Omni-Lite Industries Canada Inc.
For the Year Ended December 31, 2010

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 consolidated financial statements and the related notes of Omni-Lite Industries Canada Inc. for the year ended December 31, 2010. Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") reports its financial position, results of operations and cash flows 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 15, 2011.

Company Overview

Omni-Lite Industries Canada Inc. is a world recognized research and development company specializing in the manufacture 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[1] 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's mandate is to further leverage this unique mix of skills and competencies to achieve additional growth.

Omni-Lite is managed as a single business by the chief operating decision-makers. The Company operates five business segments defined as the 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.

(1) "EBITDA" is a non-GAAP term which represents earnings or losses before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. The MD&A presents certain non-GAAP (Canadian generally accepted accounting principles) financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP.

The split of revenue between the five business segments for the year ended December 31, 2010 is as follows:

Division/ Segments	Military	Aerospace	Sport & Recreation	Automotive	Commercial
2010	51%	16%	16%	16%	1%

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. To date, the Company has been granted seven U.S. Patents covering innovations in materials, processes, and design.

To gain access to new nanostructured materials and technical 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
- Commission 33 Progressive cold forging systems
- Maintain research and development efforts for future initiatives
- Continual update of ancillary systems to support production and quality
- Procure integrated 60,000 to 80,000 sq. ft. facility
- Growth and retention of highly skilled workforce and management
- Commit to maintaining the environment through waste reduction, energy conservation, and recycling.

Outlook

In 2011, Omni-Lite will focus on building revenue in the military and automotive segments through on-going product development. The automotive division is growing through product development with emphasis on new components utilized by "green" technology for diesel engines. With the "Vision 2015" strategy, Omni-Lite has completed the purchase of 33 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 : 10,367,374	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**	**For the year ended December 31, 2008**	**For the year ended December 31, 2007**
Revenue	$7,120,813	$4,385,485	$7,454,327	$6,983,845
Net Income	1,818,522	457,008	875,037	1,583,370
EPS (US)	0.18	0.04	0.08	0.14
EPS (CDN)	0.18	0.05	0.10	0.14
Total Assets	19,240,986	18,134,123	17,207,148	15,090,214
Long term debt	2,787,504	3,567,546	3,142,470	1,750,908

Results from Operations

Revenue: For the year ended December 31, 2010, O mni-Lite reported revenue of $7,120,813 ($7,122,237 CDN), an increase of 62 percent from the prior year in 2009.

The Military division represented the largest portion of sales with 51 percent of revenue. Sales in this division were higher by 101 percent when compared to the year ended December 31, 2009. T he Aerospace division contributed 16 percent of revenue, a 3 percent decrease from 2009. The Automotive division contributed 16 percent of revenue, an increase of 118 percent from the same period in 2009. The Sports and Recreation division contributed 16 percent of revenue, and 42 percent increase from 2009. The Commercial divisions provided 1 percent of the revenue.

Sales by division and by geographic location are summarized below:

Division/ Segments	**Military**	**Aerospace**	**Sport & Recreation**	**Automotive**	**Commercial**
2010	51%	16%	16%	16%	1%
2009	41%	29%	11%	12%	2%

Geographic allocation	**United States**	**Canada**	**Barbados**
2010	85%	-	15%
2009	84%	-	16%

Net Income: Net income was $1,818,522 ($1,818,886 CDN) versus $457,008 in 2009, an increase of 298 percent. Increased revenue, coupled with the cost-saving measures implemented in 2009, resulted in significant growth in 2010.

Cost of Goods Sold: Cost of Goods Sold (“COGS”) increased 49 percent from $1,474,918 in 2009 to $2,194,285 in 2010. This corresponded to a gross margin of approximately 69 percent.

Operating Expenses: Total operating expenses increased by 26 percent from the prior year.

Interest expense of $94,853 was incurred, a decrease of 36 percent compared to 2009 due to a lower interest rate and the reduction of long term debt. The Company will continue to pay down the loans in 2011.

Research and product design ("R&D") expense was $190,985, an increase of 6 percent. The Company continued to fund R&D efforts as it is anticipated that new business will emerge from these activities.

Current income tax expense/(recovery) decreased to ($258,800) from ($202,522) in 2009 due to a refund generated from an Internal Revenue Service audit. Future tax increased to $415,280 from $302,838. 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 net income.

Earnings per share: Basic earnings per share were $0.18 ($0.18 CDN) compared to $0.04 ($0.04 CDN) in 2009 based on the weighted average shares outstanding of 10,367,374. At the year end, the actual number of common shares issued and outstanding was 10,233,866.

