



**Omni-Lite Industries Canada Inc.
Unaudited Condensed Consolidated Financial Statements
For the interim three months ended March 31, 2020 and 2019
(in United States Dollars)**

Contents

Notice to Reader	2
Unaudited Condensed Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Income (Loss) and Comprehensive Income (Loss)	4
Statements of Changes in Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Unaudited Condensed Consolidated Financial Statements	7 – 22

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the three months ended March 31, 2020 and 2019.

NOTICE TO THE READER OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of Omni-Lite Industries Canada Inc. including the consolidated statements of financial position as at March 31, 2020 and 2019 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the three months ended March 31, 2020 and 2019 are the responsibility of the Company's management.

These unaudited condensed consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MNP LLP.

The unaudited condensed consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these unaudited condensed consolidated financial statements in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

"David Robbins" signed

David Robbins
Director and Chief Executive Officer
Cerritos, California, USA
May 28, 2020

"Roger Dent" signed

Roger Dent
Director
Cerritos, California, USA
May 28, 2020

Omni-Lite Industries Canada Inc.
Consolidated Statements of Financial Position
United States Dollars
Unaudited

	Note	At 3/31/20	At 12/31/19
Assets			
Current			
Cash		\$ 554,899	\$ 693,245
Accounts receivable		1,527,073	1,355,071
Inventory	3	4,039,172	3,863,596
Due from related parties	7	332	706
Prepaid expenses		130,442	124,013
Total Current Assets		6,251,918	6,036,631
Long-term			
Investment	4	128,030	184,698
Property, plant and equipment	5	8,530,532	8,788,582
Due from related parties	7	35,000	38,000
Deferred tax asset		1,268,609	1,297,803
Intangible assets	6	652,503	671,170
Deposits		33,494	33,493
Other asset		6,285	6,285
Total Assets		\$ 16,906,371	\$ 17,056,662
Liabilities			
Current			
Accounts payable and accrued liabilities		568,768	791,775
Lease liability		223,127	217,702
Income taxes payable		44,336	30,208
Finance guarantee liability		-	250,000
Total Current Liabilities		\$ 836,231	\$ 1,289,685
Long Term			
Bank indebtedness	8	1,513,934	1,002,309
Lease liability		33,173	90,535
Deferred tax liability		1,971,637	2,009,597
Total Liabilities		\$ 4,354,975	\$ 4,392,126
Shareholders' Equity			
Share capital	9	8,204,897	8,204,897
Contributed surplus	12	1,877,441	1,846,836
Retained earnings		2,757,039	2,844,116
Accumulated other comprehensive loss	4	(287,981)	(231,313)
Total Shareholders' Equity		\$ 12,551,396	\$ 12,664,536
Total Liabilities and Shareholder's Equity		\$ 16,906,371	\$ 17,056,662

Omni-Lite Industries Canada Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
United States Dollars
Unaudited

For the 3 months ended March 31	Note	2020	2019
Revenue	10	\$ 2,144,870	\$ 2,444,525
Cost of goods sold		1,675,619	1,574,358
Gross margin		\$ 469,251	\$ 870,167
Overhead expenses			
Selling, general and administrative		415,473	404,685
Share-based compensation	9	30,605	30,960
Amortization of intangible assets	6	18,667	18,667
Total overhead expenses		464,745	454,312
Research and product design		67,387	49,489
Income/(loss) from operations		\$ (62,881)	\$ 366,366
Other income (expense)			
Interest income		-	1,785
Interest expense		(18,407)	(8,339)
Income/(loss) before income taxes		\$ (81,288)	\$ 359,812
Income tax expense (recovery)			
Current		14,555	1,600
Deferred		(8,766)	123,201
		5,789	124,801
Net income/(loss)		\$ (87,077)	\$ 235,011
Other comprehensive income/(loss)			
Items that may not be reclassified to profit or loss:			
Gain (Loss) on investment	4	(56,668)	184,630
Comprehensive income/(loss)		\$ (143,745)	\$ 419,641
Income/(loss) per share - basic	13	(0.01)	0.02
- diluted	13	(0.01)	0.02
Weighted average shares outstanding - basic	13	11,333,854	11,333,854
- diluted	13	11,333,854	11,335,285

