Omni-Lite Industries Canada Inc.
For the Three and six months ended June 30, 2020

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 three and six months ended June 30, 2020. 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 August 12, 2020.

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 International Inc. (merged into Omni-Lite Industries Canada, Inc as of December 31, 2019), Formed Fast International Inc. (merged into Omni-Lite Industries Canada, Inc as of December 31, 2019) , Omni-Lite Industries California Inc. (merged with Omni-Lite Properties Inc. on September 9, 2019), 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 six months ended June 30, 2020	**For the six months ended June 30, 2019**	**% Increase (Decrease)**
Revenue	$3,768,520	$5,018,034	(25%)
EBITDA[(1)]	11,735	853,854	(99%)
Adjusted EBITDA[(1)]	54,063	1,111,399	(93%)
Net loss)/income	(350,490)	354,332	(199%)
Diluted EPS	$ (0.03)	$ .03	(200%)
Diluted weighted average shares outstanding	11,333,854	11,335,285	(1%)
Cash flow from operations	(3,571)	(171,646)	101%
Free cash flow [(1)]	(25,743)	(428,113)	95%
Total assets	17,280,997	18,344,113	(6%)

Results of Operations for the six months ended June 30, 2020

Revenue: For the six months ended June 30, 2020, Omni-Lite reported revenue of $3,768,520, a decrease of 25% from $5,018,034 in the fiscal period ended June 30, 2019. This decrease is due principally to lower munitions sales and to a lesser degree, lower sales to the automotive and athletic industries due to the COVID-19 Pandemic.

Cost of Goods Sold: For the six months ended June 30, 2020, cost of goods sold (“COGS”) was $3,244,834 as compared to $3,540,043, in the six months ended June 30, 2019 or a decrease of 8%. The decrease was due to lower sales.

Overhead expenses: Overhead expenses for the six months ended June 30, 2020 were $836,077 as compared to $981,363 for the six months ended June 30, 2019, a decrease of $145,286 or 15%. The decrease includes payroll expense of approximately $76,000, travel expense of approximately $22,000, outside services of approximately $16,000 and a bad debt recovery of approximately $19,000.

Research and Product Design (“R&D”) Expense: For the six months ended June 30, 2020, R&D expense was $129,844 as compared to $109,499 in the six months ended June 30, 2019. The increase is due to investment in new product design for metal formed parts.

Other Income/Expense: Interest income was $2,656 in the six months ended June 30, 2020, compared with $3,601 in the six months ended June 30, 2019. Interest expense was $35,669 in the six months ended June 30, 2020 as compared with $21,648 in the three months ended June 30, 2019. Interest expense for the six months ended June 30, 2020 consisted of $8,468 of non-cash interest due to the adoption of IFRS 16 Leases which requires leases to be capitalized and amortized over the life of the lease and $27,201 of interest related to borrowings under its revolving line of credit facility. Interest expense for the six months ended June 30, 2019 consisted of $14,453 of non-cash IFRS 16 lease interest expense and $7,195 of interest related to borrowings under the line of credit.

Income Tax (Recovery)/Provision: The income tax recovery in the six months ended June 30, 2020 was $124,756, compared to income tax expense of $14,750 in the six months ended June 30, 2019. The recovery in 2020 was due to changes in deferred taxes.

Net Income/(Loss): Net loss was $(350,490) in the six months ended June 30, 2020 as compared to net income of $354,332 in the six months ended June 30, 2019.

Income/(Loss) Per Share: Basic loss per share was $(0.03) in the six months ended June 30, 2020 as compared to $.03 in the six months ended June 30, 2019 based on the weighted average shares outstanding of 11,333,854 and 11,335,285 respectively.

The diluted loss per share was $(0. 03) in fiscal period 2020, compared to $.03 in the year ago period. At June 30, 2020, the diluted weighted average number of shares was 11,333,854 (11,335,285 – June 30, 2019). 819,333 stock options and 1,200,000 warrants (June 30, 2019 – 399,333 stock options and 1,200,000 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.

Results of Operations for the three months ended June 30, 2020

Revenue: For the three months ended June 30, 2020, Omni-Lite reported revenue of $1,623,650, a decrease of 37% from $2,573,509 in the three months ended June 30, 2019. This decrease is due principally to lower munitions sales and to a lesser degree, lower sales to the automotive, aerospace, and athletic industries due to the COVID-19 Pandemic.

Cost of Goods Sold: For the three months ended June 30, 2020, cost of goods sold (“COGS”) was $1,569,216 as compared to $1,965,685, in the three months ended June 30, 2019 or a decrease of 20%. The decrease was due to lower sales.

