Omni-Lite Industries Canada Inc.
For the three and nine month fiscal periods ended September 30, 2018

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 condensed consolidated interim financial statements and the related notes of Omni-Lite Industries Canada Inc. for the three and nine month periods ended September 30, 2018. Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") reports its financial position, statements of (loss) income and comprehensive (loss) income 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 ("US") dollars and all amounts in this MD&A are expressed in US dollars. This discussion has been completed as of November 29, 2018.

Company Overview

Omni-Lite Industries Canada Inc. is a recognized precision manufacturer with a core mission of utilizing material science research and development for mission critical applications. The Company's specialized, precision components are produced utilizing computer-controlled hot and cold forging systems that are networked to provide an optimal environment for engineering enhancements, leading to maximum production efficiencies.

By combining its progressive 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 range of industries. The Company's mandate is to further leverage this unique mix of skills and competencies to achieve additional growth.

On September 21, 2018, Omni-Lite acquired a wholly-owned subsidiary, Monzite Corporation ("Monzite"). Monzite is a value-add designer and contract manufacturer of electronic components for high performance electronic sensors to the largest of the OEM system integrators serving the Defense, Aerospace, Medical, Industrial IoT, and Secure Communications markets. The combination of Omni-Lite and Monzite brings together the natural marriage of high-performance microelectronics and advanced materials where small size is a premium, strong product design manufactured to operate in harsh environments that must yield specialized performance. As a result, the Company will be able to take advantage of integrating miniature electronics with metal enclosure components including functional block performance as either a sensor or sensor component. The Companies will be able to leverage its current relationships, market knowledge to expand cold metal forging capabilities into new industry verticals. Both companies address the same markets with complementary mission and capability: specialized performance, strong and durable solutions, and products built in volume at low cost.

Omni-Lite is managed as a single business by its chief operating decision-makers. The Company operates two business segments defined as forged and electronic components. Through its wholly

owned subsidiaries which include: Omni-Lite Industries International Inc., Omni-Lite Industries California Inc., Monzite Corporation, Impellimax Inc., Formed Fast International Inc., and Omni-Lite Properties Inc., 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, Harris, L3, Lockheed Martin, Raytheon, 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.

(1) "EBITDA" is a non-IFRS 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-IFRS financial measures to assist readers in understanding the Company's performance. Non-IFRS 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 IFRS.

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 eight (8) 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% of the outstanding shares of CNO are held by a wholly-owned subsidiary of Omni-Lite.

Selected Annual Consolidated Financial Information

All figures are in US dollars except as noted.

Diluted Weighted Average Shares Issued And Outstanding, September 30, 2018: 10,116,665	**For the fiscal period ended September 30, 2018**	**For the fiscal year ended December 31, 2017**	**For the fiscal year ended December 31, 2016**	**For the fiscal year ended December 31, 2015**
Revenue	$ 4,929,254	$ 6,539,934	$ 7,179,808	$ 7,479,958
EBITDA[2]	180,732	1,327,240	2,056,566	1,959,409
Adjusted EBITDA[2]	1,281,872	1,688,751	1,985,769	2,336,275
Net Income (Loss)	(659,204)	737,824	762,595	884,975
Diluted EPS	(0.07)	0.07	0.07	0.07
Total Assets	22,856,094	21,384,032	21,667,500	21,983,721

[2] EBITDA is a non-IFRS financial measure defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is a non-IFRS financial measure defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation provision, gains (losses) on sale of assets, and non-recurring items, if any. Free Cash Flow is a non-IFRS financial measure defined as cash flow from operations less capital expenditures plus after-tax non-recurring cash items if any. 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 EBITDA, Adjusted EBITDA and 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. 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

also use EBITDA and Adjusted EBITDA internally to evaluate the operating performance of the Company, to allocate resources and capital, and to evaluate future growth opportunities.

Results of Operations Nine Months Ended September 30, 2018

Revenue: For the nine months ended September 30, 2018, Omni-Lite reported revenue of $4,929,254, as compared to $5,496,097 for the nine months ended September 30, 2017 or a decrease of 10%. The decrease is due to the completion of a specialty automotive program in the year ago period offset partially by an increase from the military and aerospace customers.

