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

This managementøs discussion and analysis (õ**MD&A**ö) describes the operating and financial results of XPEL Technologies Corp., (õXPELö or õCompanyö) for the three months ended March 31, 2011 and 2010.

The MD&A should be read in conjunction with the accompanying unaudited financial statements. These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and accounting policies we adopted in accordance with International Financial Reporting Standards (IFRS).

Our unaudited interim financial statements for the three months ended March 31, 2011 are our first financial statements prepared in accordance with IFRS and its interpretations adopted by the IASB, including IFRS 1, First-time Adoption of International Financial Reporting Standards. January 1, 2010 is the date of transition to IFRS (Transition Date). Previously, we prepared our financial statements in accordance with Canadian generally accepted accounting principles (GAAP). GAAP differs in some policies from IFRS. In accordance with the transition rules, we have retroactively applied IFRS to our comparative data for 2010.

These unaudited interim financial statements should be read in conjunction with our 2010 annual financial statements prepared in accordance with Canadian GAAP

This MD&A was prepared on June 23, 2011.

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. (õCNQö) under the symbol XPEL.U and February 27, 2006 on the TSX Venture Exchange (õTSXVö) 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 XPELøs library of protection patterns. The Company also provides pre-cut paint and headlamp protection kits to wholesale and retail customers and operates 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			
	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
Revenues	$1,015,463	$1,160,767	$951,575	$1,063,065
Net Income (Loss) from continuing operations	$42,417	$81,590	$270,927	$86,205
Net Income (Loss)	$42,417	$81,590	$270,927	$86,205
Net Income (Loss) per share	$0.0016	$0.0032	$.01	$0.003
Net Income (Loss) fully diluted per share	$0.0016	$0.0032	$.01	$0.003

	Quarters Ended			
	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010
Revenues	$1,112,828	$994,250	$912,539	$1,002,159
Net Income (Loss) from continuing operations	$57,698	$67,628	($13,906)	$30,876
Net Income (Loss)	$64,908	($638,904)	($13,067)	$30,876
Net Income (Loss) per share	$0.002	($0.025)	($0.0005)	$0.0012
Net Income (Loss) fully diluted per share	$0.002	($0.025)	($0.0005)	$0.0012

Results of Operations

Three Months Ended March 31, 2011 compared to the Three Months Ended March 31, 2010

Revenues. Revenues increased from $1,002,159 to $1,063,065, or 6% between periods. The increase in revenues is primarily a result of increases in Installation, kit and material sales and Design access fees between periods. Installation, kit and material sales increased $32,738 or 5% between quarters and remained the same as a percentage of total

revenues of 61% as compared to the quarter ended March 31, 2010. This increase was primarily due to increased bulk film sales and retail installation sales. Design access fees increased $42,549 or 12% between periods due to increased auto sales and other revenue decreased $14,382 or 37% between periods.

Cost of Sales. Cost of sales increased $37,243 between periods and increased as a percentage of revenues from 47% to 48%. 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 Companyøs Design Access Program software.

Expenses. General and administrative expenses decreased 7% to $387,646 from $416,262 in the first quarter of 2011

Amortization expense of property, plant and equipment increased slightly to $12,718 from $12,049 between periods.

The Companyøs intangible assets consist of intellectual property and costs associated with the designing of patterns. The amortization of intangible assets decreased approximately $1,755 or 2% between periods.

Net earnings (loss). The Company had net earnings of $86,205 for the quarter ended March 31, 2011 as compared to net earnings of $30,876 for the quarter ended March 31, 2010. Adjusted net income is calculated by adding back non-cash expenses such as amortization of property, plant and equipment of $12,718 and amortization of intangible assets of $69,176 and then reduced by the amount of research and developments costs capitalized for the three months ended March 31, 2011 of $67,055. The adjusted net income for the quarter ended March 31, 2011 was approximately $101,044 as compared to adjusted net income of approximately $47,517 for the quarter ended March 31, 2010.

In order to maintain 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 quarter ended March 31, 2011 were approximately $154,111. The cash flows provided by operations result from operating earnings of $86,205 with the addition of non-cash items of $82,545 and reduced by working capital changes of $14,639.

