

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, 2011 and 2010.

The MD&A should be read in conjunction with the accompanying condensed unaudited financial statements. These condensed 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 condensed unaudited interim financial statements for the three and nine months ended September 30, 2011 and 2010 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).

These condensed unaudited interim financial statements should be read in conjunction with our condensed unaudited interim financial statements for the three months ended March, 31, 2011 prepared in accordance with IFRS and our 2010 annual financial statements prepared 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.

This MD&A was prepared on November 16, 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. (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 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. Quarterly information below has been prepared under GAAP for the periods prior to 2010 and under IFRS for periods in 2010 and 2011.

	Quarters Ended			
	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
Revenues	\$951,575	\$1,063,065	\$1,477,389	\$1,693,140
Net Income (Loss) from continuing operations	\$270,927	\$86,205	\$206,693	\$189,234
Net Income (Loss)	\$270,927	\$86,205	\$206,693	\$189,234
Net Income (Loss) per share	\$0.010	\$0.003	\$0.008	\$0.007
Net Income (Loss) fully diluted per share	\$0.010	\$0.003	\$0.008	\$0.007

	Quarters Ended			
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Revenues	\$912,539	\$1,002,159	\$1,015,463	\$1,160,767
Net Income (Loss) from continuing operations	(\$13,906)	\$30,876	\$42,417	\$81,590
Net Income (Loss)	(\$13,067)	\$30,876	\$42,417	\$81,590
Net Income (Loss) per share	(\$0.001)	\$0.001	\$0.002	\$0.003
Net Income (Loss) fully diluted per share	(\$0.001)	\$0.001	\$0.002	\$0.003

Results of Operations

Three Months Ended September 30, 2011 compared to the Three Months Ended September 30, 2010

Revenues. Revenues increased from \$1,160,767 to \$1,693,140, or 46% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$359,844 between periods and increased as a percentage of revenues from 50% to 55%. Our direct costs 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 19% to \$481,674 from \$404,046 in the third quarter of 2011.

Amortization expense of property, plant and equipment decreased slightly to \$13,420 from \$14,397 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 \$4,035 or 6% between periods.

Net earnings (loss). The Company had net earnings of \$189,234 for the quarter ended September 30, 2011 as compared to net earnings of \$81,590 for the quarter ended September 30, 2010. Adjusted net income is calculated by adding back non-cash expenses such as amortization of property, plant and equipment of \$13,420 and amortization of intangible assets of \$71,963 and then reduced by the amount of research and developments costs capitalized for the three months ended September 30, 2011 of \$82,080. The adjusted net income for the quarter ended September 30, 2011 was approximately \$192,537 as compared to adjusted net income of approximately \$93,461 for the quarter ended September 30, 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.

Nine Months Ended September 30, 2011 compared to the Nine Months Ended September 30, 2010

Revenues. Revenues increased from \$3,178,389 to \$4,233,593, or 33% between periods. The increase in revenues is primarily a result of increases in XPEL Protection Film sales.

Direct Costs. Direct Costs of sales increased \$688,713 between periods and increased as a percentage of revenues from 47% to 52%. Our direct costs 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 8% to \$1,317,313 from \$1,219,191 during the nine months ended September 30, 2011 as compared to the same period in 2010.

Amortization expense of property, plant and equipment increased slightly to \$39,710 from \$39,621 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 \$3,548 or 2% between periods.

Net earnings (loss). The Company had net earnings of \$482,131 for the nine months ended September 30, 2011 as compared to net earnings of \$154,883 for the nine months ended September 30, 2010. Adjusted net income is calculated by adding back non-cash expenses such as amortization of property, plant and equipment of \$39,710 and amortization of intangible assets of \$211,275 and then reduced by the amount of research and developments costs capitalized for the nine months ended September 30, 2011 of \$225,988. The adjusted net income for the nine months ended September 30, 2011 was approximately \$507,128 as compared to adjusted net income of approximately \$193,243 for the nine months ended September 30, 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 nine months ended September 30, 2011 were approximately \$331,018. The cash flows provided by operations result from operating earnings of \$482,131 with the addition of non-cash items of \$252,938 and reduced by working capital changes of \$404,051.

Cash flows used in investing activities during the nine months ended September 30, 2011 were \$295,198 due to the purchase of property, plant and equipment of \$69,210 and the acquisition of intangible assets of \$225,988.

Cash flows provided by financing activities during the period were \$150,000 due to the drawdown of the bank operating facility.

The Company's net operating, investing and financing activities during the nine months ended September 30, 2011 increased cash by \$185,820.

Commitments & Related Party Transactions

At September 30, 2011, the Company had lease agreements for its current premises totalling approximately \$14,801 for the remainder of 2011 increasing to approximately \$112,490 in 2012.

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

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, 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 September 30, 2011.

The preparation of financial statements in compliance with IFRS requires the Company's 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 Company's 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 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.

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 issued by credit worthy banking institutions. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates and its bank operating facility incurs interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations.

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

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 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. The Company's 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 Company's business. Additionally, many of the Company's 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 Company's 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 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 has produced an operating profit throughout 2009 and 2010 and the first nine months 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 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

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”)

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 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.