Omni-Lite Industries Canada Inc.
For the Year ended December 31, 2019

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 year ended December 31, 2019. Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB. The Company's functional currency is in United States ("U.S.") dollars and all amounts in this MD&A are expressed in U.S. dollars. This discussion has been completed as of May 6, 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), Omni-Lite Industries California Inc. (merged with Omni-Lite Properties Inc. on September 9, 2019), Monzite Corporation, Impellimax Inc., Formed Fast International Inc., (merged into Omni-Lite Industries Canada, Inc as of December 31, 2019), 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 year ended December 31, 2019	For the year ended December 31, 2018	% Increase (Decrease)
Revenue	$9,317,608	$7,074,908	32%
EBITDA(1)	628,222	106,275	491%
Adjusted EBITDA(1)	960,880	1,242,603	-23%
Net loss	(1,872,815)	(4,524,039)	59%
Diluted EPS	(0.17)	(0.43)	60%
Diluted weighted average shares outstanding	11,333,854	10,413,857	9%
Cash flow from operations	(505,168)	658,935	-177%
Free cash flow (1)	(822,074)	(100,292)	-720%
Total assets	17,056,662	17,230,540	-1%

Results from Operations for the Year Ended December 31, 2019

Revenue: For the fiscal year ended December 31, 2019, Omni-Lite reported revenue of $9,317,608, an increase of 32% from $7,074,908 in the fiscal period ended December 31, 2018. This increase is due to increases in aerospace and defense sales including revenue from the Monzite acquired business.

Cost of Goods Sold: For the year ended December 31, 2019, cost of goods sold ("COGS") was $7,416,545 as compared to $6,519,918 (as reclassified – see below), in the year ended December 31, 2018 or an increase of 14%. In the year ended December 31, 2018 the Company increased its inventory reserve to approximately $765,000 and disposed of the related inventory. The remaining increase was due primarily to increased shipments and costs associated with manufacturing process development for new part purchase orders.

Selling, General and Administrative Expense: Selling, general and administrative expenses for the year ended December 31, 2019 were $1,821,550 as compared to $1,441,255 (as reclassified – see table below) for the year ended December 31, 2018, an increase of $380,295 or 26%. The increase in 2019 is due to the addition of senior management and business development expenses of approximately $467,000. In addition, the Company incurred approximately $65,000 of non-recurring public company expense, approximately $61,000 of severance related expense and approximately $41,000 of bad debt expense for related party receivables. The remainder of the increase is due to the addition of Monzite Corporation for a full year. In 2018, the Company recorded approximately $280,000 of acquisition expenses and a legal settlement of approximately $172,000 which did not recur in 2019.

In 2019, the Company implemented a new inventory management system to enhance the monitoring and allocation of costs to inventory. The new inventory management system captures all unit costs associated with producing inventory enabling the Company to calculate an average unit production cost for each unit produced and thereby calculate fully valued inventory and cost of sales. For the year, the Company reclassified certain prior year expense to align with current year presentation. There was no impact on the cash flow statement as all items are within cash flow from operations. See table below.

	December 31, 2018 (as previously reported)	Reclassification	December 31, 2018 (as reclassified)
Cost of goods sold	$ 3,591,011	$ 2,928,907	$ 6,519,918
Employee benefits	1,536,705	(1,536,705)	-
Depreciation	1,139,786	(1,139,786)	-
General and administrative	1,683,748	(242,493)	1,441,255
Commissions	5,697	(5,697)	-
Foreign exchange loss	4,226	(4,226)	-

Research and Product Design ("R&D")

Expense: For the year ended December 31, 2019, R&D expense was $269,630 as compared to $84,834 in the year ended December 31, 2018. The increase is due to investment in new product design related to high voltage components and to a lesser degree metal formed parts.

Other Income/Expense: In 2019, the Company wrote off a loan receivable and the related accrued interest from a related party in the amount of $1,088,879. In addition, the Company recorded a Finance guarantee expense in the amount of $250,000. Subsequent to year end 2019, California Nanotechnologies Corp.'s line of credit was called by its bank and Omni-Lite paid $250,000 to settle their guaranty under the terms of that certain credit agreement. Concurrent with the settlement of guaranty, Omni-Lite entered into a promissory note agreement with California Nanotechnologies Corp. in the amount of $250,000 with an interest rate of US Prime Rate plus 1.0%. Interest income was $7,145 in the year ended December 31, 2019, compared with $28,122 in the year ended December 31, 2018. Interest expense was $46,811 in the year ended December 31, 2019 as compared with no expense in the year ended December 31, 2018. The 2019 interest expense consists of $25,977 due to the adoption of IFRS 16 Leases which requires leases to be capitalized and amortized over the life of the lease. This amount is non- cash. The remaining interest expense of $20,834 was related to borrowings under its revolving line of credit facility.