Cost of Goods Sold: Cost of Goods Sold ("COGS") increased 12% from $2,173,165 for the first nine months fiscal 2017 to $2,427,547 in first nine months fiscal 2018 representing a gross margin of 51% in first nine months fiscal 2018, as compared to the 60% in first nine months fiscal 2017. In 2018, the Company recorded a reserve for obsolete inventory of approximately $560,000. Excluding the reserve for obsolescence, gross margin was 62% in the first nine months of fiscal 2018

Operating Expenses: Operating expenses for the first nine months fiscal 2018 were $3,171,686 or an increase of approximately 27% compared to the first nine months of fiscal 2017 operating expenses of $2,493,210. The first nine months of fiscal 2018 included legal settlement expenses of approximately $172,000 and approximately $294,000 of expenses associated with the acqusisition of Monzite corporation. Excluding the legal and acquisition expenses, operating expenses increased 9%. This increase consists of pay and benefits, depreciation and other administrative expenses.

Income Tax Provision: Current income tax expense for the first nine months of fiscal 2018 was $10,245 as compared to a recovery of $283,860 for the first nine months of fiscal 2017. 2018 taxes included a deferred tax provision of approximately $274,000 associated with the acquisition of Monzite Corporation.

Net Income: Net loss for the nine months ended September 30, 2018 was $659,204 as compared to net income of $1,135,007 in the nine months ended September 30, 2017, a decline that was primarily the result of lower sales volume, a reserve for obsolete inventory, subsidiary acquisition expenses, legal settlement and an increase in sales and general and administrative expenses.

Earnings per share: Basic (loss) earnings per share for the nine months ended September 30, 2018 was ($0.07) compared to $0.11 earnings in the nine month fiscal period ended September 30, 2017 based on the weighted average shares outstanding of 10,102,701 as of the nine months ended September 30, 2018 and 10,327,777 in the nine months ended September 30, 2017. Actual shares outstanding were 11,333,854 at September 30, 2018.

The diluted (loss) earnings per share was a loss of ($0.07) in the nine months ended September 30, 2018, compared to earnings of $0.11 in the nine months ended September 30, 2017. At September 30, 2018, the diluted weighted average number of shares was 10,102,701. 709,133 (September 30, 2017 – 233,000) stock options were excluded in calculating the weighted-average number of diluted common shares outstanding, because their exercise price was in excess of 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 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 Chartered Professional Accountants of Canada.

Results of Operations Three Months Ended September 30, 2018

Revenue: For the three months ended September 30, 2018, Omni-Lite reported revenue of $1,965,233, as compared to $2,016,906 for the three months ended September 30, 2017 or a decrease of 2.6%. The decrease is due to the completion of a specialty automotive program in the year ago period offset partially by an increase from the military and aerospace customers.

Cost of Goods Sold: Cost of goods sold for the three months ended September 30, 2018 was $1,238,214 or 63% of sales as compared to $784,109 or 39% of sales for the three months ended September 30, 2017. The three months ended September 30, 2018 included a $560,000 provision for inventory obsolescence. Excluding the inventory obsolescence provision cost of sales was 35% of sales.

Operating Expenses: Operating expenses for the three months ended September 30, 2018 were $1,270,101 or 65% of sales as compared to $877,738 or 44% for the three months ended September 30, 2017. The three months ended September 30, 2018 included transaction expenses of approximately $294,000 associated with the acquisition of Monzite Corporation. Excluding these expenses, operating expenses were approximately $976,000 or 50% of sales. The remainder of the increase in the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 was due primarily to increased employee related expenses.

Income Tax Provision: Income tax credit for the three months ended September 30, 2018 was approximately $210,000. This was offset by a deferred tax provision of approximately$259,000 associated with the acquisition of Monzite Corporation. Income tax credit for the three months ended September 30, 2017 was $82,850 due to anticipating the reduction in federal income tax rate which occurred in 2017.

