Omni-Lite Industries Canada Inc.
Management Discussion and Analysis
For the year ended December 31, 2022

The Management Discussion and Analysis ("MD&A") of financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes of Omni-Lite Industries Canada Inc. for the twelve months ended December 31, 2022. 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's functional currency is in United States ("U.S.") dollars and all amounts in this MD&A are expressed in U.S. dollars. This discussion has been completed as of April 19, 2023.

Non-IFRS measures - certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and therefore are considered non-IFRS 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 IFRS measure. However, they should not be used as an alternative to IFRS because they may not be consistent with calculations of other companies.

Company Overview

Omni-Lite is managed as a single business by its chief operating decision-makers. The Company operates three business segments defined as forged, electronic and investment casting components. Through its wholly owned subsidiaries which include Omni-Lite Industries California Inc., Monzite Corporation, Impellimax Inc. and Designed Precision Castings, Inc. ("DP Cast"), the Company designs, engineers, manufactures, and markets specialized components to a broad spectrum of Fortune 500 customers. Its components are utilized in the products for Boeing, Airbus, Bombardier, Chrysler, Ford, L3Harris Technologies, Lockheed Martin, Raytheon, Pratt and Whitney, the U.S. military, 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.

Omni-Lite Industries Canada Inc. is a recognized precision manufacturer of forged investment casting and electronic components with a core mission of utilizing material science research and development for mission critical applications. The Company's specialized, computer-controlled hot and cold forging systems combined with its design and materials science expertise have enabled us to solve our customers' extremely challenging product application needs. In addition, we have the range of equipment and production capacity necessary to respond to a wide range of complex high-volume requirements.

To drive future growth, Omni-Lite is committed to funding the research and development of 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 ten (10) U.S. patents covering innovations in materials, processes, and design.

Selected Consolidated Financial Information

All figures are in US dollars except as noted.

Summary of Financial Highlights

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	**$11,136,724**	$5,762,864
Adjusted EBITDA (1)	**(1,127,507)**	(908,313)
Net loss	**(2,553,349)**	(483,097)
Diluted EPS	**$ (0.17)**	$ (0.04)
Diluted weighted average shares outstanding	**15,412,564**	11,435,072
Adjusted Free cash flow (1)	**(6**38,632**)**	(460,733)
Total assets	**20,062,725**	23,158,647

Results from Operations for the Year Ended December 31, 2022

Revenue

For the year ended December 31, 2022, Omni-Lite reported revenue of $11,136,724, as compared to $5,762,864 in the year ended December 31, 2021, an increase of approximately $5,373,860 or 93%. The Increase in revenue was principally due to the addition of DP Cast in December of 2021 combined with higher contributions from in microwave electronics, automotive sales, military and aerospace sales.

Cost of Goods Sold

For the year ended December 31, 2022, cost of goods sold ("COGS") was $11,116,534 as compared to $5,780,676 in the year ended December 31, 2021, or an increase of approximately $5,335,859. The increase was due principally to the addition of DP Cast in December 2021, as well as an increases in material costs, labor costs and fixed overhead.

Overhead Expenses

Overhead expenses for the year ended December 31, 2022, were $2,188,708 as compared to $1,914,210 for the year ended December 31, 2021, an increase of $274,498 or 14% Amortization of intangibles increased by $41,705 as a result of the acquisition of DP Cast.

Research and Product Design ("R&D") Expense:

For the year ended December 31, 2022, R&D expense was $144,876 as compared to $224,058 in the year ended December 31, 2021. The decrease was due to an increase in direct labor as a result of increased sales and deploying more product development resources to manufacturing.

Other Income/Expense:

Interest income was $64,817 in the year ended December 31, 2022, compared with $10,625 in the year ended December 31, 2021. Interest expense was $576,642 in the year ended December 31, 2022, as compared with $119,059 in the year ended December 31, 2021. Of this amount, all of it was non-cash interest expense associated with IFRS 16 lease accounting as compared to $67,440 in the year ended December 31, 2021. The remaining $nil ($51,619 in 2021) of interest expense was associated with borrowings under its revolving line of credit facility.

