MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis ("**MD&A**") describes the operating and financial results of XPEL Technologies Corp., ("XPEL" or "Company") for the years ended December 31, 2009 and 2008. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2009 and 2008. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles. This MD&A is as of April 29, 2010.

Company Overview

XPEL Technologies Corp., a Nevada corporation, is a Canadian reporting issuer whose common shares began trading October 22, 2004 on the Canadian Trading and Quotation System Inc. ("CNQ") under the symbol XPEL.U and February 27, 2006 on the TSX Venture Exchange ("TSXV") under the symbol DAP.U.

Description of the Business

The Company manufactures, sells and distributes after-market automotive products. The focus of the Company is the aftermarket for automotive paint and headlight protection products and window tint products.

The Company provides all training, equipment and product needed to operate in the Paint Protection industry and broader automotive protection space, including Paint and Headlamp Protection Film and software to access XPEL's library of protection patterns. The Company also provides pre-cut paint and headlamp protection kits to wholesale and retail customers and operates a retail installation facility.

Selected Annual Information

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Revenues	$3,834,565	$3,747,860	$3,822,716
Net gain (loss) from continued operations (in total)	$141,046	($1,985,225)	($834,203)
Net gain (loss) from continued operations (per share)	$.0055	($.0767)	($.0323)
Net gain (loss) from continued operations (fully diluted per share)	$.0055	($.0767)	($.0323)
Net gain (loss) from discontinued operations	($707,458)	($1,932,701)	$10,287

Net income or loss (per share)	($0.0220)	($0.1513)	($.0319)
Net income or loss (fully diluted per share)	($0.0220)	($0.1513)	($.0319)
Total assets	$1,570,231	$3,057,409	$4,152,701
Total long-term financial liabilities	$15,985	$240,385	$260,251

Summary of Quarterly Results

The financial information set out below presents the required financial information for the eight most recently completed fiscal quarters of the Company.

	Quarters Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Revenues	$814,948	$1,112,828	$994,250	$912,539
Net Income (Loss) from continuing operations	$29,626	$57,698	$67,628	($13,906)
Net Income/Loss	$20,651	$64,908	($638,904)	($13,067)
Net Income/Loss (per share)	$0.001	$0.002	($0.025)	($0.0005)
Net Income/Loss (fully diluted per share)	$0.001	$0.002	($0.025)	($0.0005)
	Quarters Ended			
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
Revenues	$880,755	$1,086,434	$1,046,749	$733,922
Net Income (Loss) from continuing operations	($505,846)	($630,684)	$153,340	($1,002,035)
Net Income/Loss	($566,569)	($3,024,795)	$255,262	($581,824)
Net Income/Loss (per share)	($0.022)	($0.117)	$0.010	($0.022)
Net Income/Loss (fully diluted per share)	($0.022)	($0.117)	$0.010	($0.022)

Results of Operations

Year Ended December 31, 2009 compared to the Year Ended December 31, 2008

Revenues. Revenues increased from $3,747,860 to $3,834,565, or 2% between periods. The increase in revenues is primarily a result of increases in our Installation, kit and material sales between periods. Installation, kit and material sales increased $326,915 or 18% between periods and increased as a % of total revenues to 56% of our total revenues for the year ended December 31, 2009. This increase was primarily due to increased bulk film sales and retail installation sales. Design access fees decreased $109,247 or approximately 7% between periods and other revenue decreased $130,963 or 49% between periods.

Cost of Sales. Cost of sales decreased from $1,889,193 to $1,629,132, and decreased as a percentage of revenues from 50% in 2008 to 42% in 2009, despite an 18% increase in related sales. Our cost of sales is primarily related to the selling of paint and headlight protection film in bulk form and as pre-cut kits, chemical products and cutting equipment to support the Company's Design Access Program software.

Expenses. General and administrative expenses decreased 40% to $1,647,276 in calendar year 2009 from $2,730,648 during calendar year 2008. The decreased general and administrative expenses were primarily a result of decreased personnel and legal expenses.

Sales and Marketing expenses decreased $701,291 from $732,991 for the twelve months ended December 31, 2008 to $31,700 for the twelve months ended December 31, 2009. The Company realigned Sales and Marketing expenses in early 2009 to align with anticipated lower revenues due to the global economic downturn. Despite a decrease of 96% in spending on Sales and Marketing, the Company saw a slight increase in revenue.

Amortization expense of property, plant and equipment decreased slightly to $53,285 for the year ended December 31, 2009 from $76,913 for the year ended December 31, 2008.

The Company's intangible assets consist of intellectual property and costs associated with the designing of patterns. The amortization of intangible assets increased approximately $63,464 or 27% between periods. The Company began capitalizing the costs associated with the design process in 2007 and these expenses are amortized over a two year period. Therefore, 2009 was the first fiscal year in which costs from two full previous years were to be expensed, so the increase in expense between 2008 and 2009 was expected.