Net Loss (Income); Net loss for the three months ended September 30, 2018 was $584,750 due to the factors mentioned above. Net income for the three months ended September 30, 2017 was $445,006.

Net Loss (Income) Per Share: Net loss per share was ($ 0.06)**.** Of this amount approximately ($ 0.02) was due to the deferred tax liability associated with acquisition of Monzite Corporation. Other contributors to the net loss per share in the three months ended September 30, 2018 were the inventory obsolescence provision and expenses associated with the acquisition of Monzite Corporation.

SUMMARY OF FINANCIAL HIGHLIGHTS (US $)
All figures in US dollars unless noted.

Diluted Weighted Average Shares Issued And Outstanding, September 30, 2018: 10,116,665	**For the fiscal period ended September 30, 2018**	**For the fiscal period ended September 30, 2017**
Revenue	$ 4,929,254	$ 5,496,097
EBITDA(2)	180,732	1,640,665
Adjusted EBITDA(2)	1,281,872	1,691,502
Cash Flow from Operations	368,175	1,852,727
Free Cash Flow(2)	368,506	1,074,462
Net (Loss) Income	(659,204)	1,135,007
Diluted EPS	(0.07)	0.11

The components of Free Cash Flow(2) are classified as follows:

	September 30, 2018	September 30, 2017
Cash flow from operations	**$ 368,175**	$ 1,852,727
Purchase of property, plant and equipment	**(465,369)**	(778,265)
Non-recurring cash expenses, net of tax benefit	**465,700**	-
Free Cash Flow(2), as Adjusted	**$ 368,506**	$ 1,074,462

Quarterly Information

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

ALL FIGURES IN US DOLLARS UNLESS NOTED

	Sep 30/2018	Jun 30/2018	Mar 31/2018	Dec 31/2017	Sep 30/2017	Jun 30/2017	Mar 31/2017	Dec 31/2016
Revenue	1,965,233	1,622,331	1,341,690	1,043,837	2,016,906	1,754,952	1,724,239	1,411,288
EBITDA(2)	(261,111)	422,700	19,143	(313,425)	625,605	503,645	511,415	321,048
Adjusted EBITDA(2)	783,977	482,567	187,156	(2,751)	649,104	518,527	523,871	137,699
Cash Flow from Operations	381,399	105,044	(118,268)	230,975	1,158,611	215,129	478,986	622,065
Free Cash Flow(2)	225,948	(22,607)	(330,431)	(120,095)	942,934	(15,098)	146,625	267,655
Net Income (Loss)	(584,750)	113,429	(187,833)	(397,183)	445,006	321,806	368,195	(323,794)
EPS (Loss) - Basic	(0.06)	0.01	(0.02)	(0.04)	0.04	0.03	0.04	(0.03)
EPS (Loss) - Diluted	(0.06)	0.01	(0.02)	(0.04)	0.04	0.03	0.04	(0.02)

Liquidity and Capital Resources

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

	September 30, 2018	September 30, 2017
Net cash from (used) operating activities	**$ 368,175**	$ 1,852,727
Net cash from (used) in financing activities	**361,321**	(325,510)
Net cash used in investing activities	**(850,984)**	(812,993)
Net increase (decrease) in cash	**(126,488)**	712,224
Cash at the beginning of the period	**839,874**	476,976
Cash at the end of the period	**713,386**	1,191,200

At September 30, 2018, the single source of liquidity was cash from operating activities and these amounts were used along with the beginning cash balances for equipment purchases. At period end, the Company's working capital (current assets – current liabilities) was $4,016,028, an increase of 2% from the December 31, 2017 working capital amount of $3,936,802.

A comparison between total current assets divided by total current liabilities shows that at September 30, 2018 the current ratio[3] was 4.4x compared to 8.1x at December 31, 2017. Debt ratio[3] ((Current liability + Total long-term debt)/Total Assets) increased to 0.05x at September 30, 2018 compared to 0.03x at December 31, 2017. The Company is able to meet its debt service.