In 2021 the Company applied for and received $399,587 in loans from the paycheck protection program under the CARES act. These amounts have been forgiven and recorded as other income.

In 2021 the Company retired fixed assets and recorded a loss on disposition of approximately $20,000.

In December 2021, the Company sold its California facility including its land and improvements and entered into an operating lease for 10 years with an option to renew for an additional 10 years. Net proceeds from the sale, net of transaction costs were approximately $6.6 million. As a result of the Company entering into a leaseback agreement, a portion of the gain on sale was allocated to the lease liability resulting in a recognized gain of approximately $1.8 million.

At December 31, 2022, and 2021, as a result of the Company's market capitalization being less than its net assets, the Company performed an impairment test on the Omni-Lite CGU at December 31, 2022, based on FVLCD analysis. It was determined that no impairment exists as the recoverable amount exceeded the carrying amount of the CGU.

The Company has approximately $407,000 of goodwill of has been allocated to the Monzite CGU and approximately $471,205 of goodwill associated with the DP Cast CGU. The Company performed its impairment test at December 31, 2022, and 2021 and the recoverable amounts of the Monzite CGU and the DP Cast CGU were determined based on a FVLCD calculation using the following key assumptions:

- 5-year (2021– 3 year) cash flow projections expected to be generated based on historical performance, financial forecasts, and growth expectations. Cash flows beyond 3 years assumed a terminal growth rate of 2%.
- Forecasted revenue at an average growth rate of 13%-20% (2021 – 8%).
- Average forecasted EBITDA margin of 25-42% (2021 – 18%); and,
- Cash flows were discounted at an after-tax discount rate of 23% (2021 – 20%) based on the Company's weight average cost of capital and risks specific to the particular CGU.

As a result of the impairment test performed, the recoverable amount exceeded the carrying amount, and therefore, did not result in an impairment.

The most sensitive inputs to the VIU model are the forecasted EBITDA and discount rate. All else being equal:

- A 1% increase in the discount rate would not result in an impairment.

- A 1% decrease in the average forecasted EBITDA would not result in an impairment; and,
- A 2% decreased in the average forecasted EBITDA or a 2% increase in the discount rate would result in an insignificant impairment.

Income Tax Provision (Credit):

The income tax provision in the year ended December 31, 2022, was $16,450 as compared to $365,028 in the year ended December 31, 2021. The expense in 2021 was related to the gain on sale of the Company's California facility. The gain was partially sheltered by deferred tax losses associated with net operating loss carryforward amounts.

Net Income/(Loss):

Net loss for the year ended December 31, 2022, was $2,553,349 as compared to a net loss of $483,097 in the year ended December 31, 2021. The net loess for the year ending December 31, 2022, was largely related to the acquisition of DP Cast as well as increase lease related expenses.

Income/(Loss) Per Share:

Basic loss per share was $(0.17) in the year ended December 31, 2022, as compared to ($0.04) in the year ended December 31, 2021, based on the weighted average shares outstanding of 15,412,564 in 2021 and 11,435,072 in 2021.

The diluted loss per share was $(0.17) in the year ended December 31, 2022, compared to ($0.04) in the year ended December 31, 2021. At December 31, 2021, the diluted weighted average number of shares outstanding was 15,412,564 (11,435,072 in 2021). At December 31, 2022 stock options 1,015,000 (1,046,000) in 2021) and 1,400,000 (1,400,000 in 2021) warrants were excluded in calculating the weighted-average number of diluted common shares outstanding, because the Company was in a net loss position and therefore any exercise would be anti-dilutive.

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.