At December 31, 2019, as a result of the Company's market capitalization being less than its net assets, the Company performed an impairment test on the Omni-Lite CGU at December 31, 2019 based on FVLCD analysis. It was determined that no impairment exists as the recoverable amount exceeded the carrying amount of the CGU.

At December 31, 2018, the recoverable amount of approximately $11,550,000 for the Omni-lite CGU was determined based on a VIU calculation using the following key assumptions:

- 4-year cash flow projections expected to be generated based on historical performance, financial forecasts and growth expectations. Cash flows beyond 4 years used a terminal growth rate of 2%;
- Forecasted revenue at an average growth rate of 10%;
- Average forecasted earnings before interest, taxes, depreciation and amortization ("EBITDA") of 25%; and

- Cash flows were discounted at an after-tax discount rate of 14% based on the Company's post-tax weight average cost of capital and risks specific to the particular CGU (pre-tax discount rate of 19%).

As a result of the impairment test performed, the Company recognized an impairment of $5,000,000 against property, plant and equipment. The impairment loss was allocated on a pro-rata basis, excluding land and building which had a carrying amount below its fair value less costs of disposal determined using available market data.

All goodwill acquired in the Monzite acquisition was allocated to the Monzite CGU. The Company performed its impairment test at December 31, 2019 and the recoverable amount of the Monzite CGU was determined based on a VIU calculation using the following key assumptions:

- 4-year cash flow projections expected to be generated based on historical performance, financial forecasts and growth expectations. Cash flows beyond 4 years used a terminal growth rate of 2%;
- Forecasted revenue at an average growth rate of 14.5% (2018 – 22%);
- Average forecasted EBITDA margin of 15.9% (2018 – 22%); and
- Cash flows were discounted at a after-tax discount rate of 19.8% (2018 – 40%) based on the Company's post-tax weight average cost of capital and risks specific to the particular CGU (pre-tax discount rate of 26.4%).

As a result of the impairment test performed, the recoverable amount was determined to be approximately $1,680,000 (2018 - $1,410,000), which exceeds the carrying amount by approximately $350,000 ($169,000), and therefore, did not result in an impairment.

The most sensitive inputs to the VIU model are the forecasted EBITDA and discount rate. All else being equal:

- A 1% increase in the discount rate would not result in an impairment; and
- A 1% decrease in the average forecasted EBITDA would not result in an impairment

Income Tax Provision: The income tax provision in the year ended December 31, 2019 was $194,948 compared with a recovery of $1,502,024 in the year ended December 31, 2018. The 2019 expense included a true-up of 2018 taxes.

Net Loss: Net loss was $(1,872,815) in the year ended December 31, 2019 as compared to $(4,524,039) in the year ended December 31, 2018.

Loss Per Share: Basic loss per share was $(0.17) in the year ended December 31, 2019 as compared to $(0.43) in the year ended December 31, 2018 based on the weighted average shares outstanding of 11,333,854 and 10,413,857 respectively.

The diluted loss per share was $(0.17) in fiscal period 2019, compared to $(0.43) in the year ago period.

At December 31, 2019, the diluted weighted average number of shares was 11,333,854 (10,413,857 – December 31, 2018). 914,333 stock options and 1,200,000 warrants (December 31, 2018 – 434,333 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.

