Omni-Lite Industries Canada Inc.
For the year ended December 31, 2011

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 audited consolidated financial statements and the related notes of Omni-Lite Industries Canada Inc. for the years ended December 31, 2011 and 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 International Financial Reporting Standards ("IFRS"), as issued by the IASB. The Company adopted IFRS on January 1, 2011 and has restated its balance sheet as at January 1, 2010 ("transition date") to comply with IFRS presentation of comparative information. The effects of the transition from Canadian generally accepted accounting policies ("Canadian GAAP") to IFRS on previously reported comparative period financial statements is explained and set out in note 20 to the Company's annual audited consolidated financial statements for the year ended December 31, 2011. The Company's functional 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 11, 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 high industry 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 includes: 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, 2011 is as follows:

Division/ Segments	Military	Aerospace	Sport & Recreation	Automotive	Commercial
December 31, 2011	24%	28%	22%	25%	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 19 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 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 and four Single die 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 2012, 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 : 12,918,561	**For the year ended December 31, 2011**	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**	**For the year ended December 31, 2008**
Revenue	$6,514,083	$7,120,813	$4,385,485	$7,454,327
Net Income	1,958,656	1,820,072	457,008	875,037
EPS (US)	0.15	0.18	0.04	0.08
EPS (CAD)	0.15	0.18	0.05	0.10
Total Assets	24,380,299	19,240,986	18,134,123	17,207,148
Long term debt	1,639,213	2,787,504	3,567,546	3,142,470

Results from Operations

Revenue: For the year ended December 31, 2011, Omni-Lite reported revenue of $6,514,083 ($6,642,150 CAD), a decrease of 9 percent from the prior year in 2010.

The Aerospace division represented the largest portion of sales with 28 percent of revenue. Sales in this division were higher by 55 percent when compared to the year ended December 31, 2010. The Automotive division contributed 25 percent of revenue, a 43 percent increase from 2010. The Military division contributed 24 percent of revenue, a decrease of 56 percent from the same year in 2010. The Sports and Recreation division contributed 22 percent of revenue, a 25 percent increase from 2010. 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**
2011	24%	28%	22%	25%	1%
2010	51%	16%	16%	16%	1%

Geographic allocation	**United States**	**Canada**	**Barbados**
2011	80%	-	20%
2010	85%	-	15%

Net Income: Net income was $1,958,656 ($1,997,163 CAD) versus $1,820,072 in 2010, an increase of 8 percent. A decrease in the military segment's revenue, coupled with the other segment revenue increases, resulted in the reduction in revenue in 2011 when compared with 2010. In connection with the closing of a private placement in 2011, an unrealized gain on the fluctuation in the market value of share purchase warrants, which is impacted by the Company's share price and foreign exchange rates, was recognized for the year ended December 31, 2011 in the amount of $1,256,357.

Cost of Goods Sold: Cost of Goods Sold ("COGS") increased 14 percent from $2,194,285 in 2010 to $2,499,754 in 2011. This increase is due to the significantly increased sales of sport and recreation with lower margin parts and a large decrease of higher margin military sales corresponding to a gross margin of approximately 62 percent.

Operating Expenses: Total operating expenses increased by 9 percent from the prior year. Interest expense of $64,310 was incurred, a decrease of 32 percent compared to 2010 due to the complete reduction of the commercial advance line portion of long term debt from financing cash flows. The Company will continue to pay down the loans in 2012.

Foreign exchange gain was $34,204 in 2011, compared with a loss of $11,028 in 2010 due to the strengthening of the Canadian dollar at December 31, 2011. Research and product design ("R&D") expense was $246,850, an increase of 29 percent. The Company continued to fund and increase R&D efforts as it is anticipated that new business will emerge from these activities from 2011.

Current income tax recovery increased to ($80,502) from ($258,800) in the prior year due to current year Internal Revenue Service tax allowances and a refund generated from an Internal Revenue Service audit in the prior year. Future tax decreased to $205,086 from $415,280. 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.