Quarterly Information

The following table summarizes the Company's financial performance over the last eight fiscal quarters. *All figures are in US dollars except as noted.*

	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenue	**$3,111,696**	$3,184,818	$2,460,083	$2,380,127	$1,662,224	$1,630,801	$1,200,122	$1,269,718
Adjusted EBITDA (1)	**(270,211)**	4,177	(487,224)	(374,249)	(450,037)	(65,877)	(257,582)	(134,815)
Net Income (Loss)	**(1,015,767)**	(354,343)	(480,398)	(702,841)	522,993	(204,479)	(447,750)	(353,861)
EPS (Loss) – Basic	**$(0.07)**	$(0.02)	$(0.03)	$(0.05)	$0.05	$(0.02)	$(0.04)	$(0.03)
Free Cash Flow (1)	**125,127**	(614,878)	(554,752)	(183,440)	(700,683)	(236,177)	(93,464)	(127,315)
Adjusted Free Cash Flow (1)	**125,127**	(614,878)	5,248	(154,129)	(3,777)	(236,177)	(93,464)	(127,315)

As Omni-Lite's management measures the performance of the Company by the metrics, among others, Adjusted EBITDA (1) and Free Cash Flow (1),

(1) Adjusted EBITDA is a non-IFRS financial measure defined as earnings before interest income, interest expense, taxes, depreciation, amortization, stock-based compensation, and non-recurring items, if any. Free Cash Flow is a non-IFRS financial measure defined as cash flow from operations minus capital expenditures. Adjusted Free Cash Flow is a non-IFRS financial measure defined as Free Cash Flow excluding, if any, non-recurring items. These are non-IFRS financial measures, as defined herein, and should be read in conjunction with IFRS financial measures. The non-IFRS financial measures as used herein may not be comparable to similarly titled measures reported by other companies. We believe the use of Adjusted EBITDA, Free Cash Flow and Adjusted Free Cash Flow along with IFRS financial measures enhances the understanding of our operating results and may be useful to investors in comparing our operating performance with that of other companies and estimating our enterprise value. Adjusted EBITDA is also a useful tool in evaluating the operating results of the Company given the significant variation that can result from, for example, the timing of capital expenditures and the amount of working capital in support of our customer programs and contracts. We use Adjusted EBITDA, Free Cash Flow and Adjusted Free Cash Flow internally to evaluate the operating performance of the Company, to allocate resources and capital, and to evaluate future growth opportunities.

The components of Adjusted EBITDA (1) for the year ended December 31 are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Net (loss)	**$ (2,553,349)**	$ (483,097)
Add:		
Depreciation	**1,140,063**	775,335
Amortization of intangibles	**119,826**	78,121
Share-based compensation	**102,142**	121,963
Cash transaction expenses associated with acquisition	**29,311**	404,275
Mark to market adjustment	**287,560**	34,807

Accounts receivable recovery associated with loan receivable write-off	**-**	(7,304)
Repayment of lease liability	**(823,015)**	(159,430)
Interest expense	**576,642**	119,059
Interest income	**(64,817)**	(10,625)
Other expense(income)	**(288,320)**	20,319
(Recovery) Provision for income tax	**16,450**	365,028
PPP loan forgiveness	**-**	(399,587)
Gain on sale of land & building	**-**	(1,767,177)
One-time Inventory Adjustment	**330,000**	
Adjusted EBITDA [1]	**$ (1,127,507)**	$ (908,313)

The components of Adjusted Free Cash Flow [1] for the year ended December 31 are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Cash flow from operating activities	**$ (762,285)**	**$ (827,190)**
Purchase of property, plant and equipment	**(465,658)**	**(330,449)**
Free Cash Flow	**$ (1,227,943)**	**$ (1,157,639)**
Capitalized rent expense	**-**	**292,631**
Non-recurring items	**589,311**	**404,275**
Adjusted Free Cash Flow	**$ (638,632)**	$ (460,733)

Liquidity and Capital Resources

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

	For the year ended December 31, 2022	**For the year ended December 31, 2021**
Net cash (used) provided by operating activities	**$ (762,285)**	**$ (827,190)**
Net cash provided from financing activities	**(713,786)**	**5.325,275**
Net cash used in investing activities	**521,225**	**(3,614,434)**
Translation gain (loss)	**(132,025)**	**(7,755)**
Net increase in cash	**$ (1,089,871)**	**$ 875,896**
Cash at the beginning of the period	**$ 2,418,301**	**$ 1,542,405**
Cash at the end of the period	**$ 1,328,430**	**$ 2,418,301**