Overhead expenses: Overhead expenses for the three months ended June 30, 2020 were $371,332 as compared to $527,051 for the three months ended June 30, 2019, a decrease of $145,286 or 30%. The decrease includes payroll expense of approximately $62,000, outside services of approximately $36,000, travel expense of approximately $22,000, and a bad debt recovery of approximately $19,000.

Research and Product Design (“R&D”) Expense: For the three months ended June 30, 2020, R&D expense was $62,457 as compared to $60,010 in the three months ended June 30, 2019.

Other Income/Expense: Interest income was $3,601 in the three months ended June 30, 2020, compared with $1,816 in the three months ended June 30, 2019.
Interest expense was $17,262 in the three months ended June 30, 2020 as compared with $13,309 in the three months ended June 30, 2019. Interest expense for the three months ended June 30, 2020 consisted of $3,844 of non-cash interest due to the adoption of IFRS 16 Leases which requires leases to be capitalized and amortized over the life of the lease and $13,418 of interest related to borrowings under its revolving line of credit facility. Interest expense for the three months ended June 30, 2019 consisted of $6,847 of non-cash IFRS 16 lease interest expense and $6,462 of interest related to borrowings under the line of credit.

Income Tax (recovery)/Provision: The income tax recovery in the three months ended June 30, 2020 was $130,545, compared to income tax recovery of $110,050 in the three months ended June 30, 2019. The recovery in in both periods was due to changes in deferred taxes.

Net Income/(Loss): Net loss was $(263,414) in the three months ended June 30, 2020 as compared to net income of $119,320 in the three months ended June 30, 2019.

Income/(Loss) Per Share: Basic loss per share was $(0.02) in the three months ended June 30, 2020 as compared to $(.01) in the three months ended June 30, 2019 based on the weighted average shares outstanding of 11,333,855 and 11,333,855 respectively.

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.

	Jun 30/2020	Mar 31/2020	Dec 31/2019	Sep 30/2019	Jun 30/2019	Mar 31/2019	Dec 31/2018	Sep 30/2018
Revenue	$1,623,650	$2,144,870	$2,176,487	$2,123,087	$2,573,509	$2,444,525	$2,145,654	$1,965,233
EBITDA(1)	(154,343)	166,078	(124,893)	(100,738)	244,907	608,946	(74,457)	(261,111)
Adjusted EBITDA(1)	(142,622)	196,683	(121,084)	(29,435)	380,616	730,783	(39,397)	612,277
Net Income (Loss)	(263,414)	(87,077)	$(759,382)	$(1,467,765)	119,321	235,011	(3,864,835)	(584,750)
EPS (Loss) - Basic	$(.02)	$(.01)	$(0.07)	$(0.13)	0.01	0.02	(0.36)	(0.06)
EPS(Loss)-Diluted	$(.02)	$(.01)	$(0.07)	$(0.13)	0.01	0.02	(0.36)	(0.06)
Cash Flow from Operations	334,412	(334,983)	$(241,408)	$(82,114)	54,446	(236,092)	290,758	381,339
Free Cash Flow(1)	321,042	(343,785)	$(267,006)	$(126,955)	5,507	(433,620)	(3,101)	255,845

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.

	June 30, 2020	June 30, 2019
Net (loss)	$ (2,577,638)	$ (4,095,253)
Add:		
Fixed asset impairment charge	-	5,000,000
Depreciation	1,067,216	1,111,014
Amortization of intangibles	74,667	58,666
IFRS 16 lease accounting adjustment	(227,094)	(110,577)
Interest expense	60,832	22,989
Interest income	(6,200)	(17,795)
Loan receivable write-off	1,088,879	–
Other income	-	(2,000)
(Recovery) Provision for income tax	55,442	(1,448,759)
Finance guarantee expense	250,000	–
EBITDA (1)	(213,896)	518,285
Add:		
Stock & warrant-based compensation	33,827	68,280
Amortization of finished goods mark to market	-	230,589
Accounts receivable reserve associated with loan receivable write-off	22,611	-
Allowance for obsolete inventory		522,125
Severance expense	61,000	-
Non-recurring public company expense	-	65,000
Transaction expenses	–	280,000
Legal settlement	–	-
Adjusted EBITDA (1)	$ (96,458)	$ 1,684,279

(1) EBITDA is a non-IFRS financial measure defined as earnings before interest income, interest expense, taxes, depreciation and amortization. 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 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 use EBITDA, 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 six months ended June 30	
	2020	**2019**
Cash flow from operating activities	$ (3,571)	$ (181,646)
Purchase of property, plant and equipment	(22,172)	(246,467)
Free Cash Flow	$ (25,743)	$ (428,113)

