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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2009

Commission file number: 001-34152

Westport
INNOVATIONS INC.

WESTPORT INNOVATIONS INC.

(Exact Name of Registrant as Specified in its Charter)

Alberta	**3537**	**N/A**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

Suite 101, 1750 West 75th Avenue
Vancouver, British Columbia, Canada V6P 6G2
(604) 718-2000
(Address and Telephone Number of Registrant's Principal Executive Offices)

Dorsey & Whitney LLP **Republic Plaza Building, Suite 4700** **370 Seventeenth Street** **Denver, Colorado 80202** **(303) 629-3400** (Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)	Copies to: **Kenneth G. Sam** **Dorsey & Whitney LLP** **Republic Plaza Building, Suite 4700** **370 Seventeenth Street** **Denver, Colorado 80202** **(303) 629-3445**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange On Which Registered:
Common Shares, no par value	**NASDAQ Global Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

For annual reports, indicate by check mark the information filed with this form:

þ Annual Information Form þ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at March 31, 2009, 32,040,540 common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

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EXPLANATORY NOTE

Westport Innovations Inc. (the "Company" or the "Registrant") is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto contain forward-looking statements or information within the meaning of the United States Private Securities Litigation Reform Act of 1995. When used in this annual report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "project" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. In particular, this annual report on Form 40-F and the documents incorporated by reference herein contain forward-looking statements pertaining to the following:

- the future demand for Cummins Westport Inc. and Westport products;
- the penetration of our existing markets and expansion of those markets;
- our ability to successfully launch our high-pressure direct-injection technology commercially;
- our ability to exploit and protect our intellectual property;
- our capital expenditure programs;
- the future desirability and use of natural gas as an alternative fuel;
- commodity prices and the fuel price differential between natural gas and diesel;
- ongoing relationships between us and our business partners;
- our ability to continue to compete with our competitors and their technologies;
- the capital and operating costs of vehicles using our technologies relative to alternative technologies;
- continuing growth in the transportation sector and in the natural gas engine market;
- profit margins and production costs of engines incorporating our technologies;
- the further development of infrastructure supporting the application of natural gas as an alternative fuel;
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets;
- increasingly stringent environmental regulation in the future;
- ongoing availability of government incentives and mandates for our technology;

- our ability to attract and retain personnel;
- demand for engines incorporating our technologies by the Ports of Los Angeles and Long Beach, California;
- production capacity and methods for our liquefied natural gas system;
- increasing commercialization of our technologies;
- expansion of our product offerings;
- our estimates and assumptions used in our accounting policies, and accruals, including warranty accruals, and financial condition;
- our adoption, timing, and ability to meet certain accounting and regulatory standards;
- the ability of our products to adapt to the use of biogas and manufactured fuels, including hydrogen, as fuels; and
- our compliance with environmental regulations.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this annual report and in the documents incorporated by reference herein and other unforeseen risks, including, without limitation:

- market acceptance of our products;
- product development delays;
- delays in contractual commitments;
- changing environmental regulations;
- the ability to attract and retain business partners;
- future levels of government funding and incentives;
- competition from other technologies;
- the ability to provide the capital required for research, product development, operations and marketing; and
- those risks discussed under the heading “Risk Factors” in the Annual Information Form (“AIF”) of the Company filed as Exhibit 1 to this annual report on Form 40-F.

You should not rely on any forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this annual report on Form 40-F, except as otherwise required by law.

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NOTE TO UNITED STATES READERS-
DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "SEC"), to prepare this annual report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company prepares its financial statements, which are filed as Exhibit 2 to this annual report on Form 40-F, in accordance with Canadian generally accepted accounting principles ("GAAP"), and they are subject to Canadian auditing and auditor independence standards. They are not comparable to financial statements of United States companies. Significant measurement differences between Canadian GAAP and United States GAAP are described in Note 24 of the audited consolidated financial statements of the Company.

CURRENCY

Unless specifically stated otherwise, all dollar amounts in this annual report on Form 40-F are in Canadian dollars. The exchange rate of Canadian dollars into United States dollars, based upon the noon rate of exchange on March 31, 2009 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.26.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended March 31, 2009 is filed as Exhibit 1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended March 31, 2009, 2008, and 2007 including the report of the independent auditor with respect thereto, are filed as Exhibit 2 and incorporated by reference in this annual report on Form 40-F. For a reconciliation of material measurement differences between Canadian and United States GAAP, see Note 24 to the Company's audited consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis ("MD&A") is filed as Exhibit 3 and incorporated by reference in this annual report on Form 40-F.

TAX MATTERS

Purchasing, holding, or disposing of securities of the Company may have tax consequences under the laws of the United States and Canada that are not described in this annual report on Form 40-F.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report for the fiscal year ended March 31, 2009, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company's CEO and CFO have concluded that the disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting and *Auditor's Attestation Report*

This annual report on Form 40-F for the fiscal year ended March 31, 2009 does not include a report on management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during its fiscal year ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

AUDIT COMMITTEE

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and Nasdaq Rule 5605(c)(2). The Company's Audit Committee is composed of Henry F. Bauermeister Jr., John A. Beaulieu, M.A. (Jill) Bodkin and Dezsö J. Horváth, all of whom, in the opinion of the directors, are independent (as determined under Rule 10A-3 of the Exchange Act and Nasdaq Rule 5605(a)(2)) and are financially literate. Please refer to the Company's AIF attached as Exhibit 1 to this annual report for details in connection with each of these members and their qualifications.

The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by resolution of the directors.

The Audit Committee meets with the CEO, the CFO and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, as well as audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors which independent registered public auditing firm should be appointed by the Company. In addition, the Audit Committee reviews and recommends to the Board of Directors for approval the annual financial statements, the MD&A, and undertakes other activities required by exchanges on which the Company's securities are listed and by regulatory authorities to which the Company is held responsible.

The full text of the Audit Committee Charter is disclosed in the Company's AIF for the year ended March 31, 2009, attached hereto as Exhibit 1 and incorporated by reference in this annual report on Form 40-F. The Audit Committee Charter is also available on the Company's website at www.westport.com.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Henry F. Bauermeister Jr. qualifies as a financial expert (as defined in Item 407 of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and Nasdaq Rule 5605(a)(2)).

PRINCIPAL ACCOUNTING FEES AND SERVICES — INDEPENDENT AUDITORS

Information about the Company's principal accounting fees and services can be found under "External Auditors' Service Fees" of our AIF, which section is incorporated by reference in this annual report on Form 40-F.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITORS

The Audit Committee nominates and engages the independent auditors to audit the financial statements and approves all audit, audit-related services, tax services and other services provided by the Company's external auditors. Any services provided by the Company's external auditors that are not specifically included within the scope of the audit must be pre-approved by the audit committee prior to any engagement. The Audit Committee pre-approved certain services of up to $50,000 per engagement or $297,750 in the aggregate. The Chairman of the Audit Committee is permitted to pre-approve work undertaken by the Company's external auditors between Audit Committee meetings.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

CODE OF ETHICS

The Company has adopted a Code of Conduct (the "Code") for all its directors, executive officers and employees. The Code is filed hereto as Exhibit 4 and is incorporated by reference in this annual report on Form 40-F. The Code is also available on the Company's website at www.westport.com.

All amendments to the Code, and all waivers of the Code with respect to any of the officers covered by it, will be posted on the Company's web site, furnished to the SEC under a Current Report on Form 6-K, and provided in print to any shareholder who requests them.

There have been no waivers or implicit waivers to the Code during the fiscal year ended March 31, 2009. In July 2008, the Company amended its Code in connection with its listing on NASDAQ. Shareholders may submit a request online at the Company's website www.westport.com for a free printed copy of the Company's Code of Ethics.

CONTRACTUAL OBLIGATIONS

The following table lists as of March 31, 2009 information with respect to the Company's known contractual obligations.

	Payments Due by Period (Figures are in Canadian Dollars)				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 14,359	$ 14,359	$ —	$ —	$ —
Demand instalment loan (1)(2)	4,950	1,494	2,568	888	—
Short-term debt (3)	1,614	1,614	—	—	—
Subordinated debenture notes (4)	18,037	1,350	16,687	—	—
Capital (Finance) Lease Obligations	57	17	27	13	—
Operating Lease Obligations	5,795	1,734	2,594	1,402	65
Royalty payments (5)	28,189	1,350	2,700	2,700	21,439
Investment in joint venture (6)	5,273	5,273	—	—	—
Total	$ 78,274	$ 27,191	$ 24,576	$ 5,003	$ 21,504

(1) Includes interest at the interest rate in effect on March 31, 2009.

(2) Demand instalment loan is repayable over five years unless the bank demands early payment.

(3) Short-term debt is repayable only based on the sale of certain product. The Company has assumed these sales will occur within a year.

(4) Includes interest at 9% per annnum.

(5) From fiscal 2009 to 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1.35 million or 0.33% of the Company's gross annual revenue from all sources, provided that gross revenue exceeds $13.5 million in any aforementioned fiscal year, up to a maximum of $28.2 million. The Company has assumed the minimum required payments.

(6) See Note 20 to our consolidated financial statements.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended March 31, 2009 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NASDAQ CORPORATE GOVERNANCE

Our common shares are quoted for trading on the Nasdaq Global Market under the symbol WPRT. Nasdaq Rule 5615(a)(3) permits a foreign private issuer to follow its home country practice in lieu of the Nasdaq corporate governance requirements if such issuer, amongst other requirements, makes appropriate disclosure in its annual report filed with the SEC relating to each requirement of Rule 5600 that it does not follow including a brief statement of the home country practice it follows in lieu of such Nasdaq corporate governance requirements.

A description of the significant ways in which our governance practices differ from those followed by domestic companies pursuant to Rule 5600 of the Nasdaq Rules is as follows:

Rule 5605(e)(1) requires that a listed company have director nominees selected or recommended by a majority of the company's independent directors or by a nominations committee comprised solely of independent directors. The Company's Nominating and Corporate Governance Committee Charter provides that a minimum of a majority of directors on the Nominating and Corporate Governance Committee shall be outside (non-management) and independent directors.

Rule 5620(c)(e) requires that each listed company provide for a quorum for any meeting of the holders of the company's common stock that is not less than $33^{1}/_{3}$% of the listed company's outstanding shares of common stock. The Company's bylaws provide for a quorum of at least two persons present in person, being shareholders entitled to vole at the meeting, and representing in the aggregate not less than 5% of the outstanding shares of common stock entitled to vote at the meeting.

The foregoing is consistent with the laws, customs and practices in Canada and the rules of The Toronto Stock Exchange.

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UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC's staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company previously filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with the SEC on July 22, 2008, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

EXHIBIT INDEX

The following exhibits have been filed as part of the Annual Report:

Exhibit	Description
Annual Information	
1.	Annual Information Form of the Company for the year ended March 31, 2009
2.	Audited consolidated financial statements of the Company and notes thereto for the years ended March 31, 2009, 2008, and 2007 together with the report of the auditors thereon
3.	Management's Discussion and Analysis
4.	Code of Conduct
Certifications	
5.	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
6.	Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
7.	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
8.	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
9.	Consent of KMPG LLP

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SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

WESTPORT INNOVATIONS INC.

By: /s/ David R. Demers
Name: David R. Demers
Title: Chief Executive Officer

Date: June 8, 2009

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Exhibit 1

Westport Innovations Inc.

ANNUAL INFORMATION FORM
for the year ended March 31, 2009

101 — 1750 West 75th Avenue
Vancouver, British Columbia V6P 6G2
Tel: 604.718.2000
Fax: 604.718.2001
www.westport.com

Effective date: June 1, 2009



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FORWARD-LOOKING INFORMATION

Certain statements contained in this Annual Information Form ("AIF") and in certain documents incorporated by reference in this AIF, constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "project" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. In particular, this AIF contains forward-looking statements pertaining to the following:

- the future demand for Cummins Westport Inc. ("CWI") products and Westport products;
- the penetration of our existing markets and expansion of those markets;
- our ability to successfully launch our high-pressure direct-injection technology commercially;
- our ability to exploit and protect our intellectual property;
- our capital expenditure programs;
- the future desirability and use of natural gas as an alternative fuel;
- commodity prices and the fuel price differential between natural gas and diesel;
- ongoing relationships between us and our business partners;
- our ability to continue to compete with our competitors and their technologies;
- the capital and operating costs of vehicles using our technologies relative to alternative technologies;
- continuing growth in the transportation sector and in the natural gas engine market;
- profit margins and production costs of engines incorporating our technologies;
- the further development of infrastructure supporting the application of natural gas as an alternative fuel;
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets;
- increasingly stringent environmental regulation in the future;
- ongoing availability of government incentives and mandates for our technology;
- our ability to attract and retain personnel;
- demand for engines incorporating our technologies by the Ports of Los Angeles and Long Beach, California (the "San Pedro Bay Ports" or the "Ports");
- production capacity and methods for our liquefied natural gas ("LNG") system;

- increasing commercialization of our technologies;
- expansion of our product offerings;
- our estimates and assumptions used in our accounting policies, and accruals, including warranty accruals, and financial condition;
- our adoption, timing, and ability to meet certain accounting and regulatory standards;
- the ability of our products to adapt to the use of biogas and manufactured fuels, including hydrogen, as fuels; and
- our compliance with environmental regulations.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this AIF and in the documents incorporated by reference into this AIF and other unforeseen risks, including, without limitation:

- market acceptance of our products;
- product development delays;
- delays in contractual commitments;
- changing environmental regulations;
- the ability to attract and retain business partners;
- future levels of government funding and incentives;
- competition from other technologies;
- the ability to provide the capital required for research, product development, operations and marketing;
- and those risks discussed in this AIF under the heading “Risk Factors”.

You should not rely on any forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Unless specifically stated otherwise, all dollar amounts set forth in this AIF are in Canadian dollars. **ON MARCH 31, 2009, THE BANK OF CANADA CLOSING RATE FOR ONE UNITED STATES DOLLAR WAS $1.26 CANADIAN DOLLARS.**

CORPORATE STRUCTURE

In this AIF, references to “Westport”, “the Company”, “we”, “us” and “our” may refer to Westport Innovations Inc., its subsidiaries and its joint ventures, collectively, unless the context otherwise requires.

Westport Innovations Inc.’s governing corporate statute is the Business Corporations Act (Alberta). Our head office and principal place of business is at 101 — 1750 West 75th Avenue, Vancouver, British Columbia V6P 6G2. Our registered office is at 4500 Bankers Hall East, 855 — 2nd Street S.W., Calgary, Alberta T2P 4K7.

We have one material subsidiary, Westport Power Inc. (“WPI”), which is 100% wholly-owned and incorporated pursuant to the Business Corporations Act (British Columbia). In addition, we own 100% of the voting securities of Westport Fuel Systems Inc., a Delaware corporation; 100% of the voting securities of Westport Innovations (Australia) Pty. Ltd., a Victoria, Australia corporation; and 100% of the voting securities of Westport Innovations (Hong Kong) Limited, a Hong Kong, China corporation. We, through WPI, hold 50% of the voting securities of Cummins Westport Inc. (“CWI”), a Delaware corporation; 50% of the voting securities of BTIC Westport Inc. (“BWI”), a Chinese corporation and 49% of the voting securities of Juniper Engines Inc. (“Juniper”), a British Columbia corporation. As at March 31, 2009, we owned 184,311 shares of common stock of Clean Energy Fuels Corp. (a publicly-listed Delaware corporation based in Seal Beach, California) with a market value of approximately US$1.1 million based on the NASDAQ closing price of US$6.09 per share on March 31, 2009.

OUR BUSINESS

The following section contains forward-looking information in respect of our operations. Readers are referred to the cautionary statements respecting forward-looking information on Page 3 of this AIF.

OVERVIEW

We are engaged in the research, development and marketing of high performance, low-emission engine and fuel injection systems that utilize alternative gaseous fuels such as natural gas, propane or hydrogen. We develop technology and products that enable light, medium and heavy-duty diesel engines to run primarily on compressed natural gas (“CNG”) or liquefied natural gas (“LNG”), giving users a cleaner, more plentiful and generally less expensive alternative fuel when compared to diesel. Over the longer term, if alternative renewable energy sources such as biogas or manufactured fuels, including hydrogen, emerge as cost-competitive options, we expect our gaseous-fuelled engine technologies, system and experience will position us to exploit new low-carbon fuels as they emerge. We work with strategic partners, which include some of the leading diesel engine and truck original equipment manufacturers (“OEMs”), to develop, manufacture and distribute our engines, and we sell to a diverse group of leading truck and bus OEMs around the world. Our products are designed to offer environmental and economic benefits with strong operational performance. Over 20,000 natural gas and propane engines have been sold to date, operating in over 20 countries. We have four strategic pillars: CWI, which is focused on natural gas engine applications for urban fleets ranging from 5.9L to 8.9L; Westport Heavy Duty, which is focused on LNG systems for heavy-duty trucks; Juniper Engines, which is focused on 2.0L and 2.4L industrial engines; and Weichai Westport, which is focused on developing heavy-duty engines in China. Outside its four individual pillars, Westport’s corporate development efforts focus on the creation of new alliances and joint ventures, market development projects, and monetization of our significant patent portfolio.

CWI is a 50:50 joint venture with Cummins Inc. (“Cummins”), one of the world’s largest manufacturers of diesel engines. CWI develops and produces 5.9 to 8.9-litre engines utilizing gaseous fuels. CWI’s engines are offered globally by more than 50 OEMs of transit and shuttle buses, conventional trucks and tractors, refuse collection trucks, as well as specialty vehicles such as short haul port drayage trucks, material handling trucks, street sweepers and vehicles for selected industrial applications. CWI’s goal is to offer a superior combination of performance, emissions characteristics and life-cycle cost savings when compared with engines that operate on diesel fuel, gasoline or other alternatives. In 2007, CWI launched its newest engine, the ISL G, which was the first engine to meet EPA 2010 emission requirements. The revenue generated by CWI, as a percentage of consolidated revenue, for the fiscal years ended 2008 and 2009 is 94% and 90% respectively.

Outside of CWI, Westport is engaged in the development, design and marketing of natural gas enabling technology for the heavy-duty diesel engine and truck market. In 2007, we launched a direct injection LNG system for heavy-duty trucks offering class-leading emissions performance while maintaining diesel-equivalent horsepower, torque, and fuel efficiency. Our LNG systems for heavy-duty trucks are sold through Westport Power Inc. We have a technology partnership with Cummins that enables us to develop natural gas enabling technology for Cummins heavy-duty truck engines. Our LNG system solution, available to customers since early 2007, leverages the Cummins ISX 15-litre diesel engine equipped with (i) our proprietary natural gas fuel injectors known as High Pressure Direct Injection (“HPDI”) technology; (ii) our proprietary fuel pumps provided by Cryostar SAS (“Cryostar”), a division of The Linde Group; (iii) proprietary control units; and (iv) onboard LNG storage tanks designed and patented by us and manufactured by BWI, our 50:50 joint venture with Beijing Tianhai Industry Co. (“BTIC”), a Sino-Korean company located in Beijing. We also work with Clean Energy Fuels Corp., North America’s largest natural gas refuelling company, and other fuel suppliers around the world to provide access points for LNG and CNG refuelling stations.

On October 26, 2007, we announced the formation of Juniper, a 49:51 equity joint venture, with OMVL SpA (“OMVL”), an Italian company that designs, manufactures and markets complete fuelling systems for new vehicles and for the aftermarket conversion of engines from gasoline (petrol) to CNG and liquefied petroleum gas (“LPG”). Westport invested $1.5 million in Juniper on April 1, 2008, giving Westport the right to 49% of Juniper’s future profits and losses. The joint venture designs, produces and sells alternative fuel engines in the sub-5 litre class for global applications.

Juniper’s engines, initially targeting the OEM forklift market and fuelled with LPG, will be fully integrated, high performance, low-emission solutions. The first Juniper products are based on the Hyundai Motor Company’s 2.0 litre and 2.4 litre industrial engine platforms, and OMVL’s LPG multipoint injection technology. Juniper will be the manufacturer of record and the products are designed to meet U.S. Environmental Protection Agency (“EPA”) and California Air Resources Board (“CARB”) standards for 2010. The products are expected to be available in the second half of 2009.

In July 2008, Westport signed a 30-year joint venture agreement with Weichai Power Co., Ltd. and Hong Kong Peterson (CNG) Equipment Limited, creating a new entity, Weichai Westport Inc. (“WWI”) The joint venture company will research, develop, design, manufacture, market, distribute, and sell advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy duty trucks, power generation and shipping applications. In China, the demand for cleaner fuel with economic advantages over traditional fuels, such as natural gas, is increasing, with an estimated 185,000 natural gas vehicles already in China and a growing infrastructure to support them.

We expect to further penetrate our markets in the current year due in part to the macroeconomic drivers around alternative fuels and our industry relationships developed over the last twelve years. Through CWI, we are able to leverage Cummins' extensive manufacturing capabilities, sales and marketing efforts, distribution networks, and aftermarket service and support to sell into mid-range engine markets while incurring manageable overhead costs and minimizing working capital requirements for us. We intend to use a similar scalable model working with PACCAR and other partners to launch our LNG systems for heavy-duty trucks.

While focusing firm-wide resources on developing our products and strategic relationships, we have accumulated a significant portfolio of patents, which we believe creates barriers to entry for competing technologies. Additionally, we expect to selectively monetize our patent assets through licensing agreements. We have already been successful in achieving licensing revenue for our proprietary pump technology. We will continue to rely on a combination of patents, trade secrets, trademarks, copyrights, and contracts to protect our proprietary technology and position in the marketplace.