Cash flows used in investing activities during the quarter ended March 31, 2011 were $75,445 due to the purchase of property, plant and equipment of $8,390 and the acquisition of intangible assets of $67,055.

There were no cash flows used in financing activities during the period.

The Companyøs net operating, investing and financing activities during the quarter ended March 31, 2011 increased cash by $78,666.

Commitments & Related Party Transactions

At March 31, 2011, the Company had lease agreements for its current premises totalling approximately $29,603 for the remainder of 2011 increasing to approximately $108,049 in 2012.

There were no related party transactions during the first quarter of 2011.

Disclosure Controls

The Companyøs 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 Companyøs 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 March 31, 2011, the Company has issued 25,784,950 common shares of common stock and no preferred shares. As of the date of this filing, the Company has issued 25,784,950 common 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 Company did not rely on any critical accounting estimates in the period ended March 31, 2011.

The preparation of financial statements in compliance with IFRS requires the Companyøs management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Companyøs assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the allowances for potentially uncollectible accounts receivable, useful

life of property, plant and equipment and intangibles, valuation of warranty provision, measurement of share-based compensation, impairment of property, plant and equipment and intangibles, provisions and contingencies and deferred income taxes.

Risk Factors

The Companyøs risk exposures and the impact on the Companyøs 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.

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 Companyøs current policy is to invest excess cash in money market accounts issued by credit worthy banking institutions.

Currency Risk

Certain of the Companyøs 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 Companyøs products and services.

Liquidity

While the Company has some available credit, there is no guarantee that the Company will continue to have 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.

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 consumerøs 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 Companyøs 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 consumerøs desire to protect their investment over a longer period of time should they choose not to be in the marketplace for a new vehicle. The Companyøs sales are partially tied to the success of the automotive industry, specifically new car sales. While new car sales have recovered off their low during the recession, there is no guarantee current sales levels will continue. Specifically, the Company is concerned that a rise in crude prices, could depress car sales and ultimately impact the Companyøs business. Additionally, many of the Companyøs products are petroleum-based and the Company may not be able to pass along increased costs resulting from an increase in crude prices to customers, potentially resulting in lost sales or reduced margins. In addition, a shortage in new vehicle supply from any one manufacturer or region, as evidenced after the 2011 Japan earthquake by reduced availability of Japanese made vehicles and vehicles with Japanese parts, could impact the company disproportionately as the Companyøs products are not evenly penetrated across all vehicle makes.

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 Companyøs 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 Companyøs 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. In addition, the Company may require additional management employees to develop its business.

Challenge to Profitability

The Company has produced an operating profit throughout 2009 and 2010 and the first quarter of 2011. Prior to 2009, the Company produced consistent losses. The Company anticipates continued profitability; however, market opportunities may produce circumstances in the future where profitability is challenged or intentionally reduced to increase sales.

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 Companyøs 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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- Discontinued Operations [amendment of IFRS 5].
- Earnings per Share [replacement of IAS 3].
- First-time Adoption of IFRS [amendment of IFRS 1].
- Group Cash-settled Share-based Payment Transactions [amendment of IFRS 2].
- Management Commentary.

The following standards have been issued but are not yet effective:

- Financial Statement Presentation [amendment of IAS 1].
- Leases [replacement of IAS 17].
- Liabilities and Equity [replacement of IAS 32].
- Revenue Recognition [replacement of IAS 11 and IAS 18].

IFRS 9, Financial Instruments ("IFRS 9")

In October 2010, the IASB issued IFRS 9, replacing IAS 39 and establishing principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company for its annual financial statements commencing January 1, 2013.

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures but expects that such impact will not be material.

Transition to International Financial Reporting Standards ("IFRS")

In preparation for the conversion to IFRS, the Companyøs IFRS conversion project began in 2009. The company 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 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.

(ii) The second phase includes the detailed review, documentation and selection of accounting policy choices relating to each IFRS standard. This phase also includes 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 have been finalized, first-time adoption exemptions and exceptions have been considered, and draft financial statements and note disclosures have been prepared. The Company is developing IFRS expertise in-house as well as utilizing external advisors, and has conducted staff training as needed. Management has analyzed the choices regarding alternative treatments permitted in specific areas of certain standards under IFRS 1 First-time Adoption of International Financial Reporting Standards, which is mandatory guidance for all first-time adopters of IFRSs. The Company has made some preliminary decisions in this regard.