<u>Cash Flows from Operations</u>

For the year ended December 31, 2022, cash flow from operations was a use of $762,285 as compared to a use of $827,190 in the year ended December 31, 2021. The 2022 use of $807,303 includes approximately $560,000 of non-recurring capital gains tax related to the 2021 sales of the Cerritos facility and approximately $29,000 of transaction costs related to the acquisition of DP Cast. A decrease in inventory generated approximately $589,400 ($500,000 in 2021) in cash from operations, this decrease in inventory included a onetime write off of approximately $330,000; not including this write off inventory decreased by approximately $259,400. This brings the two-year total reduction in inventory to approximately $770,000 not including the inventory write off. This amount was offset by an increase in inventory as a result of the acquisition of DP Cast. In 2022, accounts receivable decreased by approximately $83,747 due to the timing of shipments within the fourth quarter. There was also a decrease in accounts payable and accrued liabilities of approximately $(560,299) due to additional accruals at the December 31, 2021, period for DP Cast related items.

Cash Flows from Financing Activities

Cash used by financing activities was $713,786 in the year ended December 31, 2022, as compared to a source of cash of approximately $5.3 million for the year ended December 31, 2021. In the year ended December 31, 2022, the Company made approximately $823,015 in payments under its operating lease agreements and entered into a new lease transaction valued at $97,229.

In the year ended December 31, 2021, the Company received approximately $400,000 in proceeds from the Paycheck Protection 2 program and generated approximately $6.6 million in proceeds from the sale of its California facility. Contemporaneous with the sale of the California facility, the Company entered into a lease agreement for the facility. The Company used approximately $1.5 million of the proceeds to pay off its outstanding line of credit balance. Additionally, the Company made approximately $159,000 in payments under its operating lease agreements.

Cash Flow from Investing Activities

In the year ended December 31, 2022, the Company received approximately $985,883 from the sale of 1.0 million shares of its common stock in a private placement transaction. The Company made capital expenditures of approximately $464,658 to maintain and enhance the Company's array of manufacturing processes.

In the year ended December 31, 2021, the Company used approximately $3.3 million to acquire DP Cast. The Company used approximately $293,000 to prepay lease payments under its Cerritos land and building lease and used approximately $37,000 net of retirements and related proceeds to purchase equipment.

The Company's liquidity needs can be met through a variety of sources including cash on hand and cash provided by operations. In 2021 The Company had access to Paycheck Protection Program funding under the U.S. government CARES Act in 2021 which provided a source of cash. Under the CARES Act, the Company borrowed $399,587 in the fiscal year ended 2021. The Company has been notified by the Small Business Administration that it has met the requirements for forgiveness and the full amount of the $399,587 loan borrowed has been forgiven.

The Company has a $3.0 million revolving credit line with City National Bank (the "Credit Agreement") with no outstanding borrowings at December 31, 2022. The Credit Agreement accrues interest at the US Prime Rate and matured on December 31, 2022. The Credit Agreement is secured by the Company's accounts receivable, inventory, property, plant and equipment, and general intangibles. Under the Credit Agreement, the Company has agreed to certain conditions and financial covenants including tangible net worth, debt service coverage, and loan to value measures. At March 31, 2021, the Company received a waiver for its debt service covenant.

The Company has leases for manufacturing and office space at its two manufacturing locations. One lease, expiring in March 2021, was renewed through March 2026. In December 2021, the Company sold its facility located in Cerritos, California in a sale-leaseback transaction. The lease is for a period of 10 years with a 10-year renewal option. The Company recognized a lease liability of approximately $4.1 million and a gain on sale of $1.8 million. The Company prepaid $292,631 of rent payments, which have been excluded in the measurement of the lease liability. The use of proceeds included the repayment of the Company's outstanding bank indebtedness, acquisition of DP Cast, and contribution to working capital.

The proceeds from the sale-leaseback transaction were used to repay the borrowings under the Company's Credit Agreement and for the acquisition of DP Cast. The discount rate applied to the lease is 9%. In addition to lease payments, the Company pays annual operating costs consisting of insurance, real estate taxes and facility maintenance costs of approximately $219,235. In the first half of 2022, the Company entered into a lease to purchase equipment in the amount of $97,229.

