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 months ended March 31, 2009 and 2008. The MD&A should be read in conjunction with the accompanying unaudited interim financial statements for the three months ended March 31, 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 May 27, 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 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. The Company is also a wholesaler of window tint products and operates retail installation facilities in various markets.

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, 2008	September 30, 2008	December 31, 2008	March 31, 2009
Revenues	$2,449,910	$2,127,271	$1,433,349	$1, 272,029
Net Income/Loss	($3,024,795)	$255,262	($581,825)	$20,651
Net Income/Loss (per share)	($0.117)	$0.010	($0.022)	$0.001
Net Income/Loss (fully diluted per share)	($0.117)	$0.010	($0.022)	$0.001

	Quarters Ended			
	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008
Revenues	$1,067,760	$1,972,063	$1,900,145	$1,765,598
Net Income/Loss	($212,961)	$384,461	($661,157)	($359,509)
Net Income/Loss (per share)	($0.009)	$0.016	($0.027)	($0.022)
Net Income/Loss (fully diluted per share)	($0.009)	$0.016	($0.027)	($0.022)

Results of Operations

Three Months Ended March 31, 2009 compared to the Three Months Ended March 31, 2008

Revenues. Revenues decreased from $1,765,598 to $1,272,029, or 28% 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 $370,050 or 30% between quarters and decreased as a percentage of total revenues to 67% of our total revenues for the quarter ended March 31, 2009. Design access fees decreased $117,467 or 24% between periods and other revenue decreased $6,052 or 15% between periods. These decreases were primarily due to the downturn in the global economy and the weakening of the Canadian dollar.

Cost of Sales. Cost of sales decreased from $724,333 to $501,867, and decreased as a percentage of revenues to 39%. 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 40% to $629,714 from $1,047,131 in the first quarter of 2008. The decreased general and administrative expenses were primarily a result of decreased personnel and legal expenses.

Sales and Marketing expenses decreased $273,518 from $276,069 to $2,551 from the first quarter of 2008 to the first quarter of 2009. In 2008, the Company incurred sales and marketing expenses during the first quarter related to the launch XPEL Protection Film in the fourth quarter of 2007, the Grand-Am Rolex series and expenses related to NADA trade show in February of 2008. None of these expenses were incurred in the first quarter of 2009 as the company has redirected its sales and marketing efforts to less costly and more effective methods of marketing its products.

Amortization expense of property, plant and equipment decreased slightly to $17,595 from $26,105 between periods.

The Company's intangible assets consist of acquisition costs, intellectual property, and costs associated with the designing of patterns. The amortization of intangible assets increased approximately $60,832 between quarters.

Net earnings (loss). The Company had net earnings of $20,651 for the quarter ended March 31, 2009 due primarily to decreases in general and administrative and sales and marketing expenses. This is compared to a net loss of $566,568 for the quarter ended March 31, 2008 with losses of $359,509 from continuing operations. When adjusted for non-cash expenses such as stock compensation, amortization expense, and the recovery of future tax liabilities, the adjusted net income for the quarter ended March 31, 2009 is $138,780 as compared to an adjusted net loss of $272,080 for the quarter ended March 31, 2008.

In order to maintain profitability, it is imperative that the Company continue to expand the sales of XPEL Protection Film and related products, increase same store 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, 2009 were approximately $77,093. The cash flows provided by operations result from operating earnings of $20,651 with the addition of working capital changes of $118,129 and reduced by non-cash items of $61,687.

Cash flows provided by investing activities during the quarter ended March 31, 2009 were $2,927 due to the proceeds on the sale of property, plant and equipment of $15,459, the acquisition of intangible assets of $62,271 and the recovery of a portion of the security deposit in the amount of $49,739.

Cash flows used in financing activities during the period were $36,702 due to the repayment of long-term debt.

The Company’s net operating, investing and financing activities during the quarter ended March 31, 2009 increased cash by approximately $43,318.

Commitments & Related Party Transactions

At March 31, 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 first 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 March 31, 2009, the Company has issued 25,720,950 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 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 revenues and expenses during the periods reported. Actual results could materially differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of collectability of accounts receivable, net recoverable amounts of property, plant and equipment, technology and other intangibles and useful lives for depreciation.

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, increases in non-cash working capital and 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 March 31, 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 March 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.

Interest Rate Risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in overnight investments 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 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.

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 satisfying other liabilities and trade payables. It is incumbent upon the Company to continue to seek additional credit to increase liquidity. The Company expects any available credit to be exceptionally costly due to current macro-economic concerns and the Company's history of losses. The Company has previously relied on large cash transfers from its Canadian subsidiary. The weakened economic environment in Canada and weak Canadian Dollar has made such transfers undesirable for the foreseeable future. Lack of access to cash generated from the Canadian subsidiary has placed increased stress on the working capital position of 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 2008 automobile industry sales declined to its lowest rate in over a decade, approximately 13.2 million units. 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 a bankruptcy or liquidation of a major automotive manufacturer.

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 believes its products are a preferred substitute for vehicle protection, making the "low-tech" alternative products such as cloth bras and bug shields vulnerable to XPEL™ protection products. The Company is dependent on its ability to continue to manufacture its paint protection film and 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. 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. Continued net 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.

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.