- *Business Combinations; IFRS 3,* allows an entity that conducted prior business combinations to apply the standard on a prospective basis from the transition date of January 1, 2010. The Company has made this election and is required to apply IFRS only to business combinations prospectively.
- *Fair value or revaluation as deemed cost; International Accounting Standard ("IAS") 16, IAS 40 and IAS 38,* allows an entity to measure individual items of property, plant and equipment; investment property and intangible assets (provided there is an active market for the intangibles) at fair value at the transition date of January 1, 2010, and then use the fair value as the basis for the opening balance sheet. The Company did not make this election to restate the carrying value of its capital assets at transition.
- *Share-based payment transactions; IFRS 2,* allows an entity to avoid full retrospective application of certain transactions depending on the grant, vesting and/or settlement date of the awards. The Company had no unvested stock-based awards at the transition date of January 1, 2010, so no adjustments were needed.
- *Borrowing costs; IAS 23,* allows an entity to apply the transitional provisions of IAS 23 in lieu of full retrospective application. The

Company does not have any previous borrowing costs but has made this election on a prospective basis from the transition date of January 1, 2010.

The Company has identified other key areas where changes in financial statement presentation and disclosures may be required. Management has quantified the differences between IFRS and the accounting treatment under Canadian GAAP and financial statement have been designed. The Company believes the following standards have the greatest impact to its accounting policies, financial reporting and information systems requirements upon conversion.

- *Presentation of financial statements; IAS 1,* Certain classifications are different under IFRS, resulting in a different format for the financial statements compared to those prepared under Canadian GAAP. The Company has adopted and applied all required changes.
- *Leases; IAS 17*, The Company has reviewed all of its existing leasing arrangements to identify if there are any classification differences between finance and operating leases. The Company has assessed the change and there are no adjustments required.
- *Property, plant and equipment; IAS 16*, The Company has evaluated the impact of the componentization of all of its capital assets and other IAS 16 provisions. The Company has assessed the change and the additional disclosure requirements have been included.
- *Share-based payment transactions; IFRS 2,* Implementing *IFRS 2* requires the Company to modify aspects of how it accounts for its share-based payments under IFRS. For instance, the Company previously accounted for stock option forfeitures as they occurred and IFRS 2 requires the Company to estimate the forfeiture rate at the date of the grant and recognize compensation expense based on managementøs estimate of units that will eventually vest. The Company has evaluated and quantified the impact the implementation and no changes were necessary. This election will be utilized on a prospective basis from the transition date of January 1, 2010.
- *Related Party Disclosures*; IAS 24, The Company has reviewed its disclosures to assess whether any changes are required with regard to related party transactions. It has also reviewed the IAS 24 disclosure requirements related to õkey management personnelö and the appropriate level of disclosure has been provided.
- Impairment of Assets; IAS 36, The Companyøs accumulated development costs related to the DAP program are classified as an intangible asset. The carrying value is tested at least annually for impairment, and under IFRS the Company must review for impairment on a quarterly basis. The Company has revised its intangible asset impairment review model to comply with IFRS requirements. The Company previously used the undiscounted cash flow screen in its recoverability model under Canadian GAAP. Under IFRS, an impairment loss is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount, defined as the higher of its fair value less costs to sell and its value in use.

Value in use is calculated using discounted cash flows. The Company has utilized the new review model and there are no adjustments required.

- *Revenue; IAS 18,* IAS 18 is under review with a substantially revised framework expected in 2011 and 2012. The Company will monitor the status of the project to amend IAS 18.

(iii) Implement and Review: The final phase involved the actual implementation of IFRS standards. This phase involved 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 of the date of this filing, the Company has completed the IFRS transition with the release of the first IFRS quarterly financial statements. The company determined that there were no material numerical changes to the financial statements because of applying IFRS. All disclosures related to the IFRS transition have been updated as required.

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 Companyøs 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.