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 three and nine months ended September 30, 2009 and 2008. The MD&A should be read in conjunction with the accompanying unaudited interim financial statements for the three and nine months ended September 30, 2009 and 2008 and the Company's audited consolidated financial statements and related notes for the years ended December 31, 2008 and 2007. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles. This MD&A was prepared on November 20, 2009.

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 aftermarket 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.

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			
	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Revenues	$753,385	$814,948	$1,112,828	$994,250
Net Income (Loss) from continuing operations	($407,287)	$29,626	$57,698	$67,628
Net Income/Loss	($581,825)	$20,651	$64,908	($638,904)
Net Income/Loss (per share)	($0.022)	$0.001	$0.002	($0.025)
Net Income/Loss (fully diluted per share)	($0.022)	$0.001	$0.002	($0.025)

	Quarters Ended			
	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008
Revenues	$1,174,043	$1,032,971	$1,290,425	$1,164,779
Net Income (Loss) from continuing operations	($598,211)	($505,846)	($569,859)	$92,513
Net Income/Loss	($661,157)	($359,509)	($3,024,795)	$255,262
Net Income/Loss (per share)	($0.027)	($0.022)	($0.117)	$0.010
Net Income/Loss (fully diluted per share)	($0.027)	($0.022)	($0.117)	$0.010

Results of Operations

Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

Revenues. Revenues decreased from $1,164,779 to $994,250, or 15% between periods. The decrease in revenues is primarily a result of decreases in Design Access Program fees and Installation, kit and material sales between periods. Installation, kit and material sales decreased $53,951 or 9% between quarters but increased as a percentage of total revenues to 55% of our total revenues for the quarter ended September 30, 2009. Design access fees decreased $98,821 or 19% between periods and other revenue decreased $17,757 or 33% between periods. These decreases were primarily due to the downturn in the global economy and sluggish auto sales.

Cost of Sales. Cost of sales decreased from $455,748 to $398,279, and remained consistent as a percentage of revenues of 40%. Our cost of sales is primarily related to the selling of paint and headlamp 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 2% to $426,751 from $417,138 in the third quarter of 2008. A one time reduction in legal fees of $95,000 was recognized in 2008. Excluding this one time credit, general and administrative expenses have decreased 17% or $85,387 in the third quarter of 2009 as compared to the same period in 2008. The decreased general and administrative expenses were primarily a result of decreased personnel and legal expenses.

Sales and Marketing expenses decreased $35,096 from $58,096 to $23,000 from the third quarter of 2008 to the third quarter of 2009. The Company realigned Sales and Marketing expenses in 2009 to align with anticipated lower revenues due to the global economic downturn.

Amortization expense of property, plant and equipment decreased slightly to $13,077 from $19,396 between periods.

The Company's intangible assets consist of intellectual property and costs associated with the designing of patterns. The amortization of intangible assets increased approximately $10,340 between quarters.

Net earnings (loss). The Company had a net loss of $638,904 for the quarter ended September 30, 2009 with earnings of $67,628 from continuing operations. This is compared to net earnings of $255,262 for the quarter ended September 30, 2008 with earnings of $153,339 from continuing operations. When adjusted for non-cash expenses such as stock compensation and amortization expense, the adjusted net income for the quarter ended September 30, 2009 is $156,997 as compared to adjusted net income of $247,326 for the quarter ended September 30, 2008. A one time reduction in legal fees of $95,000 was recognized in the third quarter of 2008. Excluding this one time credit, net earnings from continuing operations increased 16% for the three months ended September 30, 2009 as compared to the three months ended September 30, 2008. The Company incurred a one time loss on the sale of XPEL Canada of $756,118 during the third quarter of 2009. Excluding this one time loss, the Company would have had a net income of $117,214 for the quarter ended September 30, 2009.

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.

Nine Months Ended September 30, 2009 compared to the Nine Months Ended September 30, 2008

Revenues. Revenues decreased from $3,488,175 to $2,922,026, or 16% between periods. The decrease in revenues is primarily a result of decreases in Design Access Program fees and Installation, kit and material sales between periods. Installation, kit and material sales decreased $146,406 or 8% between periods and increased to 55% of our total revenues for the nine months ended September 30, 2009. Design access fees decreased $351,376 or 23% between periods and other revenue decreased $68,367 or 40% between periods. These decreases were primarily due to the downturn in the global economy and sluggish auto sales.

