



**Omni-Lite Industries Canada Inc.**  
**Management Discussion and Analysis**  
**For the Quarter Ended June 30, 2024**

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, 2024. 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 the United States (“U.S.”) dollar and all amounts in this MD&A are expressed in U.S. dollars. This discussion has been completed as of July 30, 2024.

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 Company’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 measures because they may not be consistent with calculations of other companies.

### **Company Overview**

Omni-Lite is managed as a single business by its chief operating decision-makers. The Company has three business segments: forged, electronic and investment casting components. Through its wholly owned subsidiaries, the Company designs, engineers, manufactures, and markets specialized components to a broad spectrum of Fortune 500 customers. Its components are utilized in the products produced by Boeing, Airbus, Bombardier, Ford, L3Harris Technologies, Lockheed Martin, Raytheon, Pratt and Whitney, the U.S. military, Nike and Adidas among others. The requirements and stature of these customers necessitate that the Company operate at very high levels of engineering proficiency and production efficiency.

Omni-Lite’s forged products business is conducted in Cerritos, California. Omni-Lite is a recognized precision manufacturer of forged products which employs material science research and development to produce products for mission critical applications in the commercial and defense aerospace, automotive and industrial markets. Omni-Lite Industries California specialized, computer-controlled hot and cold forging systems combined with its design and materials science expertise have enabled us to address our customers’ demanding application needs. In addition, the Company’s range of equipment and production capacity allow it to respond to a wide range of complex high-volume requirements.

Monzite, the Company’s electronics business is conducted in Nashua, New Hampshire, a value-add contract manufacturer of electronic components for high performance electronic sensors, OEM system integrators serving the defense, aerospace, medical, industrial IoT, and secure communications markets. Monzite brings together the natural marriage of high-performance microelectronics and advanced materials where small form factor is a premium, and strong product design manufactured to operate in harsh environments is critical to yielding the performance required of its customers’ platforms.

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Designed Precision Castings (“DP Cast”), the Company’s investment castings business is conducted in Brampton, Ontario, where it manufactures ferrous, non-ferrous, and light-alloy investment castings of highly engineered, high-performance hardware and structural components for aerospace, defense, nuclear, and industrial applications. DP Cast’s vertically integrated manufacturing capabilities, including its proprietary fill systems and adoption of robotics and automation, combined with critical regulatory compliance and customer performance requirements, enable it to demonstrate a high degree of competitive differentiation and barriers to entry relative to its competitors.

To drive future growth, Omni-Lite may fund research and development of new products and materials and, if appropriate, apply for patents to protect the intellectual property that pertains to its business. To date, the Company has been granted ten 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**

	<b>For the three months ended June 30, 2024</b>	For the three months ended June 30, 2023	<b>For the six months ended June 30, 2024</b>	For the six months ended June 30, 2023
Revenue	<b>\$4,321,438</b>	\$3,044,694	<b>\$8,607,067</b>	\$5,774,839
Adjusted EBITDA <sup>(1)</sup>	<b>552,474</b>	167,653	<b>1,436,004</b>	88,658
Net Income/(Loss)	<b>285,963</b>	(243,340)	<b>701,228</b>	(379,299)
Diluted EPS	<b>\$ 0.02</b>	\$ (0.02)	<b>\$0.05</b>	\$(0.02)
Free Cash Flow <sup>(1)</sup>	<b>\$848,255</b>	\$162,157	<b>\$960,625</b>	\$372,352
Total Assets	<b>22,554,402</b>	20,438,565	<b>22,554,402</b>	20,438,565
Diluted Shares Outstanding	<b>15,412,564</b>	15,412,564	<b>15,412,564</b>	15,412,564

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**Results from Operations for the Three and Six Months Ended June 30, 2024**

Revenue

For the three months ended June 30, 2024, Omni-Lite reported revenue of \$4,321,438, an increase of 42% from \$3,044,694 in the period ended June 30, 2023. For the six months ended June 30, 2024, Omni-Lite reported revenue of \$8,607,067 and increase of 49% from \$5,774,839 in the period ended June 30, 2023. The increase in revenue was comprised of both increased demand for aerospace fasteners and electronic components, as well as several new product lines.

Cost of Goods Sold ("CoGS")

For the three months ended June 30, 2024, cost of goods sold ("COGS") was \$3,432,182 as compared to \$2,444,160 in the three months ended June 30, 2023. For the six months ended June 30, 2024, COGS was \$6,491,953 as compared to \$4,822,602 in the six months ended June 30, 2023. The Company had higher overhead absorption due to higher volumes, higher material costs due to increase in sales as well and better utilization of labor. CoGS in the three months ended June 30, 2024, included non-cash depreciation expense, including lease depreciation, of \$283,228 as compared to \$285,490 in the three months ended June 30, 2023. Non-cash depreciation expense in the six months ended June 30, 2024, was \$568,303 as compared to \$570,772 in the six months ended June 30, 2023.

