

Omni-Lite Industries Canada Inc.

For the Year Ended December 31, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (“MD&A”) of financial condition and results of operations should be read in conjunction with the 2009 audited consolidated financial statements and the related notes. Omni-Lite Industries Canada Inc. (“Omni-Lite” or the “Company”) reports its audited consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The Company’s reporting currency is in United States (“US”) dollars and all amounts in this MD&A are expressed in US dollars. This discussion has been completed as of April 27, 2010.

Company Overview

Omni-Lite Industries Canada Inc. is a world-class research and development, engineering, and manufacturing provider of precision components forged from advanced composite and other alloyed materials. These components are produced utilizing computer-controlled cold forging systems that are networked to provide an optimal environment for engineering enhancements, leading to maximum production efficiencies. These capabilities provide financial benefits such as industry high gross and net margins, and significant cash flow and EBITDA ratios, which allow the Company to execute an ambitious growth strategy.

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

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

The split of revenue between the five business segments at December 31, 2009 is as follows:

Division/ Segments	Military	Aerospace	Sport & Recreation	Automotive	Commercial
2009	41%	27%	18%	12%	2%

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

To gain access to new nanostructured materials and the specialized technical skills and services being pioneered in this innovative industry, Omni-Lite invested in California Nanotechnologies Corp., a publicly listed company trading as “CNO” on the TSX Venture Exchange. Approximately 15 percent of outstanding shares of CNO are held by Omni-Lite.

Omni-Lite’s overall strategy is to continue striving to be the best in the progressive cold forging business. To carry out this strategy, following on the success of the Vision 2010 Plan, the Board of Directors recently approved the Vision 2015 Plan, which is summarized below:

Vision 2015 Plan

- Create superior shareholder value through development of quality products, financial discipline, and investment
- Sales growth of 20 percent to 25 percent per year
- 32 Progressive cold forging systems and 4 Single die systems
- Maintain research and development efforts for future initiatives
- Continual update of ancillary systems to support production and quality
- Procure and commission an integrated 60,000 to 80,000 sq. ft. facility
- Grow and retain a highly skilled workforce and management
- Commit to maintaining the environment through waste reduction, energy conservation, and recycling.

Outlook

In 2010, Omni-Lite will focus on building revenue in the military and automotive segments through on-going product development. The Company is experiencing stronger market conditions in 2010 producing a larger backlog of orders. Due to new product development, the military segment is showing significant signs of growth. The automotive division is growing through product development with an emphasis on new components utilized by the “green” technologies being introduced for diesel engines. Within the “Vision 2015” strategy, Omni-Lite has completed the purchase of 32 cold forging systems and will complete the commissioning of these systems as production requirements grow. The Company is actively searching for a 60,000 to 80,000 square foot facility to support future growth.

Selected Annual Financial Information

All figures are in US dollars except as noted.

Basic Weighted Average Shares Issued And Outstanding : 10,620,854	For the year ended December 31, 2009	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Revenue	4,385,485	7,454,327	6,983,845	5,007,061
Net Income	457,008	875,037	1,583,370	1,001,312
EPS (US)	\$0.04	\$0.08	\$0.14	\$0.09
EPS (CDN)	\$0.05	\$0.10	\$0.14	\$0.11
Total Assets	18,134,123	\$17,207,148	\$15,090,214	\$13,555,781
Long term debt	3,576,546	\$3,142,470	\$1,750,908	\$1,704,310

2009 Highlights

- In conjunction with a major cold forging equipment manufacturer, Omni-Lite has developed a process enhancement that provides a significant new capability for the Company's forging systems. The rights to this technology were assigned exclusively to Omni-Lite and the Company plans to file for a patent covering this technology in 2010.
- Process improvements made in the fourth quarter increased production yields to provide enhanced first quarter 2010 results.
- New banking relationship reduced escalating interest costs and eased restrictions on credit providing greater working capital.
- Omni-Lite continued the capital expenditure program according to its Vision 2015 Strategy receiving seven new cold forging systems.
- Restructured activities to manage costs given the sharp decline in revenue, while new product developments were completed.
- Workers and management took a 10 percent reduction in pay to conserve cash.
- New reflective roof coating and other energy conservation projects reduced electricity costs by 20 percent.