Omni-Lite Industries Canada Inc.
Consolidated Statements of Changes in Shareholders' Equity
United States Dollars
Unaudited

		Share	Contributed	Retained	Accumulated other	Stockholder's
	Note	Capital	Surplus	Earnings	comprehensive income/(loss)	Equity
Balance at December 31,2018		\$ 8,204,897	\$1,812,298	\$ 4,716,931	\$ (195,937)	\$ 14,538,189
Share-based compensation	12	-	30,960	-	-	30,960
Net loss		-	-	235,011	-	235,011
Loss on investment		-	-	-	184,630	184,630
Balance at March 31,2019		\$ 8,204,897	\$1,843,258	\$ 4,951,942	\$ (11,307)	\$ 14,988,790

		Share	Contributed	Retained	Accumulated other	Stockholder's
	Note	Capital	Surplus	Earnings	comprehensive income/(loss)	Equity
Balance at December 31,2019		\$ 8,204,897	\$1,846,836	\$ 2,844,116	\$ (231,313)	\$ 12,664,536
Share-based compensation	12	-	30,605	-	-	30,605
Net loss		-	-	(87,077)	-	(87,077)
Loss on investment		-	-	-	(56,668)	(56,668)
Balance at March 31, 2020		\$ 8,204,897	\$1,877,441	\$ 2,757,039	\$ (287,981)	\$ 12,551,396

Omni-Lite Industries Canada Inc.
Consolidated Statements of Cash Flows
United States Dollars
Unaudited

For the three months ended March 31	Note	2020	2019
Net income/(loss) for the year		(87,077)	235,011
Adjustments for:			
Depreciation	5	266,852	278,196
Allowance for bad debt		-	-
Amortization of intangible assets	6	18,667	18,667
Deferred tax liability			
Deferred tax expense (recovery)		29,194	123,201
Share-based compensation	9	30,605	30,960
Related party write-off	7	3,000	
Interest income		-	(1,785)
Interest expense		4,624	7,606
		265,865	691,856
Net change in non-cash working capital items			
Accounts receivable		(172,003)	(461,598)
Inventory		(175,576)	(574,650)
Prepaid expenses		(6,430)	49,504
Accounts payable and accrued liabilities		(223,007)	48,024
Deposits		-	8,462
Income taxes payable		(23,832)	2,310
Decrease in cash from operating activities		(334,983)	(236,092)
Cash flows from financing activities			
Payments from related parties	7	374	5,400
Advances to related parties	7		(1,486)
Proceeds from bank indebtedness-City National	8	511,625	-
Proceeds from bank indebtedness-Manufacturers Bank	8	-	300,000
Payment of finance guarantee	7(ii)	(250,000)	-
Repayment of lease liability		(56,560)	(62,571)
Increase in cash from financing activities		205,439	241,343
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(8,802)	(197,528)
Decrease in cash from investing activities		(8,802)	(197,528)
Increase/(Decrease) in cash		(138,346)	(192,277)
Cash, beginning of period		693,245	340,571
Cash, end of period		554,899	148,294

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

1. Nature of Operations

Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") was incorporated under the Laws of the Business Corporations Act of Alberta in 1992. The consolidated financial statements of the Company for the three months ended March 31, 2020 include the accounts of the Company and its wholly-owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2020. Its head office, research and development, and production operations are located at 17210 Edwards Road, Cerritos, California, U.S.A, 90703. A corporate, registered office is located at 18 Kings Street East, Suite 902, Toronto, ON M5C2C4. The Company's core mission is the adaptation of material science for mission critical applications. These products include components for the aerospace, military, specialty automotive and sports and recreational industries. Since the most significant portion of the Company's operations is located in the United States ("U.S.") and its functional currency is U.S. dollars, these consolidated financial statements are presented in U.S. dollars. The Company is listed for trading on the TSX Venture Exchange under the symbol OML and the OTCQX under the symbol OLNCF.

2. Significant Accounting Policies

These condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC") in effect at March 31, 2020. These condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting.

The significant accounting policies of the Company are the same as those applied in the Company's annual audited consolidated financial statements for the years ended December 31, 2019 and 2018. These policies have been consistently applied to each of the periods presented.

