Omni-Lite Industries Canada Inc.
For the fiscal period ended March 31, 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 consolidated financial statements and the related notes of Omni-Lite Industries Canada Inc. for the fiscal period ended March 31, 2018. 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 ("US") dollars and all amounts in this MD&A are expressed in US dollars. This discussion has been completed as of May 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. These capabilities provide financial benefits such as high industry gross and net margins, and significant cash flow and EBITDA(1) ratios, which allow the Company to execute on a growth strategy.

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 group of industries. The Company's mandate is to further leverage this unique mix of skills and competencies to achieve additional growth.

Omni-Lite is managed as a single business by its chief operating decision-makers. The Company operates four business segments defined as Aerospace, Military, Specialty Automotive, and Sports and Recreation. Through its wholly owned subsidiaries which include: Omni-Lite Industries International Inc., Omni-Lite Industries California 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, the U.S. Military, Chrysler, Ford, Nike, and Adidas. The requirements and stature of these customers necessitates that the Company operate at a very high level of engineering and production efficiency.

(1) "EBITDA" is a non-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.

The distribution of revenue among the four business Segments for the first quarter fiscal period ended March 31, 2018 is as follows:

Segments			
Aerospace	**Military**	**Specialty Automotive**	**Sport & Recreation**
50%	27%	19%	4%

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.

Outlook

In September of 2015, Omni-Lite initiated a program to review the potential of converting an existing cold forming system to operate at elevated temperatures, in order that the hot forging of aircraft Titanium and other super alloys could be evaluated. In April 2017, the Company produced the first complete Ti 6Al-4V fully tubular component from this system. This technical breakthrough should lead to revenue opportunities within the Aerospace, Military, Marine, Sports and Recreation and Medical industries.

In 2018, Omni-Lite will continue to focus on strengthening its aerospace, military, and specialty automotive segments through on-going product development and organic customer growth. Omni-Lite has invested in large seven station progressive forging system. This system is the most sophisticated at Omni-Lite, with five of the seven dies modified with the OD-Plus System, which provides for the opening and closing of the forging tooling, in real time, under high pressure.

Selected Annual Consolidated Financial Information

All figures are in US dollars except as noted.

Diluted Weighted Average Shares Issued And Outstanding, March 31, 2018: 10,197,672	**For the fiscal period ended March 31, 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	$ 1,341,690	$ 6,539,934	$ 7,179,808	$ 7,479,958
EBITDA(2)	19,143	1,327,240	2,056,566	1,959,409
Adjusted EBITDA(2)	187,156	1,688,751	1,985,769	2,336,275
Net Income (Loss)	(187,883)	737,824	762,595	884,975
Diluted EPS	(0.02)	0.07	0.07	0.07
Total Assets	21,113,320	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 from Operations

Revenue: For the fiscal period ended March 31, 2018, Omni-Lite reported revenue of $1,341,690, a decrease of 22% from the prior period due to the completion of a specialty automotive segment program in the year ago period offset partially by an increase from the military segment.

Revenues by segment and by geographic location are summarized below:

Segment	**Aerospace**	**Military**	**Specialty Automotive**	**Sport & Recreation**
2018 Q1	**50%**	**27%**	**19%**	**4%**
2017 Q1	43%	15%	34%	8%

Geographic Segment	**United States**	**Canada**	**Barbados**
2018 Q1	**99%**	**-**	**1%**
2017 Q1	98%	-	2%

Cost of Goods Sold: Cost of Goods Sold ("COGS") decreased 19% from $666,668 in the first quarter fiscal 2017 to $540,012 in fiscal 2018 representing a gross margin of 60% in first quarter fiscal 2018, compared to 61% in first quarter of fiscal 2017.

Operating Expenses: Operating expenses for the first quarter fiscal 2018 increased by approximately 30% compared to the prior year fiscal first quarter. A provision was recorded for a non-recurring legal settlement expense and other sales and general and administrative expenses increased to support increased sales efforts in future periods. Depreciation expense increased by 4% compared to the fiscal period 2017 amount.

Current income tax expense remained comparable to the prior first quarter fiscal period. Deferred tax recovery decreased to ($69,500) resulting from a net loss in the current fiscal period. Deferred tax recovery in fiscal period 2017 of ($121,700) resulting, in large part, from the December 2017 enactment of the Tax Cuts and Jobs Act (the "Tax Act") signed into law in the U.S.. The Tax Act made changes to U.S. tax law, including a reduction in the top corporate tax rate from 35% to 21%. As a result of the enacted law, the Company was required to revalue its U.S. deferred tax assets and liabilities at the enacted rate. Deferred income tax expense reflects, in part, the effect of temporary tax-to-book differences in the depreciation in the carrying value of the Company's capital equipment. For a capital-intensive company, such as Omni-Lite, these tax considerations can have significant effects on cash flow and earnings.

Net Income: Net loss was ($187,883) versus net income of $368,195 in fiscal period 2017, a decline that was primarily the result of lower sales volume and an increase in sales and general and administrative expenses.

