Omni-Lite Industries Canada Inc.

Management Discussion and Analysis

For the Three Months Ended March 31, 2021

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 three months ended March 31, 2021. 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 May 21, 2021.

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 Industries Canada Inc. is a recognized precision manufacturer of forged 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.

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 California Inc., Monzite Corporation and Impellimax 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, L3Harris Technologies, 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.

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 three months ended March 31, 2021	For the three months ended March 31, 2020	% Increase (Decrease)
Revenue	**$1,269,719**	$2,144,870	(41%)
Adjusted EBITDA(1)	**(137,159)**	196,683	N/A
Net loss	**(353.861)**	(87,077)	(306%)
Diluted EPS	**$ (0.03)**	$ (0.01)	(200%)
Diluted weighted average shares outstanding	**11,333,854**	11,333,854	-
Cash flow from operations	**(127,156)**	(337,983)	N/A
Free cash flow (1)	**(126,476)**	(346,785)	N/A
Total assets	**15,139,069**	16,906,371	(10%)

Results from Operations for the Three Months Ended March 31, 2021

Revenue

For the fiscal three months ended March 31, 2021, Omni-Lite reported revenue of $1,269,719, a decrease of 41% from $2,144,870 in the fiscal period ended March 31, 2020. The reduction in revenue was principally due to the impact from the COVID-19 pandemic on Aerospace as end customers experienced weakness in demand and implemented inventory destocking initiatives in an effort to conserve cash and also munitions due to a shift in demand.

Cost of Goods Sold

For the three months ended March 31, 2021, cost of goods sold (“COGS”) was $1,237,272 as compared to $1,675,618 in the three months ended March 31, 2020, or a decrease of 26%. Manufacturing cost did not reduce further due to the high fixed cost structure of manufacturing operations. As sales declined, resulting in reduced production requirements, the Company experienced significant under absorption of manufacturing costs. Cost of sales in the three months ended March 31, 2021 included non-cash depreciation expense of approximately $200,000 as compared to approximately $212,000 in the three months ended March 31, 2020.

Overhead Expenses

Overhead expenses for the three months ended March 31, 2021 were $355,676 as compared to $464,745 for the three months ended March 31,2020, a decrease of $108,982 or 23%. The decrease was due principally to payroll, outside services and travel-related expenses of approximately $101,000.

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

For the three months ended March 31, 2021, R&D expense was $49,800 as compared to $67,387 in the three months ended March 31,2020. The decrease was due to the completion of a new product design program for metal formed parts which occurred in the three months ended March 31, 2020.

Other Income/Expense:

The Company recorded a gain on sale of equipment of $10,819 in the three months ended March 31, 2021. Interest income was $$2,656 in the three months ended March 31, 2021, compared with $nil in the three months ended March 31, 2020. Interest expense was $20,637 in the three months ended March 31, 2021 as compared with $18,407 in the three months ended March 31, 2020. Of this amount, $7,367 was non-cash interest expense associated with IFRS 16 lease accounting as compared to $4,624 in the three months ended March 31, 2020. The remaining $13,270 ($13,783 in 2020) of interest expense was associated with borrowings under its revolving line of credit facility.

Income Tax Provision (Credit):

The income tax provision in the three months ended March 31, 2021 was a credit of $26,330 as compared to a provision of $5,789 in the three months ended March 31, 2020.

Net Income/(Loss):

Net loss was $(353,861) in the three months ended March 31, 2021 as compared to net income of $87,077 in the three months ended March 31, 2020.

Income/(Loss) Per Share:

Basic loss per share was $(0.03) in the three months ended March 31, 2021 as compared to ($0.01) in the three months ended March 31, 2020 based on the weighted average shares outstanding of 11,333,854 in both periods.