Results from Operations

Revenue: For the year ended December 31, 2009, Omni-Lite reported revenue of \$4,385,485 (\$4,602,128 CDN), a decrease of 41 percent from the same period in 2008.

During 2009, the Company's revenues were negatively impacted by the worldwide economic situation. The Military division represented the largest portion of sales with 41 percent of revenue, while year over year sales in this division were lower by 46 percent. Sales were affected by delays in the approval process of new components and by technical issues that were solved in the fourth quarter of 2009. The Aerospace division contributed 27 percent of revenue. Year over year sales in this division were down 44 percent from 2008. Revenues were negatively affected

by reduced aircraft deliveries in 2009 and by the subsequent layoffs and cost cutting by the major airframe manufacturers. The Sports and Recreation division contributed 18 percent of revenue. This division saw a five percent increase in sales over 2008. The Automotive division contributed 12 percent of revenue. Sales were down 44 percent from the same period in 2008. In 2009, the automotive industry experienced a drastic decline in production volume resulting in the substantial reduction in orders. The Commercial division provided 2 percent of the revenue.

Sales by division and by geographic location are summarized below:

Division/ Segments	Military	Aerospace	Sport & Recreation	Automotive	Commercial
2009	41%	27%	18%	12%	2%
2008	44%	29%	11%	12%	4%

Geographic allocation	United States	Canada	Barbados
2009	84%	-	16%
2008	90%	-	10%

Net Income: Net income was \$457,008 (\$479,584 CDN) versus \$875,037 in 2008, a decrease of 48 percent. Cost controls and adjustments to operations mandated by the slowdown in the economy partially offset the decline in revenue, experienced in 2009, while several new development programs were completed and first article approvals were obtained from the customers.

Cost of Goods Sold: Cost of Goods Sold (“COGS”) decreased 31 percent from \$2,132,432 in 2008 to \$1,474,918 in 2009 as sales decreased 41 percent. The Company’s gross margin in 2009 was approximately 66 percent. The gross margin dropped as production adjusted to the decrease in demand for components.

Operating Expenses: Total operating expenses decreased by 27 percent. General and administrative expenses decreased by implementing numerous cost cutting initiatives, a temporary reduction in staff, and reductions in wages and salary. Commissions paid also decreased as sales of commissionable product decreased in volume.

In 2009, credit availability was tightened and the cost of funds for existing credit increased. In addition, the Company was carrying a higher balance on the existing credit facilities. New loan facilities were obtained reducing interest rates. Short-term borrowing was recapitalized into long-term debt. Interest expense of \$147,237 was incurred, an increase of 10 percent compared to 2008. With the new credit facilities, interest expense should be reduced in 2010.

Research and product design expense was \$179,443, a decrease of 40 percent. In these difficult periods, the Company continued to fund R&D efforts as it is anticipated that significant new business will emerge from these activities. While the majority of R&D expense in 2009 was for the military division, the Company has several major R&D projects currently underway in each

business area. These projects should begin producing new revenue in the third and fourth quarter of 2010.

Future income tax expense decreased to \$302,838 from \$859,736 in 2008. Future tax expense is an accounting principle that deals with the effect of temporary tax-to-book differences in the depreciation of equipment. For a capital-intensive company, such as Omni-Lite, these accounting considerations can have significant effects on cash flow. In 2009, greater future tax expense could have been booked if the Company elected to take further advantage of the American Recovery and Reinvestment Act of 2009. The accelerated depreciation benefit was not required in 2009.

Earnings per share: Basic earnings per share were \$0.04 (\$0.05 CDN) compared to \$0.08 (\$0.10 CDN) in 2008, based on the weighted average shares outstanding of 10,620,854. In 2009, Omni-Lite did not repurchase common shares through a Normal Course Issuer Bid. Stock-based compensation expense was substantially reduced by the expiration and cancellation of a large number of stock options.