Cash flow from operating activities decreased to $368,175 from $1,852,727 for the first nine months fiscal 2017. Lower automotive and sport and recreation revenues, an increase in raw material inventory, costs to acquire a subsidiary and a non-recurring legal settlement accounted for the decline.

Cash flow used in investing activities was $855,984 (2017 – $812,993). In September 2018, Omni-Lite acquired a wholly-owned subsidiary, Monzite. In fiscal year 2017, the Company substantially completed the installation of a solar array system that when the system became operational in 2018 is expected to supply approximately 50% of the Company's facility electric power requirements.

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings under our credit facility, and long term debt securitized by real estate and equipment. At September 30, 2018, Omni-Lite had $870,000 of availability under its credit facility.

The terms of the credit facility require that certain financial covenants be met. At September 30, 2018, the Company was in compliance with these covenants.

[3] Non-IFRS measure - 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.

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, significant capital investment prior to cash flow generation may be required. 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.

As a capital equipment-intensive company, Omni-Lite's management measures the performance of the Company by the metrics of Cash Flow from Operations, Free Cash Flow(2), EBITDA(2) and Adjusted EBITDA(2) The calculation of EBITDA(2) and Adjusted EBITDA(2) on a 12-month rolling basis is set out in the following table.

	September 30, 2018	September 30, 2017
Net (loss) income	**$ (1,056,387)**	$ 811,213
Add:		
Interest expense	**(28,086)**	(30,152)
Provision for income taxes	**(237,994)**	108,097
Depreciation	**1,189,774**	1,079,672
EBITDA (2)	**$ (132,693)**	$ 1,968,830
Add:		
Stock based compensation	**142,814**	30,438
Write down recovery of inventory	**-**	(184,876)
Allowance for obsolete inventory	**803,300**	-
Non-recurring items	**465,700**	-
Adjusted EBITDA (2)	**$ 1,279,121**	$ 1,814,392

Risk Factors

Capability to Deliver Results

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

Economic Factors

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

Business Risk Factors

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

1. **Market cycle** – The Company's revenues are dependent on Segments 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. **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 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 principal shareholder of California Nanotechnologies Corp. ("CNO"). CNO was established to undertake advanced nanotechnology and related material science research and to lead in future scientific and commercialization programs.

3. **Sales issues** – The Company's sales may not grow at the same rate historically shown. There may not be suitable projects identified for the Company to undertake.

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

5. **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.

6. **Employee costs** - The cost of labour may increase, as competition for qualified employees in the Southern California area is generally strong. Labor costs are managed by including employees in the stock option and bonus plan and by increasing efficiency through advanced technology. The position of CEO does not receive a salary at this time and additional costs could be introduced if the current structure is changed, a factor, which could affect net earnings.

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 motivation and retaining key personnel.

8. **Quality issues** – The Company is ISO 9001:2008 registered and is working on obtaining ISO/TS 16949 and AS 9100 certification. Delays in establishing compliance and registration in ISO/TS 16949 or AS 9100 may cause delays in shipping or loss of business in the automotive or aerospace Segments.

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 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.

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.

Of particular significance is the fact that Omni-Lite has received eight patents.

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.

	September 30, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At fair value through profit or loss				
Cash	**$ 713,386**	**$ 713,386**	$ 839,874	$ 839,874
Loans and receivable				
Accounts receivable	**1,539,622**	**1,539,622**	1,030,258	1,030,258
Due from related parties	**1,466,625**	**1,466,625**	1,452,947	1,452,947
Available-for-sale				
Investment	**278,932**	**278,932**	430,515	430,515
Other financial liabilities				
Accounts payable and accrued liabilities	**855,595**	**855,595**	543,692	543,692
Bank indebtedness	**330,000**	**330,000**	-	-

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

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 713,386	$ 713,386	**$ -**	**$ -**
Investment	278,932	278,932	**-**	**-**

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

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

The fair value of the Company's due from related parties approximate their fair values due to the interest rates applied to these instruments, which approximate market interest rates.