Earnings per share: Basic (loss) earnings per share were ($0.02) compared to $0.04 generated in fiscal period 2017 based on the weighted average shares outstanding of 10,015,520 and 10,369,120 in fiscal period 2017. Actual shares outstanding were 10,015,520 as at March 31, 2018.

The diluted (loss) earnings per share were ($0.02) in fiscal period 2018, compared to $0.04 in the year ago period. At March 31, 2018, the diluted weighted average number of shares was 10,197,672. 399,333 (March 31, 2017 – 93,766) 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 Canadian Institute of Chartered Accountants.

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

Diluted Weighted Average Shares Issued And Outstanding, March 31, 2018: 10,197,672	**For the fiscal period ended March 31, 2018**	**For the fiscal period ended March 31, 2017**
Revenue	$ 1,341,690	$ 1,724,239
EBITDA(2)	19,143	511,415
Adjusted EBITDA(2)	187,156	523,871
Cash Flow from Operations	(118,268)	478,986
Free Cash Flow(2)	(330,431)	146,625
Net (Loss) Income	(187,883)	368,195
Diluted EPS	(0.02)	0.04

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

	March 31, 2018	March 31, 2017
Cash flow from operations	**$ (118,268)**	$ 478,986
Purchase of property, plant and equipment	**(212,163)**	(332,361)
Free Cash Flow(2)	**$ (330,431)**	$ 146,625

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

	Mar 31/2018	Dec 31/2017	Sep 30/2017	Jun 30/2017	Mar 31/2017	Dec 31/2016	Sep 30/2016	Jun 30/2016
Revenue	1,341,690	1,043,837	2,016,906	1,754,952	1,724,239	1,411,288	2,173,388	2,110,643
EBITDA(2)	19,143	(170,205)	625,605	503,645	511,415	321,048	869,299	565,862
Adjusted EBITDA(2)	187,156	(2,751)	649,104	518,527	523,871	137,699	906,537	599,740
Cash Flow from Operations	(118,268)	230,975	1,158,611	215,129	478,986	622,065	636,363	251,065
Free Cash Flow(2)	(330,431)	(120,095)	942,934	(15,098)	146,625	267,655	412,431	99,471
Net Income (Loss)	(187,833)	(397,183)	445,006	321,806	368,195	(323,794)	505,223	410,946
EPS (Loss) - Basic	(0.02)	(0.04)	0.04	0.03	0.04	(0.03)	0.05	0.04
EPS (Loss) - Diluted	(0.02)	(0.04)	0.04	0.03	0.04	(0.02)	0.04	0.04

Liquidity and Capital Resources

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

	March 31, 2018	March 31, 2017
Net cash from operating activities	**$ (118,268)**	$ 478,986
Net cash from (used) in financing activities	**(5,980)**	(4,066)
Net cash from (used) in investing activities	**(212,163)**	(332,361)
Net increase (decrease) in cash	**(336,411)**	142,559
Cash at the beginning of the period	**839,874**	476,976
Cash at the end of the period	**503,463**	619,535

At March 31, 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 $3,771,380, a decrease of 4% 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 March 31, 2018 the current ratio(3) was 8.7x compared to 8.1x at December 31, 2017. Debt ratio(3) ((Current liability + Total long-term debt)/Total Assets) decreased to 0.02x at March 31, 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 ($118,268) from $478,968 in the first quarter fiscal 2017.

Cash flow used in investing activities was $212,163 (2017 - $332,361). 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 March 31, 2018, Omni-Lite had $1,200,000 of availability under its credit facility.

The terms of the credit facility require that certain financial covenants be met. At March 31, 2018, the Company was in compliance with these covenants, except for consecutive quarterly net losses and a waiver was applied for.

(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.

	March 31, 2018	**March 31, 2017**
Net Income	**$ 181,746**	$ 960,570
Add:		
Interest expense	**(28,288)**	(30,164)
Provision for income taxes	**(479,989)**	290,322
Depreciation	**1,161,499**	1,046,896
EBITDA (2)	**$ 834,968**	$ 2,267,624
Add:		
Stock based compensation	**134,861**	-
Write down recovery of inventory	**-**	70,290
Allowance for obsolete inventory	**242,877**	(184,876)
Non-recurring items	**139,330**	14,809
Adjusted EBITDA (2)	**$ 1,352,036**	$ 2,167,847

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, loans due from related parties, investment, accounts payable and accrued liabilities.

	March 31, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At fair value through profit or loss				
Cash	**$ 503,463**	**$ 503,463**	$ 839,874	$ 839,874
Loans and receivable				
Accounts receivable	**946,117**	**946,117**	1,030,258	1,030,258
Due from related parties	**1,458,927**	**1,458,927**	1,452,947	1,452,947
Available-for-sale				
Investment	**382,680**	**382,680**	430,515	430,515
Other financial liabilities				
Accounts payable and accrued liabilities	**478,414**	**478,414**	543,692	543,692

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

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 503,463	$ 503,463	**$ -**	**$ -**
Investment	382,680	382,680	**-**	**-**

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

The carrying values of accounts receivable, accounts payable and accrued liabilities and current portion of long-term debt 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

Interest rate risk

The Company's revolving line of credit facility and promissory note borrowings, if any, are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at March 31, 2018, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $nil (December 31, 2017 - $nil). The related disclosures regarding these debt instruments are included in Note 8 of the condensed consolidated financial statements.