The diluted earnings per share were \$0.04 (\$0.05 CDN) compared to \$0.08 (\$0.10 CDN) in 2008. As of December 31, 2009, the diluted weighted average number of shares was 10,626,221.

Basic earnings per common share is computed by dividing net income 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 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: 10,620,854	For the year ended December 31, 2009	For the year ended December 31, 2008	% Increase (Decrease)
Revenue	4,385,485	7,454,327	(41%)
Cash flow from operations ⁽¹⁾	1,532,221	2,852,587	(46%)
Net Income	457,008	875,037	(48%)
EPS (US)	0.04	0.08	(47%)
EPS (CDN)	0.05	0.10	(46%)

(note: at 12/31/09, \$1US = \$1.0494 CDN; 12/31/08, \$1US = \$1.2228 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 31/2009	Sept 30/2009	Jun 30/2009	Mar 31/2009	Dec 31/2008	Sept 30/2008	Jun 30/2008	Mar 31/2008
Revenue	1,175,516	1,084,771	1,151,296	973,902	1,366,201	2,068,730	2,059,929	1,959,467
Cash Flow from Operations ⁽¹⁾	429,416	314,077	395,702	393,026	288,442	884,322	796,166	883,657
Net Income	83,011	95,078	170,322	108,597	(557,483)	495,683	417,339	519,498
EPS(US)	.008	.009	.016	.010	(.052)	.045	.038	.050
EPS(CDN)	.008	.01	.02	.010	(.064)	.047	.038	.050

⁽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 2009, revenue was \$1,175,516 (\$1,233,586 CDN), a decrease of 14 percent over the same period in 2008. Net income was \$83,011 (\$87,112 CDN) versus a loss of \$557,483 in 2008. In 2009, certain R&D components scheduled for completion and production in the fourth quarter were delayed by technical and customer related issues. These issues were largely resolved by the first quarter of 2010.

Liquidity and Capital Resources

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

	Dec 31/2009	Dec 31/2008
Net cash from operating activities	\$ 884,566	\$ 1,965,902
Net cash from (used in) financing activities	157,284	(154,014)
Net cash from (used in) investing activities	(994,251)	(1,813,901)
Net increase (decrease) in cash	47,599	(2,013)
Cash at the beginning of the period	(7,664)	(5,651)
Cash at the end of the period	39,935	(7,664)

As of December 31, 2009, the main source of liquidity was cash from operating activities and the main usage of cash was for equipment purchase. At the year-end, the Company's working capital (current assets – current liabilities) was \$2,467,716, which has increased from 2008 when working capital was \$888,763.

A comparison between total current assets divided by total current liabilities shows that at December 31, 2009 the current ratio was 2.28x compared to 1.30x at December 31, 2008. Debt ratio ((Current liability + Total long-term debt)/Total Assets) remained at 0.23x in 2009 compared to 0.23x in 2008. The Company is able to meet its debt service.

Cash flow from operating activities decreased by 55 percent to \$884,566 (\$928,264 CDN). Approximately \$2.1 million or 72 percent of the current finished goods inventory is composed of products related to the Sports and Recreation division. This represents approximately three years of inventory of these products. Due to the long lead-time for procuring the raw materials and processing times, it was determined that at least two years of inventory would be kept on hand to service customer needs. With the reduction of workforce in 2009, a resource allocation plan was implemented. Production of track products has ceased since early in the fourth quarter of 2009. With the large stock of inventory, production personnel can be focused on the introduction and ramp up of new products. The Sports and Recreation products will be sold from inventory providing more production flexibility. It is management's view that this inventory is not impaired, but will be sold in subsequent years and is carried at cost. If it is determined that the inventory becomes impaired, the Company will make a provision for it.

Cash flow from financing activities was \$157,284. The Company intends to repay debt and reduce the outstanding balance in 2010.

Cash flow used in investing activities was \$994,251. \$994,251 was used for equipment as part of the "Vision 2015" expansion plan.

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short borrowings from our credit, and long term debt securitized by real estate and equipment. At December 31, 2009, Omni-Lite had \$210,674 of available credit on the primary credit facility.