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

Foreign currency risk

A portion of the Company's operations are located outside of the United States and, accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates.

The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and receivables to offset foreign currency payables and planned expenditures. At September 30, 2018, the Company had the following balances denominated in Canadian dollars. The balances have been translated into U.S. dollars in accordance with the Company's foreign exchange accounting policy.

	U.S. Dollar September 30, 2018	U.S. Dollar December 31, 2017
Cash	**$ 3,851**	$ 20,134
Accounts payable	**193,799**	71,547

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 cash and accounts payable, as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	**$ 18,995**
U.S. Dollar Exchange Rate – 10% decrease	**(18,995)**

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 California Nanotechnologies Corp. This investment is recorded on the condensed consolidated interim statement 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 OCI. A 1% change in the price of the investment would have an impact of $2,789 (December 2017 - $4,305).

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 accounts receivable and accounts payable.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at September 30, 2018:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 855,595	$ -	$ -	$ -	$ 855,595
Bank indebtedness	330,000	-	-	-	330,000
Total	$ 1,185,595	$ -	$ -	$ -	$ 1,185,595

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 period ended September 30, 2018, the Company was engaged in contracts for products with four (September 30, 2017 – four) customers in excess of 10% of revenue, which accounted for $3,792,723 (September 30, 2017 - $4,114,026) or 77% (September 30, 2017 – 75%) of the Company's total revenue. During the same period, there were no export sales (September 30, 2017 – nil) to customers in various international countries in excess of 10% of revenue. The maximum exposure to credit risk is the carrying value of account receivable. The table below provides an analysis of the age of our past due accounts receivables which are not considered impaired.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days
September 30, 2018	**$ 1,539,622**	**$ 1,294,140**	**$ 176,678**	**$ 7,433**	**$ 8,014**	**$ 53,357**
December 31, 2017	$ 1,030,258	$ 674,702	$ 234,139	$ 67,492	$ 46,551	$ 7,374

Outstanding Share Capital

As of November 29, 2018:

- 11,333,854 Common Shares issued and outstanding
- 759,333 Stock options outstanding
- 501,994 Stock options exercisable

Transactions with Related Parties

Due from related parties includes advances to a company under common management. An amount of $1,048,656 (December 31, 2017 - $1,048,656) is due from California Nanotechnologies Inc. bearing interest at 2% per annum and due on demand. Included in accounts receivable at September 30, 2018 is interest receivable in the amount of $26,260 (December 31, 2017 - $10,573). The loan is secured by all the assets of California Nanotechnologies Inc. Additional security for the loan has been provided by one of the founders and a current member of the board of directors of the California Nanotechnologies Corp. In September, 2016, the Company guaranteed a long-term credit facility with an advance line in the amount of $250,000, which increased to $800,000 in February 2017. At September 30, 2018, the credit

facility balance was $751,688 (December 31, 2017 - $800,000). This related entity also engaged with the Company for revenue of $17,897 (2017 – $42,106) and incurred expenses of $13,139 (2017 – $9,076). The transactions are considered to be in the normal course of operations and are recognized at their fair value.

The Company has outstanding an unsecured interest free loan to one employee in the amount of $20,000 (December 31, 2017 - $20,000), forgiven after five years of service time, related to the acquisition of property with a maturity date in 2022. Seven employees have received a grant related to the purchase of a hybrid/electric car under the Company's *Greenhouse Gas Reduction Incentives for Employees* program in the amount of $5,000 each. The seven grants outstanding mature in 2018, 2021, 2022 and 2023. Two current employees have received unsecured interest free loans from the Company with amounts due totalling $2,855 (December 31, 2017 - $4,511), with a current portion of $1,712 (December 31, 2017 – 7,282), with maturity dates in 2018 and 2020. The Company has issued a loan due on demand to the former Chief Executive Officer for $360,114 (December 31, 2017 - $354,780) at a 2% interest rate. The loan is secured by the former Chief Executive Officer's related residential property.

Board of Directors

The Company currently has four directors.