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.*

	Dec 31/2019	Sep 30/2019	Jun 30/2019	Mar 31/2019	Dec 31/2018	Sep 30/2018	Jun 30/2018	Mar 31/2018
Revenue	$2,176,487	$2,123,087	$2,573,509	$2,444,525	$2,145,654	$1,965,233	$1,622,331	$1,341,690
EBITDA(1)	(124,893)	(100,738)	244,907	608,946	(74,457)	(261,111)	422,700	19,143
Adjusted EBITDA(1)	(121,084)	(29,435)	380,616	730,783	(39,397)	612,277	482,567	187,156
Net Income (Loss)	$(759,382)	$(1,467,765)	119,321	235,011	(3,864,835)	(584,750)	113,429	(187,833)
EPS (Loss) - Basic	$(0.07)	$(0.13)	0.01	0.02	(0.36)	(0.06)	0.01	(0.02)
EPS(Loss)-Diluted	$(0.07)	$(0.13)	0.01	0.02	(0.36)	(0.06)	0.01	(0.02)
Cash Flow from Operations	$(241,408)	$(82,114)	54,446	(236,092)	290,758	381,339	105,044	(118,268)
Free Cash Flow(1)	$(267,006)	$(126,955)	5,507	(433,620)	(3,101)	255,845	(22,607)	(330,431)

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.

	December 31, 2019	**December 31, 2018**
Net (loss)	$ (1,872,815)	$ (4,524,039)
Add:		
Fixed asset impairment charge	-	5,000,000
Depreciation	1,075,927	1,139,786
Amortization of intangibles	74,667	21,333
IFRS 16 lease accounting adjustment	(223,050)	–
Interest expense	46,811	1,341
Interest income	(7,145)	(28,122)
Loan receivable write-off	1,088,879	–
Other income	–	(2,000)
(Recovery) Provision for income taxes	194,948	(1,502,024)
Finance guarantee expense	250,000	–
EBITDA (1)	628,222	106,275
Add:		
Stock and warrant-based compensation	34,538	62,412
Amortization of finished goods mark to market	130,625	99,964
Accounts receivable reserve associated with loan receivable write-off	41,495	–
Allowance for obsolete inventory	–	522,124
Severance expense	61,000	
Non-recurring public company expense	65,000	
Transaction expenses	–	280,000
Legal settlement	–	171,828
Adjusted EBITDA (1)	$ 960,880	$ 1,242,603

(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:

	Year to date December 31	
	2019	**2018**
Cash flow from operating activities	$ (505,168)	$ 658,935
Purchase of property, plant and equipment	(316,906)	(759,227)
Free Cash Flow	$ (822,074)	$ (100,292)

Liquidity and Capital Resources

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

	For the year ended	
	December 31, 2019	December 31, 2018
Net cash (used) from operating activities	**$ (505,168)**	$ 658,935
Net cash from (used) in financing activities	**1,175,648**	(10,395)
Net cash (used) in investing activities	**(317,806)**	(1,147,843)
Net increase (decrease) in cash	**352,674**	(499,303)
Cash at the beginning of the period	**340,571**	839,874
Cash at the end of the period	**693,245**	340,571

Cash Flows from Operations:
For the year ended December 31, 2019, cash flow from operations was a use of ($505,168) as compared to a source of $658,935 in the year ended December 31, 2018. Net income adjusted for non-cash items in the year ended December 31, 2019 was $904,303 as compared to $153,894 in the year ended December 31, 2018. In 2019 the Company used approximately $1,409,000 for working capital. Approximately $1,099,000 million of this amount was related to inventory including the company's build for stock program. Approximately $264,000 was due to increased receivables. In the year ended 2018, the Company provided approximately $500,000 from working capital due to a combination of decreased receivables and inventory and increased accounts payable and accrued liabilities.

Cash Flows from Financing Activities: Cash provided by financing activities was $1,175,648 for 2019 as compared to a use of ($10,395) for 2018. In 2019, the Company received payment on a loan to a related party of approximately $400,000 and borrowed approximately $1,002,000 against its line of credit. In addition, the Company used approximately $223,000 to pay lease obligations. The Company refinanced its $700,000 revolving credit facility with Manufacturers Bank with a $3,000,000 revolving credit facility with City National Bank. The borrowings under the revolving line of credit was used to support the Company's build for stock program.

In 2018, the Company borrowed and repaid $330,000 against its line of credit. Approximately $45,000 was generated by the issuance of stock options and the Company advanced approximately $61,000 to related parties.

Cash Flow from Investing Activities: Cash used in investing activities was $317,806 for capital equipment in 2019 as compared to $1,147,843 in 2018. The 2018 amount consisted of $757,227 for capital equipment, $385,231 for the acquisition of Monzite Corporation and $5,385 for a patent

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings under our revolving credit facility. On December 18, 2019, the Company repaid its $700,000 revolving credit facility with a new three-year, $3.0 million revolving credit line with City National Bank, an RBC Company. The new 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 measures.