GENERAL DEVELOPMENTS

On December 10, 2008, Westport and PACCAR Australia Pty Ltd. announced that the companies will develop and commercialise liquefied natural gas (LNG) Kenworth trucks for the Australian market. Australia's Kenworth Trucks, a division of PACCAR, plans to begin factory-installed production beginning with the T908, K108 and T408SAR truck chassis and roll out across additional models into the future.

On October 14, 2008, Peterbilt Motors Company, a division of PACCAR Inc., announced that the company will offer three new liquefied natural gas (LNG) configurations on its Models 387, 386 and 367 in 2009. The factory-installed LNG system is part of a joint agreement between Peterbilt and Westport to provide natural gas versions of select Peterbilt aerodynamic and vocational vehicles.

On August 14, 2008, we filed a final prospectus in Canada and a registration statement on Form F-10 with the U.S. Securities and Exchange Commission in connection with an initial public offering of Westport common shares in the United States on the NASDAQ Stock Market. We raised $57 million (US$54 million) in gross proceeds and began trading on the NASDAQ Stock Market on August 15th.

On July 21, 2008, we consolidated our common shares on a three and one-half-to-one (3.5:1) basis. Trading in our common shares commenced on a post-consolidation basis on the Toronto Stock Exchange on July 24, 2008. No fractional common shares were issued in connection with the consolidation, and all such fractional interests were rounded down to the nearest whole number of common shares.

On July 16, 2008, we announced that we had entered into a 30-year joint venture agreement with Weichai Power and Hong Kong Peterson to form Weichai Westport Inc. WWI is engaged in the research, development, design, manufacture, marketing, distribution and sales of advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy-duty trucks, power generation and shipping applications.

Under the terms of the WWI joint venture agreement, our initial investment in WWI is expected to be approximately $5.3 million (30 million RMB), and entitling Westport to a 35% equity interest in WWI. Weichai Power and Hong Kong Peterson hold 40% and 25% equity interests in WWI, respectively. The board of directors of WWI is composed of five directors. We and Weichai Power each appoint two members each to the board of directors of WWI and Hong Kong Peterson appoints one. The Chair of the board of WWI rotates between Weichai Power and Westport after each three-year term, with Weichai Power appointing the first board Chair. As at the date of this AIF, our investment in the joint venture is still awaiting formal Chinese government approval.

On July 14, 2008, we announced that we had entered into a development agreement with a leading European engine manufacturer relating to our proprietary HPDI fuel system operating with natural gas and biogas. We and the European engine manufacturer are working together to integrate and test our HPDI fuel system on their engine platforms. The development work is expected to last 12 to 18 months from the date of signing.

On July 3, 2008, Westport announced the completion of the issuance of an aggregate of 15,000 debenture units for aggregate gross proceeds of $15 million. J.F. Mackie & Company Ltd. acted as the sole underwriter for this offering. Each debenture unit consists of $1,000 principal amount, 9% unsecured subordinated debentures maturing on July 3, 2011 and 180 common share purchase warrants. Each warrant entitles the holder to purchase one common share of Westport at an exercise price of $18.72 on or before July 3, 2010. During the 12 months ended March 31, 2009, we recognized $1.9 million in interest and amortization expense associated with this issuance and paid $0.6 million in interest.

In January 2008, we announced that the Kenworth Truck Company (“Kenworth”), a division of PACCAR Inc., will begin production in 2009 of Kenworth T800 LNG trucks with our LNG fuel system technology adapted for the Cummins ISX 15-litre engine at Kenworth’s manufacturing facility in Renton, Washington. LNG truck manufacturing is now in transition to the plant in Mexicali, Mexico. In order to support the Kenworth factory initiative, we invested approximately $3.8 million in a new LNG Fuel System Assembly Centre in the Metro Vancouver area, which was substantially completed in the fall of 2008.

On June 12, 2006, we agreed to issue up to $22.1 million in convertible notes to fund our operations. More information on this transaction can be found in the “Material Contracts” section of this AIF, on www.sedar.com or in our press release dated June 12, 2006. During the fiscal year ended March 31, 2008, the holders of the convertible notes exercised the conversion option and all of the associated warrants. As an inducement for conversion of the convertible notes, we agreed to pay approximately $0.9 million, an amount equal to 50% of the interest that would otherwise have been payable on the notes on December 31, 2007 and June 30, 2008, had the notes not been converted.

STRATEGY

Our objective is to enhance and protect our position as a leading provider of alternative technology fuel systems for diesel applications using gaseous fuels such as natural gas, propane or hydrogen both domestically and globally. In order to achieve this goal, we have focused our efforts on the following business strategies:

Continue to Profitably Grow CWI

We believe CWI is a leading provider of 5.9 to 8.9-litre natural gas engines. Since 2004, CWI revenues, expressed in U.S. dollars to exclude foreign exchange distortions, have grown at more than 30% compounded annually on a calendar year basis in the same period from breakeven in 2004. We believe this is a result of providing a quality product for the natural gas market, providing superior customer service and an increasing number of customers around the world recognizing the advantages. There are economic benefits due to the inherent difference in fuel prices between diesel and natural gas and environmental advantages of using engines that run on natural gas compared to diesel fuel. In the U.S., customers are interested in achieving energy security and qualifying for federal tax incentives as well as fulfilling EPA emissions requirements. We anticipate continued demand for CWI engines given their performance and emissions characteristics, and their life-cycle cost advantages. We anticipate further market penetration by CWI's natural gas engines in new geographies globally, attracting new customers in the bus, including shuttle and transit, and refuse truck markets, and adoption by new markets such as the container port delivery trucks and yard hostler markets as well as school buses. We also anticipate increasing CWI penetration levels in both the bus fleet and refuse truck markets as economic benefits of natural gas increase in addition to the development of biomethane, such as landfill gas, as an alternative fuel for vehicle applications. We expect CWI's operating leverage, mature technology and fixed cost fulfillment process to help improve CWI's operating profitability.

Accelerate Commercialization of Westport HD

In March 2007, Westport began to deliver its first LNG engine systems for heavy-duty trucks. This product has been in development since 1999 and has undergone extensive testing and field trials in Canada, Australia and California. To March 31, 2009 we have sold 175 Westport HD systems since launch in North America and Australia. We have signed agreements with Kenworth Trucks and Peterbilt, both divisions of PACCAR Inc., to begin assembly line production of the Kenworth T800 and Peterbilt 386, 387, and 367 trucks equipped with our Westport HD system including the LNG fuel system and 15-litre GX engine for the San Pedro Bay Ports and other customers. In February 2009, Wal-Mart Stores, Inc. ("Wal-Mart") announced that four LNG-fuelled Peterbilt Motor Company trucks will be evaluated while in service. The Ports, under their Clean Air Action Plan, are targeting the replacement of over 10,000 trucks serving the port and have a stated goal that at least 50% of new trucks will be fuelled with natural gas. There are two heavy-duty trucks that qualify for the Ports' Clean Truck Program and both utilize Westport HD technology, Kenworth and Peterbilt Trucks. Qualified mid-range trucks for the Ports' program include Daimler trucks, Kenworth and Peterbilt using a CWI engine.

On May 8, 2009, the Los Angeles Harbor Commission announced it had approved up to $44.2 million in Port funding toward the 2009 Clean Truck Incentive Program at the Port of Los Angeles. With the Port's 1,000-truck goal for 2009 (900 LNG/CNG trucks and 100 electric trucks) costing up to $100 million, the Port is applying for grants from the U.S. Department of Energy, the California Air Resources Board, and the California Energy Commission.

On May 18, 2009 the Port of Long Beach announced that it had approved $42.5 million in funding for subsidized leases and grants in its $42.5 million Clean Truck Financing Program to help truck owners meet the program's 2009 requirements. The announced plan offers a $105,000 grant for purchases of approved LNG trucks, and a $137,000 subsidy of LNG truck leases, paid over a 7 year period.

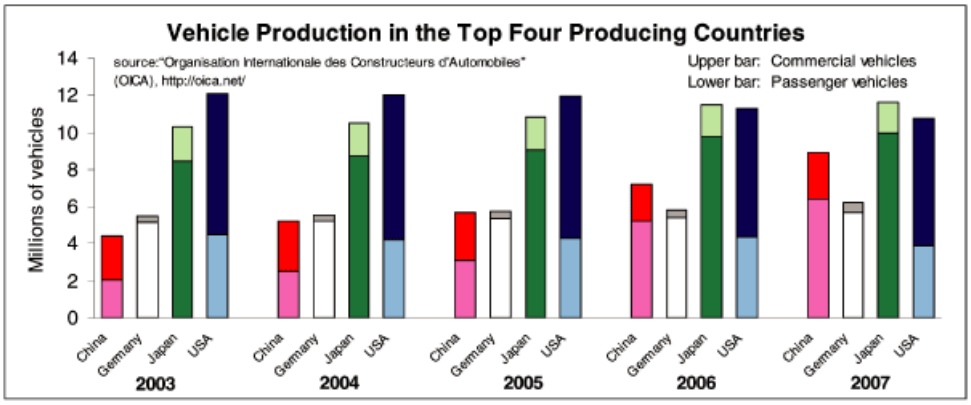
Another region where we believe that market conditions are favourable for LNG trucks is Australia. A significant market driver in Australia is the availability of low-cost feed gas for LNG production that could provide strong financial incentives for heavy-duty trucking fleets, mines, and other high fuel use applications to operate with our LNG system-equipped engines. In November 2008, Kenworth Trucks (a division of PACCAR Australia Pty Ltd) announced that it would offer three new LNG configurations on its models T408SAR, K108, and T908 chassis.

Leverage Our Partners' Resources

Our strong relationships not only create a barrier to entry for competitors who do not have comparable relationships, they also allow us to achieve significant operating leverage as we utilize our partners' manufacturing, distribution, and sales and marketing capabilities. CWI engines, for example, are manufactured or assembled at Cummins plants in the United States, China and India, allowing CWI to spread production of its engines without incurring any capital costs. CWI also leverages Cummins' supply chain, back office systems and distribution and sales networks. This leverage allows CWI to grow revenues and gross margins faster than expenses. For LNG systems for heavy-duty applications, we have established key alliances with Kenworth, a pre-eminent truck manufacturing company for manufacturing, distribution and sales, Cummins, one of the largest diesel engine manufacturers in the world for the supply of engines, BTIC, a Sino-Korean manufacturer of LNG fuel tanks for Westport HD's LNG fuel system, and Cryostar for fuel pumps. We plan to use a similar model of maximizing our partners' abilities and expertise in manufacturing, distribution and sales. We are pursuing additional North American and international strategic alliances to continue to accelerate our market penetration and increased adoption of our technologies.

Focus on Geographic Expansion by Penetrating Key Markets in Asia and Europe

China is one of the world's largest markets for all types of road vehicles, and its heavy-duty truck (>16 tonne) market is already approximately as large as those in Europe and North America. China's vehicle production has more than doubled in the past five years, while production in Germany, Japan, and the U.S. is nearly flat or declining. Assuming that current trends continue, within five to ten years China could be both the world's largest consumer and producer of motor vehicles.



China is focused on moderating the impacts of rapid urbanization and tremendous vehicle growth. Natural gas engines are well positioned to increase market share due to lower environmental impact compared to diesel engines. CWI supplies customers in China with high performance CNG bus engines and has expanded beyond Beijing into several other Chinese cities. An additional focus for growth in Asia will be exports of our CWI engines through Chinese OEMs to other countries in Southeast Asia and South America. We also focus on promising markets in other parts of Asia, such as India. According to the International Association for Natural Gas Vehicles, an industry association, 2005 data showed Pakistan third and India fifth in terms of total numbers of natural gas vehicles, while Delhi, India has one of the world's largest natural gas bus fleets. On October 15, 2008, CWI and Cummins India Ltd. ("CIL") announced that the Delhi Transport Corporation ("DTC") had ordered 3,125 natural gas buses equipped with CWI's B Gas Plus engines. The 230 horsepower B Gas Plus engines, powered by compressed natural gas (CNG), are licensed by CWI and manufactured by CIL.

European regulators have implemented some of the most aggressive responses to air quality issues and climate change concerns, and are concurrently promoting increased use of natural gas in vehicles. We believe the opportunities are strong in Europe's transit, refuse, and urban truck markets. CWI engines are already being offered in vehicles produced by Renault Trucks SAS of France, and have also been sold for transit applications in Eastern Europe.

Expand OEM and Market Availability

We are also focused on developing new OEM and supply relationships. We cooperate or have cooperated on fuel delivery system development programs with a number of companies and are continuing discussions with a number of the world's leading truck and engine OEMs to develop products for their markets. As an example, on July 14, 2008, Westport signed an agreement with a leading European engine manufacturer to integrate and test Westport's HPDI fuel system on their engine platforms. In addition to the European engine testing, Westport and Weichai Power in China signed a joint venture agreement to develop, design, manufacture, market, distribute and sell advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy duty trucks, power generation and shipping applications.

We have previously developed technologies for the power generation market and we also believe that our technologies and systems can be applied to off-road vehicles such as mine-haul trucks, and to marine and rail transportation.

Continue to Leverage Our Intellectual Property Portfolio

We are pursuing opportunities to leverage our significant intellectual property portfolio to develop new products, achieve stronger market penetration and increase our revenue streams. Westport and CWI have already realized the revenue opportunities with a licensing model through relationships with Cummins India Limited ("CIL"), Dongfeng Cummins Engine Company Ltd. ("DCEC") and Cryostar. We are currently in discussions with several international partners to provide our technology under a licensing agreement.

Expand Our Product Offering by Adapting Our Technology for Other Alternative Fuels

Our products are built on an alternative fuel platform that leverages the abundant global supply of natural gas. Over the longer term, if alternative renewable energy sources such as biogas or manufactured fuels, including hydrogen, hydrogen-natural gas blends, and dimethyl ether emerge as cost-competitive options, we expect our gaseous-fuelled engine technologies, system and experience will position us to exploit such new low-carbon fuels as they emerge.

In order to maintain technology leadership in the gaseous fuel combustion area, we are working to adapt our technology with hydrogen and other alternative fuels. We have been working with Ford Motor Company ("Ford") and Bayerische Motoren Werke AG ("BMW") on hydrogen injection technologies and products.

OPERATIONS

CWI designs, engineers and produces natural gas engines based on Cummins diesel engine platforms, primarily for the urban bus, refuse and truck markets. Westport provides a comprehensive technology and fuel system (Westport HD) to the heavy-duty truck market that allows heavy-duty diesel vehicles to run on primarily natural gas (LNG).

5.9 LITRE TO 8.9 LITRE ALTERNATIVE FUEL ENGINES

CWI's existing engine products are based on Cummins diesel platforms, featuring spark-ignited technology designed for transit, shuttle and school bus and truck applications. We believe that because of inherent advantages in low-emission internal combustion natural gas engines, CWI products can offer lower life cycle costs in a number of applications compared to conventional and other alternative-fuel engine products. CWI engines compete with conventional and alternative-fuel engines on a number of different factors including reliability, performance, price, service, parts availability, and other factors. CWI believes its engines have a strong competitive advantage over other alternative fuel engines. CWI is already the leading supplier of natural gas engines to North American transit and city fleets, and the outlook for product markets is promising.

CWI has five engines in commercial production today: the ISL G, C Gas Plus, B Gas Plus, B LPG Plus, and B Gas International ("BGI").

The ISL G was introduced in 2007 and is the world's first engine for bus and truck applications to be certified to the 2010 EPA and CARB on-highway emissions levels. The ISL G incorporates new combustion and emissions control technologies to offer all the advantages of previous clean-burning natural gas engines with an increase in performance and fuel efficiency, while meeting the strict 2010 EPA and CARB emissions standards of 0.20 grams per brake horsepower-hour ("g/bhp-hr") nitrogen oxide ("NOx") and 0.01 g/bhp-hr particulate matter. In 2008, the ISL G was certified to the Euro EEV (Environmentally Enhanced Vehicle) standard, expanding the engine availability to Europe and other markets around the world.

The 8.9-litre ISL G engine uses stoichiometric cooled-exhaust gas recirculation ("EGR") combustion, leveraging Cummins' proven cooled EGR diesel technology to create a high-performance natural gas engine. The use of cooled EGR in place of large amounts of excess air not only lowers combustion temperatures, it also allows the creation of an oxygen-free exhaust, which in turn allows for the use of a three-way catalyst ("TWC") on the exhaust. TWCs are simple passive devices that are maintenance-free and have been commonly used in passenger cars since the 1970's. CWI's stoichiometric cooled-EGR technology improves power density as well as fuel economy and emissions. In fact, low-speed torque is improved by over 30% compared to previous engines. With ratings from 250 to 320 horsepower, this new high-performance, low-emissions engine has sufficient power and torque for large transit buses, refuse collection trucks and other tractor and truck applications. The ISL G has replaced the C Gas Plus and the L Gas Plus in North America.

The C Gas Plus is an 8.3-litre natural gas engine with ratings from 250 to 280 horsepower. Introduced in June 2001, it is an advanced version of the C8.3G engine that Cummins had been producing since 1996. The C Gas Plus continues to be offered in markets outside of North America certified to Euro III and IV emissions standards established by the European Union.

The B Gas Plus and propane B LPG Plus engines are 5.9 litres in displacement and are suitable for shuttle bus, vocational and other truck applications that require less power and smaller package size than the ISL G. Launched in October 2002, the B Gas Plus is an advanced version of the previous B5.9G natural gas engine, which Cummins had been producing since 1994. It is certified to EPA and CARB on-highway standards and Euro V and EEV emissions standards. The B Gas Plus has power ratings from 150 to 230 horsepower. The B LPG Plus, launched in May 2003, is an advanced version of the B5.9 LPG propane engine. It has a power rating of 195 horsepower and is certified to EPA and CARB on-highway emissions standards.

The BGI replaced the B5.9G natural gas engine in developing country markets. The BGI is based on the B Gas Plus and was designed to be assembled locally in China and India to get closer to customers in those markets and to minimize import costs and allow more competitive pricing with local Chinese and Indian manufacturers.

Under the restated and amended joint venture agreement signed in December 2003 (the “Amended JVA”), Cummins granted to CWI an exclusive, worldwide license to make, have made, use, market, or sell engine product and parts embodying, using or designed to practice any current and future intellectual property requested or required by CWI in order to pursue the business opportunities relating to automotive gaseous fuel versions of Cummins B, C, and L diesel engines (and their derivatives) and any future CWI products for distribution approved by the CWI board of directors. Cummins has agreed to manufacture the engines for CWI’s business, and to transfer them to CWI at cost. In consideration for these terms, CWI agreed to pay Cummins a technology access royalty fee equal to 1.5% of engine revenue in 2004, and equal to 2.75% of engine revenue thereafter, to a cumulative maximum of US$10.4 million. Profits and losses are shared equally between Westport and Cummins.

Although there is no set term to the CWI joint venture, the Amended JVA provides for the possible termination of the joint venture and the distribution of CWI’s assets between Cummins and Westport in the event of unresolved material breaches by either party or the bankruptcy of either party, or upon a change of control (50% of voting stock) of either party. Either party may provide written notice of intent to purchase the other party’s shares in 12 months, at 125% of fair market value as determined by an independent valuator, and with the obligation to continue to share profits for two years following the purchase. CWI currently designs and develops commercial mid-range engine products; CWI markets and sells to transit bus and urban truck OEMs around the world. These engines operate on natural gas, stored on the vehicle in either high-pressure compressed gaseous form (CNG), or as a cryogenic liquid (LNG). CWI also offers engines that operate on LPG. CWI engines are manufactured today in three different locations: a Cummins engine plant in Rocky Mount, North Carolina, by CIL in Pune, India, and at DCEC in Xiangfan, Hubei Province, China. CWI engines are distributed and supported through Cummins’ worldwide distribution network.

Effective June 1, 2009 CWI’s board of directors appointed Roe East as President. Prior to CWI, Mr. East was Director of Marketing & Business Development for Cummins Power Systems.

The board of directors of CWI is comprised of four representatives from each of Westport and Cummins. The current Chairman of CWI is J. Michael Gallagher, who is Westport's President and Chief Operating Officer. The other Westport-appointed directors are David Demers (Chief Executive Officer), Elaine Wong (Executive Vice President and Chief Financial Officer) and Patric Ouellette (Vice President and Chief Technology Officer).The Cummins-appointed directors are Steven Chapman (Group Vice President — Emerging Markets and Businesses), John Wall (Vice President and Chief Technical Officer) and Randi Engelhardt (Director of Finance — Emerging Markets and Businesses). One Cummins position is currently vacant.

15 LITRE NATURAL GAS ENGINES & FUEL SYSTEMS

A central pillar of our strategy to diversify our revenue base has always been the commercialization of our Westport HD systems, including LNG fuel system and GX engine with HPDI technology, for heavy-duty trucks, for both on-road and off-road applications. Our immediate market focus is the United States, particularly California and Texas, and Australia, where LNG infrastructure and fuel relationships are established and there is increasing demand for alternative fuel Class 8 vehicles operating from central locations, such as ports and goods distribution centres.

Westport HD allows a Class 8 heavy-duty truck to operate with approximately 95% replacement of diesel fuel by natural gas in high duty cycle applications. In addition, our HPDI technology maintains the diesel performance and efficiency throughout its operating range. By directly injecting the natural gas at high pressure into the combustion chamber, HPDI reproduces key benefits of diesel engines: high efficiency over the speed and torque operating range; high torque capability; and robust reliability. The use of a diesel pilot to support auto-ignition of the injected natural gas provides robust combustion in a high-compression, unthrottled diesel cycle engine. At the same time, the properties of natural gas contribute to a significant reduction in combustion by-products such as NOx, particulate matter ("PM"), and greenhouse gases ("GHG").