The terms of the new long-term primary credit facility requires that certain measurable covenants be met. As at December 31, 2009, the Company has met these covenants.

Capital Disclosures

The objective for managing the Company's capital structure is to ensure that the Company has the financial capacity, liquidity and flexibility to fund expansion projects and product development efforts. The Company generally relies on operating cash flows to fund expansion and product development. However, given the long cycle time of some of the development projects, which require significant capital investment prior to cash flow generation; it is not unusual for capital expenditures to exceed cash flow from operating activities in any given period. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity. The Company's capital management policies are aimed at:

Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity; maintaining sufficient undrawn committed credit capacity to provide

liquidity; ensuring ample covenant room permitting it to draw down credit lines as required; and ensuring the Company maintains a credit rating that is appropriate for their circumstances.

The Company has the ability to adjust its capital structure by issuing additional equity or debt, returning cash to shareholders and adjusting its capital investment programs. The Company's capital consists of shareholders' equity, short-term borrowings, long-term debt, and cash and cash equivalents as follows:

Net Debt	December 31, 2009	December 31, 2008
Long-term debt	\$ 2,285,876	\$ 1,053,646
Current portion long-term debt	1,290,670	2,088,824
Due to related parties	-	124,408
Bank indebtedness	-	7,664
Total Net Debt	3,576,546	3,274,542
Shareholders' Equity	11,265,329	10,872,298

The Company monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.

The Company uses the ratio of net debt to cash flow from operating activities as a key indicator of leverage and to monitor the strength of the balance sheet. Net debt is a non-GAAP measure that does not have a standard meaning prescribed by GAAP and is unlikely to be comparable to similar measures presented by others. The Company calculates net debt using long-term debt and short-term borrowings less cash and cash-equivalents. For the year ended December 31, 2009, the net debt to cash flow from operating activities was 4.04 times compared to 1.67 times at December 31, 2008. It is expected that the target ratio will fluctuate between 1.0 and 2.0 times, however, this can be higher when the Company invests in new equipment. Whenever the target ratio is exceeded, a strategy is developed to reduce the leveraging and lower the ratio back to target levels over a period.

The interest coverage ratio allows the Company to monitor its ability to fund the interest requirements associated with its debt. The interest coverage decreased in 2009 from 22.3 times at December 31, 2008 to 9.9 times at December 31, 2009. Interest coverage is calculated by dividing the twelve-month trailing earnings before interest, taxes, depreciation and amortization by interest expense.

As a capital equipment-intensive company, Omni-Lite's management will continue to measure the performance of the Company by the metrics of Cash Flow from Operations and EBITDA. EBITDA is a non-GAAP measure, which is calculated using net income excluding interest expense, provision for income taxes, depreciation and amortization. The calculation of EBITDA is set out in the following table.

	2009	2008
Net Income	\$ 457,008	\$ 875,037
Add:		
Interest Expense	147,237	133,941
Provision for Income Taxes	100,316	1,172,872
Amortization	750,675	809,310
EBITDA	1,455,236	2,991,160

Risk Factors

Capability to Deliver Results

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

Economic Factors

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

Business Risk Factors

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

1. **Market cycle** – The Company's revenues are dependent on 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 which could lead to future scientific breakthroughs and commercialization efforts.
3. **Sales issues** – The Company's sales may not grow at the same rate historically shown. There may not be suitable projects identified for the Company to undertake.
4. **Raw material costs** – Supply and demand dictates the price of the raw materials utilized by Omni-Lite. Certain raw materials can only be obtained from a few suppliers. Delays or increased costs may be associated with obtaining these raw materials. Material costs are kept low by ordering economical lot sizes, but may increase if supplies become limited.