The current ratio defined as current assets divided by current liabilities was 4.6 at December 31, 2019, excluding borrowings under the Company's Revolving Line of Credit which is classified as long term, as compared to 4.8 at December 31, 2018.

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, from time to time, 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. As part of this strategy, Omni-Lite was the co-founder and remains a significant shareholder of California Nanotechnologies Corp. California Nanotechnologies Corp. was established to undertake advanced nanotechnology and related material science research and to lead in future scientific and commercialization programs.

3. **Revenue growth** – The Company's revenue may not grow at the same rate as historically shown and there may not be suitable projects and programs identified for the Company to undertake.

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

5. **Customer supplied material** – Certain customers provide their own raw material. Delays may result if the customer's raw material is not supplied on a timely basis to the Company.

6. **Employee costs** – The cost of labor may increase, as competition for qualified employees in the Southern California and New England areas is generally strong. Labor costs are managed by including employees in the stock option and bonus plan and by increasing efficiency through advanced technology.

7. **Key personnel** – The success of the Company and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key employees and members of its board of directors. The loss of their services to the Company may have a materially adverse effect on the Company. The Company has a stock option plan for directors, management and employees as a method of attraction, motivation and retention of key personnel.

8. **Quality issues** – Quality issues by us or our suppliers could result in shipping delays. The Company is AS 9100 and ISO 9001:2015 certified.

9. **Manufacturing facilities** – If the Company suffered a loss to its manufacturing facilities due to catastrophe, its operations could be adversely impacted. The Company's facilities are subject to catastrophic loss due to fire, flood, terrorism or other, natural or man-made disasters. In particular,

due to its locations, the facilities could be subject to a severe loss caused by earthquake or other natural disasters. Please see COVID-19 Pandemic risk factor 14. 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. **Coronavirus 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 eight patents.

Financial Instruments

Financial instruments of the Company consist of cash, accounts receivable, due from related parties, investment, accounts payable and accrued liabilities, and bank indebtedness.

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

	December 31, 2019		December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 693,245**	**$ 693,245**	$ 340,571	$ 340,571
At FVOCI				
Investment	**184,698**	**184,698**	220,074	220,074
At amortized cost				
Accounts receivable	**1,355,071**	**1,355,071**	1,132,435	1,132,435
Due from related parties	**38,706**	**38,706**	1,536,463	1,536,463
Accounts payable and accrued liabilities	**791,775**	**791,775**	909,269	909,269
Finance guarantee liability	**250,000**	**250,000**	-	-
Bank indebtedness	**1,002,309**	**1,002,309**	-	-

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.

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 December 31, 2019.

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 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 $1,849 annually. (December 2018 - $2,201).

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 December 31, 2019 the Company had outstanding borrowings under its $3 million City National Bank revolving line of credit facility in the amount of $1,002,309.

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

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

December 31, 2018	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 909,269	-	-	-	$ 909,269
Total	$ 909,269	-	-	-	$ 909,269

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 December 31, 2019, the Company had two customers who each accounted for in excess of 10% of revenue, for a total of $3,520,314 or 38% of sales (December 31, 2018 – 4 customers totaling $3,792,723 or 77%) of sales. During the same fiscal period, there were no export sales (December 31, 2018 – nil) to customers in various international countries in excess of 10% of revenue.

The maximum exposure to credit risk is the carrying value of cash, accounts receivable, and due from related parties. The table below provides an analysis of the aging of our past due accounts receivables which are not considered impaired.

Total	Total	Current	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
December, 2019	**$ 1,355,071**	**$ 706,728**	**$ 495,696**	**$ 89,256**	**$ 46,816**	**$ 16,575**
December 31, 2018	$ 1,132,435	$ 795,227	$ 269,624	$ 9,932	$ 1,029	$ 56,623

Outstanding Share Capital

As of December 31, 2019:

- 11,333,854 Common Shares issued and outstanding
- 914,333 Share Options outstanding
- 312,331 Share Options exercisable
- 1,200,000 Warrants outstanding