We believe Westport HD's GX engines are the best solution for ultra-low emissions heavy-duty trucks that require one or more of the following characteristics:

- high torque at low engine speeds;
- excellent transient response;
- lower NOx (North America) and PM (Australia) emissions; and
- lower greenhouse gas emissions.

We target geographical markets with the following characteristics:

- local emissions regulations requiring stringent environmental performance;
- LNG fuel availability in the market at delivered prices that make total life cycle costs for vehicle purchase and operation materially cheaper than conventional diesel trucks;
- incentives of various kinds to offset the total incremental costs of low-emissions vehicles; and/or
- diesel emissions reduction equipment costs that are sufficiently large such that when new regulations force lower emissions, total life-cycle costs for conventional diesel vehicles rise and surpass equivalent costs for natural gas vehicles.

We believe that these factors are currently present in southern California and Australia. Within these areas, we target return to base fleets or short-haul heavy-duty truck corridors where fuel infrastructure can be more easily established and managed. We are currently targeting prospective customers at ports and other fleet operators.

Westport HD involves new proprietary natural gas fuel injectors, fuel pumps, control units, and onboard LNG storage tanks. The LNG is pressurized with a unique tank-mounted LNG pump, powered by hydraulic oil from a hydraulic pump. The LNG is then vaporized — using excess heat from the engine coolant — and exits the tank module as a warm, high-pressure (4,500 psi) gas. At the same time, a diesel fuel pump pressurizes diesel fuel from the pilot diesel tank. Both fuels are sent to the fuel conditioning module, where they are pressure regulated and distributed to the fuel injectors. All of our LNG system components are electronically controlled by the control units, allowing continuous adjustments that provide optimal engine operation. The Westport GX engine and LNG fuel system are currently available for North America (certification valid through December 2009) and Australia (certification valid through December 2010). We are currently working towards development of the LNG system to meet the 2010 U.S. standards.

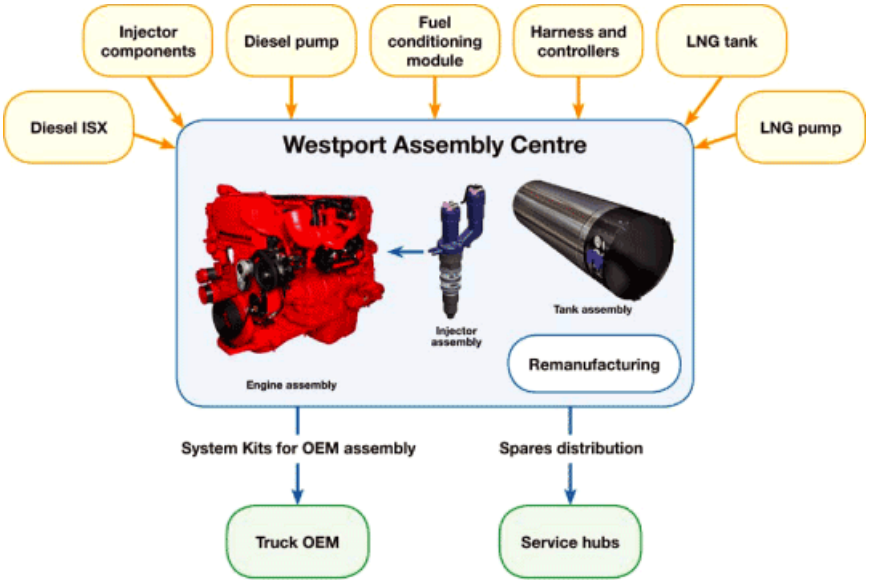
Current Engine Ratings

The Westport GX engine, based on Cummins ISX, for North America is offered in four ratings, 400 horsepower with 1,450 ft-lbs torque, or 450 horsepower with 1,650 ft-lbs torque, and “Smart-Torque” ratings at 400 horsepower and 450 horsepower, matching the diesel-fuelled base ISX engine.

In Australia, three engine ratings are being developed, GX 485 with peak power of 500 horsepower and 1,650 ft-lbs torque, GX 525 with peak power of 550 horsepower and 1,850 ft-lbs torque, and GX 550 with peak power of 578 horsepower and 1,850 ft-lbs torque. These engines have been certified to the Australian Design Rules (“ADR”) emission levels for 2008 through 2010, called ADR 80/02.

Westport HD System Production

The main component parts of the Westport HD system include the (i) Westport GX engine, (ii) HDPI technology, and (iii) LNG fuel system including the pump and tank. We have transitioned our Westport HD system production model from an “upfit” model to an OEM on-line production model and have begun this process by reaching an agreement with each of Kenworth (North America and Australia) and Peterbilt to produce Westport HD equipped LNG trucks on assembly line in early 2009 and later in 2009, respectively. For OEM supply, the Cummins ISX engine, purchased by PACCAR, will be manufactured at Cummins’ manufacturing plant and then transported to our 21,000 square foot assembly centre in Delta, British Columbia, where it will be fit with our proprietary Westport HD system including HPDI technology and LNG fuel system. The Delta facility will also be responsible for the final assembly and testing of the HPDI injectors and proprietary cryogenic LNG pump and storage tanks. The cryogenic pumps and LNG tank are manufactured based on our proprietary design by our supply partners. We currently use high quality, low volume manufacturers. Component parts are delivered to our assembly plant where the assembly process is completed as described in the illustration below.



2.0 LITRE & 2.4 LITRE ALTERNATIVE FUEL ENGINES & FUEL SYSTEMS

On October 26, 2007, we announced the formation of Juniper Engines Inc., with OMVL SpA. Juniper's engines, initially targeting the OEM forklift market and fuelled with LPG, will be fully integrated, high performance, low-emission solutions. The first Juniper products are expected to be available in the second half of 2009.

According to the Industrial Truck Association, approximately 62,000 industrial forklift trucks (Class 4 and Class 5 combined), primarily LPG-fuelled, were sold in North America in 2007.

Juniper's integrated engine and fuel system solution will offer advantages over incumbent products, including:

- a more compact fuel system and engine package
- higher torque and power
- enhanced acceleration and transient response
- precise air-fuel ratio control resulting in optimized catalyst cost

Juniper, as a single point-of-contact solution provider, can help reduce manufacturing, logistics and support related costs for forklift OEMs. Juniper's value proposition includes a proven fuel management system that can be applied to a range of engines, access to world class engineering and manufacturing capabilities, a global support network, and a portfolio of advanced technologies for future high-efficiency products.

Current Engine Ratings

The four cylinder Juniper 2.0L engine is designed for a rated output of 42kW (56 hp) at 2,600 rpm, and maximum torque of 160 Nm (118 ft lbs) at 1,800 rpm. The four cylinder 2.4L product is designed for 52 kW (70 hp) at 2,650 rpm, and maximum torque of 190 Nm (140 ft lbs) at 2,000 rpm.

2.0L & 2.4L Alternative Fuel Engine & Fuel System Production

The fuel system for the Juniper 2.0L and 2.4L engines is manufactured in OMVL's facility in Italy, and the base engines are manufactured in Hyundai Motor Company plants in Korea. Final engine assembly and testing will be performed in Asia and/or North America.

TECHNOLOGY

We have invested over $270 million in developing our technology, products and test facilities and building our intellectual property base.

We have developed a wide range of demonstration engines incorporating our technologies, as small as 1.4 litres, used in passenger cars, and as large as 60 litres, which are large industrial engines for power generation and off-road applications.

Gaseous Fuel Injectors

Our direct-injection gaseous fuel injectors are designed to be incorporated into a diesel engine with no or limited head modifications and minimized changes to the engine hardware beyond substituting a diesel injector for our injector. No special pistons, cams, ignition system, gas mixer, or port injectors are needed. Late-cycle, high-pressure direct injection ensures diffusion-type combustion and, therefore, retains the high power, torque, and efficiency of a regular diesel engine.

We have developed fuel systems capable of handling the special challenges presented by compressible fuels. For instance, our injectors are designed to manage:

- the high volumetric flow rates required for a fuel much less dense than diesel;
- complex fuel routing for two fuels within the injector;
- carbonizing and thermal fluctuations that can result from the reduced cooling capacity of a gaseous fuel; and
- high pressure differentials within the injector and the fuel leakage that can result.

We design and test our own natural gas direct injection fuel injectors. We also control injector assembly and quality, but we contract component fabrication to outside manufacturers.

High Pressure Direct Injection

HPDI engines use small diesel pilot sprays and larger gas sprays. For high duty applications, the diesel is, on average, approximately 5% of the total energy input and is used to start the combustion process just prior to the main injection of natural gas. HPDI injectors are common-rail, diesel-actuated, and electronically controlled. They can power engines at diesel-like efficiencies but can cut engine-out NOx emissions by 30-50%, PM emissions by 60-80%, and GHG emissions by 15-30% compared to the equivalent diesel engines. Our HPDI technology has been demonstrated on Cummins, MAN and Detroit Diesel, and other HD engines, and could be applied to any modern direct injection diesel engine, given sufficient development.

Hot Surface Ignition

Hot surface ignition ("HSI") engines use only gaseous fuels (usually natural gas or hydrogen). There is no diesel pilot spray required. Ignition generally depends on a continuously operating glow plug. HSI injectors are common rail and directly actuated. Direct actuation allows almost unlimited injection flexibility for multiple injections, and unparalleled injection rate control for rate-shaping. Emissions are drastically reduced because of the natural gas, but diesel-cycle diffusion combustion retains the power, torque, and efficiency of the diesel engine.

We have demonstrated this technology, also called CNG-DI technology, for Isuzu Motor Ltd. ("Isuzu") engines. Testing on Isuzu prototype engines using HSI shows no measurable particulates, up to 20% less greenhouse gas emissions (mainly carbon dioxide) than equivalent diesel engines, and 30% increased fuel efficiency over current natural gas engines of this capacity.

Alternate Fuel Combustion

Our combustion technology was conceived to manage the challenges unique to burning a directly-injected compressible fuel. For example, we have developed strategies to select injection pressure, injection rate, fuel injection timing and quantity, nozzle geometry and EGR quantity, to best optimize performance and emissions.

We have also developed "virtual engine" modeling and other analytical tools uniquely capable of designing better methods of burning compressible fuels to power internal combustion engines.

We have developed methods for improved start-of-combustion controls using accelerometers. The accelerometer-based start of combustion system can be used to control homogeneous charge compression ignition engines or to provide combustion event diagnostic in a wide range of engine applications.

Cryogenics

Our cryogenic technologies enable our customers to use liquefied gaseous fuels for mobile applications, where durability is important, space is limited, and excess weight is costly. Our designs for compact cryogenic pumps and storage vessels are well suited to high-vibration applications. Our LNG pump is designed to be fitted within a cryogenic vessel to provide rapid full fuelling capability, minimize heat leak and external exposure of cryogenic parts.

We have also developed associated refuelling infrastructure components for LNG and CNG, including cryogenic transfer. Although designed for fuel storage and delivery, this technology could be easily adapted for other applications where cryogenic technology is used, such as medical or industrial applications.

Aftertreatment

As a natural gas engine and fuel system developer, we have investigated and developed aftertreatment systems for natural gas engine technology. We have worked with lean NOx adsorbers, diesel particulate filters (DPF), and selective catalytic reduction (SCR) systems. Novel systems and methods, applicable to both natural gas and diesel engines, have been developed. For example, we have developed systems and methods for the in-line regeneration of lean NOx adsorbers. The systems allow for thermal management of the catalysts, along with advanced sulphur management control methods. These systems have allowed us to demonstrate improved NOx adsorber performance. In addition, the sulphur management methods can improve the durability of NOx adsorbers.

Compressors

We have designed compressors to meet the fuel system's need to provide high-pressure natural gas to the injectors. This compressor technology is modular and scalable to adapt to varying flow rates, gas pressures, and packaging requirements, which often dominate vehicle fuel-system design. In general, the compressor allows storage tanks to be drawn down to a low pressure while maintaining high injection pressure — in the thousands of pounds per square inch — thus extending time between refills while maintaining consistent gas delivery performance.

Lean Burn Spark Ignited

CWI's lean burn spark ignited ("LBSI") gaseous-fuelled engines use Otto-cycle combustion with large amounts of excess air to maintain relatively low combustion temperatures resulting in low NOx output. This architecture relies on robust traditional spark plug technology to ignite a pre-mixed air/fuel charge, which can accommodate most gaseous fuels including natural gas, propane, hydrogen, and blended fuels. CWI's spark ignited engine technologies are integrated with a robust diesel engine platform and a class leading control strategy to create a clean-burning alternative fuel engine with excellent performance, reliability and durability characteristics.

Stoichiometric Exhaust Gas Recirculation Spark Ignited

CWI's stoichiometric exhaust gas recirculation spark-ignited ("SESI") technology builds upon the LBSI approach by using high rates of cooled EGR in the combustion process in place of large amounts of excess air. The use of cooled EGR allows the creation of oxygen-free exhaust, which then allows for the use of a three way catalyst. SESI technology delivers ultra low emissions, below EPA 2010 levels, with increased thermal efficiency and higher low-speed torque compared with today's LBSI engines.

INTELLECTUAL PROPERTY

The goal of our intellectual property strategy is to capture, protect, and utilize our intellectual property in coordination with our business and technology plans, to best enable the successful commercialization of our proprietary and superior products. Our intellectual property strategy is designed to be adaptive to our target markets and the products intended for those markets, to support the commercial launch of new products, and to sustain a long-term competitive edge in the market. We rely on a combination of patents, trade secrets, trademarks, copyrights, and contracts to protect our proprietary technology.

We are committed to our strategy of building an intellectual property portfolio that encompasses a variety of intellectual property rights, and protects our key intellectual assets. We believe these intellectual assets will enable us to remain competitive in our industry.

We use patents as the primary means of protecting our technological advances and innovations, which include proprietary claims to components, materials, operating techniques, and systems. We have a proactive approach to identifying, evaluating and choosing strategic inventions that we seek to protect through the timely filing and diligent management of patent applications. We have a comprehensive invention disclosure program involving written invention memoranda, and maintenance and preservation of supporting laboratory records. Patent applications are filed in various jurisdictions internationally, which are carefully chosen based on the likely value and enforceability of intellectual property rights in those jurisdictions, and to strategically reflect our anticipated major markets. Patents provide us with a potential right to exclude others from incorporating these technical innovations into their products and processes. We also use patents, along with publications and, where appropriate, licensing of third party technologies, to provide us with the flexibility to adopt preferred technologies.

As of March 31, 2009, we held 58 issued U.S. patents and five allowed U.S. patents, in addition to corresponding issued patents or pending patent applications in numerous other countries around the world. The expiration dates of issued U.S. patents in our portfolio range from November 2009 to April 2027, with over 50 of these patents expiring after January 2020 if maintained for their full 20-year term. We also have a number of patent applications pending in the United States and under the international Patent Cooperation Treaty, which preserves for at least 30 months our right to file patents in all of the major industrial countries that are of interest to us. These issued and pending patents cover various aspects of our technology.

We believe we have developed a significant international patent portfolio, which establishes a broad foundation for our ongoing research activities, which continues to yield new and patentable developments. We expect to file new patent applications each year as our patent portfolio expands to strengthen our leadership role as a developer of gaseous-fuelled engine technology by capturing new developments as they arise. Our intellectual property program includes a strong competitor-monitoring element; we actively monitor the patent activity, technical developments, and market position of our competitors. We expect activities relating to assertion and enforcement of our intellectual property rights to increase as the market for our products develops, and we also expect that our growing patent portfolio, especially when coupled with a strong enforcement program, will provide us with a significant advantage over our competitors.

Portions of our know-how are protected as trade secrets and through contractual agreements with our employees, suppliers, partners, and customers. We carefully protect our intellectual property rights in our collaboration agreements with a view to capturing maximum value from our products, and ensuring a competitive advantage. We are supporting the ongoing development of our market image and branding strategy by seeking timely registration of our trademarks in strategically chosen jurisdictions.

COMPETITIVE CONDITIONS

As one of the few companies we are aware of focused on gaseous fuel engine technologies, we believe we are a world leader in gaseous-fuelled engines that incorporate high pressure, common rail, direct injection technologies. Westport technologies currently compete with the incumbent offerings, which are typically diesel, as well as other forms of alternative power engines including but not limited to hybrid electric and dual-fuel applications. While some alternative fuels or other power technologies are being developed, Westport technology is available in affordable products with real-world experience.

GOVERNMENT FUNDING

Westport and CWI have won significant funding awards from U.S. and Canadian government agencies and from trade groups for technology development and demonstration projects. In some cases, the government or trade-group funding may be repayable in whole or in part, depending on the success of the technology. Some of the more material awards include:

- February 2008 — We were awarded US$2.25 million in funding from the South Coast Air Quality Management District ("SCAQMD"), US$500,000 of which will be contributed by the California Energy Commission ("CEC") upon completion of CEC contract documentation, to support the development, demonstration, commercialization and certification of our heavy duty LNG fuel system for the Cummins ISX to meet the EPA 2010 NOx (0.2 g/bhp-hr NOx) emissions standard prior to 2010.
- June 2007 — Westport was awarded $330,000 from the Canadian International Development Agency's Industrial Cooperation Program (CIDA-INC) for the transfer of technology, management training and development to Westport's joint venture in China, BTIC Westport. This funding agreement was completed December 31, 2008.
- January 2007 — We were awarded AU$1.36 million from the Australian Government's Alternative Fuels Conversion Program for a project to evaluate the use of LNG as a fuel for heavy-duty highway trucks in Australia.
- February 2006 — CWI was awarded US$350,000 in funding from Utilization Technology Development for CWI's previously announced ISL G engine product development program.

HUMAN RESOURCES AND POLICIES

We have attracted a highly educated, experienced team of professionals focused on the development of our technologies. We actively recruit skilled individuals with diverse backgrounds from around the world and provide them with specific training relating to our technology, retaining consultants and contract workers with specific expertise when appropriate.

As of June 1, 2009, Westport had a world wide total of 221 employees made up mostly of engineers and technicians. Of that number, we had 197 full-time employees and 13 contract or part-time staff in our offices in Vancouver, Canada and throughout the United States, 2 employees in Australia and 9 full-time employees in our Beijing office. CWI had 51 full-time employees, including 41 employees seconded from Cummins and 10 employees seconded from Westport, as well as two contract staff.

Our employees are not represented by a labour union, and we believe that our relationships with our employees are good. Each new employee is required to execute confidentiality and proprietary rights agreements as well as a Code of Conduct as part of the terms of employment. To encourage focus on achievement of medium- to long-term performance goals, virtually all of our employees are eligible for annual bonuses that are tied to achievement of corporate milestones.

SOCIAL AND ENVIRONMENTAL POLICIES

Our Environmental Policy Statement outlines the standards to which our operations must be held and provides that:

- Westport will ensure that its operations will comply with government regulations, industry codes and standards, applicable laws, and internal company policies.
- We will continually monitor industry best practices and adopt and implement those that contribute to the protection of the environment.
- On-site contractors and others acting on our behalf are expected to abide by the same code of conduct.
- Westport will continue to research, design, and develop engine products that sustain natural resources, preserve the environment, and safeguard employees, customers, and the general public from injuries or health hazards.
- Westport will determine, evaluate, and mitigate the environmental impacts of our existing operations, and will conduct a thorough environmental assessment and risk analysis prior to the implementation of new projects.
- Westport will abide by internally established standards to utilize energy and other resources efficiently in our operations, including emissions and waste management programs, which exceed current legislative requirements.
- All environmental incidents or unplanned releases will be investigated and the findings will be communicated as necessary to all affected parties.
- Westport will train its employees on their individual responsibility to protect the environment, to adhere to the Environmental Policy Statement, and to cooperate with its efforts in this regard.
- In conjunction with external response agencies, we will respond to environmental emergencies including hazardous material spills and unplanned releases promptly and effectively via a trained and coordinated on-site emergency response team.
- Westport will evaluate its environmental performance through regular auditing and assessment of our regulatory compliance and adherence to the above principles, and will communicate the appropriate information to its Board of Directors, employees, shareholders, governmental agencies, and the general public.

Our commitment to corporate responsibility is evident not only in the development of our products and technologies, but also in our ongoing efforts to enhance the social benefits derived from our business activities and minimize the environmental footprint of our operations. Every year, we review our operations, taking a hard and critical look at our environmental footprint and set targets for improvement. In September 2003, we completed a joint project with Terasen, a gas utility in Vancouver, which enables us to re-inject LNG used for our pump testing back to the pipeline. This is a significant environmental accomplishment and has resulted in the greenhouse gas emissions reductions of more than 19,000 tonnes CO2e.

We published our first sustainability report at the end of fiscal 2008 to highlight aspects of our safety, environment and community engagement performance. Our second sustainability report, which will be published within our fiscal 2009 annual report, has been self-declared to correspond to application Level B in the six-level grid of the Global Reporting Initiative G3 guidelines.

We are committed to providing a discrimination and harassment-free workplace. Our expectations for individual integrity and ethical, moral and legal conduct are outlined in our Code of Conduct that all employees and directors review and sign annually. We have also implemented an ethics hotline to provide an avenue for employees to raise concerns about corporate conduct. The policy includes the reassurance that they will be protected from reprisals or victimization for "whistle blowing" in good faith.