Earnings per share: Basic earnings per share were $0.15 ($0.15 CAD) compared to $0.18 ($0.18 CAD) in 2010 based on the weighted average shares outstanding of 12,918,561 and 10,367,374 in 2010. Actual shares outstanding were 13,113,266. The weighted average number of shares increased approximately 25 percent over the prior year.

The diluted earnings per share were $0.15 ($0.15 CAD) compared to $0.17 ($0.18 CAD) in 2010. As at December 31, 2011, the diluted weighted average number of shares was 13,170,465. 142,500 (2010 – 485,333) 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 year.

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding for the year. 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: 12,981,561	**For the year ended December 31, 2011**	**For the year ended December 31, 2010**	**% Increase (Decrease)**
Revenue	$6,514,083	$7,120,813	(9%)
Cash flow from operations[2]	1,930,431	3,178,799	(39%)
Net Income	1,958,656	1,820,072	8%
EPS (US)	0.15	0.18	(14%)
EPS (CAD)	0.15	0.18	(14%)

(Note: at 12/31/11, $1US = $1.0197 CAD; 12/31/10, $1US = $1.0002 CAD)

[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 31/2011	Sep 30/2011	Jun 30/2011	Mar 31/2011	Dec 31/2010	Sep 30/2010	Jun 30/2010	Mar 31/2010
Revenue	1,098,466	1,793,959	2,139,344	1,482,314	1,126,037	1,720,995	2,439,705	1,834,076
Cash Flow from Operations[(2)]	110,268	414,176	763,456	637,813	523,347	881,838	1,005,306	768,309
Net Income	996,036	143,761	510,960	307,899	231,268	427,806	687,889	482,537
EPS – basic (US)	.076	.011	.039	.026	.017	.048	.066	.045
EPS – basic (CAD)	.081	.011	.038	.025	.017	.048	.067	.045
EPS – diluted (US)	.074	.011	.038	.026	.016	.047	.066	.045
EPS – diluted (CAD)	.079	.011	.037	.025	.016	.047	.067	.045

(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 2011, revenue was $1,098,466 ($1,120,062 CAD), a decrease of 2 percent over the same period in 2010. Net income was $996,036 ($1,015,618 CAD) versus $231,268 in 2010.

Liquidity and Capital Resources

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

	Dec 31/2011	Dec 31/2010
Net cash from operating activities	$ 2,128,374	$ 2,876,583
Net cash from (used in) financing activities	3,827,065	(1,309,142)
Net cash used in investing activities	(754,648)	(1,577,075)
Net increase (decrease) in cash	5,200,791	(9,634)
Cash at the beginning of the year	30,301	39,935
Cash at the end of the year	5,231,092	30,301

As at December 31, 2011, the significant source of liquidity was cash from financing as the Company completed a private placement issue of common shares and a portion of these amounts were used to reduce a significant amount of long term debt. The remaining portion of the financing will be allocated to executing the Vision 2015 plan. At the year end, the Company's working capital (current assets – current liabilities) was $7,593,375, which has increased from 2010 when working capital was $2,848,402.

A comparison between total current assets divided by total current liabilities shows that at December 31, 2011 the current ratio[(3)] was 4.98x compared to 2.74x at December 31, 2010. Debt ratio[(3)] ((Current liability + Total long-term debt)/Total Assets) reduced to 0.09x in 2011 compared to 0.17x in 2010. 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 decreased to $2,128,374.

Cash flow from financing activities was $3,827,065.

Cash flow used in investing activities was $754,648.

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 secured by specific equipment. At December 31, 2011, Omni-Lite had $1,200,000 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, 2011, the Company has met these covenants, with the exception a net worth minimum amount which was waived by the lender.

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, 2011**	December 31, 2010	January 1, 2010
Long-term debt	**$ 178,771**	$ 1,584,937	$ 2,285,876
Current portion long-term debt	**1,460,442**	1,202,567	1,290,670
Less: cash	**(5,231,092)**	(30,301)	(39,935)
Total Net Debt	**(3,591,879)**	2,757,203	3,536,611
Shareholders' Equity	**18,810,611**	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 statement of financial position. 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, 2011, the net debt to cash flow from operating activities was (1.69) times compared to 0.96 times at December 31, 2010. It is expected that the target ratio to 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 year.