The Company's lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Opening Balance January 1	**$ 6,537,256**	$ 90,535
Modifications	**-**	595,759
Additions	**97,229**	4,054,465
Acquired through DP Cast acquisition (note3)	**-**	1,863,828
Payments	**(823,015)**	(159,430)
Interest	**576,642**	67,440
Currency translation	**(131,049)**	24,659
Lease liability end of period	**$ 6,257,063**	$ 6,537,256
Less current portion	**338,233**	239,445
Long term portion	**$ 5,918,830**	$ 6,297,811

The Company ascribed a 9% discount rate in determination of its lease liability. In addition to lease payments, the Company pays annual operating costs consisting of insurance, real estate taxes and facility maintenance costs of approximately $219,235. In the first half of 2022, the Company entered into a lease to purchase equipment in the amount of $97,229.

During 2021, the leases for a warehouse in California and the manufacturing office in New Hampshire were amended and extended for an additional five-year period. The lease amendments were considered lease modifications, with the remeasured lease liability and associated right of use asset balances each increasing by $595,777.

In connection with the December 2021 sale leaseback transaction involving the California facility, the Company recognized a lease liability of approximately $4.1 million and a gain on sale of approximately $1.8 million. The Company prepaid $292,631 of rent payments which have been excluded in the measurement of the lease liability.

The Company has entered into leases for its manufacturing and office space at its three manufacturing locations and one equipment purchase lease. A summary of leases is as follows.

Location	**Type**	**Liability**	**Expires**	**Entered/ Renewed**
Cerritos, California	Manufacturing and office	$ 4,062,377	December 2031 with a10 year extension option which management expects to exercise.	Entered December 2021
Cerritos, California	Warehouse	270,065	June 2026	Renewed June 2021
Brampton, Ontario	Manufacturing and office	1,652,635	December 2026 with a 5-year extension option which management expects to exercise	Entered December 2021
Nashua, New Hampshire	Manufacturing and office	201,697	March 2026	Renewed March 2021
Brampton, Ontario	Equipment purchase	70,289	October 2022 and October 2023	Entered December 2021
		$ 6,257,063		

The discount rate applied to these leases is 9%. All of the above leases were entered into or renewed in 2021. Additionally, the Company is responsible for all building operating costs including real estate taxes and insurance. These costs are recorded in operating expenses.

	California	**Nashua**	**Ontario**	**Total**
Total	143,393	22,000	53,842	219,235

The current ratio defined as the current assets divided by current liabilities at December 31, 2022, was 4.2, as compared to 3.6 at December 31, 2021.

Transactions with Related Parties

California Nanotechnologies:	**December 31, 2022**	December 31, 2021
i. A loan receivable including accrued interest in the amount of $1,252,469 which is due on demand. Of this amount, $1,261,936 accrues interest at 7.5% per annum. The loan was secured by all the assets of California Nanotechnologies Inc., a subsidiary of California Nano. This loan receivable is fully reserved.	**$ -**	$ -
ii. The Company has provided a guarantee on the bank debt held by California Nanotechnologies Corp. The bank debt consists of a term loan with a balance of $nil ($143,000 at December 31, 2021).		
iii. On March 31, 2020, the bank called California. Nano's line of credit of $250,000, which was guaranteed by the Company. Omni-Lite repaid this amount on their behalf and has a loan receivable with interest at the prime rate plus 1% from California Nanotechnologies Corp. This amount has been fully reserved.		
iv. On July 31, 2021, the Company entered into an agreement to provide space to California Nanotechnologies at the rate of $3,500 per month. The agreement is cancelable by either party with 30 days' notice.		
Has an unsecured interest free loan receivable from an employee forgiven after five years of service time, related to the acquisition of property with a maturity date in 2022.	**20,000**	20,000
Provided two grants (December 31, 2020 – four) related to the purchases of hybrid/electric cars under the Company's *Greenhouse Gas Reduction Incentives for Employees* program in the amount of $5,000 each. One grant outstanding matures in 2021, one grant matures in 2022 and two grants mature in 2023.	**10,000**	10,000
Reserve for earned grants	**(28,000)**	(16,000)
Total due from related parties	**$ 2,000**	$ 14,000
Current portion	**-**	-
Long-term portion	**$ 2,000**	$ 14,000

Transactions with Related Parties - continued

The table below provides information relative to the Company's significant subsidiaries, including each such entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by the Company, a brief description of the entity, and the market areas served, if applicable. The functional currency of each entity is U.S. Dollars.