Our employees demonstrate an active desire to contribute to our community. We have supported the United Way of the Lower Mainland with a spirited and employee-driven workplace campaign since 2002. Since that time, our employees have donated more than $300,000 to the United Way and our campaigns have been recognized as leading efforts in the British Columbia high-tech sector.

IMPACT is an employee leadership team established to drive community engagement and community enrichment. Launched in 2007, IMPACT brings together the various volunteer activities, events and initiatives that employees were already involved with into one coordinated effort. IMPACT's vision of community is broad and encompasses the actual communities in which we live and work, our immediate neighbours and our workplace. IMPACT has an ambitious and inspiring mandate to have its activities leave a positive and measurable impact on the community. Community leadership is a core value of ours and to support this, every employee is given 16 hours of paid leave per year to volunteer with a charitable organization of his or her choosing.

We have been a sustaining member of Canadian Business for Social Responsibility since 2001 and were one of the first members of the Canadian high-tech sector to join this group of progressive organizations committed to the principles of sustainability.

We have been listed on the Jantzi Social Index ("JSI") since August 2000. The JSI is a socially-screened market capitalization-weighted common stock index modeled on the S&P/TSX 60 consisting of 60 Canadian companies that pass a set of broadly based environmental, social and governance rating criteria. The JSI has begun to generate the first definitive data on the effects of social screening on financial performance in Canada.

In June 2008, Westport was ranked 9th on the Corporate Knights Best 50 Corporate Citizens in Canada list. The methodology for the Best 50 Corporate Citizens is based on environment, social and governance indicators found in the public domain. The scoring includes baseline indicators and sector-specific key performance indicators. In November 2007, we were named to the Corporate Knights Cleantech 10™. Cleantech refers to clean technologies that enable us to make more with less and to minimize the negative impact of human activity on the environment and public health. It is much broader than "greentech" or "enviro-tech", which focus primarily on regulatory driven pollution control and remediation. Cleantech Indices LLC determined the listing by applying a set of 18 screening criteria to all TSX companies that are part of a broader cleantech investment category. The cleantech criteria emphasized purity (percentage of revenues of income from cleantech business) and quality (strategy, management, financial strength, sector leadership). Other key criteria include growth, earnings, liquidity, capitalization, technology/intellectual property and overall impact.

SHARE CAPITAL

DIVIDEND POLICY

To date, we have not paid out any dividends on our common shares ("Common Shares"). The future payment of dividends will be dependent on our ability to pay, including factors such as cash on hand, sustainable cashflow and achieving profitability, the financial requirements to fund growth, our general financial condition and other factors that the Board may consider appropriate in the circumstances. Under our bank credit facilities, any dividends, shareholder loan repayments and other capital withdrawals require prior consent from our bank.

MARKET FOR COMMON SHARES

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "WPT". The following table sets forth the market price ranges and the aggregate volume of trading of the Common Shares on the Toronto Stock Exchange for the periods indicated:

Toronto Stock Exchange (WPT)

Period	High ($)	Low ($)	Close ($)	Volume
April 2008(1)	3.20	2.66	2.90	2,592,883
May 2008(1)	4.43	2.71	4.30	7,822,834
June 2008 (1)	5.50	4.25	4.97	11,124,313
July 2008 (3.5:1 split adjusted)	17.50	12.17	13.04	4,677,681
August 2008	15.34	12.11	13.39	1,713,566
September 2008	13.80	8.56	10.00	2,211,000
October 2008	9.95	4.08	5.24	2,447,190
November 2008	7.64	4.00	5.05	2,080,434
December 2008	6.41	4.51	6.25	1,285,329
January 2009	7.74	6.01	6.50	789,725
February 2009	7.18	4.62	5.20	853,258
March 2009	6.75	3.89	6.30	750,430
April 2009	7.40	5.08	6.00	1,229,779
May 2009	6.69	5.25	6.34	1,625,944

Note:

(1) Figures given are pre-consolidation. On July 21, 2008, Westport consolidated its Common Shares on a three and one-half-to-one basis.

The outstanding Common Shares are listed and posted for trading on the NASDAQ Stock Market under the trading symbol “WPRT”. The following table sets forth the market price ranges in U.S. dollars and the aggregate volume of trading of the Common Shares on the NASDAQ Stock Market for the periods indicated:

NASDAQ Exchange (WPRT)

Period	High ($)	Low ($)	Close ($)	Volume
August 2008 (Aug 15th to Aug 31st)	13.55	11.42	12.56	2,354,448
September 2008	13.15	8.20	9.14	4,376,137
October 2008	9.28	3.26	4.43	3,935,038
November 2008	6.60	3.15	3.96	2,219,066
December 2008	5.45	3.52	5.10	1,254,758
January 2009	6.55	4.77	5.27	845,592
February 2009	5.83	3.60	4.05	885,763
March 2009	5.51	3.01	4.99	1,125,488
April 2009	6.00	4.18	5.04	2,446,298
May 2009	6.00	4.47	5.83	2,520,207

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares (“Preferred Shares”) issuable in series with no par value. As at March 31, 2009, our issued share capital consisted of 32,040,540 Common Shares. Our Board may at any time issue any Preferred Shares in one or more series, each series to consist of such number of Preferred Shares as may be determined by the Board. The Board may determine at the time of issuance the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series.

As more fully detailed below under “Description of Common Shares”, the holders of our Common Shares are entitled to notice of, to attend, and to one vote per Common Share at, all meetings of our shareholders. The holders of our Preferred Shares shall have no right to receive notice of or to be present at or vote either in person, or by proxy, at any of our general meetings by virtue of or in respect of their holding of Preferred Shares.

Subject to any rights, privileges, restrictions and conditions that may have been determined by the directors to apply to any series of Preferred Shares or any restrictions in any of our debt agreements, the directors shall have complete uncontrolled discretion to pay dividends on any class or classes of shares or any series within a class of shares issued and outstanding in any particular year to the exclusion of any other class or classes of shares or any series within a class of shares out of any or all profits or surplus available for dividends.

On our winding-up, liquidation or dissolution or upon the happening of any other event giving rise to a distribution of our assets other than by way of dividend amongst our shareholders for the purposes of winding-up its affairs, subject to any rights, privileges, restrictions and conditions that may have been determined by the Board to attach to any series of Preferred Shares, the holders of all Common Shares and Preferred Shares shall be entitled to participate pari passu.

DESCRIPTION OF COMMON SHARES

The holders of our Common Shares are entitled to one vote per Common Share at meetings of shareholders, to receive such dividends as declared by us and to receive Westport's remaining property and assets upon dissolution or winding up. The Common Shares are not subject to any future call or assessment and there are no pre-emptive, conversion or redemption rights attached to the Common Shares. The following table provides additional information regarding the outstanding Common Shares.

	March 31, 2009	
	Number	Weighted Average Exercise Price $
Shares Outstanding	32,040,540	N/A
Share Options		
– Outstanding	1,136,163	7.32
– Exercisable	786,282	7.53
Performance Share Units		
– Outstanding	1,729,970	N/A
– Exercisable	597,560	N/A
Warrants		
– Outstanding and Exercisable	1,608,160	14.68

PRIOR SECURITIES ISSUED

The following information summarizes the securities of Westport not listed or quoted on any exchange that we have issued during the most recently completed financial year, as adjusted to reflect the consolidation of our shares on a three-and-one-half-to-one (3.5:1) basis. Additional information with respect to the issuance of options and restricted share units by Westport during the most recently completed financial year will be contained in Westport's proxy circular in respect of its 2009 annual meeting of shareholders, available on SEDAR at www.sedar.com.

771,428 warrants were issued as part of the debenture units issued by us on July 3, 2008. Each warrant entitles the holder thereof to acquire one Common Share upon payment of the exercise price of $18.73 per warrant at any time prior to July 3, 2010.

46,118 broker warrants were issued by us to the underwriters of the debenture unit offering, which closed on July 3, 2008, as partial consideration for the services provided by the underwriters in connection with the offering. Each broker warrant entitles the holder thereof to acquire one Common Share upon payment of the exercise price of $16.10 per broker warrant at any time prior to July 3, 2010.

790,614 warrants were granted to Her Majesty the Queen in right of Canada as Represented by the Minister of Industry pursuant to the terms of a technology development agreement between Westport and one of its affiliates and Her Majesty the Queen in Right of Canada on March 27, 2003 as part of the former Technology Partnerships Canada Program, which agreement was subsequently amended on September 14, 2007. Each such warrant entitles the holder to acquire one Common Share upon payment of an exercise price of $10.65 at any time prior to October 23, 2013.

DIRECTORS AND EXECUTIVE OFFICERS

Our shareholders elect the members of our Board at each annual general meeting. Directors typically hold office until the next annual general meeting of shareholders at which time they may be re-elected or replaced.

The following table sets forth the names and municipalities of residence of all of our directors and executive officers as of June 1, 2009, as well as the positions and offices held by such persons, their principal occupations and number of Common Shares held as of June 1, 2009:

Name and Municipality of Residence	Position with the Corporation	Principal Occupation for last five years	Director of the Corporation Since	Number of Common Shares held as of June 1, 2009
John A. Beaulieu (1)(2)(3)(5) *Vancouver, Washington*	Chairman and Director	Managing Partner of Cascadia Pacific Management LLP (a private venture fund company)	September 1997	11,738
Warren J. Baker (3)(4) *Avila Beach, California*	Director	President, California Polytechnic State University	September 2002	2,142
Henry F. Bauermeister Jr. (1)(2)(5) *Lee's Summit, Missouri*	Director	Corporate Director; From 1995 to 2005, President of Cummins Mid-America	October 2005	19,285
M.A. (Jill) Bodkin (1)(2) *Vancouver, BC*	Director	Chair and Chief Executive Officer of Golden Heron Enterprises	July 2008	3,500
David R. Demers (4)(6)(8) *West Vancouver, British Columbia*	Chief Executive Officer and Director	Chief Executive Officer of Westport	March 1995	104,176
J. Michael Gallagher (5)(6)(7) *Vancouver, British Columbia*	President, Chief Operating Officer and Director	President and Chief Operating Officer of Westport	July 2007	22,930
Dezsö J. Horváth (1)(2)(3)(4) *Toronto, Ontario*	Director	Dean and Tanna H. Schulich Chair in Strategic Management, Schulich School of Business, York University	September 2001	45,571
Sarah Liao Sau Tung (4) *Hong Kong, China*	Director	Former Secretary for the Environment, Transport and Works of the Hong Kong Special Administrative Region and a member of the Executive Council of Hong Kong (2002-2007)	July 2008	Nil
Andrew Littlefair (4) *Newport Beach, California*	Director	President and Chief Executive Officer of Clean Energy Fuels Corp.	July 2007	11,000
Albert Maringer (5) *Canmore, Alberta*	Director	President and Chief Executive Officer of Maringer Consulting Alberta Ltd. since June of 2007; President and Chief Executive Officer of Siemens Canada Limited (2000 to 2006)	July 2008	Nil
W. Chipman Johnston *Calgary, Alberta*	Corporate Secretary	Partner (formerly an associate) at Bennett Jones, LLP	N/A	3,426
Nicholas C. Sonntag (7) *Gibsons, British Columbia/ Beijing, China*	Executive Vice President, Corporate Development, WPI, and President, Westport Asia	Executive Vice President, Corporate Development of WPI and President of Westport Asia; previously President of CH2M HILL China Ltd. and President of CH2M HILL Canada Ltd.	N/A	1,428
Elaine A. Wong (6) *Vancouver, British Columbia*	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer of Westport	N/A	31,911

Notes:

(1) Member of the Audit Committee.

(2) Member of the Human Resources and Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

(4) Member of the Strategy Committee.

(5) Member of the OEM Committee.

(6) Member of the CWI board of directors.

(7) Member of the BWI board of directors.

(8) Member of the board of directors of Juniper Engines Inc.

DIRECTOR BIOGRAPHIES

John A. Beaulieu, a U.S. citizen, of Vancouver, Washington, USA, joined the Board of Directors in September of 1997 and was appointed Chairman in 2002. He is also Chair of the Human Resources and Compensation Committee. Mr. Beaulieu co-founded Cascadia Pacific Management, LLP, a venture capital fund in Portland, Oregon, in 1990 and has been actively involved in finding, financing, and assisting in the growth of more than 70 emerging growth technology-based companies since 1986. Mr. Beaulieu's business career included being President of Steelcraft Corporation and holding other general management positions at American Standard & Evans Products. Earlier executive employment was at Proctor & Gamble, Ford Motor Co., and Arthur Young & Co. Mr. Beaulieu obtained a Bachelor of Commerce degree (1956) and a Masters of Business Administration degree (1963), both from Santa Clara University of California. Mr. Beaulieu is also a member of the board of directors of Mala Noche Resources Corp. (a mineral and exploration company), other privately-held venture backed enterprises, and one socially focused organization.

Warren J. Baker, a U.S. citizen, of Avila Beach, California, USA, joined Westport's board in September of 2002. He is currently Chair of the Nominating and Corporate Governance Committee. He has been President of California Polytechnic State University in San Luis Obispo, California since 1979. Dr. Baker is a Fellow of the American Society of Civil Engineers, a Fellow in the Engineering Society of Detroit, a member of the board of directors of the California Council for Science and Technology, and a member of the U.S. Business-Higher Education Forum. Dr. Baker has served as a member of the U.S. National Science Board, and has served as Chair of the board of directors of the ASCE Civil Engineering Research Foundation. Dr. Baker is also a member of the board of directors of John Wiley & Sons, Inc. of Hoboken, New Jersey, a New York Stock Exchange listed global publisher of print and electronic products, specializing in scientific, technical, and medical books and journals. Dr. Baker also served on the board of directors of the Society of Manufacturing Engineers' Education Foundation, and is a member of the Board of Governors, U.S. — Mexico Foundation for Science and a member of the board of directors, MESA California (Mathematics-Engineering-Science Achievement).

Henry F. Bauermeister Jr. , a U.S. citizen, of Lee's Summit, Missouri, USA, joined Westport's board in October of 2005. He is currently Chair of the Audit and OEM Committee. From 1995 to 2005, Mr. Bauermeister was the President of Cummins Mid-America, the Cummins distributor for Kansas and Missouri, located in Kansas City. From 1978 to 1995, he was President of Diesel ReCon at Cummins Inc., the business unit responsible for remanufacturing and reselling used engines and parts. Under Mr. Bauermeister's leadership, revenues at Cummins Diesel ReCon grew tenfold. Mr. Bauermeister is a Certified Public Accountant and received his bachelor's degree from the University of Nebraska where he majored in Accounting and minored in Economics. Mr. Bauermeister has held a number of financial positions within Cummins including the Group Controller position for the Components Group.

M.A. (Jill) Bodkin, a Canadian citizen, of Vancouver, British Columbia, Canada, joined Westport's board in July 2008. She has been the Chair and Chief Executive Officer of Golden Heron Enterprises since 1996. In 2007, Ms. Bodkin was also appointed Director for Canadian Development for KCTS 9 Television, the Seattle, Washington based Pacific Northwest PBS station. From 1987 to 1996, Ms. Bodkin was with Ernst & Young as a Corporate Finance Partner, advising on financing technology companies and capital projects in North America and Asia. After her early career in trade and finance in Ottawa, in 1981 Ms. Bodkin became British Columbia's first woman Deputy Minister, responsible for financial institutions, and later, Founding Chair of the British Columbia Securities Commission. Her mid-career graduate studies were in public finance at the Maxwell School, Syracuse University. Ms. Bodkin is a Governor and former Chair of the Vancouver Board of Trade, as well as a former member of the boards of directors of the Laurentian Bank of Canada and KCTS 9 Television. Ms. Bodkin is the President of the Board of Pacific Coast Television, as well as President of Yaletown Venture Partners, VCC, Vancouver, and is a member of the Oversight Council for the Canadian Institute of Chartered Accountants. She has served on boards of policy think tanks, including the Thailand Development Research Institute, the Institute for Research in Public Policy in Canada, and the Canada West Foundation.

David R. Demers, a Canadian citizen, of West Vancouver, British Columbia, Canada, is a founder of Westport and has been Chief Executive Officer and a director since the company was formed in March of 1995. Mr. Demers obtained a Bachelor of Physics Degree in 1976 and a Bachelor of Law Degree in 1978, both from the University of Saskatchewan. Mr. Demers is also a member of the board of directors of Mala Noche Resources Corp. (a mineral and exploration company), Cummins Westport Inc., a private company in which Westport has a 50% investment, and Juniper Engines Inc., a private company in which Westport has a 49% investment.

J. Michael Gallagher, a U.S. citizen, of Vancouver, British Columbia, Canada, has been a member of Westport's Board since July 2007 and was appointed Westport's President in October 2004, in addition to his role as Westport's Chief Operating Officer, which he has held since January 6, 2003. He is also the chairman and vice-chairman of the board of directors of CWI and BWI, respectively, both private companies in which Westport has a 50% investment. Prior to joining Westport, Dr. Gallagher was Senior Vice-President, Operations, Americas, for Fluor Corp., an international engineering company headquartered in California. He also held senior executive positions with the London-based multinational engineering firm Kvaerner Group, as well as with the Bechtel Group in San Francisco. Dr. Gallagher is also on the board of several non-profit organizations, including the California Natural Gas Vehicle Partnership, WestStart-CALSTART and the Canadian Centre for Policy Ingenuity.

Dezsö J. Horváth, a Canadian citizen, of Toronto, Ontario, Canada, has been a member of Westport's board since September 2001. He is currently Chair of the Strategy Committee. He is the Dean and holds the Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario, where he has taught since 1977. He holds an electrical engineering degree, as well as degrees in management (MBA, Licentiate, PhD) from Swedish universities. After an early R&D career with the Swedish multinational ASEA (now ABB) in the electrical industry, he accepted senior academic appointments at Swedish and then Canadian universities. Since becoming Schulich's Dean in 1988, Dr. Horváth has worked with internal and external stakeholders to position Schulich as "Canada's Global Business School™". In addition to publishing books and articles on strategic management and international business, Dr. Horváth has been engaged by major corporations and governments as a consultant in these fields. In addition to his membership on corporate boards in the past, Dr. Horváth is currently a Director of Inscape Corporation and Samuel, Son & Co. Limited. He is also on the board of The Toronto International Leadership Centre for Financial Sector Supervision (a non-profit organization), as well as being on the Advisory Board of the St. Petersburg University Graduate School of Management and the International Advisory Council of the Guanghua School of Management, Peking University. He is a Co-Founder of the Czech Management Centre, Prague, and the International Management Centre, Hungary (now part of the Central European University in Budapest). Dr. Horváth is a member of the Strategic Management Society, the Academy of Management and the Academy of International Business (AIB). In 2004, he was named AIB International Dean of the Year. Dr. Horváth was chosen as a Member of the Order of Canada in July 2008 for his academic leadership and sustained commitment to business education in Canada.

Sarah Liao Sau Tung , a Hong Kong SAR citizen, of Hong Kong, People's Republic of China, is the former Secretary for the Environment, Transport and Works of the Hong Kong Special Administrative Region and a member of the Executive Council of Hong Kong 2002-2007. In 1988, Dr. Liao founded an environmental consulting company, and from 2001 to 2008 served as the environmental presenter/advisor for the Beijing 2008 Olympic Games Bid/Organizing Committee. She is currently the Senior Advisor to the Vice Chancellor of the University of Hong Kong on Sustainability, a member of the Chinese Council for International Cooperation on Environment and Development under the State Council and a member of the Board of Trustees of Environmental Defence Fund. She is a Fellow of the Hong Kong Institution of Engineers; a Fellow of the Royal Society of Chemistry, UK; Honorary Professor, Civil Engineering Department and a Fellow of the University of Hong Kong. She earned her bachelor's degree in chemistry and botany, master's degree in inorganic chemistry and doctorate in environmental/occupational health from the University of Hong Kong, and also a master's degree in analytical chemistry by the University of Birmingham, UK. She was awarded the Justice of the Peace in 1994, the Most Excellent Order of the British Empire (MBE) in 1997 and the Gold Bauhinia Star (GBS) in 2007.

Andrew J. Littlefair, a U.S. citizen, of Newport Beach, California, USA, has been a member of Westport's board since July of 2007. He is President, Chief Executive Officer and a director of Clean Energy Fuels Corp. (a publicly traded company). From 1996 to 2001, Mr. Littlefair served as President of Pickens Fuel Corp. From 1987 to 1996, Mr. Littlefair served in various management positions at Mesa, Inc., an energy company of which Boone Pickens was Chief Executive Officer. From 1983 to 1987, Mr. Littlefair served in the Reagan Administration as a presidential aide. Mr. Littlefair is also currently Chairman of NGV America, a U.S. advocacy group for natural gas vehicles. Mr. Littlefair holds a B.A. from the University of Southern California.

Albert Maringer, a Canadian citizen, of Canmore, Alberta, Canada, has been a member of the board since July 2008. He has been the founder, President and Chief Executive Officer of Maringer Consulting Alberta Ltd. since June of 2007. Prior to 2007, Dr. Maringer held the position of President and Chief Executive Officer of Siemens Canada Limited from 2000 to 2006. Dr. Maringer's career with Siemens AG spans a 46 year period during which, prior to 2000, Dr. Maringer held the following positions within Siemens AG's operations or subsidiaries: President, ATD TD Division for five years; General Manager of North America Motor Operations for four years; plus various management and engineering leadership roles including strategy development, R&D, manufacturing and project management. Dr. Maringer has served as a member of the board of directors for The Conference Board of Canada in Ottawa and is currently the Co-Chair for the Centre for Foreign Owned Enterprises at the Conference Board of Canada. He has also served as a member of the board of directors of the Canadian Nuclear Association. Dr. Maringer is a board member, Economic Council with the City of Mississauga; member of the Board of Trustees, Calgary Zoo; and is a director and Chairman Emerit with the German-Canadian Chamber of Commerce and Industry. Dr. Maringer is also a member of the board with Clinicare Inc., a healthcare information technology company in Calgary, Alberta, and an advisory board member of Skypower Corporation in Toronto, Ontario. Dr. Maringer is a member of the advisory committee for the Center for German-European Studies at York University, Ontario, serves on the advisory council of the Schulich School of Business, Ontario, and is a Professor and Chair of International Management, Friedrich-Schiller-Universität in Germany.