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 2011 from 31.0 times at December 31, 2010 to 48.5 times at December 31, 2011. 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, 2011	December 31, 2010
Net Income	**$ 1,958,656**	$ 1,820,072
Add:		
Interest Expense	**64,310**	94,853
Provision for Income Taxes	**124,584**	156,480
Amortization	**968,528**	872,145
EBITDA	**$ 3,116,078**	$ 2,943,550

(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

The following risk factors, as well as the other information contained in this Annual Information Form, the Company's MD&A for the year ended December 31, 2010 should be carefully considered. 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

Risks recognized by Omni-Lite 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 which are dependent on, among other factors, consumer spending and general economic conditions in North America..

2. **Dependence upon Key Customers** – The Company is dependent on six of its top customers for 85 percent of the Company's revenue. The loss of these customers, could significantly reduce the Company's on-going revenue, and could adversely affect the Company's financial condition and growth.

3. **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.

4. **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.

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 has traditionally been strong. Labour 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.

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. The loss of their services to the Company may have a materially adverse effect on the Company. The Company has a stock option plan and a Green Initiatives benefit for management and employees as a method of motivation and retaining key employees. The Company does not currently maintain key man insurance.

8. **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.

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 four months to eighteen months depending on the complexity of the component. The long lead-time may delay the profitability of the project.

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
At fair value through profit or loss						
Cash	**$ 5,231,092**	**$ 5,231,092**	$ 30,301	$ 30,301	$ 39,935	$ 39,935
Share purchase warrants	**134,972**	**134,972**	-	-	-	-
Loans and receivable						
Accounts receivable	**861,732**	**861,732**	645,851	645,851	744,809	744,809
Due from related parties	**886,537**	**886,537**	670,765	670,765	342,203	342,203
Available for sale						
Investments	**336,238**	**336,238**	176,176	176,176	184,778	184,778
Other financial liabilities						
Accounts payable and accrued liabilities	**437,535**	**437,535**	432,575	432,575	630,910	630,910
Long-term debt	**1,639,213**	**1,639,213**	2,787,504	2,787,504	3,576,546	3,576,546

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

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 5,231,092	$ 5,231,092	**$** -	**$** -
Share purchase warrants	134,972	134,972	-	-
Investments	336,238	336,238	-	-

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

As explained in Note 3r 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 statement of financial position 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, 2011, the increase or decrease in income before taxes for each 1 percent change in interest rates on floating rate debt amounts to approximately $16,392 (December 31, 2010 - $27,875). 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 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, 2011, 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, 2011	USD December 31, 2010	USD January 1, 2010
Cash	**$ 177,363**	$ 21,860	$ 42,187
Accounts payable	**91,524**	82,340	112,373

At December 31, 2011, 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	**$ (17,736)**
U.S. Dollar Exchange Rate – 10% decrease	**$ 17,736**

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	**$ (8,584)**
U.S. Dollar Exchange Rate – 10% decrease	**$ 8,584**

Other Price 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 statement of financial position at fair value as of the statement of financial position 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 terms of the liabilities as at December 31, 2011 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	$ 437,535	$ -	$ -	$ -	$ 437,535
Bank loan and interest	1,499,481	180,013	-	-	1,679,494
Total	$ 1,937,016	$ 180,013	$ -	$ -	$ 2,117,029

Credit Risk

The Company manages credit risk by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the year ended December 31, 2011, the Company was engaged in contracts for products with four (December 31, 2010 – four) customers in excess of 10% of revenue, which accounted for $3,794,207 (December 31, 2010 - $5,101,092) or 58% (December 31, 2010 – 72%) of the Company's total revenue. During the same period, export sales to two (December 31, 2010 – two) customers in various international countries (outside of the United States) amounted to $961,203 (December 31, 2010 - $1,026,715) or 15% (December 31, 2010 – 14%) 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 accounts receivables but not impaired financial assets by type of credit risk.