(a) Estimates and judgements

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

(b) Lease Recognition: Adoption of IFRS 16

IFRS 16 replaces the previous guidance on lease recognition under IAS 17 and establishes principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The new standard brings most leases on to the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, will remain largely unchanged. The amendments were effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 – Revenue from Contracts with Customers, had also been applied.

Adoption:

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 Company's incremental borrowing rate at that date. Property, plant 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 recognized in the consolidated statement of financial position as at December 31, 2018.

As permitted by IFRS 16, the Company 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, plant & equipment	\$9,042,293	\$505,310	\$9,547,603
Lease liabilities	-	505,310	505,310

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

Lease Recognition: Adoption of IFRS 16 - continued

The following table reconciles the operating lease commitments at December 31, 2018 as disclosed in the 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

Accounting policy:

The following accounting policy applies as of January 1, 2019 following the adoption of IFRS 16. Prior to January 1, 2019, the Company continued to apply IAS 17 and related interpretations as disclosed in the audited annual consolidated financial statements as at and for the year-ended December 31, 2018, as permitted by the specific transition provisions of IFRS 16.

The Company enters into leases for office space in the normal course of business which expire at various times through 2021. Lease contracts are typically made for fixed periods and may contain a renewal option, but renewal is not considered reasonably certain. Leases are negotiated on an individual basis and each contain different terms and conditions. The Company does not have any contingent rental or sublease payments, nor any sublease income.

The Company assesses whether a contract contains a lease at the inception of a contract. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Lease liabilities are recognized with corresponding right-of-use assets for all lease agreements, except for short-term leases with terms of 12 months or less and leases of low value assets, which are expensed on a straight-line basis over the lease term. Consideration in a contract is allocated to lease and non-lease components on a relative stand-alone value basis. Lease components and any associated non-lease components are accounted for as a single lease component.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics. Lease payments included in the measurement of the lease liability comprise fixed (and in-substance fixed) lease payments, less any lease incentives, variable lease payments that depend on an index or rate, and payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when the Company changes the assessment of whether to exercise renewal or termination options.

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

Lease Recognition: Adoption of IFRS 16 - continued

Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the

remeasurement of related lease liabilities. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

Estimates and judgments:

The application of IFRS 16 requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and lease liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options) are considered. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

3. Inventory

The major components of inventory are classified as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Raw Materials	915,334	968,330
Work in progress	1,650,972	1,498,148
Finished Goods	1,472,866	1,376,076
Finished Goods mark to market	-	21,041
Total	\$ 4,039,172	\$ 3,863,596

The cost of inventories recognized as expense and included in cost of goods sold for the three months ended March 31, 2020 was \$1,675,618 (2019 - \$1,574,358). During the three months ended March 31, 2020, the Company recorded a reserve for obsolete inventory of \$21,000 (2019 - \$nil) and wrote off \$nil in 2020 (2019 - \$nil).

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

4. Investment

At March 31, 2020, the long-term investment consists of an equity investment in the common shares of California Technologies Corp. ("California Nano"), a public company related through a common director. The Company's investment is recorded at the fair value as supported by the market price listed on the TSX Venture Exchange.

	<u>Carrying Amount</u>
Investment at December 31, 2018	\$ 220,074
Loss from market price valuation	(35,376)
Investment at December 31, 2019	\$ 184,698
Loss from market price valuation	(56,668)
Investment at March 31, 2020	\$ 128,030

The following is a schedule of the accumulated market valuation change relating to the investment above:

	<u>Market Value</u>
Balance at December 31, 2018	\$ (195,937)
Loss from market price valuation	(35,376)
Balance at December 31, 2019	\$ (231,313)
Loss from market price valuation	(56,668)
Balance at March 31, 2020	\$ (287,981)