EXECUTIVE OFFICER BIOGRAPHIES

David R. Demers, see information contained under the heading “Director Biographies”.

J. Michael Gallagher, see information contained under the heading “Director Biographies”.

Elaine A. Wong, a Canadian citizen, is currently Executive Vice President and Chief Financial Officer. She joined Westport in September 2001 as Director, Corporate Performance, responsible for the Company’s financial planning and analysis, and as Director of Finance for CWI, before becoming Chief Financial Officer in 2003. Ms. Wong is also a Director of CWI. She also served from 2002 to 2009 as Westport’s representative on the board of directors of Canadian Business for Social Responsibility, a non-profit, national membership organisation of Canadian companies who have made a commitment to operate in a socially, environmentally, and financially responsible manner. Prior to joining us, Ms. Wong was the Director of Corporate Performance for TELUS Enterprise Solutions, an information technology company with offices across Canada and in Asia, where she was involved in strategy, planning, mergers and acquisitions, and other corporate development projects. Ms. Wong has her Chartered Accountant (1993) and Certified Public Accountant (Illinois) (2001) designations, as well as a Bachelors of Commerce Degree with Honours (1990) from the University of British Columbia.

Nicholas C. Sonntag, a Canadian citizen, joined Westport in October 2006 as President, Westport Asia, where he is responsible for the growth and development of Westport’s emerging businesses and opportunities in Asia. He is also Executive Vice President of Corporate Development and is a Director of BWI. Prior to joining Westport, he served as President of CH2M HILL’s operations in Beijing, China, working on sustainable infrastructure and industrial development across China and Hong Kong. He has also held senior executive positions with CH2M HILL Canada, the Stockholm Environment Institute, the International Institute for Sustainable Development, and the U.N. Conference on Environment and Development. His memberships and board positions include: Royal Roads School of Environment & Sustainability; Environmental Forum of the American Chamber of Commerce in Beijing; Environmental Management College of China; and China-U.S. Center for Sustainable Development. Mr. Sonntag obtained a Bachelor of Science in Engineering Physics and a Master of Science, Business Administration from the University of British Columbia.

W. Chipman Johnston, a Canadian citizen, was appointed Westport’s Corporate Secretary in April 2006. Mr. Johnston has been a Partner of Bennett Jones LLP, a law firm located in Calgary, Alberta since 2004. From 1996 to 2004, he was an associate of Bennett Jones LLP. Mr. Johnston’s practice focuses on mergers and acquisitions and equity capital raisings, primarily with clients in the upstream energy and oilfield services industries. He is a member of the External Relations Committee of the TELUS World of Science and a member of the TSX Listing Advisory Committee. Mr. Johnston holds a B.A. from the University of Calgary and an L.L.B. from Osgoode Hall Law School.

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of June 1, 2009, our directors and officers as a group beneficially owned, directly or indirectly 257,107 of our Common Shares, representing approximately 0.8% of the 32,041,492 Common Shares outstanding on June 1, 2009.

CONFLICTS OF INTEREST

David Demers and Michael Gallagher, both directors and officers of Westport, serve on the board of CWI, our 50:50 joint venture with Cummins. Mr. Demers is also a director of Juniper, our 49:51 joint venture with OMVL. Elaine Wong, an officer of Westport, is also a board member of CWI. Michael Gallagher and Nicholas Sonntag, both officers of Westport, are board members of BWI, our 50:50 joint venture with BTIC. Mr. Andrew Littlefair is a director, President and Chief Executive Officer of Clean Energy Fuels Corp.

RISK FACTORS

An investment in our business involves risk and readers should carefully consider the risks described below and in our other filings on www.sedar.com. Our ability to generate revenue and profit from our technologies is dependent on a number of factors, and the risks identified below, if they were to occur, could have a material impact on our business, financial condition, liquidity, results of operation or prospects. While we have attempted to identify the primary known risks that are material to our business, the risks and uncertainties described below may not be the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operation or prospects.

Risks Related to Our Business

We have incurred and continue to incur losses.

We have incurred substantial losses since our inception in 1996, and continue to incur losses and experience negative cash flows. We cannot predict if or when we will operate profitably or generate positive cash flows or if we will be able to implement our business strategy successfully. Pursuing our strategy requires us to incur significant expenditures for research and product development, marketing and general administrative activities. As a result, we need to continue to grow our revenues and gross margins to achieve and sustain profitability and positive operating cash flows and we may need to raise additional capital.

We may be unable to raise additional capital.

Execution of our business plan and our commercial viability could be jeopardized if we are unable to raise additional funds for our commercialization plans, to fund working capital, research and development projects, sales, marketing and product development activities and other business opportunities. We attempt to mitigate this risk by generating funds from a variety of sources including: through the sale of our commercial products, through the sale of non-core assets including long-term investments, through funding from government agencies, industry and business partners, and through the issuance of shares or debt in the public equity markets or through strategic investors. In addition, we try to maintain reserves of cash and short-term investments and seek to obtain funding commitments before we take on any significant incremental initiatives. There can, however, be no assurance that we will be able to secure additional funding, or funding on terms acceptable to us, to pursue our commercialization plans.

A sustained economic recession could negatively impact our business

In the fall of 2008, we saw significant deterioration in the credit and equity markets, falling energy prices, volatile currency markets, and weakness in the worldwide economy. Some of our major OEM partners have closed plants, consolidated product lines and / or have downsized. Many have also implemented tighter credit procedures. Some of the wider economic issues may negatively affect the natural gas vehicle market. If the current economy results in a sustained and far reaching recession or access to credit markets remains restrictive, demand for our products may decline as partners and potential customers defer replacing older vehicles or expanding their fleets. Our bad debt expense may increase and we may need to assist potential customers with obtaining financing or government incentives to help customers fund their purchases of our products.

Potential fluctuations in our financial results make financial forecasting difficult

We expect our revenues and results of operation to continue to vary significantly from quarter to quarter. Sales and margins may be lower than anticipated due to timing of customer orders and deliveries, unexpected delays in our supply chain, general economic and market-related factors, product quality, performance and safety issues and competitive factors. The current economic environment also makes projecting financial results more difficult. In addition, the continuance and timing of government funding of our research and development programs is difficult to predict, and may cause quarter to quarter variations in financial results. In addition, due to our early stage of commercialization on some products, we cannot accurately predict our future revenues or results of operations or the timing of government funding on our current research and development programs. We are also subject to normal operating risks such as credit risks, foreign currency risks and global and regional economic conditions. As a result, quarter-to-quarter comparisons of our revenues and results of operation may not be meaningful. It is likely that in one or more future quarters our results of operation will fall below the expectations of securities analysts and investors. If this happens, the trading price of our common shares might be materially and adversely affected.

A market for engines with our fuel systems may never develop or may take longer to develop than we anticipate.

Although we have seen strong growth in CWI revenues and interest from the San Pedro Bay Ports, municipalities and private fleets, engines with our fuel systems represent an emerging market, and we do not know whether end-users will ultimately want to use them or pay for their initial incremental purchase price. The development of a mass market for our fuel systems may be affected by many factors, some of which are beyond our control, including: the emergence of newer, more competitive technologies and products; the future cost of natural gas and other fuels used by our systems; the ability to successfully build the refuelling infrastructure necessary for our systems; regulatory requirements; availability of government incentives; customer perceptions of the safety of our products; and customer reluctance to try a new product.

If a market fails to develop or develops more slowly than we anticipate, we may be unable to recover the losses we will have incurred in the development of our products and may never achieve profitability.

Certain of our products may not achieve widespread adoption.

Our direct injection technology has been demonstrated in heavy-duty trucks, light-duty vehicles and high horsepower applications. However, we do not know when or whether we will be successful in the commercialization of products for any of our target markets. There can be no assurance that engines using our direct injection technology will perform as well as we expect, or that prototypes and commercial systems will be developed and sold in commercially viable numbers.

Our HPDI LNG fuel injection systems presently have higher initial capital costs than the incumbent competing technologies, and manufacturing costs of some of our products at a large-scale commercial level have not yet been confirmed. If we are unable to produce fuel systems that are economically competitive, on a life-cycle cost basis, in terms of price, reliability and longevity, operators of commercial vehicle fleets and power generators will be unlikely to buy products containing our fuel systems.

We are dependent on the Ports' Clean Air Action Plan to support and fund sales to the Ports.

In November 2006, the San Pedro Bay Ports approved a comprehensive five-year Clean Air Action Plan to reduce the air emissions and health risks associated with the Ports' activities. The plan includes the intention to make significant emissions reduction-related improvements and encourages the use of alternative fuel engines, which we believe will facilitate the conversion of older heavy-duty trucks, used to move containers from the Ports to customer locations outside the Ports, to clean trucks including natural gas by 2011. While engines from Westport and CWI were recently selected by the Ports as the two natural gas engine options for compliant Port trucks, there are no guarantees that the Ports will carry out or be able to implement and fund their Clean Air Action Plan as stated. If the Clean Air Action Plan is not implemented or funded as stated, our sales, revenues and profitability may be materially affected.

We currently benefit from government incentives to facilitate demand for our products and fund our research and development programs and these incentives may not be renewed or may be redirected.

While some of our customers and potential customers have made successful applications for government incentives to assist them in converting their vehicles to natural gas engines, there is no guarantee that such incentives will continue to be available. Today our LNG systems customers and potential customers in the United States may have access to local, state and federal incentives through programs and initiatives such as the federal Highway and Energy Bills, which provide fuel and tax credits, and to state grants such as the California Air Resources Board ("CARB") Carl Moyer Memorial Air Quality Standards Attainment Program (the "Carl Moyer Program") and the SCAQMD. If these and other similar incentive programs are discontinued or are no longer available to our customers and potential customers, it may have a detrimental effect on our sales.

In addition, from time to time we enter into agreements with government agencies to fund our research and development programs. There can be no assurance that we will continue to receive funding from government agencies at the same levels we have received in the past or at all. Funding agreements with government agencies are also subject to audit, which could result in certain funding being denied or monies received from such agencies having to be repaid.

Fuel price differentials are hard to predict and may be less favourable in future.

The acceptance of natural gas-fuelled engines by customers depends in part on the price differential between natural gas and diesel fuel. Natural gas has generally been, and currently is, less expensive than diesel fuel in many jurisdictions. This price differential is affected by many factors, including changes in the resource base for natural gas compared with crude oil, pipeline transportation capacity for natural gas, refining capacity for crude oil and government excise and fuel tax policies. There can be no assurance that natural gas will remain less expensive than diesel fuel. The differential has been reduced during fiscal 2009 with the significant declines in the price of diesel in the third quarter. This may impact upon potential customers' decisions to adopt natural gas as an energy solution in the short term.

Our growth is dependent on natural gas refuelling infrastructure that may not take place.

For motor vehicles, natural gas must be carried on board in liquefied or compressed form and there are few public or private refuelling stations available in most jurisdictions. There can be no assurance of the successful expansion of the availability of natural gas as a vehicle fuel, or that companies will develop refuelling stations to meet projected demand. If customers are unable to obtain fuel conveniently and affordably, a mass market for vehicles powered by our technology is unlikely to develop.

Changes in environmental and regulatory policies could hurt the market for our products.

We currently benefit from, and hope to continue to benefit from, certain government environmental policies, mandates and regulations around the world, most significantly in the international automotive market and in the United States. Examples of such regulations include those that provide economic incentives, subsidies, tax credits and other benefits to purchasers of low emission vehicles, restrict the sale of engines that do not meet emission standards, fine the sellers of non-compliant engines, tax the operators of diesel engines and require the use of more expensive ultra-low sulphur diesel fuel. There can be no assurance that these policies, mandates and regulations will be continued. Incumbent industry participants with a vested interest in gasoline and diesel, many of which have substantially greater resources than we do, may invest significant time and money in an effort to influence environmental regulations in ways that delay or repeal requirements for clean vehicle emissions. If these are discontinued or if current requirements are relaxed, this may have a material impact on our competitive position.

We currently face, and will continue to face, significant competition.

Our products face, and will continue to face, significant competition, including from incumbent technologies. New developments in technology may negatively affect the development or sale of some or all of our products or make our products uncompetitive or obsolete. Other companies, many of which have substantially greater customer bases, businesses, and financial and other resources than us, are currently engaged in the development of products and technologies that are similar to, or may be competitive with, certain of our products and technologies.

Competition for our products may come from current power technologies, improvements to current power technologies and new alternative power technologies, including other fuel systems. Each of our target markets is currently serviced by existing manufacturers with existing customers and suppliers using proven and widely accepted technologies. Additionally, there are competitors working on developing technologies such as cleaner diesel engines, bio-diesel, fuel cells, advanced batteries and hybrid battery/internal combustion engines in each of our targeted markets. Each of these competitors has the potential to capture market share in various markets, which could have a material adverse effect on our position in the industry and our financial results. For our products to be successful against competing technologies, especially diesel engines, they must offer advantages in one or more of these areas: regulated or un-regulated emissions performance; fuel economy; fuel cost; engine performance; power density; engine and fuel system weight; and engine and fuel system price. There can be no assurance that our products will be able to offer advantages in all or any of these areas.

We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success.

Failure to protect our existing and future intellectual property rights could seriously harm our business and prospects, and may result in the loss of our ability to exclude others from practicing our technology or our own right to practice our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation and/or be enjoined from using such intellectual property. Our patents do not guarantee us the right to practice our technologies if other parties own intellectual property rights that we need in order to practice such technologies. Our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. As is the case in many other industries, the web of intellectual property ownership in our industry is complicated and in some cases it is difficult to define with precision where one property begins and another ends. In any case, there can be no assurance that:

- any of the rights we have under U.S. or foreign patents owned by us or other patents that third parties license to us will not be curtailed, for example through invalidation, circumvention, challenge, being rendered unenforceable or by license to others:
- we were the first inventors of inventions covered by our issued patents or pending applications or that we were the first to file patent applications for such inventions;
- any of our pending or future patent applications will be issued with the breadth of claim coverage sought by us, or be issued at all;
- our competitors will not independently develop or patent technologies that are substantially equivalent or superior to our technologies;
- any of our trade secrets will not be learned independently by our competitors; or
- the steps we take to protect our intellectual property will be adequate.
- In addition, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries.

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our strategic partners and employees. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

Certain intellectual property has been licensed to us on a non-exclusive basis from third parties who may also license such intellectual property to others, including our competitors. If necessary or desirable, we may seek further licenses under the patents or other intellectual property rights of others. However, we can give no assurances that we will obtain such licenses or that the terms of any offered licenses will be acceptable to us. The failure to obtain or renew a license from a third party for intellectual property we use at present could cause us to incur substantial costs and to suspend the manufacture, shipment of products or our use of processes requiring such intellectual property.

We could become engaged in intellectual property litigation or disputes that may negatively affect our business.

From time to time, claims have been made by third parties that the practice of our technology infringes upon patents owned by those third parties. Although we have seen no valid basis for any of these claims, as our business grows parties may attempt to take advantage of that growth and assert similar claims and demands for compensation. Our response to such claims will be commensurate with the seriousness of the allegations, their potential effect on our business and the strength of our position. We will examine a range of options from formal legal action to obtain declaratory judgments of non-infringement to the initiation of design changes and we will vigorously defend our intellectual property.

As a result, while we are not currently engaged in any intellectual property litigation, we could become subject to lawsuits in which it is alleged that we have infringed the intellectual property rights of others or in which the scope, validity and enforceability of our intellectual property rights is challenged. In addition, we may commence lawsuits against others who we believe are infringing upon our rights. Our involvement in intellectual property litigation or disputes, including any that may arise in respect of our HPDI technology or LNG tanks, could be time consuming and result in significant expense to us, diversion of resources, and delays or stoppages in the development, production and sales of products or intellectual property, whether or not any claims have merit or such litigation or disputes are resolved in our favour. In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to:

- pay substantial damages;
- cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;
- discontinue processes incorporating infringing technology; or
- obtain licenses to the infringing intellectual property.

Any such result could require the expenditure of substantial time and other resources and could have a material adverse effect on our business and financial results.

We are dependent on relationships with strategic partners.

Execution of our current strategy is dependent on cooperation with strategic partners for technology development, manufacturing and distribution. To be commercially viable, our fuel systems must be integrated into engines and our engines must be integrated into chassis manufactured by OEMs. We can offer no guarantee that existing technology agreements will be renewed or advanced into commercialization agreements, or that OEMs will manufacture engines with our fuel systems or chassis for our engines, or, if they do manufacture such products, that customers will choose to purchase them. Any integration, design, manufacturing or marketing problems encountered by OEMs could adversely affect the market for our products and our financial results. In addition, there can be no assurance of the commercial success of any joint ventures in which we are, or will become, involved.

Any change in our relationships with our strategic partners, whether as a result of economic or competitive pressures or otherwise, including any decision by our strategic partners to reduce their commitment to our products and technology in favour of competing products or technologies, or to bring to an end our various alliances, could have a material adverse effect on our business and financial results.

In addition, disputes regarding the rights and obligations of the parties could arise under our agreements with our strategic partners. These and other possible disagreements could lead to termination of such agreements or delays in collaborative research, development, supply, or commercialization of certain products, or could require or result in litigation or arbitration. Moreover, disagreements could arise with our strategic partners over rights to intellectual property. These kinds of disagreements could result in costly and time-consuming litigation. Any such conflicts with our strategic partners could reduce our ability to obtain future collaboration agreements and could have a negative impact on our relationship with existing strategic partners.

We are dependent on relationships with our suppliers.

While we have negotiated supply agreements with various manufacturers and have entered into strategic supply agreements with BTIC, a Sino-Korean company located in Beijing, China, and Cryostar, a division of The Linde Group, certain of these manufacturers may presently be the sole supplier of key components for our products and we are dependent on their ability to source materials, manage their capacity, workforce and schedules. In particular, we are dependent on sole suppliers for our injectors, tanks, and pumps for our HPDI LNG systems and their ability to ramp up capacity and maintain quality and cost to support our production requirements. For a number of reasons, including but not limited to shortages of parts, labour disruptions, lack of capacity and equipment failure, a supplier may fail to supply materials or components that meet our quality, quantity or cost requirements or to supply any at all. If we are not able to resolve these issues or obtain substitute sources for these materials or components in a timely manner or on terms acceptable to us, our ability to manufacture certain products may be harmed and we may be subjected to cancellation of orders or penalties for failed or late deliveries, which could have a material adverse effect on our business and financial results. Our products also use steel and other materials that have global demand. The prices and quantities at which those supplies are available fluctuate and may increase significantly. Competitive pressure, however, may not allow us to increase the sales price of our products. Any such increases may therefore negatively affect our margins and financial condition. We mitigate these risks by seeking secondary suppliers, by carrying inventory, and by locking in long-term pricing when possible. There are no guarantees, however, that we will be successful in securing alternative suppliers or that our inventory levels will be sufficient for our production requirements.

We are dependent on our relationship with Cummins for CWI revenues and profits.

The majority of our revenues are currently derived from the operations of CWI, which, in turn, purchases all of its current and foreseeable engine products from Cummins-affiliated plants and distributors. Although the factories operate with modern technology and experienced management, there can be no assurance that the factory and distribution systems will always be able to perform on a timely and cost-effective basis. Any reduction in the manufacturing and distribution capabilities of Cummins-affiliated plants and distributors could have a material adverse effect on our business and financial results.

Our limited production trials, commercial launch activities and field tests could encounter problems.

We conduct limited production trials and field tests on a number of our products as part of our product development cycle and we are working on scaling up our production capabilities. These trials, production readiness activities and field tests may encounter problems and delays for a number of reasons, including the failure of our technology, the failure of the technology of others, the failure to combine these technologies properly and the failure to maintain and service the test prototypes properly. Some of these potential problems and delays are beyond our control. Any problem or perceived problem with our limited production trials and field tests could hurt our reputation and the reputation of our products and delay their commercial launch.

We may have difficulty managing the expansion of our operations.

To support the launch, and increase sales and service, of our LNG system products, we may be required to expand the scope of our operations rapidly. This may include a need for a significant increase in employees and an increase in the size, or relocation, of our premises and changes to our information systems, processes and policies. Such rapid expansion may place a significant strain on our senior management team, support teams, information technology platforms and other resources. In addition, we may be required to place more reliance on our strategic partners and suppliers, some of whom may not be capable of meeting our production demands in terms of timing, quantity, quality or cost. Difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any rapid expansion could harm our business, prospects, results of operations or financial condition.

Warranty claims could diminish our margins.

There is a risk that the warranty accrual included in our cost of product revenue is not sufficient and that we may recognize additional expenses as a result of warranty claims in excess of our current expectations. Such warranty claims may necessitate a redesign, re-specification or recall of our products, which, in turn, may have an adverse impact on our finances and on existing or future sales. Although we attempt to mitigate against these risks through our sales and marketing initiatives and our product development, quality assurance, support and service programs, there can be no assurance that such initiatives and programs are adequate or that sales of our commercial products will continue to grow and contribute financially.