Total	**Current**	**≤ 30 days**	**> 30 days ≤ 60 days**	**60 days ≤ 90 days**	**> 90 days**
$ 861,732	$ 607,323	$ 228,769	$ 25,640	$ -	$ -

Outstanding Share Capital

As at April 11, 2012:

- 13,063,266 Common Shares issued and outstanding
- 1,610,000 Warrants issued and outstanding
- Stock options:

Description	**Number**
Options outstanding at December 31, 2011	564,347
Options - granted	215,000
- exercised	(19,000)
- forfeited	(6,500)
- expired	(6,668)
Options outstanding at April 11, 2012	785,513
Options exercisable at April 11, 2012	303,173

Transactions with Related Parties

Due from related parties includes advances to a company under common control. An amount of $749,276 (December 31, 2010 - $481,512, January 1, 2010 - $144,235) is due from California Nanotechnologies Corp. bearing interest at 5% per annum and due on demand. The loan is secured by all the assets of California Nanotechnologies Inc.

In 2011, the Company received $nil (December 31, 2010 - $24,000) 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 2011 and 2010, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value annual salary would approximate $140,000 (2010 - $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 outstanding an unsecured interest free loan to one employee in the amount of $20,000 (December 31, 2010 - $20,000, January 1, 2010 - $20,000) related to the acquisition of property with a maturity date in 2015. Another employee has received an unsecured interest free loan from the Company with an amount due of $11,165 (December 31, 2010 - $5,000, January 1, 2010 - $5,000), repayable in bi-weekly installments of $231 with a maturity date in 2013. The Company has issued a loan to the Chief Executive Officer for $106,096 (December 31, 2010 - $164,253, January 1, 2010 - $172,968) at a 5% interest rate and with a maturity date in 2014. The loan is secured by the related property.

The Company has advanced funds to the Chief Executive Officer in the amount of $73,307 (December 31, 2010 - $27,467, January 1, 2010 - nil). These amounts are non-interest bearing; have no fixed terms of repayment, and are expected to be used to fund business related expenses on behalf of the Company.

Third Party Investor Relations Contracts

In November 2010, Omni-Lite Industries Canada Inc. has hired Thomas N. Peterson, as investor relations manager. The position became a full-time in May 2011 and Mr. Peterson became a salaried employee of the Company. In October 2011, the Company retained the services of Barry Clark of Regal Barrington for a three month investor relations effort focusing on U.S. investors.

Board of Directors

The Company's chief executive officer and its corporate secretary are material shareholders. 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 production center is located in the heart of Southern California's aerospace industry which facilitates 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, 2011	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenues	**$ 5,974,386**	**$ -**	**$ 1,294,130**	**$ (754,433)**	**$ 6,514,083**
Net income/(loss)	**277,160**	**1,189,712**	**491,784**	**-**	**1,958,656**

December 31, 2010	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 6,694,198	$ -	$ 1,036,354	$ (609,739)	$ 7,120,813
Net income	848,966	342,596	628,510	-	1,820,072

Recent accounting pronouncements

In October 2009, the International Accounting Standards Board ("IASB") published IFRS 7, "Financial Instruments: Disclosures – Transfer of financial assets (Amendment)". IAS made amendments to IFS7, "Financial Instruments: Disclosures" ("IFRS 7"). The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact to the Company after initial application.

In November 2009, the International Accounting Standards Board ("IASB") published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through profit or loss. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of profit or loss and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact to the Company upon implementation of the issued standard.

IFRS 10, "Consolidated Financial Statements" has been issued and is effective for periods beginning on or after January 1, 2013. This standard will replace all of the existing guidance on control and consolidation in IAS 27, Consolidated and separated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control and includes detailed guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The Company does not expect the impact of the standard to be significant.

IFRS 11, "Joint Arrangements" has been issued and is effective for periods beginning on or after January 1, 2013. The new rules are aimed at providing investors with greater clarity about a participant's involvement in a joint arrangement. The key change in relation to the participant's contractual rights and obligations arising from their joint arrangements will determine the accounting under IFRS 11 rather than the arrangement's legal form. The Company does not expect the impact of the standard to be significant.