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

5. Property, Plant and Equipment

	Land	Building	Production equipment	Other equipment	Non-consumable tooling	Right-of-use assets	Totals
Cost							
At December 31, 2018	\$770,000	\$2,154,570	\$15,563,311	\$292,673	\$7,886,569	-	\$26,667,123
Additions	-	-	299,272	17,634	-	505,310	822,216
Reclassifications	-	4,355	(54,500)	50,152	(7)	-	-
At December 31, 2019	\$770,000	\$2,158,925	\$15,808,083	\$360,459	\$7,886,562	\$ 505,310	\$27,489,339
Additions	-	8,802	-	-	-	-	8,802
At March 31, 2020	\$770,000	\$2,167,727	\$15,808,083	\$360,459	\$7,886,562	\$ 505,310	\$27,498,141
Accumulated Depreciation							
December 31, 2018	\$ -	\$791,206	\$9,748,526	\$262,284	\$6,822,814	-	\$17,624,830
Depreciation	-	56,276	343,976	19,592	445,025	211,058	1,075,927
Reclassification	-	482	(9,372)	8,890	-	-	-
At December 31, 2019	\$ -	\$847,964	\$10,083,130	\$290,766	\$7,267,839	\$211,058	\$18,700,757
Depreciation	-	14,069	86,655	5,516	107,847	52,765	266,852
At March 31, 2020	\$ -	\$862,033	\$10,169,785	\$296,282	\$7,375,686	\$263,823	\$18,967,609
Net Book Value							
At March 31, 2020	\$770,000	\$1,305,694	\$5,638,298	\$64,177	\$510,876	\$241,487	\$8,530,532

6. Intangible Assets

	Customer relationships	Goodwill	Trademark	Non-compete agreements	Totals
Cost					
At December 31, 2018, December 31, 2019 and March 31, 2020	\$ 240,000	\$ 407,170	\$ 100,000	\$ 20,000	\$ 767,170
Accumulated amortization					
At December 31, 2018	\$ 14,000	\$ -	\$ 5,500	\$ 1,833	\$ 21,333
Amortization	48,000	-	20,000	6,667	74,667
At December 31, 2019	\$ 62,000	\$ -	\$ 25,500	\$ 8,500	\$ 96,000
Amortization	12,249	-	4,812	1,606	18,667
At March 31, 2020	\$ 74,249	\$ -	\$ 30,312	\$ 10,106	\$ 114,667
Net book value					
At December 31, 2019	\$ 178,000	\$ 407,170	\$ 74,500	\$ 11,500	\$ 671,170
At March 31, 2020	\$ 165,751	\$ 407,170	\$ 69,688	\$ 9,894	\$ 652,503

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

7. Related Party Transactions and Balances

During the three months ended March 31, 2020, the Company had the following related party transactions and balances not disclosed elsewhere in these condensed consolidated financial statements:

	March 31, 2020	December 31, 2019
California Nanotechnologies:		
i. A loan receivable including interest at 2.89% per annum which is due on demand. The loan was secured by all the assets of California Nanotechnologies Inc., a subsidiary of California Nano. This loan receivable was fully impaired as of March 31, 2020.	\$ 0	\$-
ii. The Company has provided a guarantee on the bank debt held by California Nanotechnologies Corp. The bank debt consists of a term loan with a balance of approximately \$345,000 (\$372,000 at December 31, 2019) On March 31, 2020 bank called California Nano's line of credit of \$250,000 and Omni-Lite repaid this amount on their behalf. Omni-Lite has a loan receivable with interest at the prime rate plus 1% from California Nanotechnologies Corp. At December 31, 2019, Omni-Lite had recorded this amount as a finance guarantee liability of \$250,000 in the statement of financial position with an offsetting charge to other expense. Has an unsecured interest free loan receivable from an employee, forgiven after five years of service time, related to the acquisition of property with a maturity date in 2022.	20,000	20,000
Has an unsecured interest free loan receivable from an employee with a maturity date in 2020.	332	706
Provided six grants (December 31, 2018 – six) related to the purchases of hybrid/electric cars under the Company's <i>Greenhouse Gas Reduction Incentives for Employees</i> program in the amount of \$5,000 each. The six grants outstanding mature in 2021, 2022 and 2023.	30,000	30,000
Reserve for earned grants	(15,000)	(12,000)
Total due from related parties	\$35,332	\$38,706
Current portion	332	706
Long-term portion	\$35,000	\$38,000

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

Significant subsidiaries:

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. which was formed and incorporated on October 4, 1985. It is the head office which conducts research and development, and production operations.	United States
Omni-Lite Properties Inc. (California, USA)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada Inc. which was formed and incorporated on December 26, 2000. It owns the property and significant equipment for the head office. This entity was merged with Omni-Lite Industries California, Inc. as of September 9, 2019.	United States
Omni-Lite Industries International Inc. (Barbados)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada Inc. which was formed and incorporated in Barbados on February 8, 2005. It conducts all international sales in the sports and recreation segment. Merged into Omni-Lite Industries Canada Inc. as of December 31, 2019.	International
Monzite Corporation (New Hampshire, USA)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Impellimax, Inc.	United States
Impellimax, Inc. (New Hampshire, USA)	100%	Wholly-owned subsidiary of Monzite Corporation which was acquired on September 21, 2018. It designs, manufactures, and contract manufactures electronic sub-components.	United States
Formed Fast International Inc. (Barbados)	100%	Wholly-owned subsidiary of Omni-Lite Industries Canada Inc., formed and incorporated in Barbados on February 24, 1998. It is an investment holding company. Merged into Omni-Lite Industries Canada Inc. as of December 31, 2019.	International

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

8. Bank Indebtedness

As of December 18, 2019, the Company replaced its US\$700,000 credit facility and entered into a three-year, US\$3.0 million revolving credit line with City National Bank, an RBC Company, which expires on December 31, 2022 (the "Credit Agreement"). Interest under the revolving line of credit accrues at the prime rate. The Credit Agreement is secured by the Company's accounts receivable, inventory, property, plant and equipment, and general intangibles. The agreement includes certain conditions and financial covenant ratios including, loan to value, net worth and debt service. At December 31, 2019, the outstanding loan balance was \$1,002,309. At March 31, 2020, the loan balance was \$1,513,934 (March 31, 2019-\$300,000) and the Company was in compliance with its covenants. Interest expense of \$13,783 (2019 - \$733) related to the Company's line of credit line has been recorded in the consolidated statements of income/(loss) and comprehensive income/(loss) for the three months ended March 31, 2020.

9. Share Capital

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued

	Number of Shares	Amount
Total issued and outstanding, December 31, 2018, December 31, 2019 and March 31, 2020	11,333,854	\$ 8,204,897

(c) Share options

The Company established a share option plan for employees, directors and consultants on September 15, 1997. Under this plan, the Company is authorized to issue options up to 10% of the outstanding number of issued and outstanding shares. From grant date, options vest at one-third of the total grant annually with an expiration term of 5 years.

The Company has granted share options to directors, consultants, and employees of the Company as follows:

	Number	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding at December 31, 2018	434,333	CAD \$0.92 to \$1.87	CAD \$1.53
Options - granted	575,000	CAD \$0.90	CAD \$0.90
- forfeited	(95,000)	CAD \$1.35 to \$1.48	CAD \$0.89
Options outstanding at December 31, 2019	914,333	CAD \$0.90 to \$1.85	CAD \$1.12
Options - expired	(35,000)	CAD \$0.92	CAD \$0.92
Options outstanding at March 31, 2020	879,333	CAD \$0.90 to \$1.85	CAD \$1.13
Options exercisable at March 31, 2020	277,331	CAD \$1.35 to \$1.85	CAD \$1.53

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

The Company did not grant options during the three months ended March 31, 2020.

The options that are outstanding at March 31, 2020 are summarized as follows:

Options Outstanding	Option price	Weighted Average Exercise Price of options outstanding	Weighted Average Remaining Contractual Life
635,000	CAD \$0.90 to \$1.37	CAD \$0.94	4.24 years
244,333	CAD \$1.38 to \$1.85	CAD \$1.61	1.42 years
879,333	CAD \$0.90 to \$1.85	CAD \$1.13	3.45 years

Options Vested	Option price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
60,000	CAD \$1.35	CAD \$1.35	0.20 years
217,331	CAD \$1.40 to \$1.85	CAD \$1.58	1.32 years
277,331	CAD \$1.35 to \$1.85	CAD \$1.53	1.08 years

