as a semi-annual dividend. $700,834 was used to repurchase 339,000 common shares through a Normal Course Issuer Bid ("NCIB") which was carried out by Sprott Securities Inc.

-Cash flow used in investing activities was $4,051,449. $1,288,905 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 carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

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, 2006, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $16,800 (2005 - $8,500). The related disclosures regarding these debt instruments are included in Note 8 of the financial statements.

Income Tax Expense: Income tax expenses were $274,000 in 2006 compared to $366,090 in the previous year. Current income tax expense was $70,000. Future income tax expense was $204,000. The future income tax liability of $926,000 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 reduced 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 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.

Basic Weighted Average Shares Issued And Outstanding : 10,693,164	**For the year ended December 31, 2006**	**For the year ended December 31, 2005**	**For the year ended December 31, 2004**	**For the year ended December 31, 2003**
Revenue	5,007,061	$4,360,046	$3,153,655	$2,920,744
Net Income	1,001,312	$1,249,416	$768,297	$682,404
EPS (US)	$0.09	$0.13	$0.09	$0.07
EPS (CDN)	$0.11	$0.15	$0.11	$0.09
Total Assets	13,555,781	$9,773,791	$8,431,336	$8,024,210
Long term debt	$1,704,310	$850,913	$2,654,518	$2,683,929

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. 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 2006, Omni-Lite received two 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. In 2006 the company entered into agreements to purchase an additional 14 large progressive cold forging systems with a value over $6,500,000US. The first two of these large systems was delivered in March of 2007. An additional two systems are to be delivered on September 2007 and two additional systems will be delivered in October 2008. Under the agreement the remaining systems will be delivered by 2010. When the final systems are delivered the company will have 32 large progressive cold forging systems and four smaller systems for a specialized military program. This build out represents a significant addition to the company's capabilities and has required significant additional investment in the tooling support system and the laboratory. To ensure that the Company will have sufficient trained operators to run this new equipment, the Company has employed 10 new staff, many of which have entered into a multi-year training program at Omni-lite.

E. Growth Expectations

In 2006, Omni-Lite continued its focus on building sales in all of its business areas. With the "Vision 2010" plan, Omni-Lite has purchased 16 new cold forging systems. A larger facility will be required in 2 to 3 years time to allow for the additional equipment. Presently, extra office space at the current location 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 such as the aerospace, automotive, and defense 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 progressive cold 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. 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 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 and bonus plan and by increasing efficiency through advanced technology. In 2006, the Company received its third automated inspection machine, which has significantly reduced the costs in a quality conscious military program. 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 the end of 2007. Delays in establishing compliance and registration may cause delays in shipping or loss of business.

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 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 –** 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.

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 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 seven U.S. patents to date.

G. Transactions with Related Parties

For 2006 and 2005, 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 $115,000 (2005 - $110,000). 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 2006.

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 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, 2006	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 4,617,823	$ -	$ 1,044,725	$ (655,487)	$ 5,007,061
Property, Plant and equipment	$ 9,142,188	$ 225	$ -	$ -	$ 9,142,413

December 31, 2005	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 3,666,832	$ -	$ 1,033,126	$ (339,912)	$ 4,360,046
Property, Plant and equipment	$ 6,645,987	$ 1,799	$ -	$ -	$ 6,647,786

During 2006, the Company was engaged in contracts for products with five (2005 – four) customers, which accounted for $3,157,597 (2005 - $2,905,810) or 63% (2005 – 67%) of the Company's total revenue. During the same period, export sales to two (2005 – two) customers in various international countries (outside of the United States) amounted to $966,858 (2005- $913,958) or 19% (2005 – 21%) 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.