The diluted loss per share was $(0.03) in the three months ended March 31, 2021, compared to ($.01) in the three months ended March 31, 2020. At March 31, 2021 and 2020, the diluted weighted average number of shares was 11,333,854). 756,000 (879,333 in 2020) stock options and 1,200,000 (1,200,000 in 2020) 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.*

	Mar 31/2021	Dec 31/2020	Sep 30/2020	Jun 30/2020	Mar 31/2020	Dec 31/2019	Sep 30/2019	Jun 30/2019
Revenue	**$1,269,719**	$1,284,720	$1,630,536	$1,623,650	$2,144,870	$2,176,487	$2,123,087	$2,573,509
Adjusted EBITDA(1)	**(137,159)**	(615,375)	(271,870)	(142,622)	196,683	(121,084)	(29,435)	380,616
Net Income (Loss)	**(353,861)**	142,664	(410,265)	(263,414)	(87,077)	(759,382)	(1,467,765)	119,321
EPS (Loss) - Basic	**$(.03)**	$0.02	$(0.04)	$(0.02)	$(0.01)	$(0.07)	$(0.13)	$0.01
EPS(Loss) - Diluted	**$(.03)**	$0.02	$(0.04)	$(0.02)	$(0.01)	$(0.07)	$(0.13)	$0.01
Cash Flow from Operations	**(127,156)**	217,949	(212,412)	334,412	(337,983)	(241,408)	(82,114)	54,446
Free Cash Flow (1)	**(126,476)**	220,589	(216,730)	321,042	(346,785)	(267,006)	(126,955)	5,507

As Omni-Lite's management measures the performance of the Company by the metrics, among others, of Cash Flow from Operations, Free Cash Flow (1), EBITDA (1) and Adjusted EBITDA (1). The calculation of EBITDA(1) and Adjusted EBITDA(1) on a 12-month rolling basis is set out in the following table.

	March 31, 2021	March 31, 2020
Net (loss)	**$ (884,964)**	$ (2,194,903)
Add:		
Depreciation	**1,036,062**	1,064,203
Amortization of intangibles	**74,667**	74,667
IFRS 16 lease accounting adjustment	**(215,434)**	(224,948)
Interest expense	**70,251**	56,879
Interest income	**(10,625)**	(5,361)
Loan receivable write-off	**–**	1,088,879
Other income	**(775,359)**	-
(Recovery) Provision for income tax	**(522,104)**	75,937
Finance guarantee expense	**–**	250,000
EBITDA (1)	**(1,227,505)**	185,354
Add:		
Stock & warrant-based compensation	**96,383**	34,182
Amortization of finished goods mark to market	**–**	39,748
Accounts receivable reserve associated with loan receivable write-off	**(35,990)**	41,595
Allowance for obsolete inventory	**–**	–
Severance expense	**–**	61,000
Non-recurring public company expense	**–**	65,000
Transaction expenses	**–**	–
Legal settlement	**–**	–
Adjusted EBITDA (1)	**$ (1,167,026)**	$ 426,780

(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. 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 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. 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 and 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 Free Cash Flow are classified as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Cash flow from operating activities	**$ (127,156)**	$ (337,983)
Purchase of property, plant and equipment	**680**	(8,802)
Free Cash Flow	**$ (126,476)**	$ (346,785)

Liquidity and Capital Resources

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Net cash (used) from operating activities	**$ (127,156)**	$ (337,983)
Net cash from (used) in financing activities	**344,466**	208,439
Net cash provided(used) in investing activities	**680**	(8,802)
Net increase (decrease) in cash	**$ 217,990**	$ (138,346)
Cash at the beginning of the period	**$ 1,542,405**	$ 693,245
Cash at the end of the period	**$ 1,760,395**	$ 554,899

<u>Cash Flows from Operations</u>

For the three months ended March 31, 2021, cash flow from operations was a use of $(127,156) as compared to a use of ($337,983) in the three months ended March 31, 2020. Net income for the three months ended March 31, 2021 after non-cash items was a use of $(104,284), as compared to a source of $262,865 in the three months ended March 31, 2020. We used approximately $(23,000) for working capital in the three months ended March 31, 2021, as compared to a use of approximately $(601,000) in the three months ended March 31, 2020.

Cash Flows from Financing Activities

Cash provided by financing activities was $344,466 in the three months ended March 31, 2021, as compared to $208,439 for the three months ended March 31, 2020. In the three months ended March 31, 2021, the Company received approximately $400,000 in proceeds from the Paycheck Protection 2 Program. The Company intends to file for forgiveness of this loan once the performance period is completed. In 2020, the Company borrowed approximately $512,000 against its line of credit and used approximately $250,000 as payment of a finance guarantee liability.