The diluted earnings per share were $0.17 ($0.17 CDN) compared to $0.04 ($0.04 CDN) in 2009. As at December 31, 2010, the diluted weighted average number of shares was 10,585,083. 485,333 (2009 – 444,166) options were excluded in calculating the weighted-average number of diluted common shares outstanding, because their exercise price was greater than the annual average common share market price in the period.

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 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: 10,367,374	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**	**% Increase (Decrease)**
Revenue	$7,120,813	$4,385,485	62%
Cash flow from operations[(2)]	3,178,800	1,532,221	196%
Net Income	1,818,522	457,008	298%
EPS (US)	0.18	0.04	308%
EPS (CDN)	0.18	0.05	289%

(Note: at 12/31/10, $1US = $1.0002 CDN; 12/31/09, $1US = $1.0494 CDN)

[(2)] 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 31/2010	Sep 30/2010	Jun 30/2010	Mar 31/2010	Dec 31/2009	Sept 30/2009	Jun 30/2009	Mar 31/2009
Revenue	1,126,037	1,720,995	2,439,705	1,834,076	1,175,516	1,084,771	1,151,296	973,902
Cash Flow from Operations[(2)]	523,347	881,838	1,005,306	768,309	429,416	314,077	395,702	393,026
Net Income	231,268	427,806	687,889	482,537	83,011	95,078	170,322	108,597
EPS – basic (US)	.017	.048	.066	.045	.008	.009	.016	.010
EPS – basic (CDN)	.017	.048	.067	.045	.008	.009	.016	.010
EPS – diluted (US)	.016	.047	.066	.045	.008	.009	.016	.010
EPS – diluted (CDN)	.016	.047	.067	.045	.008	.009	.016	.010

(2) 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.

In the fourth quarter of 2010, revenue was $1,126,037 ($1,126,261 CDN), a decrease of 4 percent over the same period in 2009. Net income was $231,268 ($231,314 CDN) versus a $83,011 in 2009.

Liquidity and Capital Resources

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

	Dec 31/2010	Dec 31/2009
Net cash from operating activities	$ 2,876,583	$ 884,566
Net cash from (used in) financing activities	(1,309,142)	157,284
Net cash used in investing activities	(1,577,075)	(994,251)
Net increase (decrease) in cash	(9,634)	47,599
Cash (bank indebtedness) at the beginning of the year	39,935	(7,664)
Cash at the end of the year	30,301	39,935

As at December 31, 2010, the main source of liquidity was cash from operating activities and these amounts were used almost equally for equipment purchases and repayment of debt. At the year end, the Company's working capital (current assets – current liabilities) was $2,848,402, which has increased from 2009 when working capital was $2,467,716.

A comparison between total current assets divided by total current liabilities shows that at December 31, 2010 the current ratio[3] was 2.74x compared to 2.28x at December 31, 2009. Debt ratio[3] ((Current liability + Total long-term debt)/Total Assets) reduced to 0.17x in 2010 compared to 0.23x in 2009. The Company is able to meet its debt service.

[3] Non-GAAP measure - certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under Canadian GAAP and, therefore, are considered non-GAAP measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Corporation's financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent GAAP measure. However, they should not be used as an alternative to GAAP because they may not be consistent with calculations of other companies.

Cash flow from operating activities increased to $2,876,583.

Cash flow used in financing activities was $1,309,142.

Cash flow used in investing activities was $1,577,075.

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings from our credit lines, and long-term debt secured by equipment. At December 31, 2010, Omni-Lite had $273,055 of available credit on the primary credit facility.

The terms of the long-term primary credit facility requires that certain measurable covenants be met. As at December 31, 2010, 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 year. 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 make adjustments to its capital structure by issuing additional equity or debt, returning cash to shareholders and making adjustments to 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[3]	**December 31, 2010**	December 31, 2009
Long-term debt	**1,584,937**	$ 2,285,876
Current portion long-term debt	**1,202,567**	1,290,670
Less: cash	**(30,301)**	(39,935)
Total Net Debt	**2,757,203**	3,536,611
Shareholders' Equity	**12,956,889**	11,265,329

(3) Non-GAAP measure – see explanation above

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, 2010, the net debt to cash flow from operating activities was 0.96 times compared to 4.04 times at December 31, 2009. 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.

The interest coverage ratio allows the Company to monitor its ability to fund the interest requirements associated with its debt. The interest coverage increased in 2010 from 9.9 times at December 31, 2009 to 32.0 times at December 31, 2010. 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[1]. The calculation of EBITDA[1] on a 12-month rolling basis is set out in the following table.