New products may have different performance characteristics from previous products. In addition, we have limited field experience with our HPDI LNG systems from which to make our warranty accrual estimates.

We could become subject to product liability claims.

Our business exposes us to potential product liability claims that are inherent in natural gas, LPG and hydrogen, and products that use these gases. Natural gas, LPG and hydrogen are flammable gases and therefore potentially dangerous products. Any accidents involving our products or other natural gas, LPG or hydrogen-based products could materially impede widespread market acceptance and demand for our engines and fuel systems. In addition, we may be subject to a claim by end-users or others alleging that they have suffered property damage, personal injury or death because our products did not perform adequately. Such a claim could be made whether or not our products perform adequately under the circumstances. From time to time, we may be subject to product liability claims in the ordinary course of business and we carry a limited amount of product liability insurance for this purpose. However, our current insurance policies may not provide sufficient or any coverage for such claims, and we cannot predict whether we will be able to maintain our insurance coverage on commercially acceptable terms.

We could become liable for environmental damages resulting from our research, development or manufacturing activities.

The nature of our business and products exposes us to potential claims and liability for environmental damage, personal injury, loss of life, and damage to or destruction of property. Our business is subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past and it is reasonable to expect additional and more stringent changes in the future. Our operations may not comply with future laws and regulations, and we may be required to make significant unanticipated capital and operating expenditures. If we fail to comply with applicable environmental laws and regulations, governmental authorities may seek to impose fines and penalties on us or to revoke or deny the issuance or renewal of operating permits, and private parties may seek damages from us. Under those circumstances, we might be required to curtail or cease operations, conduct site remediation or other corrective action, or pay substantial damage claims. In addition, depending on the nature of the claim, our current insurance policies may not provide sufficient or any coverage for such claims.

We have foreign currency risk.

While a majority of our revenues, cost of sales, expenses and warranty balances are denominated in U.S. dollars, many of our operating expenses, other than cost of sales, are in Canadian dollars and we report in Canadian dollars. Foreign exchange gains and losses are included in results from operations, except for foreign exchange gains and losses relating to the translation of CWI's consolidated balance sheets and statements of operations into Canadian dollars. As CWI is a self-sustaining foreign operation for accounting purposes, foreign exchange gains and losses relating to the translation of CWI balances are recorded within accumulated other comprehensive income (a separate component of shareholders' equity) until such time as our net investment in CWI is reduced. A large decline in the value of the U.S. dollar relative to the Canadian dollar could impair revenues, margins and other financial results. We have not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations. From fiscal 2002 to fiscal 2007, on average, the U.S. dollar declined 28% against the Canadian dollar. From fiscal 2008 to fiscal 2009, on average, the Canadian dollar declined 9.3% against the U.S. dollar.

We could lose or fail to attract the personnel necessary to run our business.

Our success depends in large part on our ability, and that of our affiliates, to attract and retain key management, engineering, scientific, manufacturing and operating personnel. As we develop additional capabilities we may require more skilled personnel. Given the highly specialized nature of our products, these personnel must be highly skilled and have a sound understanding of our industry, business or our technology. Recruiting personnel for the alternative fuel industry is also highly competitive. Although to date we have been successful in recruiting and retaining qualified personnel, there can be no assurance that we will continue to attract and retain the personnel needed for our business. The failure to attract or retain qualified personnel could have a material adverse effect on our business.

If we do not properly manage foreign sales and operations, our business could suffer.

We expect that a substantial portion of our future revenues will be derived from sales outside of Canada, and we operate in jurisdictions where we may lack sufficient expertise, local knowledge or contacts. Establishment of an international market for our products may take longer and cost more to develop than we anticipate, and is subject to inherent risks, including unexpected changes in government policies, trade barriers, difficulty in staffing and managing foreign operations, longer payment cycles, and foreign exchange controls that restrict or prohibit repatriation of funds. As a result, if we do not properly manage foreign sales and operations, our business could suffer.

We may not realize the anticipated benefits from joint ventures, investments or acquisitions.

Our joint ventures, and any future joint venture, investment or acquisition, could expose us to certain liabilities, including those that we fail or are unable to identify during the investment or acquisition process. In addition, joint ventures and acquisitions often result in difficulties in integration, and, if such difficulties were to occur, they could adversely affect our results. The integration process may also divert the attention of, and place significant demands on, our managerial resources, which may disrupt our current business operations. As a result, we may fail to meet our current product development and commercialization schedules. Additionally, we may not be able to find suitable joint venture partners, investments or acquisitions, which could adversely affect our business strategy.

Risks Related to our Common Shares

Our Common Share price may fluctuate.

The stock market in general, and the market prices of securities of technology companies in particular, can be extremely volatile, and fluctuations in our Common Share price may be unrelated to our operating performance. Our Common Share price could be subject to significant fluctuations in response to many factors, including: actual or anticipated variations in our results of operations; the addition or loss of customers; announcements of technological innovations, new products or services by us or our competitors; changes in financial estimates or recommendations by securities analysts; conditions or trends in our industry; our announcements of significant acquisitions, strategic relationships, joint ventures or capital commitments; additions or departures of key personnel; general market conditions; and other events or factors, many of which may be beyond our control. As of May 18, 2009, the 52-week trading price of our Common Shares ranged from a low of $3.89 to a high of $18.16. See also "Price Range and Trading Volume of Common Shares".

We do not currently intend to pay any cash dividends on our Common Shares in the foreseeable future and therefore our shareholders may not be able to receive a return on their Common Shares until they sell them.

We have never paid or declared any cash dividends on our Common Shares. We do not anticipate paying any cash dividends on our Common Shares in the foreseeable future because, among other reasons, our current credit facilities restrict our ability to pay dividends, and we currently intend to retain any future earnings to finance our business. The future payment of dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, our general financial condition and other factors which our board of directors may consider appropriate in the circumstances. Until we pay dividends, which we may never do, our shareholders will not be able to receive a return on their Common Shares unless they sell them.

If we are characterized as a passive foreign investment company ("PFIC"), U.S. holders may be subject to adverse U.S. federal income tax consequences.

Based in part on current operations and financial projections, we do not expect to be a PFIC for U.S. federal income tax purposes for our current taxable year or in the foreseeable future. However, we must make an annual determination as to whether we are a PFIC based on the types of income we earn and the types and value of our assets from time to time, all of which are subject to change. Therefore, we cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year. A non-U.S. corporation generally will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. The market value of our assets may be determined in large part by the market price of our Common Shares, which is likely to fluctuate. In addition, the composition of our income and assets will be affected by how, and how quickly, we use the cash we raise in this Offering. If we were to be treated as a PFIC for any taxable year during which you hold Common Shares, certain adverse U.S. federal income tax consequences could apply to U.S. holders.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our U.S. shareholders.

We are a foreign private issuer under applicable U.S. federal securities laws and, therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the United States Securities Exchange Act of 1934, as amended, and related rules and regulations (the "Exchange Act"). As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we will be required to file with or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell our Common Shares, as the reporting periods under the corresponding Canadian insider reporting requirements are longer. In addition, as a foreign private issuer we are exempt from the proxy rules under the Exchange Act.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

In order to maintain our current status as a foreign private issuer, a majority of our Common Shares must be either directly or indirectly owned by non-residents of the United States, unless we also satisfy one of the additional requirements necessary to preserve this status. We may in the future lose our foreign private issuer status if a majority of our Common Shares are held in the United States and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status. The regulatory and compliance costs to us under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs we incur as a Canadian foreign private issuer eligible to use the multi-jurisdictional disclosure system (MJDS). If we are not a foreign private issuer, we would not be eligible to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the United States Securities and Exchange Commission, which are more detailed and extensive than the forms available to a foreign private issuer. We may also be required to prepare our financial statements in accordance with U.S. GAAP. In addition, we may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers.

AUDIT COMMITTEE MATTERS

MANDATE OF THE AUDIT COMMITTEE

The mandate (the "Mandate") of the Audit Committee as prescribed by the Board of Directors is set out in the Audit Committee Charter. The charter was confirmed and approved by the Board of Directors on May 28, 2009 and is attached hereto as Schedule "A".

Composition of the Audit Committee

The following table sets forth the name of each of the current members of the Audit Committee, whether such member is independent, whether such member is financially literate and the relevant education and experience of such member.

Name	Independent?	Financially Literate?	Relevant Education and Experience
Henry F. Bauermeister Jr. (Chair)	Yes	Yes	Mr. Bauermeister is a Certified Public Accountant and received his bachelor's degree from the University of Nebraska where he majored in Accounting and minored in Economics. Mr. Bauermeister has held a number of financial positions within Cummins including the Group Controller position for the Components Group.
John A. Beaulieu	Yes	Yes	Mr. Beaulieu holds a Bachelor of Commerce degree and a Masters of Business Administration degree, both from Santa Clara University of California. As a co-founder of Cascadia Pacific Management, LLP, a venture capital fund, Mr. Beaulieu has significant experience in the analysis and evaluation of financial results. He has been actively involved in finding, financing, and growing more than 70 emerging technology-based companies since 1986. In addition, during Mr. Beaulieu's business career he has held general management positions with a number of companies, including President of Steelcraft Corp, Evans Products Company and Ford Motor Company.
M.A. (Jill) Bodkin	Yes	Yes	Ms. Bodkin has been Chair and Chief Executive Officer of Golden Heron Enterprises since 1996. From 1987 to 1996, Ms. Bodkin was with Ernst & Young as a Corporate Finance Partner, advising on financing technology companies and capital projects in North America and Asia. After her early career in trade and finance in Ottawa, in 1981 Ms. Bodkin became British Columbia's first woman Deputy Minister, responsible for financial institutions, and later, Founding Chair of the British Columbia Securities Commission. Ms. Bodkin is a Governor and former Chair of the Vancouver Board of Trade, as well as a former member of the boards of directors of the Laurentian Bank of Canada and KCTS 9 Television. Ms. Bodkin is a member of the Oversight Council for the Canadian Institute of Chartered Accountants and has held numerous other positions on public and private boards of directors.
Dezső J. Horváth	Yes	Yes	Dr. Horváth obtained his Masters of Business Administration and a PhD in Policy and Organisational Behaviour from the University of Umea, Sweden. Dr. Horváth holds the Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario, where he has taught since 1977. Through his academic background and responsibilities as the Dean of the Schulich School of Business, Dr. Horváth has acquired significant financial experience relating to accounting and financial issues. Dr. Horváth is / has been a member of a number of boards in both the public and private sector.

Reliance on Certain Exemptions

At no time since the commencement of Westport's most recently completed financial year has Westport relied on any exemption in Sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.3(2) (Controlled Companies), 3.4 (Events Outside Control of Member), 3.5 (Death, Disability or Resignation of Audit Committee Member), 3.6 (Temporary Exemption for Limited and Exceptional Circumstances) or 3.8 (Acquisition of Financial Literacy) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of Westport's most recent completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval of Policies and Procedures

The Audit Committee is mandated to review the provision of non-audit services and consider the effect of any such services on the independence of the external auditors.

NON-AUDIT SERVICES

The Canadian Institute of Chartered Accountants revised rules of Professional Conduct on auditor independence (the "Rules") as they relate to public companies include prohibitions or restrictions on services that may be provided by auditors to their audit clients and require that all services provided to a listed entity audit client, including its subsidiaries, be pre-approved by the client's audit committee. In accordance with those Rules, the Audit Committee has approved, adopted and made effective Westport's Audit Committee Preapproval Policy. That policy requires that the Audit Committee approve annually the types of services management may engage the external auditor to perform and that the Audit Committee set a dollar limit per engagement and in aggregate that management may spend on non-audit services. Amounts outside of these services or authorized limits require explicit approval from the Audit Committee Chair.

EXTERNAL AUDITORS' SERVICE FEES

The following table shows the aggregate fees billed to the Company by KPMG LLP, Chartered Accountants, our external auditor, in each of the last two years.

	Years ended March 31	
	2009	2008
Audit Fees	$ 368,600	$ 247,040
Audit Related Fees	$ 7,350	$ 9,800
Tax fees	$ 66,847	$ 55,162
All Other Fees	$ Nil	$ Nil
Total	$ 442,797	$ 312,002

Audit Fees

Audit fees were for professional services rendered by KPMG LLP for the audit of the annual financial statements of Westport and CWI, quarterly reviews, and services provided in connection with statutory and regulatory filings or engagements relating to prospectuses and other offering documents.

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the annual statements and are not reported under the heading audit fees above.

Tax Fees

Tax fees were for tax compliance and tax advice. These services consisted of tax compliance including the preparation of tax returns.

All Other Fees

There were no fees paid to KPMG LLP that would be considered “Other Fees” in 2009 or 2008. Fees to be disclosed under this category would be for products and services other than those described under the headings audit fees, audit-related fees and tax fees above.

ADDITIONAL INFORMATION

LEGAL PROCEEDINGS

We are not involved in any material legal proceedings, nor are any such proceedings known to be contemplated. From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below or elsewhere disclosed in this AIF, none of our insiders, directors or executive officers, nor any associate or affiliate of such persons, has had any material interest, direct or indirect, in any transaction of ours within our three most recently completed financial years, nor in any transaction or proposed transaction within our current financial year which has materially affected or would materially affect us or any of our subsidiaries.

Mr. Littlefair, a member of our Board, is President, Chief Executive Officer and a director of Clean Energy Fuels Corp., a publicly traded company in which we own approximately 0.4% of the issued and outstanding shares of common stock and with which we maintain an ongoing business relationship. In addition, Mr. Demers served as a director of Clean Energy Fuels Corp. until April 4, 2008. Further, during the third quarter of the fiscal year ended March 31, 2008, we entered into a non-interest bearing, limited recourse loan of US$6.0 million with Clean Energy Finance, LLC. This loan allowed us to finance the establishment and maintenance of an inventory of approximately 75 liquefied natural gas fuel systems in anticipation of deliveries to customers of the San Pedro Bay Ports, and is repayable only from the receipt of funds from the sale of these fuel systems. As at March 31, 2009, there was a balance of CDN$1.6 million remaining on the loan.

TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar for our Common Shares is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia, Calgary, Alberta and Toronto, Ontario. Our U.S. transfer agent is Computershare Trust Company, N.A. 350 Indiana Street, Suite 750. Golden, CO 80401.

MATERIAL CONTRACTS

Debenture Units

On July 3, 2008, we issued 15,000 debenture units for total gross proceeds of $15 million. Each debenture unit consists of an unsecured subordinated debenture in the principal amount of $1,000 bearing interest at 9% per annum and 51 Common Share purchase warrants exercisable into Common Shares at any time for a period of two years from the date of issue at a price of $18.73 per share. We have the option to redeem the debentures at any time after 12 months and before 18 months from the date of issue at 115% of their principal amount and at 110% of the principal amount after 18 months. Interest is payable semi-annually and the debentures mature on July 3, 2011. We also issued 46,118 broker warrants which are exercisable into Common Shares at a price of $16.10 per share for a period of two years from the date of issue.

The note indenture governing the debentures ("Note Indenture") will restrict Westport from incurring additional indebtedness for borrowed money, including obligations under banker's acceptances, commercial paper, bonds and debentures ("Debt") and from guaranteeing any Debt of other persons, except for:

(i) Senior Indebtedness, as defined in the Note Indenture;

(ii) unsecured Debt ranking pari passu with the debentures in an aggregate principal amount not to exceed $20,000,000 outstanding at any time;

(iii) guarantees of outstanding Debt of other persons provided that the aggregate outstanding principal amount of pari passu Debt permitted pursuant to paragraph (ii) above together with the outstanding principal amount of any Debt of other persons guaranteed by Westport does not exceed $30,000,000 at any time; and

(iv) Debt which is expressly subordinated to and postponed in favour of the debentures.

The Note Indenture does not restrict Westport from increasing the amount of certain senior indebtedness owing to our bankers or other senior lenders currently outstanding or from creating liens on our assets to secure such senior indebtedness or permitted increases to such senior indebtedness. The Note Indenture additionally does not restrict subsidiaries and affiliates of Westport from incurring indebtedness for borrowed money or other obligations.

Canada's Industrial Technologies Office (formerly Technology Partnerships Canada or TPC)

In March 2003, we were awarded a strategic project investment of $18.9 million from TPC (now renamed the "Industrial Technologies Office" (the "ITO")) to support the development of high-performance low-emissions engines. At the time, TPC was a Government of Canada initiative established to invest strategically in Canadian research, development and innovation.

Under the terms of that agreement, TPC was to contribute the lesser of $18.9 million and 30% of defined eligible costs to our research and development activities from November 15, 2001 until March 31, 2006, the scheduled project completion date. On September 30, 2006, we were to issue $4 million in warrants using the closing share price as at that date and Black-Scholes to value each warrant. Moreover, from fiscal year 2007 to 2013, we were to pay a royalty equal to the greater of $1.35 million, of 0.33% of revenues as defined under the agreement. This period was subject to extension to the earlier of 2016, or when we had paid $28.2 million in royalties.

In 2007, the ITO agreed to extend the agreement by two years. Under the amended terms, subject to certain terms and conditions, for each fiscal year from 2009 to 2015 inclusive in which gross business revenues received by us are greater than $13.5 million the royalty will be the greater of $1.35 million and 0.33% of such gross business revenues. If royalty repayments do not total $28 million by March 31, 2015, the repayment period will be extended until that amount is reached or until March 31, 2018, whichever is earlier.

In October, 2008 as required by the terms of the funding agreement with the ITO we issued 790,614 warrants with a strike price of $10.65 to the Government of Canada. The fair value of these warrants was $4 million calculated based on a Black-Scholes option pricing model. As at March 31, 2009, no royalties have been paid to ITO. An amount payable of $1.35 million relating to ITO has been recorded on the consolidated balance sheet as at March 31, 2009. We are in discussions with ITO to extend the work phase of our agreement by another year. If we are successful in our request, payment of royalties will commence in fiscal 2011.

Perseus, L.L.C.

On June 12, 2006, we agreed to issue up to $22.1 million in Notes to Perseus, a private equity fund management group. The Notes were issued in two tranches of $13.8 million and $8.3 million, respectively, with the first tranche completed in July 2006 and the second tranche completed in January 2007. Interest was payable semi-annually in arrears, on June 30 and December 31, in additional notes or shares at our option, for the first two years.

After the first two years, interest was to be calculated at a rate of 8% on the outstanding principal amount of the Notes only for the number of trading days in the period on which the share price is below $3.00 and was payable semi-annually in cash, additional convertible notes or shares at our option. The first tranche was convertible to Common Shares at a conversion price of $1.30 at any time during the term of the Notes and the second tranche was convertible to Common Shares at a conversion price equal to $1.40 (calculated on a pre-consolidation basis). At the time of issuance of the Notes, the noteholders also received warrants to acquire, at an exercise price equal to the conversion price of the accompanying notes, Common Shares equal to 25% of the number of Common Shares into which the Notes were convertible. The warrants expired four years from the date of issuance and include a cashless exercise provision which allowed the noteholder to receive the number of Common Shares having a value equal to the net gain that would be realized by the noteholder had the warrant been exercised for cash and the related shares sold at the market price on the date the option is exercised. Any warrants converted under the cashless exercise provision were then cancelled. For so long as Perseus continued to hold Notes and warrants convertible into a specified percentage of Westport's issued and outstanding shares, Perseus had the right to nominate two of seven Board seats. The Notes were secured with a second charge on all of our assets.

On July 26, 2007, Perseus exercised the conversion option on the Notes held by them in order to acquire approximately 16.5 million of our Common Shares, which were then sold to third parties at a price of $3.10 per share for total gross proceeds of approximately $51.3 million with all proceeds going to Perseus and its affiliates. As an inducement for Perseus's conversion of the Notes, we agreed to pay an amount equal to 50% of the interest that would otherwise have been payable on the Notes on December 31, 2007 and June 30, 2008, had the Notes not been converted. The two Perseus nominated directors also resigned effective July 26, 2007. The 4,134,663 warrants issued as part of the convertible debt were exercised on a cashless basis into 2,338,669 common shares.

Matco Capital Ltd.

On June 13, 2006, we entered into an agreement with Matco Capital Ltd. ("Matco"), an unrelated party, to reorganize Westport Research Inc. ("WRI"), at the time a wholly owned subsidiary of Westport. As part of the reorganization, we substantially transferred all of the assets, liabilities and operations of WRI to another wholly owned Westport company, WPI, which carries on the business previously carried on by WRI. On closing and post-reorganization, we sold 45% of WRI to Matco for $4.2 million in cash consideration and recognized a gain of $3.9 million, net of related transaction costs. In addition, Matco facilitated access to a limited recourse credit facility for $9.7 million secured only by a pledge by us of 4% of the total shares in WRI and other Matco collateral. Under the terms of our original investment agreement with Matco, the full amount was only drawable under the limited recourse credit facility if a previously identified transaction was completed before December 31, 2006. However, as this transaction did not occur, drawings under this credit facility were limited to $7.3 million. Proceeds from the sale of our remaining shares in WRI are to be first applied to repay the loan. During the year ended March 31, 2007, we drew the full amount available to us under this credit facility of $7.3 million. We paid interest of prime plus 1% on amounts drawn until December 31, 2006, after which time Matco is responsible for bearing such interest costs.

In February 2007, Wild River (formerly WRI) completed a $25.5 million private placement by issuing additional shares, thereby diluting our ownership percentage from 55% to approximately 17%. This dilution resulted in a net dilution gain of approximately $4.0 million. As part of that transaction, we also recognized a gain of $0.2 million on the disposition of an additional 1.5% interest in Wild River reducing our investment to approximately 16% as at March 31, 2007. The proceeds from the sale were used to pay down the related credit facility to $6.7 million. In December 2007, we sold substantially all of our shares in Wild River for proceeds of $6.7 million, which were applied against our related limited recourse bank loan of $6.7 million, thereby fully repaying the loan. We now own less than 0.1% of Wild River.

