Omni-Lite Industries Canada Inc.
For the Period Ended September 30, 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 consolidated condensed financial statements and the related notes of Omni-Lite Industries Canada Inc. for the period ended September 30, 2011. 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") and IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). 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 November 28, 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 period ended September 30, 2011 is as follows:

Division/ Segments	**Military**	**Aerospace**	**Sport & Recreation**	**Automotive**	**Commercial**
September 30, 2011	30%	25%	28%	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 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 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 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 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 : 12,826,713	**For the period ended September 30, 2011**	**For the year ended December 31, 2010**	**For the year ended December 31, 2009**	**For the year ended December 31, 2008**
Revenue	$5,415,617	$7,120,813	$4,385,485	$7,454,327
Net Income	962,620	1,820,072	457,008	875,037
EPS (US)	0.08	0.18	0.04	0.08
EPS (CDN)	0.08	0.18	0.05	0.10
Total Assets	25,024,567	19,240,986	18,134,123	17,207,148
Long term debt	1,786,519	2,787,504	3,567,546	3,142,470

Results from Operations

Revenue: For the period ended September 30, 2011, Omni-Lite reported revenue of $5,415,617 ($5,592,112 CDN), a decrease of 10 percent from the prior period in 2010.

The Military division represented the largest portion of sales with 30 percent of revenue. Sales in this division were lower by 133 percent when compared to the period ended September 30, 2010. The Sports and Recreation division contributed 28 percent of revenue, a 31 percent increase from 2010. The Aerospace division contributed 25 percent of revenue, an increase of 34 percent from the same period in 2010. The Automotive division contributed 16 percent of revenue, a 29 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**
1st Nine months 2011	30%	25%	28%	16%	1%
1st Nine months 2010	54%	15%	16%	14%	1%

Geographic allocation	**United States**	**Canada**	**Barbados**
1st Nine months 2011	76%	-	24%
1st Nine months 2010	85%	-	15%

Net Income: Net income was $962,620 ($993,992 CDN) versus $1,599,782 in 2010, a decrease of 40 percent. A decrease in the military segment's revenue, coupled with the other segment revenue increases, resulted in the reduction to the first nine months of 2011 when compared with 2010.

Cost of Goods Sold: Cost of Goods Sold ("COGS") increased 11 percent from $1,837,944 in 2010 to $2,046,331 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 17 percent from the prior period. Interest expense of $50,831 was incurred, a decrease of 31 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 2011.

Foreign exchange loss was $48,540 in 2011, compared with $895 in 2010 due to the weakening of the Canadian dollar at September 30, 2011. Research and product design ("R&D") expense was $139,704, an increase of 33 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 expense decreased to ($12,000) from $194,700 in 2011 due to a recovery of California R&D tax credits and current year Internal Revenue Service tax allowances. Future tax decreased to $99,400 from $358,000. 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 $0.08 ($0.08 CDN) compared to $0.16 ($0.16 CDN) in 2010 based on the weighted average shares outstanding of 12,826,713 and 10,306,395 in 2010. Actual shares outstanding were 13,214,066. The weighted average number of shares increased approximately 24 percent over the first nine months of the prior year.

The diluted earnings per share were $0.07 ($0.08 CDN) compared to $0.15 ($0.16 CDN) in 2010. As at September 30, 2011, the diluted weighted average number of shares was 13,087,809. 140,834 (2010 – 264,167) 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: 12,826,713	**For the period ended September 30, 2011**	**For the period ended September 30, 2010**	**% Increase (Decrease)**
Revenue	$5,415,617	$5,994,776	(10%)
Cash flow from operations[(2)]	1,815,445	2,662,620	(32%)
Net Income	962,260	1,599,782	(40%)
EPS (US)	0.08	0.16	(52%)
EPS (CDN)	0.08	0.16	(51%)

(Note: at 9/30/11, $1US = $1.0326 CDN; 9/30/10, $1US = $1.0294 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

	Sep 30/2011	Jun 30/2011	Mar 31/2011	Dec 31/2010	Sep 30/2010	Jun 30/2010	Mar 31/2010	Dec 31/2009
Revenue	1,793,959	2,139,344	1,482,314	1,126,037	1,720,995	2,439,705	1,834,076	1,175,516
Cash Flow from Operations(2)	414,176	763,456	637,813	523,347	881,838	1,005,306	768,309	429,416
Net Income	143,761	510,960	307,899	220,290	427,806	687,889	484,087	83,011
EPS – basic (US)	.011	.039	.026	.017	.048	.066	.045	.008
EPS – basic (CDN)	.011	.038	.025	.017	.048	.067	.045	.008
EPS – diluted (US)	.011	.038	.026	.016	.047	.066	.045	.008
EPS – diluted (CDN)	.011	.037	.025	.016	.047	.067	.045	.008

(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 third quarter of 2011, revenue was $1,793,959 ($1,852,424 CDN), a decrease of 4 percent over the same period in 2010. Net income was $143,761 ($148,446 CDN) versus $427,806 in 2010.