5. **Employee costs** - The cost of labour may increase, as competition for qualified employees in the Southern California area is generally strong. Labor costs are managed by including employees in the stock option and bonus plan and by increasing efficiency through advanced technology. The position of CEO does not receive a salary at this time and additional costs could be introduced if the current structure is changed, a factor, which could affect net earnings.
6. **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.
7. **Quality issues** – The Company is ISO 9001:2008 registered and is working on obtaining ISO/TS 16949 certification. Delays in establishing compliance and registration in ISO/TS 16949 may cause delays in shipping or loss of business in the automotive division.
8. **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.
9. **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 four months to twenty-four months depending on the complexity of the component. The long lead-time may delay the profitability of the project.
10. **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.
11. **Taxation matters** – As any Company, at times, certain tax strategies could be challenged by local taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is always the possibility that a reassessment can occur.

Asset Protection

As Omni-Lite 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. California Nanotechnologies Inc. has received one U.S. patent to date.

Financial Instruments

Financial instruments of the Company consist of cash, accounts receivable, loans receivable, investments, accounts payable and accrued liabilities, bank loans, loans due to related parties.

	Carrying Value	Fair Value	Gain/(Losses)	Interest Income/(Expense)	Other Income/(Expense)
Loans and Receivables					
Accounts receivable	\$ 744,809	\$ 744,809	\$ -	\$ -	\$ -
Due from related parties	392,203	392,203	-	10,532	-
Available for Sale					
Investments	184,778	184,778	-	-	-
Other Liabilities					
Accounts payable	630,910	630,910	-	-	-
Long-term debt	3,576,546	3,576,546	-	(147,237)	-
Due to related parties	-	-	-	(3,145)	-

As disclosed in Note 16, 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 market 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.

Interest rate risk

The Company's long-term credit facility and the two promissory notes 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, 2009, the increase or decrease in income before taxes for each 1 percent change in interest rates on floating rate debt amounts to approximately \$35,765 (2008 - \$31,425). The related disclosures regarding these debt instruments are included in Note 10 of the financial statements.

Foreign currency risk

A significant portion of the Company's operations is 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. As at December 31, 2009, the Company had the following balances below denominated in Canadian dollars. The balances have been translated into United States currency in accordance with the Company's foreign exchange accounting policy.

	USD December 31, 2009	USD December 31, 2008
Cash	\$ 42,187	\$ 10,777
Accounts payable	112,373	189,521

At December 31, 2009, if the U.S. dollar strengthened or weakened by 10 percent relative to the Canadian dollar, the impact on net income and other comprehensive income due to the translation of monetary financial instruments would be as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	\$ (4,219)
U.S. Dollar Exchange Rate – 10% decrease	4,219

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

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	\$ (11,237)
U.S. Dollar Exchange Rate – 10% decrease	11,237

Market Risk

The Company has financial instruments that may fluctuate in value as a result of changes in market price. The Company has an investment in shares of California Nanotechnologies Corp. This investment is recorded on the balance sheet at fair value as of the balance sheet date for the shares which have been released from escrow while the shares remaining in escrow are carried at cost, with changes from the prior period's fair value reported in Other Comprehensive Income.

Liquidity Risk

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

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at December 31, 2009 and includes the related interest charges:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Trade accounts payable and accrued liabilities	\$ 630,910	\$ -	\$ -	\$ -	\$ 630,910
Bank loan and interest	1,290,670	2,285,876	-	-	3,576,546
Total	\$1,921,580	\$ 2,285,876	\$ -	\$ -	\$4,207,456

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. During 2009, the Company was engaged in contracts for products with three (2008 – three) customers, which accounted for \$2,595,998 (2008 - \$4,457,923) or 59% (2008 – 59%) of the Company's total revenue. During the same period, export sales to two (2008 – two) customers in various international countries (outside of the United States) amounted to \$703,075 (2008 - \$711,055) or 17% (2008 – 9%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of account receivable. The table below provides an analysis of our current financial assets and the age of our past due but not impaired financial assets by type of credit risk.

Aging	Current AR	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
Accounts Receivable	\$ 604,303	\$ 139,954	\$ 552	\$ -	\$ -

Accounting Disclosures

Omni-Lite's Consolidated Financial Statements have been prepared in accordance with Canadian GAAP. Significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements.

