Omni-Lite Industries Canada Inc.
For the Year ended December 31, 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 year ended December 31, 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 March 30, 2021.

Non-IFRS measures - certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-IFRS measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Corporation’s financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS measure. However, they should not be used as an alternative to IFRS because they may not be consistent with calculations of other companies.

Company Overview

Omni-Lite Industries Canada, Inc. is a recognized precision manufacturer of forged and electronic components with a core mission of utilizing material science research and development for mission critical applications. The Company’s specialized, computer-controlled hot and cold forging systems combined with its design and materials science expertise have enabled us to solve our customers’ extremely challenging product application needs. In addition, we have the range of equipment and production capacity necessary to respond to a wide range of complex high-volume requirements.

Omni-Lite is managed as a single business by its chief operating decision-makers. The Company operates two business segments defined as forged and electronic components. Through its wholly owned subsidiaries which include: Omni-Lite Industries 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 product applications 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, 2020	**For the year ended December 31, 2019**	**% Increase (Decrease)**
Revenue	$6,683,776	$9,317,608	(28%)
Adjusted EBITDA (1)	(833,184)	960,880	N/A
Net loss	(618,092)	(1,872,815)	59%
Diluted EPS	(0.05)	(0.17)	60%
Diluted weighted average shares outstanding	11,333,854	11,333,854	-
Cash flow from operations	4,966	(505,168)	N/A
Free cash flow (1)	(18,884)	(822,074)	98%
Total assets	14,850,274	17,056,662	(4%)

Results from Operations for the Year Ended December 31, 2020

Revenue: For the fiscal year ended December 31, 2020, Omni-Lite reported revenue of $6,683,776, a decrease of 28% from $9,317,608 in the fiscal period ended December 31, 2019. The reduction in revenue was principally due to the impact from the COVID-19 pandemic. Aerospace, munitions, automotive, spikes and electronics all incurred revenue declines as end customers experienced weakness in demand and implemented inventory destocking initiatives in an effort to conserve cash.

Cost of Goods Sold: For the fiscal year ended December 31, 2020, cost of goods sold ("COGS") was $6,651,297 or a reduction of 10% as compared to $7,416,545, in the year ago period. Manufacturing cost did not reduce further due to the high fixed cost structure of manufacturing operations. As sales declined, resulting in reduced production requirements, the Company experienced significant under absorption of manufacturing costs. In response to the COVID-19 pandemic during the third quarter of fiscal 2020, the Company implemented reorganization and cost action plan to right-size the business to the current economic environment. Such actions are expected to generate annualized reductions in manufacturing cost of $1.1 million, of which the Company has realized approximately $658,000 in direct labor and overhead savings in the year ended December 31, 2020. In the fiscal year ended December 31, 2020, the Company recorded a reserve for finished goods inventory associated with a shift in market conditions of approximately $134,000. The remaining cost reduction of approximately $240,000 was due to variable costs savings associated with the $2.6 million reduction in sales offset by adverse product mix in 2020.

Selling, General and Administrative Expense: Selling, general and administrative expenses ("SG&A") for the fiscal year ended December 31, 2020 were $1,378,012 as compared to $1,821,550 for the year ago period, representing a decrease of 24%. The decrease in fiscal 2020 as compared to fiscal 2019 was the result of our reorganization action plan, as stated above, that yielded reductions in payroll and business development related expenses of approximately $197,000 and the related fiscal 2019 severance expense of approximately $61,000. In addition, SG&A improved by approximately $141,000 due to 2019 non-recurring expenses and all other expense reductions.

Share-Based Compensation: Share-based compensation for the fiscal year ended December 31, 2020 was $114,637 as compared to $34,538, or an increase of approximately $80,000 that was related to the issuance of 575,000 stock options to key employees in the fourth quarter of fiscal 2019.

Amortization of Intangible Assets: Amortization of intangible assets consists of intangible assets associated with the acquisition of Monzite Corporation. These assets are being amortized over a period of three to five years, which is determined to be their useful life. There is no change in expense in the year ended December 31, 2020 as compared to December 31, 2019.

Research and Product Design ("R&D") Expense: For the fiscal year ended December 31, 2020, R&D expense was $277,728, relatively comparable to the levels incurred in fiscal year 2019. These costs consist of labor related cost and materials for new product design of high voltage components and metal formed parts.