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. On September 21, 2018, Omni-Lite acquired a 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. The Companies will be able to leverage its current relationships and market knowledge to expand cold metal forging capabilities into new industry verticals. 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:

Nine months ended September 30, 2018	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenue	**$ 4,733,575**	**$ -**	**$ 393,840**	**$ (198,161)**	**$ 4,929,254**
Net income/(loss)	**(577,207)**	**(262,724)**	**180,727**	**-**	**(659,204)**

Nine months ended September 30, 2017	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 5,067,319	$ -	$ 426,678	$ (230,450)	$ 5,263,297
Net income	910,081	(43,561)	132,831	-	999,351

Three months ended September 30, 2018	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenue	**$ 1,817,633**	**$ -**	**$ 295,200**	**$ (147,600)**	**$ 1,965,233**
Net (loss) income	**(529,789)**	**(195,364)**	**140,404**	**-**	**(584,750)**

Three months ended September 30, 2017	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 1,639,206	$ -	$ 523,550	$ (145,850)	$ 2,016,906
Net (loss) income	130,198	(13,740)	328,548	-	445,006

New accounting policies

Recent accounting pronouncements

IFRS 9 Financial Instruments ("IFRS 9")

On January 1, 2018, the Company retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 Financial Instruments: Disclosures using the modified retrospective approach. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. On the adoption date of January 1, 2018, IFRS 9 did not result in any adjustments to the opening consolidated statement of financial position.

Classification and Measurement of Financial Instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the

contractual cash flow characteristics of the financial asset. Financial assets are classified into three categories: (1) measured at amortized cost, (2) fair value through profit and loss ("FVTPL") and (3) fair value through other comprehensive income ("FVOCI"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Company does not employ hedge accounting for its risk management contracts currently in place.

Amortized Cost

The Company classifies its accounts receivable, due from related parties, accounts payable and accrued liabilities, and bank indebtedness as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Company classifies its cash as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the condensed consolidated interim statements of (loss) income and comprehensive (loss) income. The adoption of IFRS 9 has resulted in changes to the classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. There is no difference in the measurement of these instruments under IFRS 9 due to the short-term and liquid nature of these financial assets.

FVOCI

The Company classifies its investment as measured at FVOCI. Financial assets classified as FVOCI are subsequently measured at fair value with changes in fair value charged to other comprehensive (loss) income.

The following table summarizes the classification categories for the Company's financial assets and liabilities by financial statement line item under the superseded IAS 39 standard and the newly adopted IFRS 9.

	IAS 39	**IFRS 9**
Financial Assets		
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Investment	Available for sale	FVOCI
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost

Impairment of Financial Assets

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, the Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable.

The Company's financial assets are subject to the expected credit loss model under IFRS 9. For the accounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable. In estimating the lifetime expected loss provision, the Company considered historical industry default rates as well as credit ratings of major customers. There were no material adjustments to the carrying value of any of the Company's financial instruments following the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

Revenue Recognition

On January 1, 2018 the Company adopted IFRS 15 using the modified retrospective approach. Upon adoption of IFRS 15, the Company recognizes revenue from the sale of products, which include components for the aerospace, military, specialty automotive and sports and recreational industries, when the performance obligations have been completed, as custody of these products transfer to the customer, and collectability is reasonably assured. The consideration for product sales rendered is measured at the fair value of the consideration received and allocated based on their individual selling prices. The individual selling prices are determined based on the agreed upon prices at which the Company sells in separate transactions.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The adoption of IFRS 15 did not result in any changes in the timing or amount of revenue recognized for the Company's goods and services.

Business combinations

The Company uses the acquisition method of accounting to account for business combinations. At the acquisition date, the Company recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests of the acquire at fair value. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred. If the business combination results in a contingent consideration being transferred to the acquirer, it is recognized at fair value at acquisition date.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's

cash generating unit's ("CGU") expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Recent accounting pronouncements

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by the Company on January 1, 2019 and the Company is currently evaluating the impact of the standard on its consolidated financial statements.

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 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. 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 condensed consolidated interim 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.