Cash Flow from Investing Activities

The Company used $2,500 for capital equipment and generated approximately $3,200 from the sale of equipment. In the first quarter of 2020, the Company used $8,802 for capital expenditures.

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 revolving credit facility and access to Paycheck Protection Program funding under the U.S. government CARES Act. Under the CARES Act, the Company borrowed $819,700 in the year ended 2020 and an additional $399,587 in the three months ended March 31, 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 $819,700 loan borrowed has been forgiven. The Company intends to file for forgiveness of the $399,587 borrowed in the first quarter of 2021 once the performance period has been completed.

The Company maintains a $3.0 million revolving credit line with City National Bank (the "Credit Agreement"). The Credit Agreement accrues interest at the US Prime Rate and matures in 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 has received a waiver for its debt service covenant and is in compliance with its covenants.

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. 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 $22,000. The second lease expires on June 30, 2021. The discount rate applied to this lease is 6%. In addition to lease payments the Company pays annual operating costs consisting of real estate taxes and insurance of approximately $3,000.

The Company's lease liabilities are as follows:

	2021	2020
Opening balance January 1	**$ 90,535**	$ 308,237
Lease addition	**272,965**	-
Lease payments	**(58,121)**	(231,402)
Interest on lease liability	**7,368**	13,700
Lease liability end of period	**$ 312,747**	$ 90,535
Less current portion	**99,823**	90,535
Long term portion	**$ 212,924**	$ -

The current ratio defined as the current assets divided by current liabilities at March 31, 2021 was 6.5, as compared to 2.7 at December 31, 2020. At December 31, 2021, the Line of Credit borrowing were classified as a current liability.

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 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.

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.

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.

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.

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 ten (10) 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.

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

	March 31, 2021		December 31, 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 1,760,395**	**$ 1,760,395**	$ 1,542,405	$ 1,542,405
At FVOCI				
Investment	**668,545**	**668,545**	471,720	471,720
At Amortized cost				
Accounts receivable	**856,895**	**856,895**	976,878	976,878
Due from related parties	**23,000**	**23,000**	26,000	26,000
Accounts payable and accrued liabilities	**414,099**	**414,099**	576,582	576,582
Finance guarantee liability	**-**	**-**	-	-
Bank indebtedness	**1,918,936**	**1,918,936**	1,519,349	1,519,349

The carrying values of accounts receivable, accounts payable and accrued liabilities 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.

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 March 31, 2021, the annual increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $15,190 (December 31, 2020 - $15,139).

Foreign Currency Risk

The Company maintains minimal asset and liability balances in non-U.S. dollar currencies and has deminimus foreign currency exposure.

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 $6,685 annually. (December 2020 - $4,717).

Liquidity Risk

The Company is exposed to liquidity risk due to the borrowings under its revolving line of credit facility and accounts payable and accrued liabilities from operations. This risk is mitigated by complying with the covenants on the line of credit and active cash management. At March 31, 2021 the Company had outstanding borrowings under its $3 million City National Bank revolving line of credit facility in the amount of $1,519,349. In addition, the Company had $399,587 in borrowing related to the Paycheck Protection 2 Program.

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 year ≤ 4 years	> 5 years	Total
March 31, 2021					
Accounts payable and accrued liabilities	$ 414,099	$ -	$ -	$ -	$ 414,099
Bank debt		1,918,936			1,918,936
Total	$ 414,099	$ 1,918,936	$ -	$ -	$ 2,333,035
December 31, 2020					
Accounts payable and accrued liabilities	$ 576,583	$ -	$ -	$ -	$ 576,583
Bank debt	1,519,349				1,519,349
Total	$ 2,095,932	$ -	$ -	$ -	$ 2,095,932

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 three-month period ended March 31, 2021, the Company had two customers who each accounted for in excess of 10% of revenue, for approximately $578,000 or 45% of sales (December 31, 2020 – three customers totaling $3.25 million or 49%) of sales. During the same fiscal period, there were no export sales (December 31, 2020 – nil) to customers in various international countries in excess of 10% of revenue.