Overhead Expenses

Overhead expenses for the three months ended June 30, 2024, were \$338,571 as compared to \$466,005 for the three months ended June 30, 2023, a decrease of \$127,434 or 27%. Overhead expenses for the six months ended June 30, 2024, were \$672,758 as compared to \$996,918 for the six months ended June 30, 2023, a decrease of 33%. The reduction in overhead expenses was primarily related to a reduction in labor-related expenses, as well as a reduction in stock compensation expenses.

Research and Product Design ("R&D") Expenses

For the three months ended June 30, 2024, R&D expenses were \$78,870 as compared to \$97,428 in the three months ended June 30, 2023. For the six months ended June 30, 2024, R&D expenses were \$168,685 as compared to \$146,012 in the six months ended June 30, 2023. The increase was due to the commencement of new product lines in both the forging and casting families.

Interest Expense/Income and Other Income/Expense

Interest expense was \$136,902 in the three months ended June 30, 2024, as compared with \$137,185 in the three months ended June 30, 2023. Interest expense was \$274,288 in the six months ended June 30, 2024, as compared with \$279,949 in the six months ended June 30, 2023. The interest expense in both the three and six months ended June 30, 2024, and June 30, 2023, was non-cash interest expense associated with IFRS 16 lease accounting. Interest income was \$16,296 in the three months ended June 30, 2024, compared to \$23,021 in the three months ended June 30, 2023. Interest income was \$27,160 in the six months ended June 30, 2024,

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compared to \$51,825 in the six months ended June 30, 2023. Other Income was \$50,000 in the three months ended June 30, 2024, and nil in the three months ended June 30, 2022. Other Income was \$50,000 in the six months ended June 30, 2024, compared to \$339,716 in the six months ended June 30, 2023. The other income in the six months ended June 30, 2024 was related to an advanced payment from CalNano of \$50,000 towards the outstanding \$250,000, which is carried on Omni-Lite's balance sheet as nil. The Other Income in the six months ended June 30, 2023, was attributable to Employee Retention credit related to 2022 of \$202,671 as well as a principal payment from California Nanotechnologies Corp. ("CalNano") of \$120,000. At the time, CalNano loan was carried on Omni-Lite's balance sheet at nil carrying value so principal repayments result in Other Income; thus, the loan has been added back to the balance sheet.

Income Tax Provision (Credit)

The income tax provision in the three months ended June 30, 2024, was an expense of \$115,246 as compared to a provision of \$166,277 in the three months ended June 30, 2023. The income tax provision in the six months ended June 30, 2024, was a provision of \$375,314 as compared to a provision of \$300,200 in the six months ended June 30, 2023.

Net Income/(Loss)

Net Income was \$285,963 in the three months ended June 30, 2024, as compared to net loss of \$(243,340) in the three months ended June 30, 2023. Net Income was \$701,228 in the six months ended June 30, 2024, as compared to net loss of \$(379,229) in the six months ended June 30, 2023.

Income/(Loss) Per Share

Basic Income per share was \$0.02 in the three months ended June 30, 2024, as compared to Basic Loss per share of (\$0.02) in the three months ended June 30, 2023, based on the weighted average shares outstanding of 15,412,564 in the three months ended June 30, 2024, and June 30, 2023. Basic Income/(loss) per share was \$0.05 in the six months ended June 30, 2024, as compared to (\$0.02) in the six months ended June 30, 2023, based on the weighted average shares outstanding of 15,412,564 in the three months ended June 30, 2024, and June 30, 2023.

The diluted Income/(loss) per share was \$0.02 in the three months ended June 30, 2024, compared to (\$0.02) in the three months ended June 30, 2023. The diluted income/(loss) per share was \$0.05 in the six months ended June 30, 2024, compared to (\$0.02) in the six months ended June 30, 2023. Based on the diluted weighted average number of shares outstanding of 15,412,564 in the six months ended June 30, 2024, and June 30, 2023. There are 1,015,000 (1,046,000 in 2023) stock options and 1,400,000 (1,400,000 in 2023) warrants were excluded in calculating the weighted-average number of diluted common shares outstanding, because the Company has historically been in a net loss position and therefore any exercise would be anti-dilutive.