Other Income/Expense: In the fiscal year ended December 31, 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 fiscal year end 2019, California Nanotechnologies Corp.'s line of credit was called by its lender and the Company, as a guarantor of the line of credit, settled its guaranty under the terms of that certain credit agreement with the payment of $250,000. Concurrent with the guaranty settlement, the Company 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%. These expenses did not recur in the fiscal year ended December 31, 2020. Interest income was $7,969 in the fiscal year ended December 31, 2020, relatively comparable to the year ago period level.

Interest expense was $68,021 in the fiscal year ended December 31, 2020, as compared to $46,811 in the year ago period. In the year ended December 31 2020, interest expense of $13,700 as compared to $25,977 in the year ended December 31, 2019 was due to 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 $54,321as compared to $20,834 in the year ended December 31, 2019 was related to borrowings under its revolving line of credit facility. The increase in interest expense in the year ended December 31, 2020 as compared to December 31, 2019 was due to increased borrowing under the Company's revolving line of credit facility.

During 2020, the Company applied for and received $819,700 in loans from City National Bank under the CARES Act. $636,800 of this amount was for Omni-Lite Industries California, Inc. and the remaining $182,900 was for Monzite Corporation. The Company believes it has met the criteria for forgiveness on both of these loans and has recorded these loans as income in 2020.

In the third quarter of the year ended December 31, 2020, the Company implemented a restructuring program and recorded severance expense of approximately $55,000. The annualized expense savings associated with this restructuring is approximately $1.1 million.

At December 31, 2020, 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, 2020 based on FVLCD analysis. It was determined that no impairment exists as the recoverable amount exceeded the carrying amount of the CGU.

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All goodwill has been allocated to the Monzite CGU. The Company performed its impairment test at December 31, 2020 and the recoverable amount of the Monzite CGU was determined based on a FVLCD calculation using the following key assumptions:

- 3-year (2019 – 4 year) cash flow projections expected to be generated based on historical performance, financial forecasts and growth expectations. Cash flows beyond 3 years used a terminal growth rate of 2%;
- Forecasted revenue at an average growth rate of 8% (2019 – 14.5%);
- Average forecasted EBITDA margin of 18% (2019 – 15.9%); and,
- Cash flows were discounted at an after-tax discount rate of 24% (2019 – 19.8%) based on the Company's weight average cost of capital and risks specific to the particular CGU.

As a result of the impairment test performed, the recoverable amount was determined to be approximately $1,479,000 (2019 - $1,680,000), which exceeds the carrying amount by approximately $100,000 ($350,000), 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;
- A 1% decrease in the average forecasted EBITDA would not result in an impairment; and,
- A 2% decreased in the average forecasted EBITDA or a 2% increase in the discount rate would result in an insignificant impairment.

Income Tax Provision: The income tax recovery in the fiscal year ended December 31, 2020 was a credit of $489,986 as compared with an income tax provision in the fiscal year ended December 31, 2019 of $194,948. The 2020 credit was due to the loss before taxes associated with the adverse effects of the COVID-19 pandemic.

Net Loss: Net loss was $(618,092) in the year ended December 31, 2020 as compared with a loss of $(1,872,815) in the year ended December 31, 2019.

Loss Per Share: Basic loss per share was $(0.05) in the year ended December 31, 2020 as compared to $(0.17) in the year ended December 31, 2019 based on the weighted average shares outstanding of 11,333,854 in both years.

The diluted loss per share was $(0.05) in the year ended December 31, 2020 and compared to $(0.17) in fiscal period 2019.

At December 31, 2020, the diluted weighted average number of shares outstanding was 11,333,854. 727,667 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, therefore, any exercise would be anti-dilutive. At December 31, 2019, the diluted weighted average number of shares was 11,333,854. 914,333 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, 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 31/2020	Sep 30/2020	Jun 30/2020	Mar 31/2020	Dec 31/2019	Sep 30/2019	Jun 30/2019	Mar 31/2019
Revenue	$1,284,720	$1,630,536	$1,623,650	$2,144,870	$2,176,487	$2,123,087	$2,573,509	$2,444,525
Adjusted EBITDA[(1)]	(615,375)	(271,870)	(142,622)	196,683	(121,084)	(29,435)	380,616	730,783
Net Income (Loss)	$142,664	(410,265)	(263,414)	(87,077)	$(759,382)	$(1,467,765)	119,321	235,011
EPS (Loss) - Basic	$0.02	$(0.04)	$(0.02)	$(0.01)	$(0.07)	$(0.13)	$0.01	$0.02
EPS(Loss)-Diluted	$0.02	$(0.04)	$(0.02)	$(0.01)	$(0.07)	$(0.13)	$0.01	$0.02
Cash Flow from Operations	$217,949	(212,412)	334,412	(334,983)	$(241,408)	$(82,114)	54,446	(236,092)
Free Cash Flow[(1)]	$220,589	(216,730)	321,042	(343,785)	$(267,006)	$(126,955)	5,507	(433,620)

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)], and Adjusted EBITDA[(1)] The calculation of Adjusted EBITDA[(1)] on a 12-month rolling basis is set out in the following table.