Net earnings/loss. The Company had a net loss of $566,412 for the year ended December 31, 2009 with earnings of $141,046 from continuing operations as compared to a net loss of $3,917,926 for the year ended December 31, 2008 with losses of $1,985,225 from continuing operations. Adjusted net income is calculated by adding back non-cash expenses such as stock compensation of $8,533, amortization of property, plant and equipment of $53,285, and amortization of intangible assets of $299,109 and then reduced by the amount of research and developments costs capitalized for 2009 of

$245,046. The adjusted net income for the year ended December 31, 2009 was approximately $256,927 as compared to an adjusted net loss of approximately $1,742,804 for the year ended December 31, 2008.

In order to maintain operating profitability, it is imperative that the Company continue to expand the sales of XPEL Protection Film and related products, increase installation sales and increase its DAP revenues while concurrently managing its cost structure.

Year Ended December 31, 2008 compared to the Year Ended December 31, 2007

Revenues. Revenues decreased from $3,822,716 to $3,747,860, or 2% between periods. Installation, kit and material sales increased $291,169 or 19% between years and increased as a % of total revenues to 49% of our total revenues for the year. This increase was primarily due to increased bulk film sales and retail installation sales. Design access fees decreased $319,569 or 16% between years and other revenue decreased $46,456 or 15% between years.

Cost of Sales. Cost of sales increased from $1,499,565 to $1,888,193, and increased as a percentage of revenues from 39% to 50%, year to year. Our cost of sales is primarily related to the selling of paint and headlight protection film in bulk form and as pre-cut kits, chemical products and cutting equipment to support the Company's Design Access Program software.

Expenses. General and administrative expenses increased 7% to $2,730,648 from $2,543,376 in 2007. The increased general and administrative expenses were primarily a result of additional personnel and legal expenses.

Sales and Marketing expenses increased from $423,277 to $732,991 or approximately 73% from 2007 to 2008. The increase includes costs related to a sponsorship of the Grand Am Rolex racing series, which ceased at the end of 2008.

Amortization expense of property, plant and equipment decreased to $76,913 from $87,291 in 2007.

The Company's intangible assets consist of intellectual property and costs associated with the designing of patterns. The amortization of intangible assets increased approximately $165,825 between periods. The Company began capitalizing the costs associated with the design process in 2007 and these expenses are amortized over a two year period. Therefore, the 2008 expense encompassed more prior periods then the 2007 amortization schedule, so the increase in expense between 2007 and 2008 was expected.

Net earnings/loss. The Company had a net loss of $3,917,926 for the year ended December 31, 2008 as compared to a net loss of $823,916 for the year ended December 31, 2007. In order to attain operating profitability, it is imperative that the Company continue to expand the sales of XPEL Protection Film and related products, increase installation sales and increase its DAP revenues while concurrently managing its cost structure.

Liquidity and Capital Resources

Cash flows provided by operating activities during the year ended December 31, 2009, were approximately $255,061. The cash flows provided by operations result from operating earnings of $141,046 with the addition of non-cash items of $363,214 and reduced by working capital changes of $249,199.

Cash flows provided by investing activities during the year ended December 31, 2009 were $5,305 due to the purchase of property, plant and equipment of $21,138, the acquisition of intangible assets of $255,045, the recovery of the security deposit in the amount of $50,988, the collection of the promissory note in the amount of $213,838 and proceeds from the sale of property, plant and equipment of $16,662.

Cash flows used in financing activities during the year were $191,918 due to repayment of the note payable in the amount of $120,561 and the repayment of long-term debt of $71,357.

The Company's net operating, investing and financing activities of its continuing operations during the period ended December 31, 2009 increased cash by approximately $47,934. The operating and financing activities of our discontinued operation decreased cash by $20,514.

Commitments/Related Party Transactions/Management Changes

At December 31, 2009, the Company had lease agreements for its current premises totalling approximately $153,500 in 2010 decreasing to approximately $73,000 in 2011.

During the fiscal year ended December 31, 2009, the Company informed the TSX Venture Exchange of potential deficiencies in its continuous disclosure obligation to the Exchange. The TSX Venture Exchange is currently reviewing information provided by the Company.

During the year ended December 31, 2009, the Company had related party transactions with a consulting company owned by a former officer and director of the Company. Payments totalling approximately $15,000 were paid.

On June 10, 2008, Steven J. McAuley resigned his position as a director of the Board and was replaced as Chief Executive Officer. Nuno Ferreira was subsequently appointed President and Chief Executive Officer. Prior to being named President and Chief Executive Officer, Mr. Ferreira served as the President of XPEL's former Canadian subsidiary, XPEL Canada Corp.