Cost of Sales. Cost of sales decreased from $1,563,524 to $1,186,357, and decreased as a percentage of revenues to 41%. Our cost of sales is primarily related to the selling of paint and headlamp 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 41% to $1,266,652 from $2,148,620 in the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008. The decreased general and administrative expenses were primarily a result of decreased personnel and legal expenses.

Sales and Marketing expenses decreased $480,369 from $526,673 to $46,304 between periods. In 2009, the Company realigned Sales and Marketing activities to be more cost effective and targeted.

Amortization expense of property, plant and equipment decreased 32% to $39,300 from $58,112 between periods. This decrease is due to the sale and disposition of unneeded property, plant and equipment.

The Company's intangible assets consist of intellectual property and costs associated with the designing of patterns. The amortization of intangible assets increased $63,016 between periods.

Net earnings (loss). The Company had a net loss of $553,345 for the nine months ended September 30, 2009 with earnings of $154,952 from continuing operations. This is compared to a net loss of $3,336,101 for the nine months ended September 30, 2008 with losses of $983,192 from continuing operations. When adjusted for non-cash expenses such as stock compensation and amortization expense, the adjusted net loss for the nine months ended September 30, 2009 is $281,035 as compared to an adjusted net loss of $3,070,647 for the nine months ended September 30, 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 and increase its DAP revenues while concurrently managing its cost structure.

Liquidity and Capital Resources

Cash flows provided by operating activities during the nine months ended September 30, 2009 were approximately $544,128. The cash flows provided by operations result from operating earnings of $154,952 with the addition of non-cash expenses of $272,310 and non-cash working capital changes of $116,866.

Cash flows used in investing activities during the nine months ended September 30, 2009 were $141,775 due to the proceeds on the sale of property, plant and equipment of $17,267, the acquisition of intangible assets of $191,781 and the recovery of a portion of the security deposit in the amount of $32,739.

Cash flows used in financing activities during the period were $96,236 due to the repayment of long-term debt.

The Company’s net operating, investing and financing activities during the nine months ended September 30, 2009 increased cash by approximately $65,705.

Commitments & Related Party Transactions

At September 30, 2009, the Company had lease agreements for its current premises totalling approximately $166,000 annually decreasing to approximately $73,000 in 2011.

There were no related party transactions during the third quarter of 2009.

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 September 30, 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.

Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 differ from those estimates.

Significant estimates made by the Company include allowances for potentially uncollectable accounts receivable, useful life of property, plant and equipment and intangibles, valuation of warranty provision, valuation of intangible assets for impairment, fair value of stock options and warrants issued, and fair value of financial instruments.

Changes in Accounting Policies

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, in replacing Section 3062 “Goodwill and Other Intangible Assets”, and amended Section 1000, “Financial Statement Concepts”. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to initial recognition. The new section also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company has adopted this standard as of January 1, 2009. The adoption of this standard has had no impact on our consolidated financial statements.

Effective January 1, 2008, the Company adopted Sections 1535 “Capital Disclosures”, 3862 “Financial Instruments- Disclosure” and 3863 “Financial Instruments- Presentation” issued by the Canadian Institute of Chartered Accountants (CICA).

Capital Disclosures

The Company’s objectives in terms of capital management are to maintain a sound financial position and to ensure financial flexibility in order to maintain its capacity for growth.

The Company’s capital is composed of its shareholders’ equity and its primary uses are to finance acquisitions, increase working capital and fund capital expenditures for expansion and/or research and development. There were no changes in the Company’s approach to capital management during the three months ended September 30, 2009 as compared to the year ended December 31, 2008.

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 September 30, 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.

Interest Rate Risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in money market accounts in 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

As noted in the Company's consolidated financial statements our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, our ability to secure long-term financing as required, and to maintain profitable operations. 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 exceptionally 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 into 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

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. The impact of implementing IFRS on the Company’s financial statements is currently being assessed.

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replaces CICA Sections 1581 – Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two Sections must also be adopted at the same time.

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.