Company (Jurisdiction of Incorporation/ Formation)	Percentage of ownership by Omni-Lite Industries Canada, Inc.	Overview	Market Area

Company (Jurisdiction of Incorporation/ Formation)	Percentage of ownership by Omni-Lite Industries Canada, Inc.	Overview	Market Area
Omni-Lite Industries California, Inc. (California, USA)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada, Inc., which was formed and incorporated on October 4,1985. It is the head office which conducts research and development, and production operations.	United States
Monzite Corporation (New Hampshire, USA)	100%	Indirectly owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Impellimax, Inc.	United States
Monzite Holding Co. (Delaware, USA)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Monzite Corporation.	United States
Impellimax, Inc. (New Hampshire, USA)	100%	Wholly owned subsidiary of Monzite Corporation, which was acquired on September 21, 2018. It designs, manufactures, and contract manufactures electronic subcomponents.	United States
Designed Precision Castings Inc. (Ontario, Canada)	100%	Indirectly owned subsidiary of Omni-Lite Industries Canada Inc, which was acquired on December 20, 2021. It designs, and contract manufactures investment castings.	United States, Canada
Marvel Acquisition Co. Ltd. (Ontario, Canada)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada Inc., which is a holding company, and sole shareholder of Designed Precision Castings, Inc	Canada

Outstanding Share Capital

As of December 31, 2022:

- 15,412,564 Common Shares were issued and outstanding, including 1,440,000 shares held in escrow until December 20, 2023, as collateral in connection with the acquisition of DP Cast.
- 1,015,000 Share Options outstanding – 575,000 exercisable
- 1,400,000 Warrants outstanding – 510,000 exercisable

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 capital structure of the Company consists of cash and equity comprised of issued capital, contributed surplus and retained earnings. The Company generally relies on working capital cash, operating cash flows and its revolving line of credit to fund the expansion and product development. 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 shareholder's equity, maintaining sufficient undrawn committed credit capacity to provide liquidity, ensuring ample covenant room to draw credit lines as required and ensuring the Company maintains a credit rating that is appropriated for their circumstances. 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.

Segment Information

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. The Company's production and sales activities are located in Cerritos, California in the heart of Southern California's aerospace industry which facilitates access to customers, specialized equipment, materials, and workforce. On September 21, 2018, Omni-Lite acquired its wholly-owned subsidiary, Monzite, a private company based in Nashua, New Hampshire. Monzite manufactures multi-chip microelectronic components for aerospace, defense, industrial and medical applications. In December 2021, the Company acquired DP Cast, a private company based in Brampton, Ontario. DP Cast is a prominent investment castings manufacturer and marketer of highly engineered, high-performance, hardware and structural components for aerospace, defense, industrial and energy applications. Revenue and net (loss) income by geographic region are as follows:

	United States	Canada	Total
For the year ended December 31, 2022			
Revenue	**$ 7,130,994**	**$ 4,005,730**	**$ 11,136,724**
Net income loss	**(708,938)**	**(1,844,411)**	**(2,553,349)**
Long term assets	**6,044,758**	**6,711,238**	**12,755,996**
For the year ended December 31, 2021			
Revenue	$ 5,694,790	$ 68,074	$ 5,762,864
Net loss	334,920	(818,017)	(483,097)
Long term assets	7,752,923	6,079,909	13,832,832

Financial Instruments

Financial instruments of the Company consist of cash, accounts receivable, due from related parties, investment, accounts payable and accrued liabilities, and bank indebtedness.