Liquidity and Capital Resources

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

	For the six months ended June 30	
	2020	**2019**
Net (used) from operating activities	$ (3,571)	$ (181,646)
Net cash from financing activities	973,411	406,354
Net cash (used) in investing activities	(22,172)	(244,723)
Net increase (decrease) in cash	947,668	(20,015)
Cash at the beginning of the period	693,245	340,571
Cash at the end of the period	$ 1,640,913	$ 320,556

Cash Flows from Operations:
For the six months ended June 30, 2020, cash flow used in operations was $3,571 as compared to a use of $(181,646) in the six months ended June 30, 2019. Net income adjusted for non-cash items in the first six months of 2020 was $268,895 as compared to $1,004,405 in the six months ended June 30, 2019. Working capital items used approximately $272,000 in cash in the first six months of 2020 as compared to a use of approximately $1,200,000 in the first six months of 2019. The use of working capital in the first six months of 2020 were the results of accounts receivable collections of approximately $338,000 being offset by an approximately $146,000 increase in inventory and an approximately $328,000 reduction in payables and accrued expenses and a reduction in net deferred tax expense of approximately 133,000. The use of working capital in the first six months of 2019 was due to the Company's build for stock program of approximately $876,000 and an increase in accounts receivable of approximately $433,000 as a result of increased sales.

Cash Flows from Financing Activities: Cash provided by financing activities was $973,411 for the six months ended June 30, 2020 as compared to $406,354 for the six months ended June 30, 2019. In 2020, the Company borrowed approximately $512,000 against its line of credit, and used $250,000 to pay a finance guarantee liability. In addition, the Company received $819,700 in funding under the Paycheck Protection Program. The funds received are in the form of a loan payable which may be forgiven if the Company meets certain criteria. The Company also made lease payments of $114,620. In the first six months of 2019, the Company borrowed $500,000 against its line of credit and made lease payments of $104,415.

Cash Flow from Investing Activities: The Company used $22,172 for capital equipment in the first six months of 2020 as compared to capital expenditures of $244,723 in the first six months of 2019.

The Company's liquidity needs are met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings under our revolving credit facility. The Company maintains a $3.0 million revolving credit line with City National Bank. The revolving line of credit facility accrues interest at the US Prime Rate and matures in December, 2022 (the "Credit Agreement"). 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.

The current ratio defined as current assets divided by current liabilities was 9.8 at June 30, 2020, excluding borrowings under the Company's Revolving Line of Credit which is classified as long term, as compared to 4.7 at December 31, 2019. The improvement is due to a combination of paydown of accounts payable and payment of the Company's finance guarantee 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 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. As such, the Company maintains a $3,000,000 revolving line of credit facility which it uses as necessary. The Company's capital management policy is to maintain an appropriate balance between short-term borrowings, long-term debt and shareholders' equity and maintain sufficient undrawn committed credit capacity to provide adequate liquidity.

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.

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

	June 30, 2020		December 31, 2019	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
At FVTPL				
Cash	**$ 1,640,913**	**$ 1,640,913**	$ 693,245	$ 693,245
At FVOCI				
Investment	**132,690**	**132,690**	184,698	184,698
At amortized cost				
Accounts receivable	**1,035,564**	**1,035,564**	1,355,071	1,355,071
Due from related parties	**32,000**	**32,000**	38,706	38,706
Accounts payable and accrued liabilities	**475,242**	**475,242**	791,775	791,775
Finance guarantee liability	**-**	**-**	250,000	250,000
Bank indebtedness	**2,333,634**	**2,333,634**	1,002,309	1,002,309

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

	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	$ 1,640,913	$ 1,640,913	$ -	$ -
Investment	132,690	132,690	-	-

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

The fair value of the Company's due from related parties approximate their fair values due to amounts being due on demand.

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 line of credit facility discussed in Note 7 may fluctuate in value as a result of 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 June 30, 2020, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $15,139 (December 31, 2019 - $10,002).

Foreign currency risk

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. This risk was minimal as of June 30, 2020.

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 $1,327 annually. (December 2019 - $1,847).

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 June 30, 2020 the Company had outstanding borrowings under its $3 million City National Bank revolving line of credit facility in the amount of $1,513,934.