There were no material changes to the share ownership of Westport, its listing on the Toronto Stock Exchange, CWI, the composition of the board of directors, management or in any of its relationships and commitments to shareholders, employees, government and industry partners, customers, and suppliers arising from this series of transactions. We also retain all rights to its intellectual property and will continue to develop and commercialize HPDI technology under its current business plans.

Amended and Restated Joint Venture Agreement

We entered into the Amended JVA with Cummins on December 16, 2003. A copy of the Amended JVA is attached to our material change report dated December 16, 2003 and is available on SEDAR at http://www.sedar.com. See also "OUR BUSINESS" and "OPERATIONS" in this AIF.

INTERESTS OF EXPERTS

KPMG LLP, our independent auditors, have audited our financial statements for the year ended March 31, 2009. As at the date hereof and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and the professional and regulatory requirements in the U.S.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of our securities, and securities authorized for issuance under equity compensation plans, is contained in our most recent Management Information Circular, which is available on SEDAR at http://www.sedar.com.

Additional financial information is contained in our financial statements and Management's Discussion & Analysis for the year ended March 31, 2009, which are incorporated herein by reference and form an integral part of this AIF.

Additional information relating to Westport may be found on SEDAR at: http://www.sedar.com

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee (the "Committee") is a standing committee of the Board of Directors (the "Board") of Westport Innovations Inc. ("Westport"), established to assist the Board in fulfilling its oversight responsibilities with respect to:

- the integrity of financial statements, management's discussion and analysis ("MD&A") and other information provided to shareholders and others;
- the adequacy and effectiveness of the system of internal controls, implemented and maintained by Westport management ("Management");
- the understanding of risks, specifically around financial reporting;
- the promotion of legal and ethical conduct; and
- the independence, qualifications, and performance of the external auditors.

Authority

The Committee has unrestricted access to Westport's personnel and documents and to its external auditors and will be provided with the resources necessary to carry out its responsibilities. The Committee shall have the authority to authorize investigations into any matter within the Committee's scope of responsibility and is empowered, if it deems it necessary, to retain special legal, accounting or other consultants to advise the Committee at Westport's expense. The Committee shall have sole authority to recommend to the Board the appointment, termination and compensation of the external auditors who shall report directly to the Committee.

The Committee is entitled to appropriate funding, as determined by the Committee, for the payment of compensation to independent external auditors, for the payment of compensation to any external advisors retained by the Committee and for ordinary administrative expenses necessary for the Committee to carry out its duties.

Composition

The Committee shall consist, at a minimum, of three members of the Board, one of whom shall be designated the Chair, as appointed by the Board. The Committee shall be composed solely of outside (non-Management) Directors who are also "unrelated" and "independent" as defined by the Canadian Securities Administrators under Multilateral Instrument 52-110, "independent" as described in Rule 10A-3 of the United States Securities and Exchange Act of 1934, as amended, and "independent" as described in Section 4350(d) of the NASDAQ Manual. Each of the Directors on the Committee shall possess a basic level of "financial literacy", and at least one member should qualify as a "financial expert", as defined by Item 407(d)(5) of Regulation S-K, and be financially sophisticated as described in Section 4350(d) of the NASDAQ Manual. The Board shall give consideration to the periodic rotation of Audit Committee membership and, from time to time as the Board sees fit, the Chair of the Committee.

Meetings

Regular meetings of the Committee shall be held at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as the company's other financial disclosures. Additional meetings may be called as necessary. A quorum of two members of the Committee, one of whom must be the Committee Chair, unless he or she has designated another member to act as Chair, is required for each meeting.

The Committee Chair shall, in consultation with Management and the external auditors, set the Committee meeting agendas. Committee members may recommend agenda items subject to approval by the Chair. The Committee shall meet in executive session with Management, the external auditors, and as a Committee to discuss any matters that the Committee or each of these groups believes should be discussed. The Audit Committee and the General Counsel shall also meet in executive session to review legal matters that may have a material impact on the financial statements. In addition to the above scheduled meetings, any member of the Committee, the Chairman of the Board or the auditors may, subject to required notice, call a meeting of the Committee at any time.

Committee minutes shall be prepared and subsequently approved for all meetings. Copies of such minutes shall be filed with the Corporate Secretary of Westport and circulated to all Board members.

The Committee is charged with the following specific responsibilities:

1. **The Committee's Relationship with the External Auditors**

   The Audit Committee is responsible for recommending to the Board:

   - the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer;
   - the retention of such external auditor; and
   - the compensation of the external auditor.

   The Committee shall satisfy itself regarding the independence of the external auditors and report their conclusions and the basis for those conclusions to the Board. The Committee is responsible for ensuring that it receives from the external auditor a formal written statement delineating all relationships between the external auditor and Westport, consistent with the standards described in Section 4350(d) of the NASDAQ Manual, and is responsible for actively engaging in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and for taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditor.

   With regard to overseeing the work of the external auditors, the Committee is responsible, in consultation with Management, for the following activities:

   - approving the audit scope;
   - reviewing the results of their work;
   - pre-approving any non-audit services or delegating such authority to the Audit Chair;
   - evaluating the performance of the external auditors; and
   - resolving any disagreements between Management and the external auditors regarding financial reporting.

The Committee shall review with the external auditors, on at least an annual basis, (a) the external auditors' internal quality-control procedures, (b) any material issues raised by the Canadian Public Accountability Board or the Public Company Accounting Oversight Board or by any publicly available report by any governmental or professional authorities within the preceding five years respecting one or more audits carried out by the firm which may have a material effect on the audit of Westport, (c) any steps taken to deal with any such issues, and (d) all relationships between the external auditors and Westport. The Committee shall evaluate the qualifications, performance and independence of the external auditors, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of Management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.

The Committee shall review with the external auditors matters relating to the conduct of the audit, including (a) the proposed scope of their examination with emphasis on accounting and financial areas where the Committee, the external auditors or Management believe special attention should be directed; (b) the results of their audit, including their audit findings report and resulting letter, if any, of recommendations for Management; (c) their evaluation of the adequacy and effectiveness of Westport's internal controls over financial reporting; (d) significant areas of disagreement, if any, with Management; (e) cooperation received from Management in the conduct of the audit; (f) significant accounting, reporting, regulatory or industry developments affecting Westport; and (g) significant changes to Westport's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or Management.

The Committee shall discuss with Management and the external auditors any issues and disclosure requirements regarding (a) the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, (b) any off-balance sheet arrangements, and (c) significant business risks or exposures and Management's assessment of the steps taken to monitor, control and minimize such risk.

The Committee shall monitor the audit partners' rotation required by law.

2. Oversight of Risk Management Processes

Risk management is an important part of maintaining a sound system of internal control . As part of the risk management oversight responsibility of the Board and as delegated to the Committee by the Board, the Committee shall be responsible for assessing the range of risks and making recommendations as required to the Board regarding appropriate responsibilities and delegations for the identification, monitoring and management of these risks. In this respect, the Committee shall:

- have the primary oversight role with respect to identifying and monitoring the management of principal financial risks that could impact the financial reporting of Westport; and
- assess, as part of its oversight of the system of internal controls , the effectiveness of the overall process for identifying principal business risks and provide its view to the Board.

3. Oversight of Internal Control

The Committee shall have the responsibility to assess that Management has designed and implemented an effective system of internal control over financial reporting.

Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and Management.

The General Counsel of Westport shall advise the Committee and the Board with respect to the company's policies and procedures regarding compliance with applicable laws and regulations and with Westport's Code of Conduct and Employee Handbook.

The Committee shall also review and approve Westport's policy regarding the hiring of partners and employees and former partners and employees of its present and former external auditors.

4. Oversight of Continuous Disclosure Reporting

Prior to any disclosure, the Committee shall review and recommend to the Board the approval of the following:

- the quarterly and annual financial statements, MD&A and earnings press releases to ensure that all disclosures are in compliance with regulatory requirements, public financing documents or prospectuses; and
- other timely disclosure documents containing financial information that would likely be material to either the quarterly or annual financial statements.

In discharging its responsibilities, the Committee will review:

- all critical accounting policies and practices used or to be used by Westport, and changes in the selection and application of accounting principles.
- significant financial reporting issues that have arisen in connection with the preparation of such audited financial statements;
- analyses prepared by Management, and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
- the effect of emerging regulatory and accounting initiatives.

The Committee shall review and discuss with the external auditor any audit problems or difficulties and Management's response thereto. This review shall include any difficulties encountered by the auditor in the course of performing its audit work, including any restrictions on the scope of its activities or its access to information and any significant disagreements with Management.

The Committee shall also establish a process to receive, retain and treat complaints received by Westport regarding accounting, internal controls or auditing matters and establish procedures for the confidential, anonymous submission by Westport employees of questionable accounting and auditing matters. This process will be reviewed annually.

Lastly, the Committee shall ensure that Management has developed and implemented appropriate policies regarding continuous disclosure and that there is compliance with filing requirements and prompt reporting to all investors of material events impacting Westport.

5. Related Companies Financial Results

The audited consolidated financial statements of Westport may include the results of other companies, in whole or in part, in which Westport maintains an equity interest. In addition, an investor company may include the disclosure of Westport's results or the results of a co-owned subsidiary. The Committee shall establish a coordination and communications framework with the accountants, auditors and audit committees of these companies. The Committee shall satisfy itself that Westport's consolidated financial statements accurately reflect the results of all companies included, regardless of whether these companies were audited by different external auditors.

6. Other Responsibilities

A. Review of Charter. The Committee shall review and reassess the adequacy of this charter at least annually and recommend to the board of directors any amendments or modifications to its charter that the Committee deems appropriate. The Committee shall also prepare and disclose a summary of its mandate to shareholders.

B. Annual Performance Evaluation. At least annually, as part of the Board self-assessment process, the Committee shall evaluate its own performance and report the results of such evaluation to the board of directors.

C. Annual Communication Regarding Significant Disagreements. The Committee shall annually inform the external auditors and Management that they should promptly contact the Committee or its Chairman about any significant issue or disagreement related to the system of internal controls and financial reporting.

D. Annual Review of Transactions Involving Directors and Officers. The Committee shall annually review a summary of the Directors' and Executive Officers' travel and entertainment expenses, related party transactions and any conflicts of interest.

Exhibit 2

Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

WESTPORT INNOVATIONS INC.

Years ended March 31, 2009, 2008 and 2007

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Westport Innovations Inc. (the Company) as at March 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2009 in accordance with Canadian generally accepted accounting principles.

[signed by] KPMG LLP

Chartered Accountants

Vancouver, Canada

May 14, 2009

WESTPORT INNOVATIONS INC.
Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

March 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 39,043	$ 7,560
Short-term investments	43,576	15,202
Accounts receivable	6,417	7,028
Loan receivable (note 19(a))	11,234	6,774
Inventories (note 4)	13,982	9,020
Prepaid expenses	1,387	1,033
Current portion of future income tax assets (note 18(b))	4,451	4,944
	120,090	51,561
Long-term investments (note 5)	1,935	18,754
Equipment, furniture and leasehold improvements (note 6)	7,712	3,685
Intellectual property (note 7)	430	574
Future income tax asset (note 18(b))	5,337	4,366
	$ 135,504	$ 78,940
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 14,359	$ 8,470
Deferred revenue	546	205
Demand installment loan (note 8)	4,642	5,776
Short-term debt (note 9)	1,614	5,995
Current portion of long-term debt (note 10)	17	54
Current portion of warranty liability	12,222	4,899
Obligation to issue warrants (note 14)	—	4,000
	33,400	29,399
Warranty liability	12,369	4,258
Long-term debt (notes 10 (a) and (b))	11,353	8
Other long-term liabilities (note 11)	4,821	1,496
Joint Venture Partners' share of net assets of joint ventures (note 19)	12,603	13,983
	74,546	49,144
Shareholders' equity:		
Share capital:		
Authorized:		
Unlimited common shares, no par value		
Unlimited preferred shares in series, no par value		
Issued:		
32,040,540 (2008 — 27,416,993) common shares	311,855	258,202
Other equity instruments (note 16)	12,319	3,079
Additional paid in capital	5,263	5,097
Deficit	(271,885)	(247,460)
Accumulated other comprehensive income	3,406	10,878
	60,958	29,796
Commitments and contingencies (notes 12 and 20)		
	$ 135,504	$ 78,940

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Henry Bauermeister" Director **"John A. Beaulieu"** Director

WESTPORT INNOVATIONS INC.
Consolidated Statements of Operations
(Expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended March 31, 2009, 2008 and 2007

	2009	2008	2007
Product revenue	$ 102,755	$ 55,238	$ 47,195
Parts revenue	19,082	16,298	13,285
	121,837	71,536	60,480
Cost of revenue and expenses:			
Cost of revenue	91,020	49,023	38,381
Research and development (notes 15(c) and 17)	30,982	23,026	21,891
General and administrative (note 15(c))	8,575	6,033	6,882
Sales and marketing (note 15(c))	15,071	10,550	7,077
Foreign exchange loss (gain)	682	1,287	(102)
Depreciation and amortization	1,978	1,550	1,410
Bank charges, interest and other	469	280	408
	148,777	91,749	75,947
Loss before undernoted	(26,940)	(20,213)	(15,467)
Loss from investment accounted for by the equity method	(1,021)	—	—
Interest on long-term debt and amortization of discount (notes 10 (b) and (c))	(1,879)	(986)	(1,718)
Interest and other income	1,882	1,316	764
Gain on sale of long-term investments (note 5)	14,275	10,659	8,120
Loss before income taxes and Joint Venture Partners' share of income from joint ventures	(13,683)	(9,224)	(8,301)
Income tax recovery (expense) (note 18):			
Current	(3,276)	(218)	(404)
Future	(3,245)	4,691	3,455
	(6,521)	4,473	3,051
Loss before Joint Venture Partners' share of income from joint ventures	(20,204)	(4,751)	(5,250)
Joint Venture Partners' share of net income from joint ventures (note 19)	(4,221)	(5,564)	(6,057)
Loss for the year	$ (24,425)	$ (10,315)	$ (11,307)
Basic and diluted loss per share	$ (0.81)	$ (0.41)	$ (0.53)
Weighted average common shares outstanding — Basic and diluted	30,268,947	25,167,966	21,478,521

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars)

Years ended March 31, 2009, 2008 and 2007

	2009	2008	2007
Loss for the year	$ (24,425)	$ (10,315)	(11,307)
Other comprehensive income (loss)			
Unrealized gain on available for sale securities, net of tax of $323 (2008 — $181)	1,781	645	—
Reclassification of net realized gains on available for sale securities to net loss, net of tax of $2,454 (2008 — $1,345)	(12,119)	(6,799)	—
Cumulative translation adjustment	3,659	—	—
Reclassification of realized foreign exchange gain on payment of dividend by joint venture	(793)	—	—
	(7,472)	(6,154)	—
Comprehensive loss	$ (31,897)	$ (16,469)	(11,307)

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.
Consolidated Statements of Shareholders' Equity
(Expressed in thousands of Canadian dollars, except share amounts)

Years ended March 31, 2009, 2008 and 2007

	Common shares	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other Comprehensive income	Shareholders' equity
Balance, March 31, 2006	21,254,792	$231,180	$ 2,359	$ 4,771	$ (228,558)	—	$ 9,752
Shares issued for intellectual property	174,030	602	—	—	—	—	602
Issue of common shares on exercise of performance share units	81,052	555	(555)	—	—	—	—
Shares issued for settlement of accrued interest	114,720	498	—	—	—	—	498
Share issue costs	—	(5)	—	—	—	—	(5)
Value of warrants issued with long-term debt and conversion options (10(c))	—	—	8,989	—	—	—	8,989
Stock-based compensation	—	—	1,559	530	—	—	2,089
Net loss for the year	—	—	—	—	(11,307)	—	(11,307)
Balance, March 31, 2007	21,624,594	232,830	12,352	5,301	(239,865)	—	10,618
Transitional adjustment on adoption of new accounting standards for financial instruments, (net of tax of $3,370)	—	—	—	—	3,483	17,032	20,515
Balance, April 1, 2007	21,624,594	232,830	12,352	5,301	(236,382)	17,032	31,133
Issue of common shares on exercise of stock options	232,024	1,967	—	(762)	—	—	1,205
Issue of common shares on exercise of performance share units	60,383	390	(390)	—	—	—	—
Issue of common shares on conversion of subordinated convertible notes and settlement of accrued interest (note 10(c))	4,831,801	21,759	(7,569)	—	(763)	—	13,427
Issue of common shares on exercise of warrants	668,191	1,420	(1,420)	—	—	—	—
Share issue costs	—	(164)	—	—	—	—	(164)
Stock-based compensation	—	—	106	558	—	—	664
Net loss for the year	—	—	—	—	(10,315)	—	(10,315)
Other comprehensive loss	—	—	—	—	—	(6,154)	(6,154)
Balance, March 31, 2008	27,416,993	258,202	3,079	5,097	(247,460)	10,878	29,796
Issue of common shares on exercise of stock options	104,669	939	—	(357)	—	—	582
Issue of common shares on exercise of performance share units	3,947	23	(23)	—	—	—	—
Issue of common shares on settlement of accrued interest	14,931	249	—	—	—	—	249
Issue of common shares on public offering (note 13)	4,500,000	57,348	—	—	—	—	57,348
Share issue costs	—	(4,906)	—	—	—	—	(4,906)
Value of warrants issued with long-term debt	—	—	3,847	—	—	—	3,847
Value of warrants issued to settle obligation to issue warrants	—	—	4,000	—	—	—	4,000
Financing costs incurred	—	—	(307)	—	—	—	(307)
Stock-based compensation	—	—	1,723	523	—	—	2,246
Net loss for the year	—	—	—	—	(24,425)	—	(24,425)
Other comprehensive loss	—	—	—	—	—	(7,472)	(7,472)
Balance, March 31, 2009	32,040,540	$311,855	$ 12,319	$ 5,263	$ (271,885)	$ 3,406	$ 60,958

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended March 31, 2009, 2008 and 2007

	2009	2008	2007
Cash flows from operations:			
Loss for the year	$ (24,425)	$ (10,315)	$ (11,307)
Items not involving cash:			
Depreciation and amortization	1,978	1,550	1,410
Stock-based compensation expense	2,246	664	2,089
Accretion of TPC warrants	—	—	571
Future income tax expense (recovery)	3,245	(4,691)	(3,455)
Change in deferred lease inducements	(321)	(251)	(164)
Gain on sale of long-term investments	(14,275)	(10,659)	(8,120)
Joint Venture Partners' share of net income from joint ventures	4,221	5,564	6,057
Loss from investment accounted for by the equity method	1,021	—	—
Accretion of long-term debt	866	690	1,663
Other	(181)	(146)	(69)
Changes in non-cash operating working capital:			
Accounts receivable	1,004	3,853	(4,744)
Inventories	(4,962)	(6,204)	(1,963)
Prepaid expenses	(354)	(250)	(62)
Accounts payable and accrued liabilities	5,545	2,343	2,353
Deferred revenue	2,948	(133)	129
Warranty liability	12,168	2,186	1,201
	(9,276)	(15,799)	(14,411)
Cash flows from investments:			
Purchase of equipment, furniture and leasehold improvements	(5,904)	(1,690)	(1,175)
Proceeds on disposition of equipment, furniture and leasehold improvements	—	609	12
Sale (purchase) of short-term investments, net	(27,024)	6,725	(14,593)
Purchase of long-term investments	—	—	(51)
Disposition of long-term investments	19,379	17,977	605
Advances on loans receivable	(18,948)	(6,774)	—
Repayment on loans receivable	17,307	—	—
Investment in joint venture	(1,500)	—	—
Sale of interest in subsidiary	—	—	4,198
Proceeds from joint venture partner	—	425	—
Deferred transaction costs incurred	—	—	(764)
Leasehold inducement	325	—	—
	(16,365)	17,272	(11,768)
Cash flows from financing:			
Issue of demand instalment loan	500	5,000	—
Repayment of demand instalment loan	(1,634)	(837)	(894)
Increase in short-term debt	170	5,995	—
Repayment of short-term debt	(5,449)	—	—
Increase in bank loan	—	—	7,346
Repayment of bank loan and other long term debt	(103)	(6,814)	(789)
Issuance of debenture notes	15,000	—	—
Issuance of convertible notes	—	—	22,092
Finance costs incurred	(1,006)	—	(915)
Shares issued for cash	57,930	1,205	—
Share issue costs	(4,906)	(164)	(5)
Dividends paid to joint venture partner	(9,259)	—	—
	51,243	4,385	26,835
Effect of foreign exchange on cash and cash equivalents	5,881	—	—
Increase in cash and cash equivalents	31,483	5,858	656
Cash and cash equivalents, beginning of year	7,560	1,702	1,046
Cash and cash equivalents, end of year	$ 39,043	$ 7,560	$ 1,702

WESTPORT INNOVATIONS INC.
Consolidated Statements of Cash Flows, Continued
(Expressed in thousands of Canadian dollars)

Years ended March 31, 2009, 2008 and 2007

	2009	2008	2007
Supplementary information:			
Interest paid	$ 956	$ 473	$ 379
Taxes paid	1,771	479	15
Non-cash transactions:			
Purchase of equipment, furniture and leasehold improvements by assumption of capital lease obligation	50	—	—
Shares issued on exercise of performance share units	23	390	555
Shares issued for acquisition of intellectual property	—	—	602
Shares issued on conversion of debt (note 10(c))	—	21,115	—
Shares issued for settlement of interest on convertible notes (note 10(c))	249	644	498
Broker warrants issued with subordinated debt (note 10(b))	284	—	—
Shares issued on cashless exercise of warrants	—	1,420	—
Warrants issued on obligation to settle warrants (note 14)	4,000	—	—

See accompanying notes to consolidated financial statements.