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding for the year. The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds

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from the exercise of dilutive options are used to purchase common shares at the weighted average market price during the period. 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.*

	<b>Jun 30, 2024</b>	<b>Mar 31, 2024</b>	<b>Dec 31, 2023</b>	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022
Revenue	<b>\$4,321,438</b>	<b>\$4,285,629</b>	<b>\$3,310,256</b>	\$3,322,023	\$3,044,694	\$2,730,145	\$3,111,696	\$3,184,818
Adjusted EBITDA <sup>(1)</sup>	<b>552,474</b>	<b>883,530</b>	<b>78,021</b>	278,283	167,653	(78,995)	(270,211)	4,177
Net Income/(Loss)	<b>285,963</b>	<b>415,265</b>	<b>477,112</b>	(7,586)	(243,340)	(135,959)	(1,015,767)	(354,343)
EPS Income/(Loss) – Basic	<b>\$0.02</b>	<b>\$0.03</b>	<b>\$0.03</b>	\$0.00	\$(0.02)	\$(0.01)	\$(0.07)	\$(0.02)
Free Cash Flow <sup>(1)</sup>	<b>848,255</b>	<b>112,370</b>	<b>(92,837)</b>	254,774	162,157	210,195	125,127	(614,878)

Omni-Lite's management measures the performance of the Company by the metrics, among others, Adjusted EBITDA,<sup>(1)</sup> Free Cash Flow<sup>(1)</sup> and Adjusted Free Cash Flow<sup>(1)</sup>, as the case may be.

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The components of Adjusted Free Cash Flow <sup>(1)</sup> for the 6-month period ended June 30 are as follows:

	<b>For the six months ended June 30, 2024</b>	For the six months ended June 30, 2023
Cash Flow from Operations	<b>\$ 1,043,370</b>	\$ 413,261
Capital Expenditures	<b>(82,745)</b>	(40,909)
Free Cash Flow	<b>\$960,625</b>	\$372,352
Non-recurring items	-	-
Adjusted Free Cash Flow	<b>\$960,625</b>	\$372,352

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

## Liquidity and Capital Resources

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

	<b>For the six months ended June 30, 2024</b>	For the six months ended June 30, 2023
Net cash (used)/provided by Operations	<b>\$ 1,043,370</b>	\$ 413,261
Net cash (used)/provided from Financing Activities	<b>(311,477)</b>	(429,730)
Net cash (used)/provided in Investing Activities	<b>(82,745)</b>	(40,909)
Translation gain (loss)/gain	<b>(31,867)</b>	26,946
Net increase/(decrease) in cash	<b>\$ 617,281</b>	\$ (30,432)
Cash at the beginning of the period	<b>\$ 1,108,029</b>	\$ 1,328,430
Cash at the end of the period	<b>\$ 1,725,311</b>	\$ 1,297,998

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Cash Flows from Operations

For the six months ended June 30, 2024, cash flow from operations was a source of cash of \$1,043,370 as compared to a source of \$413,261 in the six months ended June 30, 2023. Net income/(loss) for the six months ended June 30, 2024, after non-cash items was \$1,809,558, as compared to \$972,489 in the six months ended June 30, 2023.

Cash Flows from Financing Activities

Cash used for financing activities was a use of \$311,477 in the six months ended June 30, 2024, as compared to a use of \$429,730 for the six months ended June 30, 2023. In the six months ended June 30, 2024, the Company used \$431,480 for lease payments, as compared to a use of \$431,729 for lease payments and employee receivables of \$2,000 for the six months ended June 30, 2023.

Cash Flow from Investing Activities

In the six months ended June 30, 2024, \$82,745 was used for investing activities, as compared to a use of \$40,909 for process improvement manufacturing equipment in the six months ended June 30, 2023.

The Company's liquidity needs are currently expected to be met through a variety of sources including cash on hand and cash provided by operations.

The Company's lease liabilities are as follows:

	<b>June 30, 2024</b>	December 31, 2023
Opening Balance January 1	<b>\$ 5,983,343</b>	\$ 6,257,063
Payments	<b>(431,477)</b>	(864,458)
Interest	<b>274,288</b>	554,597
Currency translation	<b>(54,252)</b>	36,141
Lease liability end of period	<b>\$ 5,771,902</b>	\$ 5,983,343
Less current portion	<b>(445,023)</b>	(324,334)
Long term portion	<b>\$ 5,326,879</b>	\$ 5,659,009

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The Company has entered into leases for its manufacturing and office space as follows:

Location	Type	Liability
Cerritos, California	Manufacturing and office	\$3,991,081
Cerritos, California	Warehouse	181,890
Brampton, Ontario	Manufacturing and office	1,432,376
Brampton, Ontario	Equipment purchase	38,699
Nashua, New Hampshire	Manufacturing and office	127,856
		<b>\$ 5,771,902</b>

The incremental borrowing rate used to calculate the lease liabilities was 9%. Additionally, recorded in the CoGS, the Company is responsible for all building operating costs including real estate taxes and insurance. The total estimated quarterly amount of real estate taxes and insurance included in the financial statements is \$67,638 (2023 - \$62,882).