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

June 30, 2020	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 475,242	-	-	-	$ 475,242
Bank indebtedness	-	2,333,634	-	-	2,333,634
Total	$ 475,242	$2,333,634	-	-	$ 2,808,876

December 31, 2019	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 791,775	-	-	-	$ 791,775
Finance guarantee liability	250,000	-	-	-	250,000
Bank indebtedness	-	1,002,309	-	-	1,002,309
Total	$1,041,775	$1,002,309	-	-	$ 2,044,084

Credit risk

The Company manages credit risk over cash by maintaining its bank accounts with large financial institutions. The Company manages credit risk over accounts receivable by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the six months ended June 30, 2020, the Company was engaged in contracts for products with four (December 31, 2019 – two) customers in excess of 10% of revenue, which accounted for approximately $2.47 million (2019 - $3.5 million) or 83% (2019 – 47%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of cash, account receivable and due from related parties. The table below provides an analysis of the age of accounts receivable which are not considered impaired.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
June 30, 2020	**$ 1,035,564**	**$ 543,858**	**$ 307,079**	**$ 45,160**	**$ 69,922**	**$ 69,545**
December 31, 2019	$ 1,355,071	$ 706,728	$ 495,696	$ 89,256	$ 46,816	$ 16,575

Outstanding Share Capital

As of June 30, 2020:

- 11,333,854 Common Shares issued and outstanding
- 819,333 Share Options outstanding
- 244,333 Share Options exercisable
- 1,200,000 Warrants outstanding

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"). In March 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%. At December 31, 2019, this transaction has been reflected in the financial statements as a $250,000 finance guarantee liability with an offsetting charge to finance guarantee expense. In February 2017, the Company guaranteed a term loan to Cal Nano in the amount of $550,000. The term loan balance was approximately $312,000 at June 30, 2020 (approximately $372,000 at December 31, 2019). In the six months ended June 30, 2020, the Company recorded sales to Cal Nano in the amount of $2,754 (2019 – $14,747) and incurred expenses of $nil (2019 – $nil).

The Company has outstanding an unsecured interest free loan to one employee in the amount of $20,000 (December 31, 2019 - $20,000), 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 2021, 2022 and 2023. The Company has reserved $18,000 against these grants (December 31, 2019 - $12,000) One current employee has received unsecured interest free loan from the Company in the remaining amount of $nil (December 31, 2019 – $706), with a maturity date in 2020.

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 marketplace, Omni-Lite established two wholly owned subsidiaries in Barbados. These companies were determined to be no longer necessary and were closed at December 31, 2019. 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:

Six months ended June 30, 2020	**United States**	**Canada**	**Barbados**	**Inter-corporate elimination**	**Total**
Revenue	**$ 3,768,520**	**-**	**-**	**-**	**$ 3,768,520**
Net (loss) income	**(180,250)**	**(170,240)**	**-**	**-**	**(350,490)**

Six months ended June 30, 2019	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 5,013,234	-	$ 88,800	$ (84,000)	$ 5,018,634
Net (loss) income	586,066	(230,079)	(1,655)	-	354,332

Subsequent Events

In April 2020, the Company applied for and received loan proceeds in the amount of $819,700 (the "PPP Funds") and entered into a loan agreement with City National Bank pursuant to the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in order to enable small businesses to pay employees during the economic slowdown caused by COVID-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 PPP 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, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels. In July 2020, the Company applied for foregiveness of the full amount of its PPP loan. The Company has been informed that the Small Business Administration will not be reviewing foregiveness applications until the end of August 2020.

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%. Additionally, the PPP Loan balance will carry a two-year maturity date. There is no prepayment penalty on the PPP Loan.

Since June 30, 2020, the spread of covid-19 virus has severely impacted local economies around the world. In many countries, businesses are being forced to temporarily cease or to various extents limit operations for indefinite periods of time. Measures taken to contain the spread of the covid-19 virus, including travel bans, quarantines, social distancing, and closures of on-essential services have triggered significant disruptions to businesses worldwide, resulting in a severe economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Corporation has determined that this event is a non-adjusting subsequent event. Therefore, the financial position and results of operations for the year ended December 31, 2019 and six months ended June 30, 2020 have not been adjusted to reflect any impact of this event. The duration and impact of the covid-19 pandemic, as well as the effectiveness of government and central bank responses to covid-19, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of covid-19, or the impact the event may have on the financial position and results of the Corporation for future periods.

We have been designated a critical business by our defense related customers and as such continue to operate all of the Company's facilities.

We have also created a covid–19 Pandemic Response Team. The focus of this team is to;

- Protect the safety and health of our employees
- Continue to deliver on our commitments to customers, and
- Ensure that we are complying with all federal, state and local regulations

We have implemented;

- Enhanced sanitation procedures
- Temperature checks
- Personal protection measures, including masks and social distancing procedures, and
- Ongoing monitoring of the covid–19 pandemic and our workplace

On August 11, 2020, the Company implemented cost reduction initiatives at its California facility. These initiatives are expected to yield approximately US$600,000 of cost savings on an annualized basis.

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.