Liquidity and Capital Resources

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

	Sep 30/2011	Sep 30/2010
Net cash from operating activities	$ 2,094,892	$ 2,420,093
Net cash from (used in) financing activities	4,391,954	(784,552)
Net cash used in investing activities	(698,061)	(1,484,125)
Net increase in cash	5,788,785	151,416
Cash at the beginning of the period	30,301	39,935
Cash at the end of the period	5,819,086	191,351

As at September 30, 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 period end, the Company's working capital (current assets – current liabilities) was $8,835,007, which has increased from 2010 when working capital was $2,982,962.

A comparison between total current assets divided by total current liabilities shows that at September 30, 2011 the current ratio(3) was 7.92x compared to 2.80x at September 30, 2010. Debt ratio(3) ((Current liability + Total long-term debt)/Total Assets) reduced to 0.09x in 2011 compared to 0.18x 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 increased to $2,094,892.

Cash flow from financing activities was $4,391,954.

Cash flow used in investing activities was $698,061.

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short borrowings from our credit, and long term debt securitized by real estate and equipment. At September 30, 2011, Omni-Lite had $750,000 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 September 30, 2011, 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)]	**September 30, 2011**	December 31, 2010	January 1, 2010
Long-term debt	**$ 1,061,219**	$ 1,584,937	$ 2,285,876
Current portion long-term debt	**725,300**	1,202,567	1,290,670
Less: cash	**(5,819,086)**	(30,301)	(39,935)
Total Net Debt	**$ (4,032,567)**	2,757,203	$ 3,536,611
Shareholders' Equity	**$ 19,523,246**	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 twelve month period ended September 30, 2011, the net debt to cash flow from operating activities was (1.58) 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 period.

The interest coverage ratio allows the Company to monitor its ability to fund the interest requirements associated with its debt. The interest coverage decreased in 2011 from 30.5 times at September 30, 2010 to 26.1 times at September 30, 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.

	September 30, 2011	**September 30, 2010**
Net Income	**$ 962,620**	$ 1,599,782
Add:		
Interest Expense	**50,831**	73,679
Provision for Income Taxes	**87,400**	552,700
Amortization	**720,350**	660,725
EBITDA	**$ 1,821,201**	$ 2,886,886

(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

Please see the 2010 Annual Financial Statements and Management Discussion & Analysis for full disclosure of risk factors potentially affecting Omni-Lite.

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.

	September 30, 2011		September 30, 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Held-for-trading				
Cash	**$ 5,819,086**	**$ 5,819,086**	$ 191,351	$ 191,351
Loans and receivable				
Accounts receivable	**1,072,312**	**1,072,312**	1,029,784	1,029,784
Due from related parties	**785,040**	**785,040**	500,195	500,195
Available for Sale				
Investments	**354,217**	**354,217**	188,297	188,297
Liabilities				
Accounts payable and accrued liabilities	**551,384**	**551,384**	857,349	857,349
Long-term debt	**1,786,519**	**1,786,519**	2,931,043	2,931,043

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 September 30, 2011

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	**$ 5,819,086**	**$5,819,086**	$ -	$ -
Investments	**354,217**	**354,217**	-	-

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

As disclosed in Note 3 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 September 30, 2011, the increase or decrease in income before taxes for each 1 percent change in interest rates on floating rate debt amounts to approximately $17,865 (December 31, 2010 - $27,843). 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 September 30, 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 September 30, 2011	USD December 31, 2010	USD January 1, 2010
Cash	**$ 4,845,229**	$ 21,860	$ 42,187
Accounts payable	**140,456**	82,340	112,373

At September 30, 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	**$ (484,523)**
U.S. Dollar Exchange Rate – 10% decrease	**$ 484,523**

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	**$ (470,477)**
U.S. Dollar Exchange Rate – 10% decrease	**$ 470,477**

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 period's fair value reported in Other Comprehensive Income.