	December 31, 2010	**December 31, 2009**
Net Income	**$ 1,818,522**	$ 457,008
Add:		
Interest Expense	**94,853**	147,237
Provision for Income Taxes	**156,480**	100,316
Amortization	**872,145**	750,675
EBITDA	**$ 2,942,000**	$ 1,455,236

(1) "EBITDA" is a non-GAAP term which represents earnings or losses before net interest expense, income taxes, depreciation and amortization, and non-controlling interests.

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 development and enhancing 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 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.

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 has traditionally been strong. Labor costs are managed by including employees in the stock option and bonus plans 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 the 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 eighteen 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.

<u>Asset Protection</u>

As Omni-Lite grows, 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, due from related parties, investments, accounts payable and accrued liabilities, and long-term debt.

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Held-for-trading				
Cash	**$ 30,301**	**$ 30,301**	$ 39,935	$ 39,935
Loans and receivable				
Accounts receivable	**645,851**	**645,851**	744,809	744,809
Due from related parties	**670,765**	**670,765**	342,203	344,203
Available for Sale				
Investments	**176,176**	**176,176**	184,778	184,778
Liabilities				
Accounts payable and accrued liabilities	**432,575**	**432,575**	630,910	630,910
Long-term debt	**2,787,504**	**2,787,504**	3,576,546	3,576,546

The table below sets out fair value measurements using the Section 3862 fair value hierarchy.

Financial assets and liabilities at fair value through profit or loss
At December 31, 2010

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 30,301	$ 30,301	$ -	$ -
Investments	176,176	176,176	-	-

There have been no transfers during the year between Levels 1 and 2.

As disclosed in Note 2 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 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 risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at December 31, 2010, the increase or decrease in income before taxes for each 1 percent change in interest rates, on floating rate debt, amounts to approximately $27,875 (2009 - $35,765). The related disclosures regarding these debt instruments are included in Note 11 of the financial statements.

Foreign currency risk

A significant 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. As at December 31, 2010, 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, 2010	USD December 31, 2009
Cash	**$ 21,860**	$ 42,187
Accounts payable	**82,340**	112,373

At December 31, 2010, if the U.S. dollar strengthened or weakened by 10% 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	**$ (2,186)**
U.S. Dollar Exchange Rate – 10% decrease	**$ 2,186**

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	**$ (8,234)**
U.S. Dollar Exchange Rate – 10% decrease	**$ 8,234**

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 year'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 term of the liabilities as at December 31, 2010 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	$ 432,575	$ -	$ -	$ -	$ 432,575
Bank loan and interest	1,202,567	1,584,937	-	-	2,787,504
Total	$ 1,635,142	$ 1,584,937	$ -	$ -	$ 3,220,079

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. During 2010, the Company was engaged in contracts for products with four (2009 – three) customers, which accounted for $5,101,092 (2009 - $2,595,998) or 72% (2009 – 59%) of the Company's total revenue. During the same year, export sales to two (2009 – two) customers in various international countries (outside of the United States) amounted to $1,026,715 (2009 - $703,075) or 14% (2009 – 17%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of the 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	$ 360,678	$ 279,288	$ 5,885	$ -	$ -

Outstanding Share Capital

As at April 15, 2011:

- 13,453,866 Common Shares issued and outstanding
- 1,610,000 Warrants issued and outstanding
- Stock options:

Description		**Number**
Options outstanding at Dec. 31, 2010		749,500
Options	- granted	-
	- exercised	-
	- cancelled	(95,000)
Options outstanding at April 9, 2011		654,500
Options exercisable at April 9, 2011		258,175

Transactions with Related Parties

Due from related parties includes an amount of $481,512 (2009 – $144,25) from California Nanotechnologies Corp. bearing interest at 5% per annum. The loan is secured by all the assets of California Nanotechnologies, Inc.

In 2010, the Company received $24,000 (2009 - $63,000) 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 2010, 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 (2009 - $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 a total of $25,000 related to the acquisition of various properties. The loans are secured by the value of the related properties and are to be repaid in five years. Maturity dates are as follows: $5,000 – December 5, 2013; $20,000 – January 5, 2011. The Company has issued a loan to one of its officers and directors for $164,253 (2009 - 172,968) at a 5% interest rate and is to be repaid in five years. The loan is secured by the related property.

Third Party Investor Relations Contracts

In November 2010, the Company negotiated a contract with Thomas N. Peterson appointing Mr. Peterson as Investor Relations manager. Pending regulatory approval, Mr. Peterson's contract is for 12 months until November 4, 2011. The remuneration for this part time position is $2,000.00 US per month along with 20,000 stock options exercisable at $1.93 CDN per share for a period of two years. The options will vest on a 25 percent basis every three months from the effective date of the agreement.