Transactions with Related Parties

Due from related parties includes advances to a company under common control. An amount of \$144,235 (2008 – (\$124,408)) is due from/(to) California Nanotechnologies Corp. that is unsecured, bearing interest at 5 percent per annum and due on demand.

In the year, the Company received \$63,000 (2008 - \$108,000) in management fees from California Nanotechnologies Corp. The transaction was conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

For 2009 and 2008, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value of the salary would approximate \$140,000 (2008 - \$140,000). Due to

the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of \$nil.

The Company has issued an interest free loan to two employees for \$25,000 related to the acquisition of various properties. The loan is secured by the value of the related property and is to be repaid in five years. The Company has issued a loan to one of its officers and directors for \$172,968 (2008 - \$164,820) at a 5 percent interest rate and is to be repaid in five years. The loan is secured by property assessed at \$632,000.

Third Party Investor Relations Contracts

No third party investor relations arrangements have been made.

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. Currently, there is one vacancy to be filled.

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, 2009	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 4,086,913	\$ -	\$ 714,755	\$ (416,183)	\$ 4,385,485
December 31, 2008	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	\$ 7,145,818	\$ -	\$ 738,137	\$ (429,628)	\$ 7,454,327

Recent accounting pronouncements

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements," which will replace CICA Handbook Section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities and the difference between reporting dates of a parent and a subsidiary to be no longer than three months. These are not explicitly required under the current standard. Section 1601 is effective for the Company on January 1, 2011 with early adoption permitted. This standard will have no impact to the Company.

In January 2006, the Canadian Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, as part of its strategic plan, the AcSB confirmed that Canadian publicly accountable entities would be required to report under International Financial Reporting Standards ("IFRS"), which will replace Canadian GAAP for years beginning on or after January 1, 2011. An omnibus exposure draft was issued by the AcSB in the second quarter of 2008, which incorporates IFRS into the CICA Handbook and prescribes the transitional provisions for adopting IFRS. In March 2009, the AcSB issued a second omnibus exposure draft on the adoption of IFRS. This exposure draft confirms the IFRS transition date as January 1, 2011 for all Canadian publicly accountable enterprises, incorporates any changes to IFRS since the previous exposure draft was issued and discusses additional key transitional issues. In October 2009, the AcSB issued a third omnibus exposure draft on the adoption of IFRS. This exposure draft incorporates changes to IFRS since the previous exposure draft that will be applicable to Canadian entities.

The Company is in the process of the diagnostic assessment phase by performing comparisons of the differences between Canadian GAAP and IFRS and is continuing assessment of the effects of adoption and finalizing its conversion plan. The conversion to IFRS may result in other impacts, some of which may be significant in nature. These assessments will need to be further analyzed and evaluated throughout the implementation phase of the Company's project. At this time, the impact on the Company's financial position and results of operations is not reliably determinable or estimable.

The Company will continue to monitor any changes in the adoption of IFRS and will update its plan as necessary.

Forward-looking statements

In the interest of providing Omni-Lite shareholders and potential investors with information regarding the Company and its subsidiaries, including Management's assessment of Omni-Lite's future plans and operations, certain statements contained in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this document include, but are not limited to, statements with respect to: projections relating to the adequacy of

the Company's provision for taxes, the potential impact of implementation of Vision 2015 on Omni-Lite's financial condition and projected 2010 capital investment. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements.

Although Omni-Lite believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Furthermore, the forward-looking statements contained in this document are made as of the date of this document, and except as required by law Omni-Lite does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Intention of management's discussion and analysis

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

Review by the audit committee

This MD&A was reviewed by the Audit Committee and approved by Omni-Lite's Board of Directors on April 26, 2010. Any events subsequent to that date could conceivably materially alter the veracity and usefulness of the information contained in this document.

Additional Omni-Lite documents filed with Canadian regulatory agencies

Further information regarding Omni-Lite Industries Canada Inc. can be accessed under the Company's public filings found at www.sedar.com and on the Company's website www.omni-lite.com. Omni-Lite Industries Canada Inc.'s common shares are publicly traded on the TSX Venture Exchange under the symbol "OML".