IFRS 12, "Disclosure of interest in other entities" has been issued and is effective for periods beginning on or after January 1, 2013. IFRS 12 sets out the required disclosures for entities reporting under the two new standards IFRS 10 and IFRS 11 *Joint arrangements*. The new rules also replace the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Company does not expect the impact of the standard to be significant.

On May 12, 2011, the IASB issued IFRS 13, "Fair value measurements," which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another Standard requires it. IFRS 13 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied prospectively. The Company uses fair value measurements in the preparation of its financial statements and consequently will be subject to the new requirements.

In June 2011, the IASB amended IAS 1, "Presentation of Financial Statements." The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendment to IAS 1 will be effective for the Company's fiscal years beginning on January 1, 2013, with earlier application permitted. The Company does not expect any changes to its consolidated financial statement presentation from this amendment as the items within OCI that may be reclassified to the statement of income are already grouped together.

IAS 12 - Income Taxes ("IAS 12") was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Corporation is currently assessing the impact of this standard.

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. The consolidated financial statements represent the Company's first annual presentation of the financial results of operations and financial position under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011. Previously, the

Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The Company's IFRS conversion project consisted of three phases that ensured compliance and a smooth transition. Senior management and a major public accounting firm has been engaged to audit the statement of financial position at transition date at January 1, 2010 and to provide technical accounting advice and guidance.

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 – **complete**
During this portion of the phase, we:
- Prepared IFRS GAAP adjustments
- Posted adjustments
- Performed systems diagnosis
- Identified and calculated important GAAP differences (including documentation and adjusting journal entry calculation/support)

Phase 3 - Integrate change – **complete**
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:
- Performed impact analysis on recurring business
- Performed impact analysis on accounting/finance department
- Designed and documented IFRS GAAP reporting procedures
- Integrated systems design and development

Progress update

We tracked favorably against our project plan, meeting all milestones and deliverables. Our analysis of IFRS and a comparison to our accounting policies identified a number of differences. Most of these differences have not had significant effects on our financial position or results of operations. While we identified the key differences that will affect our financial statements, we also determined we are generally aligned with IFRS in many areas.

Accounting changes as a result of transition to IFRS

IFRS 1 requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain optional exemptions for first-time adopters to alleviate the retrospective application of all IFRS's. The Company's first financial statements for the year ended December 31, 2011, are the first annual financial statements that comply with IFRS.

The Company has elected to apply optional exemptions from full retrospective application as listed in Note 2 of the financial statements. All other mandatory exceptions in IFRS 1 were not applicable because there were no significant differences in management's application of Canadian GAAP in these areas. Note 20 of the financial statements further explain and quantify the effect of the transition to IFRS.

The following summary reconciliation provides a quantification of the effect of the transition to IFRS on shareholders' equity of the transition at January 1, 2010, and December 31, 2010:

	January 1, 2010	Note	December 31, 2010	Note
Total shareholders' equity reported under Canadian GAAP	$11,265,329		$ 12,956,889	
Restatement of share based compensation	5,100	(a)	6,650	(a)
Total adjustments were reclassified within equity	(5,100)	(a)	(6,650)	(a)
Total shareholders' equity reported under IFRS	$11,265,329		$ 12,956,889	

(a) Share Based Payments

Under Canadian GAAP, the corresponding share based compensation expense was recognized by the Company 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. The Company elected not to apply IFRS 2 to share-based payments that vested before the date of transition to IFRSs, January 1, 2010. As a result, retained earnings increased by $5,100 at January 1, 2010, and share compensation expense was reduced by an additional $1,550 and recognized in the income statement for the year ended December 31, 2010.

IFRS may affect our future consolidated financial statements with changes to asset impairment testing on long-lived assets. At the transition date at January 1, 2010, and December 31, 2010, there was no impact to the Company.

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 affected 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 management 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**
Impairment of assets	Quarterly review of assessment of impairment indicators. Annual review of cash-generating unit analysis to ensure any required changes are made.
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.

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.

Business activities

The Company has reviewed the terms of its primary credit facility and noted no significant impact to the Company's current debt covenants as a result of IFRS. The Company is ensuring that any future arrangements include an analysis of IFRS' impact on the arrangement.

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 2012 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.