	December 31, 2022		December 31, 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 1,328,430**	**$ 1,328,430**	$ 2,418,301	$ 2,418,301
At FVOCI				
Investment	**$ 487,704**	**$ 487,704**	$ 426,288	$ 426,288
At Amortized cost				
Accounts receivable	**$ 2,268,442**	**$ 2,268,442**	$ 2,352,189	$ 2,352,189
Due from related parties	**2,000**	**2,000**	14,000	14,000
Accounts payable and accrued liabilities	**1,329,265**	**1,329,265**	1,889,564	1,889,564

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

	Total	Level 1	Level 2	Level 3
Assets				
Cash	$ 1,328,430	$ 1,328,430	$ -	$ -
Investment	487,704	487,704	-	-

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

Financial Instruments - continued

The carrying values of accounts receivable, accounts payable and accrued liabilities, and finance guarantee liability approximate their fair value due to their short-term nature.

The carrying value of the Company's due from related parties approximate their fair values due to the amounts being due on demand, and the carrying value of bank indebtedness approximates fair value due to a market rate of interest being charged.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes the Company to various risks. 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.

The carrying values of bank indebtedness approximates its fair value due to the market rate of interest applied.

Asset Protection

As Omni-Lite's revenues increase, 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 and Trademark Office.
- Confidentiality agreements – These agreements prevent employees and third parties from sharing any information considered proprietary with unauthorized individuals or companies.

Omni-Lite has received ten (10) patents.

Risk Factors

Capability to Deliver Results

Omni-Lite's results are dependent on a number of factors including customer demand, market cycle, the Company's continued success in materials and production methods, foreign exchange rates, effective marketing, retention of management and operational 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, government fiscal budget and appropriations and general economic conditions.

Business Risk Factors

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

1. Market Cycle – The Company's revenues are dependent on industries such as the aerospace, defense, and specialty automotive and sports and recreational sectors that may experience cyclical changes in demand. The Company minimizes its risk by diversifying its customer base.

2. 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 position. Omni-Lite strives to remain at the forefront of material science and progressive forging by continuing to invest in research and development. As part of this strategy, Omni-Lite was the co-founder and remains a significant shareholder of California Nanotechnologies Corp. ("CNO"). CNO was established to undertake advanced nanotechnology and related material science research and to lead in future scientific and commercialization programs.

3. Revenue Growth – The Company's revenue may not grow at the same rate as historically shown and there may not be suitable projects and programs identified for the Company to undertake.

4. Raw Material Costs – Supply and demand dictates the price of the raw materials utilized by Omni-Lite. Certain raw materials can only be obtained from a few suppliers. Delays or increased costs may be associated with obtaining these raw materials. Material costs are managed by ordering economical lot sizes but may increase if supplies become limited.

5. Customer Supplied Material – Certain customers provide their own raw material. Delays may result if the customer's raw material is not supplied on a timely basis to the Company.

Risk Factors - continued

6. Employee Costs – The cost of labor may increase, as competition for qualified employees in the Southern California and New England areas is generally strong. Labor costs are managed by including employees in the stock option and bonus plan and by increasing efficiency through advanced technology.

7. Key Personnel – The success of the Company and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key employees and members of its board of directors. The loss of their services to the Company may have a materially adverse effect on the Company. The Company has a stock option plan for directors, management, and employees as a method of attraction, motivation and retention of key personnel.

8. Quality Issues – Quality issues by us or our suppliers could result in shipping delays. The Company is AS 9100 and ISO 9001:2015 certified.

9. Manufacturing Facilities – If the Company suffered a loss to its manufacturing facilities due to catastrophe, its operations could be adversely impacted. The Company's facilities are subject to catastrophic loss due to fire, flood, terrorism or other, natural or man-made disasters. In particular, due to its locations, the facilities could be subject to a severe loss caused by earthquake or other natural disasters. See also "14. Covid-19 Pandemic" risk factor below.

10. Development Efforts – Many of the Company's products are complex and require long development times 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. Political Turmoil – The Company's business dealings are international. Changes in governments or policies may cause delays or restrictions that may affect the operating results.