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, 2010	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenues	**$ 6,694,198**	**$ -**	**$ 1,036,354**	**$ (609,739)**	**$ 7,120,813**
Property, plant and equipment	**$ 13,704,501**	**$ -**	**$ -**	**$ -**	**$ 13,704,501**

December 31, 2009	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 4,086,913	$ -	$ 714,755	$ (416,183)	$ 4,385,485
Property, plant and equipment	$ 12,999,246	$ -	$ -	$ -	$ 12,999,246

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.

International Financial Reporting Standards – (“IFRS”)

Background, project structure and progress

In February 2008, the CICA announced that Canadian GAAP (CGAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company’s reporting for the first quarter of 2011, for which the current and comparative 2010 information will be prepared under IFRS.

The Company’s IFRS conversion project consists of three phases that will ensure compliance and a smooth transition. Senior management and a major public accounting firm are actively involved in the process.

Phase 1 - Preliminary study (“Diagnostic”) – **complete**
During this phase, we:

- Defined the requirement for financial information
- Drafted a project timetable
- Identified overall project organization
- Estimated the financial and systems impact
- Outlined a work plan
- Estimated required resources and costs

Phase 2 - Prepare the first complete IFRS financial statements
Project Set-up - **complete**
During this portion of the phase, we:

- Confirmed roles and responsibilities
- Created a detailed project plan
- Researched in detail to obtain complete understanding of IFRS v Canadian GAAP
- Communicated project policies

Component evaluation and issues resolution **– complete**
During this portion of the phase, we:

- Prepared component evaluations
- Performed impact analysis and made decisions on accounting policies
- Identified new data requirements
- Identified additional data requirements
- Identified and resolved accounting treatment issues

Financial statement preparation – **in process**
During this portion of the phase, we will:

- Prepare IFRS GAAP adjustments
- Post adjustments
- Perform systems diagnosis
- Identify and calculate important GAAP differences (including documentation and adjusting journal entry calculation/support)

Phase 3 - Integrate change
During this portion of the phase, we will take the information, issues and solutions gathered, and integrate them into our underlying financial systems and processes:

- Perform impact analysis on recurring business
- Perform impact analysis on accounting/finance department
- Design and document IFRS GAAP reporting procedures
- Integrate systems design and development

Progress update
Phase 2 is almost completed and will carry us through to our changeover date of January 1, 2011. We are tracking favorably against our project plan, meeting all milestones and deliverables. Our analysis of IFRS and a comparison to our accounting policies have identified a number of differences. Most of these differences are not expected to have significant effects on our financial position or results of operations. While we have identified the key differences that will affect our financial statements, we have also determined we are generally aligned with IFRS in many areas. These key accounting differences are described below to provide a better understanding of the effects of our changeover to IFRS based on our preliminary accounting policy decisions and readers are cautioned that it may not be appropriate to use such information for any other purposes. The discussions below should not be regarded as a complete list of changes that will result from our change to IFRS as amounts and policies are subject to change as we continue our analysis of our adoption January 1, 2011.

Potential accounting changes as a result of transition to IFRS

The following list illustrates the areas of accounting difference of highest potential impact to the Company on transition to IFRS. The quantitative impact on future financial position and results of operations is not fully determinable or estimable at this time.

(1) Property, Plant and Equipment:

The basic principles of accounting for property, plant and equipment under Canadian GAAP handbook section 3061 and International Accounting Standards (IAS 16) are similar; however, differences in application do exist. IAS 16 requires the parts or components approach and depreciation is based on the expected useful life of the parts or components. This method of componentizing property, plant and equipment is not expected to have an impact as the Company currently records and depreciates based upon parts.

The Company has elected to use the cost model. The Company currently expenses borrowing costs under Canadian GAAP. The change in accounting method capitalizing borrowing costs to the value of an asset in accordance with IAS 23, Borrowing Costs, is not expected to have an impact to the Company.

(2) Share Based Payments:

Under Canadian GAAP, section 3870, share options granted vest in installments (tranches) over the vesting period, where the total grant can be valued at grant date with the corresponding stock based compensation expense recognized on a straight line method over the vesting period of the options. This differs under IFRS 2, Share Based Payments, where share options granted vest in installments (tranches) over the vesting period, and each tranche is treated as a separate share option grant, and subsequently valued at the start of each tranche's vesting period.