On October 30, 2008, XPEL announced that W. Rege Brunner had resigned as Chief Operating Officer of the Company.

On February 13, 2009, the Board of Directors announced a management reorganization that named Ryan Pape, the Company's Senior Vice President of Operations as Chief Executive Officer. Additionally, Tim Hartt, Senior Vice President of Sales, and one of the Company's founders, has been named Chief Operating Officer. On June 1, 2009, Christen Coffee, then Corporate Controller, was named the Chief Financial Officer.

Disclosure Controls

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining its disclosure controls and procedures.

The CEO and CFO have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that the material information relating to the Company would have been known to them.

Share Capital

The Company is authorized to issue up to 100,000,000 common shares and 10,000,000 preferred shares. At December 31, 2009, the Company has issued 25,720,950 shares of common stock and no preferred shares. As of the date of this filing, the Company has issued 25,720,950 shares of common stock and no preferred shares.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial and Other Instruments

The Company has not made use of any hedging or other financial instruments, and is not exposed to significant interest rate nor credit risks.

Critical Accounting Estimates

The Company did not rely on any critical accounting estimates in the period ended December 31, 2009.

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could materially differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of collectibility of accounts receivable, net recoverable amounts of property, plant and equipment, technology and other intangibles, useful lives for depreciation, fair value of stock options and warrants issued, and fair value of financial instruments.

Changes in Accounting Policy

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, "Goodwill and Intangible

Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3050, "Research and Development". The adoption of this standard did not have any impact on the Company's consolidated financial statements.

Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Fair Value

The carrying values of accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the relatively short-term maturities of these instruments. The long-term debt approximates fair value at December 31, 2009.

Credit Risk

The Company is subject to risk of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its customers. The Company's promissory note receivable is personally secured by the vendor and therefore, management had determined there is minimal credit risk associated with the promissory note. In addition, the vendor is current with all payments under the promissory note.

Interest Rate Risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in money market accounts issued by credit worthy banking institutions.

Currency Risk

Certain of the Company's monetary assets and liabilities are denominated in Canadian dollars and are therefore subject to gains and losses due to fluctuations in this currency.

Additional Financing

Our ability to continue to maintain operating profitability and growth is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis and our ability to secure long-term financing as required. Additional financing may be required to develop the Company's products and services.

Liquidity

The Company does not have available adequate credit facilities to finance desired inventory levels. While it is incumbent upon the Company to continue to seek additional credit to increase liquidity, the inability to secure additional credit may result in lost sales and inhibit growth. The Company expects any available credit to be costly due to current macro-economic concerns and the Company's prior history of losses.

Additional Risk Factors

There are various risks associated with investing in the business of the Company including those described below that should be considered in conjunction with the other information included in this MD&A. There may be additional risks and uncertainties in addition to those listed below, including those that are unknown to the Company at this time or believed by the Company to be unimportant at this time that could, in the future, have a material adverse effect on the business, financial condition or results of operations of the Company.

Market Penetration

There can be no assurance that the Company can generate sufficient interest in its products to permit the Company to achieve its required level of market penetration. There are many products competing for the consumer's aftermarket products dollars and the Company may not be able to make its products a priority for consumers.

Demand for Company's Products

There can be no assurance that the Company will be able to maintain or increase demand for its products. Any significant shortfall of demand in relation to expectation for the Company's products would have an adverse impact on the Company.

Economic

Despite the current turbulent economic conditions, the Company believes its products lend well to the consumer's desire to protect their investment over a longer period of time should they choose not to be in the marketplace for a new vehicle. In calendar year 2009 automobile industry sales have remained at significantly depressed level. While we believe the U.S. economy will recover and ultimately grow, future price increases for certain items may hamper future consumption. Given the unprecedented nature of the decline in automotive sales, and the corresponding effects on the major automotive manufacturers, we cannot adequately predict the effect on the Company of any changes resulting from the bankruptcy proceedings of major automotive manufacturers.

Competition

The Company is experiencing competition for its products. The Company continues to see new entrants in to the paint protection market and increased emphasis on the paint protection film marketplace from existing competitors. The Company believes it has significant competitive advantages through its database of products, proprietary product distribution software, training curriculum and facilities, and established sales channels; however the Company must continually upgrade and improve its products, or develop new products. The Company will be negatively affected if other products similar to those of the Company with similar or superior features at lower prices become available.

Vulnerability to Substitutes and Reliance on Suppliers

The Company is dependent on its ability to continue to manufacture its paint protection film and to maintain its relationships with other strategic suppliers. The manufacture of paint protection film requires the use of equipment and facilities and other supply chain elements that are highly specialized and not widely available. Any disruption to these facilities or the supply chain could adversely affect the Company's ability to produce product. Suitable alternatives for production facilities or other supply chain elements may not exist or may not be available to the Company. Any disruption in the source of supplies, internally or externally, could adversely affect the Company's business.