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. The Company reports in its functional currency, the U.S. dollar. At March 31, 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 March 31, 2018	U.S. Dollar December 31, 2017
Cash	**$ 36,115**	$ 20,134
Accounts payable	**18,419**	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 dollar bank accounts and accounts payable, as follows:

	Impact on Net Income
U.S. Dollar Exchange Rate – 10% increase	**$ 1,770**
U.S. Dollar Exchange Rate – 10% decrease	**(1,770)**

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 consolidated 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 $3,827 (December 2016 - $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 receivables and payables.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at March 31, 2018:

	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 478,414	$ -	$ -	$ -	$ 478,414
Total	$ 478,414	$ -	$ -	$ -	$ 478,414

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 fiscal period ended March 31, 2018, the Company was engaged in contracts for products with four (March 31, 2017 – five) customers in excess of 10% of revenue, which accounted for $1,160,391 (March 31, 2017 - $1,432,519) or 87% (March 31, 2017 – 83%) of the Company's total revenue. During the same fiscal period, there were no export sales (March 31, 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
March 31, 2018	**$ 946,117**	**$ 734,335**	**$ 181,829**	**$ -**	**$ 959**	**$ 28,994**
December 31, 2017	$ 1,030,258	$ 674,702	$ 234,139	$ 67,492	$ 46,551	$ 7,374

Outstanding Share Capital

As of May 22, 2018:

- Common Shares issued and outstanding:

Description	**Number**
Common shares outstanding at March 31, 2018	10,015,520
Options – exercised	93,334
Common shares outstanding at May 22, 2017	10,108,854

- Stock options:

Description	**Number**
Options outstanding at March 31, 2018	996,054
Options - expired	(163,387)
Options - exercised	(93,334)
Options outstanding at May 22, 2018	739,333
Options exercisable at May 22, 2018	265,002

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. 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 Inc. 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 March 31, 2018, the credit line balance was $800,000 (December 31, 2017 - $800,000). This related entity also engaged with the Company for revenue of $4,434 (2017 – $10,879) and incurred expenses of $2,639 (2017 – $6,401). The transactions are considered to be in the normal course of operations and are recognized at their fair value.

For the three month period ended March 31, 2018, the Company did not pay the Chief Executive Officer. It is management's estimate that the fair value salary would approximate $40,000 (March 31, 2017 - $40,000). Due to the lack of independent evidence with respect to the fair value of these services, this transaction has been recorded at the carrying amount of $nil.

The Company has outstanding an unsecured interest free loan to one employee in the amount of $20,000 (December 31, 2016 - $nil), forgiven after five years of service time, related to the acquisition of property with a maturity date in 2022. Six 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 six 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 $3,741 (December 31, 2017 - $4,511), with a current portion of $1,855 (December 31, 2017 – 2,282), with maturity dates in 2018 and 2020. The Company has issued a loan due on demand to the Chief Executive Officer for $356,530 (December 31, 2017 - $354,780) at a 2% interest rate. The loan is secured by the Chief Executive Officer's related residential property.

Board of Directors

The Company currently has three 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. 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:

March 31, 2018	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenue	**$ 1,338,011**	**$ -**	**$ 9,840**	**$ (6,161)**	**$ 1,341,690**
Net income/(loss)	**(154,428)**	**(33,045)**	**(410)**	**-**	**(187,883)**

March 31, 2017	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 1,714,210	$ -	$ 26,979	$ (16,950)	$ 1,724,239
Net income	380,002	(14,477)	2,670	-	368,195

<u>New accounting policies</u>

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”, which replaces International Accounting Standard (“IAS”) 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted.

The Company adopted IFRS 15 on January 1, 2018 using the retrospective with cumulative effect method. Under the standard, the Company is required to provide additional disclosure of disaggregated revenue by major product type. There were no changes to reported net earnings or retained earnings as a result of adopting IFRS 15.

IFRS 9 Financial Instruments

In July 2014, the IASB completed the final elements of IFRS 9 “Financial Instruments”. The standard supersedes earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting.

The Company retrospectively adopted the amendment to IFRS 9 on January 1, 2018 and elected to apply the limited exemption in IFRS 9 relating to transition for impairment. Accordingly, provisions for impairment have not been restated in the comparative periods. Adoption of the amendment did not have a significant impact on the Company’s previous accounting for impairment of financial assets.

Effective January 1, 2018, the Company's accounting policy for impairment of financial assets is as follows:

At each reporting date, on a forward looking basis, the Company assesses the expected credit losses associated with its debt instruments carried at amortized cost. For trade accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Credit risk is assessed based on the number of days the receivable has been outstanding and an internal credit assessment of the customer. Credit risk for longer-term receivables is assessed based on an internal credit assessment and where available, an external credit rating of the counterparty.

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 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.