	December 31, 2020	**December 31, 2019**
Net (loss)	$ (618,092)	$ (1,872,815)
Add:		
Depreciation	1,055,008	1,075,927
Amortization of intangibles	74,667	74,667
IFRS 16 lease accounting adjustment	(230,741)	(223,050)
Interest expense	68,021	46,811
Interest income	(7,969)	(7,145)
Loan receivable write-off	–	1,088,879
PPP loan forgiveness	(819,700)	
Severance	55,160	
(Recovery) Provision for income taxes	(489,986)	194,948
Finance guarantee expense	–	250,000
Stock and warrant-based compensation	114,637	34,538
Amortization of finished goods mark to market	–	130,625

Accounts receivable reserve associated with loan receivable write-off	(34,189)	41,495
Severance expense	–	61,000
Non-recurring public company expense	–	65,000
Adjusted EBITDA (1)	$ (833,184)	$ 960,880

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

The components of Free Cash Flow are classified as follows:

	Year to date December 31	
	2020	**2019**
Cash flow from operating activities	$ 4,966	$ (505,168)
Purchase of property, plant and equipment	(23,850)	(316,906)
Free Cash Flow	$ (18,884)	$ (822,074)

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, 2020	December 31, 2019
Net cash (used) from operating activities	**$ 4,966**	$ (505,168)
Net cash from (used) in financing activities	**1,118,044**	1,175,648
Net cash (used) in investing activities	**(273,850)**	(317,806)
Net increase (decrease) in cash	**849,160**	352,674
Cash at the beginning of the period	**693,245**	340,571
Cash at the end of the period	**1,542,405**	693,245

Cash Flows from Operations:
For the year ended December 31, 2020, the Company generated $4,966 from operations as compared to a use of $505,168 in the year ended December 31, 2019. Net income adjusted for non-cash items for the year ended December 31, 2020 was approximately ($712,000). This included Paycheck Protection Program loan forgiveness of approximately $820,000. In addition, the Company generated approximately $717,000 in cash from reductions in working capital including a reduction in inventory of approximately

$611,000, a reduction in accounts receivable of approximately $412,000 offset by an increase in accounts payable and prepaid expenses of approximately $306,000.

For the year ended December 31, 2019, cash flow from operations was a use of ($505,168). Net income adjusted for non-cash items in the year ended December 31, 2019 was $904,303. In 2019, the Company used approximately $1,409,000 for working capital. Approximately $1,099,000 of this amount was related to inventory including the company's build for stock program. Approximately $264,000 was due to increased receivables.

Cash Flows from Financing Activities: Cash provided by financing activities was approximately $1,118,000 in 2020 as compared to $1,175,648 in 2019. In 2020, the Company borrowed approximately $517,000 against its line of credit facility and used $250,000 of that amount to pay a finance guarantee loan obligation. In addition, the Company received approximately $820,000 in Paycheck Protection Program 1 funding. Lastly, the Company amortized lease liability payments of approximately $231,000.

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 were used to support the Company's build for stock program.

Cash Flow from Investing Activities: In the year ended December 31, 2020, the Company used $23,850 for capital expenditures as it worked aggressively to limit capital expenditures as compared to capital expenditures of approximately $317,000 in the year ended December 31, 2019. In the year ended December 31, 2020, the Company made a $250,000 payment for a line of credit agreement it had guaranteed on behalf of California Nanotechnologies, Inc. ("CalNano") when CalNano's bank called the loan.

The Company's liquidity needs can be met through a variety of sources including cash on hand, cash provided by operations, short-term borrowings under our revolving credit facility and access to Paycheck Protection Program funding under the U.S. government CARES Act. Under the CARES Act, the Company borrowed $819,700 in the year ended 2020. In January 2021, the Company was notified by the Small Business Administration that $182,900 of its loan had been forgiven. The Company expects the remaining $636,800 to be forgiven in 2021. 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. At December 31, 2020, the Company was in compliance with its tangible net worth and loan-to-value covenants and not in compliance with its debt service covenant. Subsequent to year end, the Company received a waiver for its debt service covenant.