Key Personnel

The Company is currently heavily reliant on the experience and expertise of its senior management. If any of these should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected. Efforts to streamline operations have increased the Company's reliance on certain individuals. In addition, the Company may require additional management employees to develop its business.

Challenge to Profitability

The Company's historical growth was largely attributable to organic growth. In 2007, the Company began to implement an aggressive growth strategy, by seeking to bring into its organization certain key DAP Dealers and other key PPF industry players hoping to establish itself as the industry leader in the PPF market. The implementation of this strategy caused the Company to grow its infrastructure and SG&A in advance of revenues, and near-term challenged its ability to achieve recurring net income profitability. The latter half of 2008 saw a revision of this aggressive growth strategy to focus on sustainable profitability. Continued net operating income will depend on our continued ability to manage our costs effectively, balance operating and growth needs, fund necessary capital expenditures, and seek strategic merger and acquisition activities to provide new products and secure a larger DAP Dealer network.

Fluctuations in its Quarterly Results

The Company may experience fluctuations in its quarterly operating results due to a number of factors, including the level of the Company's expenses, the degree to which the Company encounters competition in its markets, seasonality factors of the automotive aftermarket industry and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Dividends

The Company does not anticipate paying dividends in the foreseeable future.

Future Accounting Standards

Business Combinations

The CICA has recently issued CICA Handbook section 1582, Business Combinations,section 1601, Consolidated Financial Statements, and section 1602, Non-Controlling Interests. These new sections replace the currently existing standards in CICA Handbook section 1581, Business Combinations, and section 1600, Consolidated Financial Statements. These new standards are effective for fiscal periods beginning on or after January 1, 2011, however, early adoption is permitted. Once adopted, these standards will be harmonized with international financial reporting standards.

Section 1582 amends the standards for measurement, presentation and disclosure of a business combination. A number of changes are specified, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition related costs as expenses.

These standards will require a change in the measurement and presentation of non-controlling interest. As a result of these changes, net earnings will include 100% of the subsidiary's results and non-controlling interest will be presented as part of shareholders' equity on the balance sheet.

The Company is currently assessing the impact of this new accounting standard on its financial statements.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide

IFRS comparative information for the previous fiscal year. The convergence from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and the comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

In preparation for the conversion to IFRS, the Company's IFRS conversion project began in 2009. The company has developed a three phase plan to adopt IFRS by January 1, 2011:

(i) This first phase involves the identification of differences between IFRS and existing Canadian GAAP, and an assessment of their applicability and the expected impact on the company. The Company has completed a Phase 1 assessment, which involved a high-level review of the major differences between Canadian GAAP and IFRS. This assessment has provided insight on the high risk and complex areas relating to the conversion. The Company has assigned responsibility for IFRS adoption and is currently studying the impacts of IFRS on the Company's accounting policies, information systems, internal controls over financial reporting and contractual arrangements and covenants. The initial assessment of the process indicates that the most significant areas of difference applicable to the Company include treatment of stock-based compensation, intangible assets and the more extensive presentation and disclosure requirements under IFRS. It should be noted that in making this assessment, a full conversion exercise considering every recognition, measurement, presentation and disclosure differences that exist between the two bases of accounting (i.e. Canadian GAAP and IFRS) has not been completed, and accordingly, our assessment may change over time.

(ii) The second phase includes the detailed review, documentation and selection of accounting policy choices relating to each IFRS standard. This phase will also include assessing the impact of the conversion on business activities, including the effect on information technology and data systems, income tax, internal controls over financial reporting, and disclosure controls. In this phase, accounting policies will be finalized, first-time adoption exemptions and exceptions will be considered, and draft financial statements and note disclosures will be prepared. The Audit Committee and management of the Company plan to engage the company's auditors to conduct an IFRS impact assessment in 2010.

The CICA has been updating its current standards to more closely align with IFRS prior to 2011. The CICA issued new CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The company adopted this policy effective January 1, 2009. The result of adoption of this policy was that previously capitalized costs in the amount of $78,030, relating to the trade name and related marketing intangibles no longer meet the definition of an intangible asset. The company reviewed this new policy with respect to other intangibles such as deferred development costs and concluded that it was consistent with the current treatment.

(iii) Implement and Review: The final phase involves the actual implementation of IFRS standards. This phase will involve the finalization of IFRS conversion impacts, approval and implementation of accounting policies, implementation and testing of new processes, systems and controls, and the execution of detailed training where required.

As at December 31, 2009, the first phase of the company's IFRS plan was complete and Phase two was in progress. Phase 3 is expected to be completed by September 30, 2010.

Additional Information

Additional information relating to the Company may be accessed on the Internet at www.sedar.com.

Cautionary Note

Some of the statements contained in this report are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.