**Transactions with Related Parties**

During the three and six months ended June 30, 2024, the Company had the following related party transactions and balances not disclosed elsewhere in these condensed consolidated financial statements:

The Company has a loan receivable from CalNano including accrued interest in the amount of \$722,031, which is due on May 30, 2025. Of this amount, \$712,564 accrues interest at 7.5% per annum and is paid on a monthly basis. In the six months ended June 30, 2024, CalNano paid in advance \$120,000 of principal payments. The loan is secured by all the assets of California Nanotechnologies Inc., a subsidiary of CalNano. On March 31, 2020, the bank called CalNano's line of credit of \$250,000, which was guaranteed by the Company. Omni-Lite repaid this amount on their behalf and has a loan receivable with interest at the prime rate plus 1% from California Nanotechnologies Corp. During the 3 months ended June 30, 2024, CalNano paid in advance \$50,000 of principal towards this outstanding balance. This amount has been fully reserved.

Charles Samkoff is a member of the Company's Board of Directors and is a Managing Director of Cypress Partners LLC ("Cypress"), a firm retained by the Company to provide financial advisory services to the Company in support of the Company's strategic plan that includes, among others, the consideration of potential investments, strategic acquisitions, related growth opportunities, and near-term and long-term business objectives and initiatives. The Company incurred



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professional fees to this firm of nil for the six months ended June 30, 2024, and \$44,000 for the 6 months ended June 30, 2023.

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

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

### Outstanding Share Capital

As of June 30, 2024:

- 15,412,564 Common Shares were issued and outstanding, including 1,440,000 shares held in escrow until December 20, 2023, as collateral in connection with the acquisition of DP Cast.
- 1,015,000 Share Options outstanding; 875,000 exercisable (at a weighted average exercise price of C\$0.91).
- 1,400,000 Warrants outstanding; 550,000 exercisable (at a weighted average strike price of C\$1.16).

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**Capital Structure**

The Company's capital structure is managed with the objective that the Company has the financial capacity, liquidity, and flexibility to fund organic and inorganic (M&A) growth initiatives, capital expansion programs and projects, and research and product development efforts. The capital structure of the Company may consist of cash, short-term borrowings, long-term borrowings, leases, and equity (comprised of issued preferred and common capital, contributed surplus and retained earnings). The Company generally relies on its cash, working capital, operating cash flow and, if warranted and available, a revolving line of credit to fund operations, to fund: operations, product development activities, possible expansions and acquisitions. 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 appropriate working capital balances to allow for the ability to obtain short-term or long-term debt for the appropriate circumstances. The Company monitors and assesses its capital structure by reviewing, as appropriate, its borrowing base, leverage (net debt) and interest coverage ratios.

**Segment Information**

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

	United States	Canada	Total
<b>For the six months ended June 30, 2024</b>			
<b>Revenue</b>	<b>\$ 6,348,080</b>	<b>\$ 2,258,987</b>	<b>\$ 8,607,067</b>
<b>Net income/(loss)</b>	<b>715,760</b>	<b>(214,532)</b>	<b>701,228</b>
<b>Long term assets</b>	<b>6,035,971</b>	<b>7,292,335</b>	<b>13,328,306</b>
<b>For the six months ended June 30, 2023</b>			
<b>Revenue</b>	<b>\$ 3,981,844</b>	<b>\$ 1,792,994</b>	<b>\$ 5,774,839</b>
<b>Net Income/(loss)</b>	<b>553,607</b>	<b>(932,906)</b>	<b>(379,299)</b>
<b>Long term assets</b>	<b>5,755,032</b>	<b>6,936,225</b>	<b>12,691,257</b>

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**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.

	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>At Fair Value Through Profit &amp; Loss</b>				
Cash	\$ 1,725,311	\$ 1,725,311	\$ 1,108,029	\$ 1,108,029
<b>At Fair Value Through Profit &amp; Loss</b>				
Investment	2,450,082	2,450,080	1,341,108	1,341,108
Accounts receivable	2,746,439	2,746,439	2,225,700	2,225,700
Due from related parties	722,031	722,031	852,338	852,338
Accounts payable and accrued liabilities	1,268,685	1,268,685	1,555,392	1,555,392

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

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash	\$ 1,725,311	\$ 1,725,311	-	-
Investment	2,450,082	2,450,082	-	-

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 finance guarantee liability approximate their fair value due to their short-term nature.