In estimating expected stock price volatility at the time of a particular share option grant, the Company relies on observations of historical volatility trends. Share-based compensation expense in relation to the options was \$24,311 for the three months ended March 31, 2020 (2019 - \$12,313). The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	1.62%
Expected life (years)	5
Volatility rate (%)	58.60%
Dividend yield (%)	0.00%
Forfeiture rate (%)	0.00%

(d) Warrants

The Company initiated a long-term stock warrant plan in the third quarter of 2018 for key management and employees. On September 21, 2018, 1,200,000 warrants were granted all with an expiry date of September 21, 2026. The remaining contractual life on the warrants is 6.48 years. The warrants are allocated among six tranches with each tranche having specified number of warrants, strike price, and vesting provisions.

	Number	Warrant Price per Share Range	Weighted Average Exercise Price
Warrants outstanding at December 31, 2018, December 31, 2019 and March 31, 2020	1,200,000	CAD \$1.13 to \$2.26	CAD \$1.67
Warrants exercisable at December 31, 2019 and March 31, 2020	79,167	CAD \$1.27	CAD \$1.27

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

The warrants that are outstanding as of March 31, 2020 are summarized as follows:

Warrants Outstanding	Warrant Exercise Price
200,000	CAD \$1.13
125,000	CAD \$1.27
175,000	CAD \$1.41
200,000	CAD \$1.55
250,000	CAD \$1.98
250,000	CAD \$2.26
1,200,000	CAD \$1.67

500,000 warrants granted have exercise prices ranging from CAD\$1.13 – CAD\$2.26 and vest one third per year with the first vesting date ranging from December 31, 2019 to December 31, 2022 (“time based”). At March 31, 2020, 79,167 warrants have vested.

700,000 warrants granted have exercise prices ranging from CAD \$1.27 – CAD \$2.26 and vest upon meeting escalating cumulative three-year EBITDA targets on dates ranging from December 31, 2021 to December 31, 2024 (“performance based”). At December 31, 2019, the Company has determined that the EBITDA targets are not expected to be met and therefore no expense has been recorded. Share-based compensation expense in relation to warrants was \$6,294 for the three months ended March 31, 2020 (2019 - \$22,225).

The fair value of the warrants granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Performance Based	Time Based
Number of options	700,000	500,000
Weighted average exercise price	CAD\$1.78	CAD\$1.52
Weighted average risk-free interest rate	2.30%	2.28%
Weighted average expected life (years)	8	3
Weighted average volatility rate	57.02%	47.57%
Weighted average dividend yield	0.00%	0.00%
Weighted average forfeiture rate	8.15%	8.15%

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

10. Segment Information

The Company has its operations and subsidiaries in the United States, Canada and Barbados. The Company allocates its revenues between countries based on location that has title to the contract. The Company has utilized and reported revenues from products sold based on the Company locations for each of these segments as follows:

Three months ended March 31, 2020	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	\$ 2,144,870	-	-	-	\$ 2 144 870
Net (loss) income	(7,175)	(79,902)	-	-	(87,077)

Three months ended March 31, 2019	United States	Canada	Barbados	Inter-corporate elimination	Total
Revenue	\$2,439,725	\$ -	\$ 9,600	\$ (4,800)	\$ 2,444,525
Net (loss) income	313,693	(79,926)	1,244	-	235,011

11. 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.

	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
At FVTPL				
Cash	\$554,899	\$554,899	\$ 693,245	\$ 693,245
At FVOCI				
Investment	128,030	128,030	184,698	184,698
At amortized cost				
Accounts receivable	1,527,073	1,527,073	1,396,565	1,396,565
Due from related parties	35,332	35,332	38,706	38,706
Accounts payable and accrued liabilities	568,768	568,768	791,775	791,775
Bank indebtedness	1,513,934	1,513,934	1,002,309	1,002,309

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

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

	Total	Level 1	Level 2	Level 3
Assets				
Cash	\$ 554,899	\$ 554,899	\$ -	\$ -
Investment	128,030	128,030	-	-

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 Company's due from related parties approximate their fair values due to the amounts being due on demand, and the carrying value of bank indebtedness approximates fair value due to a market rate of interest being charged.

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.