Corresponding stock based compensation expense will be calculated at the start of each vesting period with fair value inputs that exist at that time. IFRS 2 also requires the use of the fair value method for valuing options and companies are required to estimate forfeitures at the start of the vesting period. This will change the amount the Company recognizes as stock based compensation as well as the timing of recognition. The Black-Scholes model is currently being used for option valuation, which is also permitted under IFRS. No change in option valuation method is required.

(3) IFRS 1, First-Time Adoption of International Financial Reporting Standards

The first-time adoption of International Financial Reporting Standards states that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 provides the framework and specifies that, the adjustments that arise on retrospective conversion to IFRS from another GAAP should be recognized directly in retained earnings. There are certain optional exemptions and mandatory exceptions to retrospective application, both of which are clarified under IFRS 1. Below is a list of the IFRS exemptions applied and not applied:

Deemed cost – exemption not applied: The Company will elect the historical cost option and not restate any classes within the property, plant and equipment balance to its fair value basis that would have existed if IFRS policies had been in place since inception.

Share-based payment transactions – exemption applied: The Company has elected to use the option under IFRS 1 to revalue under IFRS 2, Share-Based Payments, only those options that have vested on or after January 1, 2010.

Borrowing costs – exemption applied: The Company has elected to use the option under IFRS 1 to apply this Standard, constituting a change in accounting policy, to commencement dates beginning on or after January 1, 2009.

Disclosures:
IFRS generally has more extensive disclosure requirements than current CGAAP. There are also significant additional disclosures required from first time adoption to IFRS, including a reconciliation of income and equity from CGAAP to IFRS and the opening IFRS Balance Sheet. Omni-Lite is in the process of drafting model disclosure financial statements to facilitate smooth transition to full compliance with additional disclosure requirements under IFRS.

Impact on information systems and technology

The most significant information systems challenges for the IFRS conversion were ensuring the Company had the ability to track its IFRS adjustments in the year of transition, that new IFRS reports could be produced to facilitate the preparation of IFRS financial statements, and the migration of all

2010 IFRS adjustments into the 2011 opening balances in the Company's accounting information system. The Company has successfully implemented the modifications required to existing and new reports to facilitate the preparation of the increased note disclosure required under IFRS, and has developed and tested an appropriate information solution to migrate all 2010 IFRS adjustments. As of now, the transition is not expected to have a significant impact on the Company's other information systems.

Impact on internal controls over financial reporting and disclosure controls and procedures

As described further below, in accordance with its conversion plan the Company is continually reviewing its internal controls over financial reporting and its disclosure controls and procedures and will update these as required to ensure they are appropriate for reporting under IFRS.

As noted, the transition to IFRS for the Company mainly affects the presentation and disclosure of its financial statements. This required process changes in order to facilitate the reporting of more detailed information in the notes to the financial statements, but did not lead to many measurement or fundamental differences in the accounting processes used by the Company.

The Company has implemented controls over its IFRS adjustment process, which includes oversight and review by qualified members of senior management. A major public accounting firm continues to provide ongoing project oversight, and senior management continues to review the accounting decisions being made by the IFRS implementation team and the resulting implications of those decisions.

The conversion to IFRS, as noted above, exposes the Company to control risks when there are new or modified processes. For the most part, while underlying processes have changed, overriding controls have remained the same, especially with respect to review procedures and monitoring controls over financial reporting. To address the noted risks, the Company has designed controls for areas where increased judgment is required or areas where changes in the measurement of assets or liabilities were required. As such, the transition to IFRS has not had a pervasive impact on the Company's key risk and control matrices. The Company is confident that it has designed appropriate controls to address the risks identified. The key controls identified are as follows:

IFRS standard	**Control**
Property, plant and equipment	Quarterly review of component accounting assessments for compliance with the Company's internal policies.
Financial statement note disclosure	Quarterly review of divisional IFRS reporting packages containing necessary IFRS disclosure information.

Ongoing processes required to properly apply the Company's IFRS accounting policies from the start of 2010 for comparative purposes have been put in place and are being applied by all divisions. Processes that center on period end reporting will be rolled out for preparation for the first quarter financial statements in 2011.

Financial reporting expertise

The IFRS team continues to make regular presentations to the Company's senior management team to ensure there is a thorough awareness and understanding of the IFRS project's progress, issues that require specific attention and important standard-related differences. The IFRS team has also reviewed the preliminary adjustments with each division to ensure they are appropriately educated on the differences that are of significance to their division.

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 2011 capital investment. Although these "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to general global events outside the Company's control, there are factors which could cause actual results, performance or achievements to vary from those expressed or inferred herein including risks associated with an investment in the common shares of the Company and the risks related to the Company's business. Risk factors are discussed in greater detail in the section on "Risk Factors" previously in this MD&A. 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. 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.

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.