Liquidity Risk

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

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at September 30, 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	$ 551,384	$ -	$ -	$ -	$ 551,384
Bank loan and interest	770,607	1,053,601	-	-	1,824,208
Total	$ 1,321,991	$ 1,053,601	$ -	$ -	$ 2,375,592

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 nine months ended September 30, 2011, the Company was engaged in contracts for products with five (September 30, 2010 – two) customers in excess of 10% of revenue, which accounted for $3,457,506 (September 30, 2010 - $3,222,259) or 64% (September 30, 2010 – 54%) of the Company's total revenue. During the same period, export sales to two (September

30, 2010 – two) customer(s) in various international countries (outside of the United States) amounted to $986,916 (September 30, 2010 - $897,565) or 18% (September 30, 2010 – 15%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of account receivable. The table below provides an analysis of our current financial assets and the age of our past due but not impaired financial assets by type of credit risk.

Aging	**Current AR**	**≤ 30 days**	**> 30 days ≤ 60 days**	**60 days ≤ 90 days**	**> 90 days**
Accounts Receivable	$ 769,146	$ 214,471	$ 495	$ 88,200	$ -

Outstanding Share Capital

As at November 8, 2011:

- 13,113,266 Common Shares issued and outstanding
- 1,610,000 Warrants issued and outstanding
- Stock options:

Description		**Number**
Options outstanding at September 30, 2011		564,347
Options	- granted	-
	- exercised	-
	- forfeited	-
	- expired	-
Options outstanding at November 8, 2011		564,347
Options exercisable at November 8, 2011		233,022

Transactions with Related Parties

Due from related parties includes advances to a company under common control. An amount of $634,187 (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 the period the Company received $nil (September 30, 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 the nine month period ended September 30, 2011, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value annual 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 issued an unsecured interest free loan to one employee in the amount of $20,000 (2010 - $20,000) related to the acquisition of property with a maturity date in 2011. Another employee has received an unsecured interest free loan from the Company with an amount due of $12,269 (2010 - $5,000), repayable in bi-weekly installments of $231 with a maturity date in 2013. The Company has issued a loan to one of its officers and directors for $118,584 (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.

Third Party Investor Relations Contracts

No third party investor relations arrangements have been made.

Board of Directors

The Company's chief executive officer and its corporate secretary are material shareholders. A resolution was passed in 2003 that increased the size of the board of directors to five members. Currently, there is one vacancy to be filled.

International Operations

In September 1997, Omni-Lite Industries Canada Inc. was established by the amalgamation of Omni-Lite Industries Inc. and Omni-Lite Industries Corp., which were both incorporated in Calgary, Alberta. To support the international scope of the market place, Omni-Lite has established two wholly owned subsidiaries in Barbados. These complement the production center in Cerritos, California. The Cerritos 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:

September 30, 2011	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenues	**$ 4,880,309**	**$ -**	**$ 1,303,842**	**$ (768,534)**	**$ 5,415,617**
Net income	**532,714**	**(66,008)**	**495,914**	**-**	**962,620**

September 30, 2010	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenues	$ 5,630,484	$ -	$ 904,948	$ (540,656)	$ 5,994,776
Net income	1,245,788	16,930	337,064	-	1,599,782

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.

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 interim consolidated financial statements represent the Company's initial presentation of the financial results of operations and financial position under International Financial Reporting Standards ("IFRS") for the period ended September 30, 2011 in conjunction with the Company's annual audited Consolidated Financial Statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, the interim consolidated condensed financial statements have been prepared in accordance with IFRS and IAS 34, "Interim Financial Reporting", as issued by the IASB. 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 consists of three phases that will ensure 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 – **in process**
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
We have tracked 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 have not had 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.

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 ending December 31, 2011, will be 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 18 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, September 30, 2010, and December 31, 2010:

	January 1, 2010	Note	September 30, 2010	Note	December 31, 2010	Note
Total shareholders' equity reported under Canadian GAAP	$11,265,329		$ 12,924,519		$ 12,956,889	
Restatement of share based compensation	5,100	(a)	6,650	(a)	6,650	(a)
Total adjustments were reclassified within equity	(5,100)	(a)	(6,650)	(a)	(6,650)	(a)
Total shareholders' equity reported under IFRS	$11,265,329		$ 12,924,519		$ 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 nine months ended September 30, 2010 and 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, September 30, 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 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.