The carrying value of the amounts due from related parties approximates its fair value due to CalNano's historic record of loss generation. The carrying value of bank indebtedness approximates its fair value due to the market rate of interest applied.

The Company owns 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 contracts off of its Statement of Financial Position to manage these risks.

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The current ratio defined as the current assets divided by current liabilities at June 30, 2024, was 4.6, as compared to 4.4 at June 30, 2023. The Acid ratio defined as the company's cash, cash equivalents and marketable securities divided by its total current liabilities was 2.22 at June 30, 2024, as compared to 1.86 at June 30, 2023.

### **Asset Protection**

As Omni-Lite's revenues increase, the Company could be subject to the risk that other corporations would like to imitate the successes that have been achieved. The Company has and will continue to strive to protect itself through a variety of means including:

- 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. Omni-Lite has received ten patents.
- Confidentiality agreements – The Company may use confidentiality agreements to prevent employees and third parties from sharing any information considered proprietary with unauthorized individuals or companies.

### **Risk Factors**

#### Capability to Deliver Results

Omni-Lite's results are dependent on a number of factors including customer demand, market conditions, 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 Cyclical – The Company's revenues are dependent on industries such as aerospace, defense, and specialty automotive and sports and recreational sectors that may experience cyclical changes in demand. The Company tries to minimize this 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 an enhanced competitive position. Omni-Lite strives to remain at the forefront of material science and

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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 CalNano. CalNano was established to undertake advanced nanotechnology and related material science research and to strive to lead 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 dictate 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, Canada, and New England areas is generally strong. Labor costs are managed by including employees in the stock option and bonus plans 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 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 – Like any Company, at times, certain tax strategies could be challenged by local taxation authorities. There is always the possibility that a tax reassessment can occur.

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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. Foreign Currency Risk – The Company has foreign currency exposure through its DP Cast subsidiary which has a functional currency of Canadian dollars. The Company manages its foreign currency risk through natural hedges of its current assets and current liability positions where possible.
15. 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 CalNano. 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 \$26,620 on pre-tax income. (December 31, 2023 - \$5,325).
16. Liquidity Risk – At June 30, 2024, the Company had no borrowings and \$1.7 million of cash in the bank. If the Company should need additional liquidity, it could pursue asset-based lending secured by its assets.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at June 30, 2024, and December 31, 2023:

	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
<b>June 30, 2024</b>					
Accounts payable and accrued liabilities	\$ 1,268,685	\$ -	\$ -	\$ -	\$ 1,268,682
<b>Total</b>	<b>\$ 1,268,685</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,268,682</b>
<b>December 31, 2023</b>					
Accounts payable and accrued liabilities	\$ 1,555,392	\$ -	\$ -	\$ -	\$ 1,555,392
<b>Total</b>	<b>\$ 1,555,392</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,555,392</b>

17. Credit Risk – The Company manages credit risk related to its cash deposits by maintaining its bank accounts with large financial institutions. The Company manages credit risk relating to its 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, 2024, the Company had one customer that accounted for in excess of 10% of revenue for \$1,470,823 or 17% of sales. In the six months ending June 30, 2023, one customer generating revenue of \$1,090,838 accounted for 19% of sales. The maximum exposure to credit risk is the carrying value of cash, accounts receivable and due from related parties.

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The table below provides an analysis of the age of accounts receivable from invoice date, which are not considered impaired.

	Total	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days
<b>June 30, 2024</b>	<b>\$ 2,246,439</b>	<b>\$ 1,584,778</b>	<b>\$ 729,375</b>	<b>\$ 107,610</b>	<b>\$ 324,676</b>
December 31, 2023	\$ 2,225,700	\$ 1,186,932	\$ 775,778	\$ 110,662	\$ 152,328

### Board of Directors

The Company currently has five directors.

### Forward-Looking Statements

In the interest of providing Omni-Lite shareholders and potential investors with information regarding the Company and its subsidiaries, including Management’s assessment of Omni-Lite’s future plans and operations, certain statements contained in this document constitute forward-looking statements or information (collectively referred to herein as “forward-looking statements”) within the meaning of the “safe harbor” provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as “anticipate”, “believe”, “expect”, “plan”, “in tend”, “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; and Omni-Lite’s projected capital investments. 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.

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**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 can be accessed under the Company’s public filings found at [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.omni-lite.com](http://www.omni-lite.com).