12. Taxation Matters – As any Company, at times, certain tax strategies could be challenged by local taxation authorities. Until the time frame for reassessment has been statute barred or the taxation authorities have reviewed and not objected to the tax filings, there is always the possibility that a reassessment can occur.

13. Inability to Obtain Adequate Financing – At times, the Company's growth strategy and working capital needs may require it to borrow funds from lending institutions. If it is unable to obtain adequate financing, it may not be able to fund its operations.

Risk Factors - continued

14. COVID-19 Pandemic – The ongoing implications of the novel coronavirus (COVID-19 virus) pandemic on our business, results of operations, daily operations, financial condition and liquidity, which may include, among other things, reduction in customer production and development contracts and programs, delays or deferrals in the awarding or funding of customer programs and contracts, potential increases in vendor and commodity or raw material costs, closures of or reduced operating hours at our affected manufacturing facilities, our ability to implement strategic and operational growth plans, adverse effects on the health of our employees, our financial results, and may also include potential inability to obtain supplies or alternative suppliers and vendors, increased direct and indirect labor costs, increased costs to protect and maintain the safety of our manufacturing and administrative facilities, and our ability to comply with covenants under our revolving credit agreement.

15. Interest Rate Risk - The Company's line of credit facility may fluctuate in value as a result of the change in market price. 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, 2022, the annual increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to $nil (December 31, 2021 - $nil).

16. Foreign Currency Risk – The Company has foreign currency exposure through its Designed Precision Casting, Inc subsidiary which has a functional currency of Canadian dollars. The Company manages its foreign currency risk through natural hedges of its current asset and current liability positions where possible.

17. 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 common shares of CNO. This investment is recorded on the consolidated statements of financial position at fair value as of the statement of financial position date with changes from the prior period's fair value reported in other comprehensive income. A 1% change in the price of the investment would have an impact of $4,806 annually. (December 2021 - $4,263).

18. Liquidity Risk – At December 31, 2022, the Company had no borrowings and $1,328,430 of cash in the bank. In February 2022, the Company sold an additional 1,000,000 shares of common stock at CAD$1.25 per share which generated additional cash of approximately $985,000. If the Company should need additional liquidity, it would pursue asset-based lending secured by its assets.

18. Liquidity Risk - continued

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at:

	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
December 31, 2022					
Accounts payable and accrued liabilities	$ 1,329,265	$ -	$ -	$ -	$ 1,329,265
Total	$ 1,329,265	$ -	$ -	$ -	$ 1,329,265
December 31, 2021					
Accounts payable and accrued liabilities	$ 1,889,564	$ -	$ -	$ -	$ 1,889,564
Bank debt	-				-
Total	$ 1,889,564	$ -	$ -	$ -	$ 1,889,564

Credit Risk – The Company manages credit risk over cash by maintaining its bank accounts with large financial institutions. The Company manages credit risk over accounts receivable by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the year ended December 31, 2022, the Company had one customer who each accounted for in excess of 10% of revenue for approximately $1,840,900 or 17% of sales (December 31, 2021 – two customers totaling $2,415,000 million or 42% of sales). The maximum exposure to credit risk is the carrying value of cash, accounts receivable and due from related parties. The table below provides an analysis of the age of accounts receivable from invoice date, which are not considered impaired.

19.

The maximum exposure to credit risk is the carrying value of cash, accounts receivable, and due from related parties. The table below provides an analysis of the aging of our past due accounts receivables which are not considered impaired.

	Total	**≤ 30 days**	**> 30 days ≤ 60 days**	**> 60 days ≤ 90 days**	**> 90 days**
December 31, 2022	**$ 2,268,442**	**$ 1,297,490**	**$ 605,554**	**$ 234,191**	**$ 131,207**
December 31, 2021	**$ 2,352,189**	**$ 1,541,341**	**$ 602,853**	**$ 119,117**	**$ 88,878**

Board of Directors

The Company currently has five directors.

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 harbor" 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 2020 on Omni-Lite's financial condition and projected 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- continued

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 consolidated financial statements.

Additional Omni-Lite Documents are 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.