Transactions with Related Parties

The Company recorded a loan write down of $1,130,373 in the year ended December 31, 2019 related to the amount due from California Nanotechnologies Corp. $1,088,879 of this amount was in the form of a loan receivable and $41,494 was in the form of accounts receivable. In addition, in September 2016, the Company guaranteed a line of credit facility in the amount of $250,000. In February 2017 the Company guaranteed a term loan in the amount of $550,000. At December 31, 2019, the line of credit balance was $250,000 (February 28, 2018 - $250,000). The term loan balance was approximately $383,000 at November 30, 2019 (February 28, 2019 – approximately $460,000). On March 31, 2020 Manufacturers Bank called the line of credit balance of $250,000. Omni-Lite Industries, Inc. paid the line of credit balance and now has a loan receivable from California Nanotechnologies Corp. in the amount of $250,000. At December 31, 2019 this transaction has been reflected in the financial statements as a Finance guarantee liability with an offsetting charge to Finance guarantee expense. In addition, the Company guaranteed a term loan with an outstanding balance of approximately $383,000 at November 30, 2019 (approximately $460,000 at February 28, 2019). In the year ended December 31, 2019 the Company recorded sales to California Nanotechnologies Corp. in the amount of $17,750 (2018 – $32,007) and incurred expenses of $7,832 (2018 – $13,139).

The Company has outstanding an unsecured interest free loan to one employee in the amount of $20,000 (December 31, 2018 - $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 $12,000 against these grants (2018 - no reserve) One current employee has received unsecured interest free loan from the Company in the amount of $706 (December 31, 2018 – $2,228), with a maturity date in 2020. The Company had loans due on demand to the former Chief Executive Officer totalling $404,024 that were repaid at December 18, 2019 (December 31, 2018 - $395,356). The loan was secured by the former Chief Executive Officer's related residential property and bore interest at 2%.

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 subsidiaries were both closed as of the end of 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:

For the year ended December 31, 2019	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 9,312,808	-	$ 254,400	(249,600)	$ 9,317,608
Net loss	(1,550,295)	(314,916)	(7,604)	-	(1,872,815)

For the year ended December 31, 2018	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$6,790,429	-	$ 571,440	$ (286,961)	$ 7,074,908
Net loss	(4,511,206)	(272,153)	259,320	-	(4,524,039)

New Accounting Policies

IFRS 16 "Leases," The Company adopted IFRS 16 effective January 1, 2019 using a modified retrospective approach whereby the consolidated financial statements of prior periods presented were not restated and continue to be reported under IAS 17 and related interpretations, as permitted by the specific transition provisions of IFRS 16. The Company recognized lease liabilities at January 1, 2019 for leases previously classified as operating leases, measured at the present value of lease payments using the Corporation's incremental borrowing rate at that date. Property and equipment includes the corresponding right-of-use assets also recognized at January 1, 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments and lease incentives relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. As permitted by IFRS 16, the Corporation elected not to recognize lease liabilities and right-of-use assets for short-term leases and leases of low value assets which will continue to be expensed on a straight-line basis over the lease term. The following practical expedients to facilitate the initial adoption of IFRS 16 have also been applied:

- The definition of a lease under IFRS 16 was applied to existing contracts at January 1, 2019;
- Each lease component and any associated non-lease components are accounted for as a single lease component;
- A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics;
- Right-of-use assets and lease liabilities were not recognized for leases with a remaining term of 12 months or less as of January 1, 2019; and
- Hindsight was used when determining the lease term when the lease contracts contain options to extend or terminate the lease.

The following table summarizes the impacts of adopting IFRS 16 at January 1, 2019:

	January 1, 2019 prior to adoption of IFRS 16	Adjustments	January 1, 2019 after adoption of IFRS 16
Property and equipment	$9,042,293	$505,310	$9,547,603
Lease liabilities	-	$505,310	$505,310

The following table reconciles the operating lease commitments at December 31, 2018 as disclosed in the audited consolidated financial statements to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	$546,843
Discounted using the incremental borrowing rate of 6% at January 1, 2019	$505,310

Subsequent Events

Subsequent to year end, California Nanotechnologies Corp.'s line of credit was called by its bank and Omni-Lite paid $250,000 to settle their guarantee agreement under the terms of that certain credit agreement. Concurrent with such settlement, Omni-Lite entered into a Promissory Note Agreement with California Nanotechnologies Corp. of $250,000 with an interest rate set at the US Prime Rate plus 1.0%

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.

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 December 31, 2019, 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 as of and for the year ended December 31, 2019 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

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.