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	Current	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
March 31, 2021	**$ 856,895**	**$ 816,538**	**$ -**	**$ 16,571**	**$ 9,417**	**$ 14,369**
December, 2020	$ 976,878	$ 482,596	$ 153,246	$ 29,948	$ 278,011	$ 33,077

Outstanding Share Capital

As of March 31, 2021:

- 11,333,854 Common Shares issued and outstanding
- 756,000 Share Options outstanding – 372,664 exercisable
- 1,200,000 Warrants outstanding - 175,833 exercisable

Transactions with Related Parties

In September 2016, the Company guaranteed a line of credit facility in the amount of $250,000 to California Nanotechnologies Corp ("Cal Nano"). On March 31, 2020, Manufacturers Bank called the line of credit balance of $250,000. Omni-Lite Industries, Inc. paid the line of credit balance and now has a loan receivable from California Nanotechnologies Corp. in the amount of $250,000 with an interest rate of prime plus 1%. In February 2017, the Company guaranteed a term loan to Cal Nano in the amount of $550,000. The term loan balance was approximately $229,000 at March 31, 2020 (approximately $257,000 at December 31, 2020). The Company has a loan receivable, including accrued interest from Cal Nano, which it has fully reserved in the amount of $1,170,497. Of this amount, $1,161,029 accrues interest at an annual rate of 2.89%. In the three months ended March 31, 2021, the Company recorded no sales to Cal Nano ($2,754 – 2020).

The Company has an outstanding unsecured interest free loan to one employee in the amount of $20,000 (December 31, 2020 - $20,000), forgiven after five years of service time, related to the acquisition of property with a maturity date in 2022. Four 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 four grants outstanding mature in 2021, 2022 and 2023. The Company has reserved $17,000 against these grants (December 31, 2020 - $14,000).

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. 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 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. Revenue and net (loss) income by geographic region are as follows:

	United States	Canada	Barbados	Inter-corporate elimination	Total
The Three Months Ended March 31, 2021					
Revenue	$ 1,269,719	-	-	-	$ 1,269,719
Net (loss) income	(283,072)	(70,876)			(353,948)
The Three Months Ended March 31, 2020					
Revenue	$ 2,144,870	-	-	-	$ 2,144,870
Net (loss) income	(7,175)	(79,902)	-	-	(87,077)

New Accounting Policies

On January 1, 2020, the Company adopted the amendment, as issued on October 22, 2018, by the IASB related to IFRS 3, "Business Combinations" ("IFRS 3"), revising the definition of a business and providing for the addition of an optional 'concentration test' to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input – Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process – Any system, standard, protocol, convention or rules that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output – The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional 'concentration test' permits a simplified assessment that results in an asset acquisition of substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may elect to apply, or not apply the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined to not be a business and no further assessment is needed. The amendment to IFRS 3 had no effect to the Company for the year ended December 31, 2020.

Subsequent Events

Subsequent to year end 2020, the Company applied for and received loan proceeds in the amount of $399,587 (the "PPP2 Funds") and entered into a loan agreement with City National Bank pursuant to the COVID-19 Relief Act. The COVID-19 Relief Act was established in order to enable small businesses to pay employees during the economic slowdown caused by COVD-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed by the Company under the COVID-19 Relief Act is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the eight-week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, utility costs and certain operating costs. The amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels.

Principal and interest payments on any unforgiven portion of the PPP Funds (the "PPP Loan") will be deferred for six months and will accrue interest at a fixed annual rate of 1% and will carry a two-year maturity date. There is no prepayment penalty on the CARES Act Loan.

In the three-month period ended March 31, 2021, the Small Business Administration notified the Company that it has forgiven $636,800 of its PPP1 loan funding. When added to the $182,900 forgiven in 2020, all $819,700 of its PPP1 loan funding has been forgiven. The $819,700 was recorded as income in 2020 as the Company believed it had met all of the requirements for loan forgiveness.

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. 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.