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

Interest rate risk

The Company's line of credit facility discussed in Note 7 may fluctuate in value as a result of change in market price. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. As at March 31, 2020, the increase or decrease in income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$15,139 (December 31, 2019 - \$10,002).

Foreign currency risk

The Company maintains minimal asset and liability balances in non-U.S. dollar currencies and has de minimus foreign currency exposure.

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 shares of California Nano. 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 OCI. As at March 31, 2020, a 1% change in the price of the investment would have an impact of \$1,280 annually (December 31, 2019 - \$1,840).

Liquidity Risk

The Company is exposed to liquidity risk due to the borrowings under the line of credit and accounts payable and accrued liabilities from operations. This risk is mitigated by complying with the covenants on the line of credit and managing the cash flow by controlling accounts receivable and accounts payable. At March 31, 2020 the Company had borrowings under its line of credit in the amount of \$1,513,934 and was in compliance with its debt service and profitability.

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

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

March 31, 2020	≤ 1 year	> 1 year ≤ 3 years	> 3 year ≤ 4 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 568,768	-	-	-	\$ 568,768
Bank indebtedness	-	1,513,934	-	-	1,513,934
Total	\$ 568,768	\$1,513,934	-	-	\$ 2,082,702

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

Credit Risk

The Company manages credit risk over cash by maintaining its bank accounts with large financial institutions. The Company manages credit risk over accounts receivable by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the three months ended March 31, 2020, the Company was engaged in contracts for products with three (December 31, 2019 – two) customers in excess of 10% of revenue, which accounted for approximately \$1.1 million (2019 - \$3.5 million) or 52% (2019 – 47%) of the Company's total revenue. The maximum exposure to credit risk is the carrying value of cash, account receivable and due from related parties. The table below provides an analysis of the age of accounts receivable which are not considered impaired.

	Total	Current	≤ 30 days	> 30 days ≤ 60 days	60 days ≤ 90 days	> 90 days
March 31, 2020	\$ 1,527,073	\$ 753,595	\$ 683,305	\$ 55,110	\$ 34,107	\$ 956
December 31, 2019	\$ 1,355,071	\$ 706,728	\$ 495,696	\$ 89,256	\$ 46,816	\$ 16,575

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

12. Contributed Surplus

The following is a continuity schedule of contributed surplus:

	March 31, 2020	March 31, 2019
Balance, beginning of period	\$ 1,846,836	\$ 1,812,298
Shares issued upon options exercise		
Share-based compensation	30,605	30,960
Balance, end of period	\$ 1,877,441	\$ 1,843,258

13. Loss per Common Share

The basic loss per common share is calculated using Net loss divided by the weighted-average number of common shares outstanding. The diluted income per common share is calculated using net loss divided by the weighted-average number of diluted common shares outstanding, as adjusted with the treasury stock method.

879,333 options (2019 – 914,333) and 1,200,000 warrants (2019 – 1,200,000) were excluded in calculating the weighted-average number of diluted common shares outstanding for the three months ended March 31, 2020 because the Company was in a net loss position and therefore any exercise would be anti-dilutive.

14. 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 capital structure of the Company consists of cash and equity comprised of issued capital, contributed surplus and retained earnings. The Company generally relies on operating cash flows and its revolving line of credit to fund the expansion and product development. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity. The Company's capital management policies are aimed at:

Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity; maintaining sufficient undrawn committed credit capacity to provide liquidity; ensuring ample covenant room to draw credit lines as required; and ensuring the Company maintains a credit rating that is appropriate for their circumstances.

The Company monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.

Omni-Lite Industries Canada Inc.
Notes to Condensed Consolidated Financial Statements
United States Dollars
Unaudited
For the interim three months ended March 31, 2020 and 2019

15. Subsequent Events

In April 2020, 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 CARES Act. The CARES Act was established 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 CARES Act 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% and will carry a two-year maturity date. There is no prepayment penalty on the CARES Act Loan.

The 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 non-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 and March 31, 2020 have not been adjusted to reflect any impact of this event. The duration and impact of the covid-19 pandemic, as well as the effectiveness of government and central bank responses to covid-19, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of covid-19, or the impact the event may have on the financial position and results of the Corporation for future periods.

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

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

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

We have implemented;

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