The current ratio defined as current assets divided by current liabilities was 2.7 at December 31, 2020 as compared to 4.6 at December 31, 2019. At December 31, 2020, the Line of Credit borrowings were classified as a current liability. At December 31, 2019, the Line of Credit borrowings were classified as a long-term 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, 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. ("CNO"). CNO was established to undertake advanced nanotechnology and related material science research and to lead in future scientific and commercialization programs.

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

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

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

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

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

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

9. **Manufacturing facilities** – If the Company suffered a loss to its manufacturing facilities due to catastrophe, its operations could be adversely impacted. The Company's facilities are subject to catastrophic loss due to fire, flood, terrorism or other, natural or man-made disasters. In particular, due to its locations, the facilities could be subject to a severe loss caused by earthquake or other natural disasters. 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 ten 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, 2020		December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$1,542,405**	**$1,542,405**	$ 693,245	$ 693,245
At FVOCI				
Investment	**471,720**	**471,720**	184,698	184,698
At amortized cost				
Accounts receivable	**976,878**	**976,878**	1,355,071	1,355,071
Due from related parties	**26,000**	**26,000**	38,706	38,706
Accounts payable and accrued liabilities	**576,582**	**576,582**	791,775	791,775
Finance guarantee liability			250,000	250,000
Bank indebtedness	**1,519,349**	**1,519,349**	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 exposes the Company to various risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not use off statement of financial position contracts to manage these risks.

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, 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 $4,717 annually (December 2019 - $1,849).

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, 2020, the Company had outstanding borrowings under its $3 million City National Bank revolving line of credit facility in the amount of $1,519,349. In addition, the Company had $819.700 in borrowing related to the Paycheck Protection Program. In January 2021, the Small Business Administration notified the Company that it had forgiven $182,900 of this amount. The Company excepts the remaining $636,800 will be forgiven in 2021.

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

December 31, 2020	**≤ 1 year**	**> 1 year ≤ 3 years**	**> 3 year ≤ 4 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	$ 576,583	-	-	-	$ 576.583
Bank indebtedness	1,519,349		-	-	1,519,349
Total	$ 2,095,932	-	-	-	$ 2,095,932

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
Bank indebtedness	-	1,002,309	-	-	1,002,309
Total	$ 791,775	$1,002,309	-	-	$ 1,794,084

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, 2020, the Company had three customers, who each accounted for in excess of 10% of revenue, for a total of $3.25 million or 49% of sales ($3.52 million or 38% of sales December 31, 2019). There were no sales to customers in various international countries in excess of 10% of revenue in the years ended December 31, 2020 or December 31, 2019.

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, 2020	**$ 976,878**	**$ 482,596**	**$ 153,246**	**$ 29948**	**$ 278,011**	**$ 33,077**
December, 2019	$ 1,355,071	$ 706,728	$ 495,696	$ 89,256	$ 46,816	$ 16,575

Outstanding Share Capital

As of December 31, 2020:

- 11,333,854 Common Shares issued and outstanding
- 727,667 Share Options outstanding
- 394,167 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. (Cal Nano). $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 $294,000 at December 31, 2020 (December 31, 2019 – approximately $372,000). On March 31, 2020, Manufacturers Bank called the line of credit balance of $250,000. Omni-Lite Industries California, 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 the year ended December 31, 2020, the Company recorded sales to Cal Nano in the amount of $2,754 in 2020 (2019 – $17,750).

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. At December 31, 2020, the Company had four loans outstanding (six in 2019) related to grants to purchase a hybrid/electric car under the Company's *Greenhouse Gas Reduction Incentives for Employees* program in the amount of $5,000 each. The four grants outstanding mature in 2021, 2022 and 2023. Two grants were cancelled in 2020 and charged to the reserve. The Company has reserved $14,000 ($12,000 in 2019) against these grants. One current employee had an unsecured interest free loan from the Company in the amount of $706 at December 31, 2019. That loan was paid in full in 2020. The Company had loans due on demand to the former Chief Executive Officer totalling $404,024 that were repaid on December 18, 2019. 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, 2020	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	$ 6,683,776	-	-	-	$ 6,683,776
Net loss	(291,744)	(326,348)	-	-	(618,092)

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)

New Accounting Policies

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

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

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

Subsequent Events

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

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

In January 2021, the Small Business Administration notified the Company that it is forgiven $182,900 of its PPP loan.

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.