1. Nature of operations:

Westport Innovations Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 20, 1995.

The Company is involved in the research, development and commercialization of environmental technologies, including high-pressure direct injection ("HPDI") combustion technology that allows diesel engines to operate on cleaner burning gaseous fuels such as natural gas without sacrificing performance or fuel economy. The Company also has a joint venture interest in Cummins Westport Inc. ("CWI"), a joint venture with Cummins Inc. ("Cummins"), formed in 2001 (note 19(a)). CWI develops, supports and markets a comprehensive product line of low-emission, high performance engines and ancillary products using proprietary intellectual property developed by the Company and Cummins.

These consolidated financial statements have been presented on a going concern basis, which assumes the realization of assets and the settlement of liabilities in the normal course of operations. To date, the Company has financed its operations primarily by equity and debt financing, sale of investments, its share of operating cash flows from CWI, and margins on the sale of products and parts. If the Company does not have sufficient funding from internal or external sources, it may be required to delay, reduce or eliminate certain research and development programs and forego acquisition of certain equipment. The future operations of the Company are dependent upon its ability to produce, distribute and sell an economically viable product to attain profitable operations.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and variable interest entities for which the Company is considered the primary beneficiary. Intercompany balances and transactions have been eliminated.

Interests in variable interest entities are consolidated by the Company if the Company is the primary beneficiary. The Company has identified CWI and BTIC Westport Inc. ("BWI") as variable interest entities and determined that the Company is the primary beneficiary. Accordingly, the Company has consolidated these entities. The other 50% interest held by the Company's joint venture partners is reflected as "Joint Venture Partners' share of net assets of joint ventures" in these consolidated financial statements.

These consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles which conform in all material respects with accounting principles generally accepted in the United States, except as outlined in note 24.

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. Shares, share options, performance share units, warrants and per share amounts have been adjusted on a retroactive basis to reflect the three-and-one-half-to-one share consolidation (3.5:1) completed on July 21, 2008.

2. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash and term deposits with maturities of ninety days or less when acquired. Cash equivalents are considered as held for trading and recorded at fair value with changes in fair value recognized in the consolidated statements of operations.

(c) Short-term investments:

Short-term investments, consisting of investment grade commercial paper, banker acceptances, bearer deposit notes, guaranteed investment certificates and other term deposits are considered available for sale and recorded at fair value with changes in fair value recognized in accumulated other comprehensive income until realized. A decline that in value that is considered other than temporary is recognized in net loss for the period.

(d) Accounts and loans receivable

Accounts receivable and loans receivable are measured at amortized cost.

(e) Inventories:

The Company's inventory consists of the Company's fuel system products (finished goods), work-in-progress, purchased parts and assembled parts. Inventories are recorded at the lower of cost and net realizable value. Cost is determined based on the lower of weighted average cost and net realizable value. The cost of fuel system product inventories, assembled parts and work-in-progress include materials, labour and production overhead including depreciation. An inventory obsolescence provision is provided to the extent cost of inventory exceeds net realizable value. In establishing the amount of inventory obsolescence provision, management estimates the likelihood that inventory carrying values will be affected by changes in market demand and technology, which would make inventory on hand obsolete.

(f) Equipment, furniture and leasehold improvements:

Equipment, furniture and leasehold improvements are stated at cost. Depreciation is provided as follows:

Assets	Basis	Rate
Computer equipment and software	Straight-line	3 years
Furniture and fixtures	Straight-line	5 years
Machinery and equipment	Straight-line	8 years
Leasehold improvements	Straight-line	Lease term

(g) Long-term investments:

Long-term investments are designated as available for sale and recorded at their fair value to the extent a reliable fair value is determinable. Changes in fair value are recognized in accumulated other comprehensive income (loss). A decline in value that is considered other than temporary is recognized in net loss for the period. The Company records investments in which it has significant influence using the equity basis of accounting.

2. Significant accounting policies (continued):

(h) Financial liabilities

Accounts payable and accrued liabilities, demand instalment loan, short-term debt, and long-term debt are measured at amortized cost. Transaction costs relating to long-term debt are netted against the liability on initial recognition and are amortized using the effective interest rate method. For debt instruments containing a debt and equity component, the proceeds received are allocated between the debt and equity components based on their relative fair values.

(i) Research and development costs:

Research costs are expensed as incurred and are recorded net of government funding received or receivable. Development costs are deferred only if they meet certain stringent criteria generally related to technical feasibility, market definition and financing availability for future development; otherwise they are expensed as incurred. Related investment tax credits reduce research and development expenses in the same year in which the related expenditures are charged to earnings or loss, provided there is reasonable assurance the benefits will be realized. As at March 31, 2009 and 2008, no development costs had been deferred.

(j) Government assistance:

The Company periodically applies for financial assistance under available government incentive programs which is recorded in the period it is received or receivable. Government assistance relating to the purchase of equipment, furniture and leasehold improvements is reflected as a reduction of the cost of such assets. Government assistance related to research and development activities is recorded as a reduction of the related expenditures.

(k) Intellectual property:

Intellectual property, consisting primarily of the cost of acquired patents, licenses and other intellectual property, is amortized over their estimated useful lives, which currently does not exceed seven years.

(l) Impairment of long-lived assets:

The Company reviews for impairment of long-lived assets, including equipment, furniture, and leasehold improvements and intellectual property, to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such conditions exist, assets are considered impaired if the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

2. Significant accounting policies (continued):

(m) Warranty liability:

Estimated warranty costs are recognized at the time the Company sells its products, and are included in cost of revenue. The Company provides warranty coverage on products sold for a period of two years from the date the products are put into service by customers. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents the Company's best estimate of the costs to be incurred in the next twelve month period. The Company uses historical failure rates and cost to repair defective products together with information on known product issues to estimate the warranty liability. The ultimate amount payable by the Company and the timing will depend on actual failure rates and cost to repair failures of its products. Since a number of the companies products are new in the market, historical data may not necessarily reflect actual costs to be incurred and this exposes the Company to potentially significant fluctuations in liabilities.

(n) Extended warranty:

The Company sells extended warranty contracts which provide coverage in addition to the basic two year coverage. Proceeds from the sale of these contracts are deferred and amortized over the extended warranty period commencing at the end of the basic warranty period. On a periodic basis, management reviews the estimated warranty costs expected to be incurred related to these contracts and recognizes a loss to the extent such costs exceed the related deferred revenue.

(o) Revenue recognition:

Product and parts revenue is recognized, net of estimated costs of returns, allowances, and sales incentives, when the products are shipped and title passes to the customers. Revenue also includes fees earned from performing research and development activities for third parties, as well as technology license fees from third parties. Revenue from research and development activities is recognized as the services are performed. Revenue from technology license fees is recognized over the duration of the licensing agreement. Amounts received in advance of the revenue recognition criteria being met are recorded as deferred revenue.

(p) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between the accounting and tax basis of the assets and liabilities and for loss carry forwards, and are measured using the tax rates expected to apply when these tax assets and liabilities are recovered or settled. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the substantive enactment date. A valuation allowance is recorded against any future income tax asset if it is not "more likely than not" that the benefit of these assets will be realized.

2. Significant accounting policies (continued):

(q) Stock-based compensation plans:

The Company has a stock option plan, which is described in note 15(a). The Company accounts for stock-based compensation related to stock options granted to employees and directors using the fair value method. The resulting compensation expense is calculated using the Black-Scholes valuation method and estimated forfeitures and is recognized in results from operations over the vesting period. The Company has an employee share purchase plan, which is described in note 15(b). The Company matches the employees' contribution and recognizes this cost as an expense in the period it is incurred.

The Company has a Performance Share Unit ("PSU") Plan as described in note 15(c). The value of the units is calculated based on the market price of the Company's common shares on the date of grant and is recorded as compensation expense in the period earned, which generally is the period over which the PSU's vest.

(r) Post-retirement benefits:

The Company has implemented a group registered retirement savings plan ("RRSP") in which full-time employees of the Company are eligible to participate. Eligible employees may make contributions up to their personal eligible contribution room under the Canadian Income Tax Act. The Company contributes up to a maximum combined total of 5% of the employee's regular base pay to the RRSP and/or the employee share purchase plan and recognizes this cost as an expense in the period it is incurred. During the year ended March 31, 2009, the Company recognized $580 (2008 — $418; 2007 — $356) of expense associated with the RRSP.

(s) Currency translation:

The functional currency of the Company is the Canadian dollar. Monetary items denominated in foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in results from operations.

Effective April 1, 2008, the Company determined that CWI is economically, financially and operationally independent of the Company and the Company's exposure to rate changes is now limited to the Company's net investment. As a result, the assets and liabilities of CWI are translated at year-end rates of exchange. Revenue and expenses are translated at the average rate of exchange for the year. The resulting translation gains and losses are included in accumulated other comprehensive income within shareholders' equity.

2. Significant accounting policies (continued):

(t) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include amortization of equipment, furniture and leasehold improvements, the determination of future cash flows and discount rates for impairment of long-lived assets, valuation of long-term investments, valuation of future income tax assets and the determination of warranty liability. Actual results could differ from estimates used in the preparation of the consolidated financial statements.

(u) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is computed similarly to basic loss per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of conversion options, stock options, warrants, and performance share units, if dilutive. For stock options, warrants and performance units, the number of additional shares is calculated by assuming that outstanding stock options, warrants, and performance share units were exercised at the beginning of the year or when granted and that the proceeds from such exercises were used to repurchase shares of common stock at the average market price during the period. For conversion options, the Company uses the if-converted method which assumes that the exercise of options occurs at the beginning of the year or when granted. For all periods presented, diluted loss per share does not differ from basic loss per share as the impact of dilutive securities is anti-dilutive.

3. Accounting changes:

(a) Adoption of new accounting standards:

On April 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, *General Standards of Financial Statement* Presentation; Section 1535, *Capital Disclosures*; Section 3031, *Inventory*; Section 3862, *Financial Instruments — Disclosures*; and Section 3863, *Financial Instruments — Presentation*. In accordance with the transitional provisions, prior periods have not been restated. The principal changes resulting from these new standards are described below:

Financial Statement Presentation:

Section 1400 amended the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Company adopted this new guidance effective April 1, 2008 but adoption had no impact on the consolidated financial statements.

3. Accounting changes (continued):

(a) Adoption of new accounting standards (continued):

Capital disclosures:

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The purpose of this standard is to enable financial statement users to evaluate the Company's policies and procedures for managing capital. The Company adopted this standard on April 1, 2008, resulting in more extensive disclosures in the Company's annual and interim financial statements. The required disclosure is included in note 23.

Inventory:

Section 3031 establishes standards for the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. In certain circumstances, the new section also permits the reversal of previous write-downs. The Company adopted this standard effective April 1, 2008. This standard did not have a material impact on the consolidated financial statements of the Company.

Financial instruments:

Section 3862 and Section 3863 establish standards for the presentation of financial instruments and non-financial derivatives and identify the information that should be disclosed about them. The purpose of these standards is to place enhanced emphasis about the nature and extent of risks arising from financial instruments and how the Company manages those risks. The Company adopted this standard on April 1, 2008, resulting in more extensive disclosures in the Company's annual and interim financial statements. The required disclosure is included in note 22 to these consolidated financial statements.

(b) Future accounting changes:

Goodwill and Intangible Assets:

Section 3064 replaces 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 the recognition, measurement and presentation of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective for the Company on April 1, 2009. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

International Financial Reporting Standards:

Canada's Accounting Standards Board has ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board over a transitional period to be completed by 2011. The Company is currently considering its options with respect to the timing for adoption of IFRS.

4. Inventories:

	2009	2008
Purchased parts	$ 9,976	$ 3,345
Assembled parts	2,051	791
Work-in-process	638	477
Finished goods	1,317	4,407
	$ 13,982	$ 9,020

During the year ended March 31, 2009, the Company recorded write-downs to net realizable value of approximately $146 (2008 — nil; 2007 — nil) for obsolescence and scrap. There were no reversals of write-downs recorded in any year presented.

During the year ended March 31, 2009, the Company recognized $66,755 (2008 - $43,252) related to inventoriable items in cost of sales.

5. Long-term investments:

	2009	2008
Clean Energy Fuels Corp. (a)	$ 1,416	$ 18,693
Juniper Engines Inc. (b)	479	—
Other investments	40	61
	$ 1,935	$ 18,754

(a) As at March 31, 2009, the Company owned an approximate 0.4% (2008 - 3%; 2007 — 6%) interest in Clean Energy Fuels Corp. (“CEFC”), an owner and operator of natural gas refueling facilities. During the year ended March 31, 2009, the Company sold 1,178,760 shares (2008 - 746,275 shares) of CEFC for net proceeds of $19,379 (2008 — $11,236; 2007 — nil) resulting in a gain on sale of $14,275 (2008 — $8,005; 2007 — nil). As at March 31, 2009, the Company owned 184,311 shares of CEFC (2008 — 1,363,071 shares) which have been valued at a closing quoted market price of $7.68 per share (US$6.09 per share) on March 31, 2009.

5. Long-term investments (continued):

(b) On October 26, 2007, the Company and OMVL SpA ("OMVL") entered into a joint venture agreement, engineering agreements and supply agreements to design, produce and sell alternative fuel engines in the sub-5 litre class for global applications. Based in Pernumia, Italy, OMVL designs, manufactures and markets complete fueling systems for new vehicles and for the aftermarket conversion of engines from gasoline (petrol) to compressed natural gas and liquid petroleum gas. Under the terms of the joint venture agreement, OMVL and the Company share 51% and 49%, respectively, of the profits or losses of the venture. The jointly controlled company, Juniper Engines Inc. is headquartered in Vancouver, Canada and will continue to exploit the global engineering, production and distribution strengths of OMVL and its parent company, SIT Group, to deliver engines worldwide. The Company supports the new venture through supply of technology, design, testing and market development services. On April 1, 2008, the Company contributed $1,500 to the formation of the joint venture.

The Company has determined that Juniper is a variable interest entity. However, the Company is not the primary beneficiary and has accounted for its interest in Juniper using the equity method.

During the year ended March 31, 2009, the Company recognized a loss of $1,021 (2008 — nil) as loss from investment accounted for by the equity method.

(c) The Company has a 0.2% (2008 — 0.2%; 2007 — 15.86%) interest in Wild River Resources Ltd. ("WRRL"), which was formerly a wholly-owned subsidiary of the Company prior to June 13, 2006. During the year ended March 31, 2007, the Company recorded a gain of $8,100 on the sale and subsequent dilution of its interest in WRRL. During the year ended March 31, 2008, the Company disposed of substantially all of its remaining shares in WRRL for proceeds of $6,741, resulting in a gain on disposal of $2,654. Effective February 8, 2007, the Company no longer controlled WRRL and now accounts for this investment as an available for sale investment.

6. Equipment, furniture and leasehold improvements:

2009	Cost	Accumulated amortization	Net book value
Computer equipment and software	$ 6,883	$ 5,550	$ 1,333
Furniture and fixtures	1,711	1,163	548
Machinery and equipment	20,555	16,047	4,508
Leasehold improvements	9,551	8,228	1,323
	$ 38,700	$ 30,988	$ 7,712

2008	Cost	Accumulated amortization	Net book value
Computer equipment and software	$ 5,670	$ 5,035	$ 635
Furniture and fixtures	1,307	1,090	217
Machinery and equipment	17,434	14,984	2,450
Leasehold improvements	8,329	7,946	383
	$ 32,740	$ 29,055	$ 3,685

6. Equipment, furniture and leasehold improvements (continued):

As at March 31, 2009, equipment with a cost of $256 (2008 — $224) and a net book value of $31 (2008 — $34) is held under capital lease.

7. Intellectual property:

	2009	2008
Cost	$ 4,321	$ 4,321
Accumulated amortization	(3,891)	(3,747)
	$ 430	$ 574

The intellectual property will be amortized over its expected remaining useful life of three years at an annual amortization rate of $145.

8. Demand instalment loan:

The Company has a credit facility for maximum borrowings of $13,000. Borrowings may be drawn in the form of demand instalment loans, bankers acceptances, lease financing, letters of credit, foreign exchange contracts, corporate credit cards and operating lines of credit. Outstanding amounts of the demand instalment loans drawn under this credit facility bear interest at prime plus 0.25% for borrowings up to $5,000 with further rate reductions for amounts in excess of $5,000. The principal amount is repayable over a 60-month period. At March 31, 2009, the outstanding amount payable of $4,642 (2008 — $5,776) is included in current liabilities as it is repayable on demand by the bank.

9. Short-term debt:

The Company entered into an agreement with Clean Energy Finance, LLC (“CEF”), a wholly owned subsidiary of CEFC, whereby CEF may advance the Company up to US$6,000 to produce approximately 75 LNG systems. The loan is non-interest bearing, unsecured and repayable on receipt of proceeds from the sale of these units. As at March 31, 2009, $1,614 remained outstanding.

10. Long-term debt:

	2009	2008
Capital lease obligations (a)	$ 52	$ 62
Subordinated debenture notes (b)	11,318	—
	11,370	62
Current portion	17	54
	$ 11,353	$ 8

10. Long-term debt (continued):

(a) The Company has capital lease obligations which have terms of two to five years at interest rates ranging from 1.15% to 6.17%. The capital lease obligations require the following minimum annual payments during the respective fiscal years:

2010	$ 17
2011	15
2012	12
2013	12
2014	1
	57
Amount representing interest	5
	$ 52

(b) On July 3, 2008, the Company completed the sale and issue of 15,000 debenture units of the Company for total gross proceeds of $15,000. Each debenture unit consists of one unsecured subordinated debenture note in the principal amount of $1 bearing interest at 9% per annum and 51 common share purchase warrants exercisable into common shares of the Company at any time for a period of two years from the date of issue at $18.73. The Company has the option to redeem the debentures at any time after 12 months and before 18 months from the date of issue at 115% of their principal amount and at 110% of the principal amount after 18 months. Interest is payable semi-annually and the debentures mature on July 3, 2011. A total of 771,428 warrants with an exercise price of $18.73 were issued. The Company also issued 46,118 broker warrants which are exercisable into common shares of the Company at $16.10 for a period of two years. Of the $15,000 gross proceeds received, the Company assigned $11,436 to the subordinated debenture notes and $3,564 to the warrants based on each instruments' relative fair value. The fair value of the subordinated debenture notes was determined using a discounted cash flow model based on the total value of the debt using interest rates effective at the time of issuance on similar debt, and the fair value of the warrants was determined using the Black-Scholes option pricing formula based on the following assumptions: expected stock price volatility — 68.9%; risk free rate — 2.0%; expected life — 2 years; expected dividend yield — nil%. The amount assigned to the subordinated debenture notes is being accreted to the principal amount using the effective interest rate of 23.3% over the term to maturity and the warrants are included in other equity instruments. The broker warrants were recognized in other equity instruments at their fair value of $284 determined using the Black-Scholes option pricing formula based on the same assumption as for the warrants above. A corresponding amount recognized as transaction costs. Transaction costs totaled $1,289 of which $982 was allocated to debt and $307 to the warrants.

(c) On June 12, 2006, the Company agreed to issue up to $22,092 in five year secured, subordinated convertible notes with a coupon rate of 8% to funds managed by Perseus, L.L.C. ("Perseus"), a private equity fund management group. On July 26, 2007, Perseus exercised their conversion option and converted the full $22,092 of the principal amount of the subordinated convertible notes into 4,725,329 common shares. During the year ended March 31, 2008, $968 (2007 — $553) of interest relating to the subordinated convertible notes was paid to Perseus of which $324 (2007 — $55) was paid in cash and $644 (2007 — $498) paid in common shares. During the year ended March 31, 2009, the Company paid $249 of accrued interest through the issuance of common shares.

10. Long-term debt (continued):

(c) Continued:

In accordance with EIC-96, *Accounting for early extinguishment of convertible securities through (1) early redemption or repurchase and (2) induced early conversion*, in the year ended March 31, 2008, the Company also recorded an inducement fee of $763 to accumulated deficit and recorded an inducement fee payable along with $121 in accrued interest in accounts payable. On conversion, $13,258 of long-term debt, representing the carrying value of the notes on July 26, 2007, and the carrying value of the conversion option of $7,569 previously included in other equity instruments were reclassified to share capital. As at March 31, 2008, this note had been fully extinguished.

11. Other long-term liabilities:

	2009	2008
Deferred lease inducements (a)	$ 284	$ 280
Deferred revenue (b)	4,537	1,216
	$ 4,821	$ 1,496

(a) Deferred lease inducements include leasehold improvements and other costs funded by the lessor and amounts related to lease contracts with escalating lease payments. The amounts related to leasehold improvements funded by the lessor are amortized on a straight-line basis over the term of the lease as a reduction to rent expense. For lease contracts with escalating lease payments, total rent expense for the lease term is expensed on a straight line basis over the lease term. The difference between amounts expensed and amounts paid is recorded as an increase or reduction in deferred lease inducements.

(b) The Company receives cash in advance of revenue recognition criteria being met, including for upfront fees, customer deposits, fees for research and development activities and extended warranty contracts. These items are included in deferred revenue and are recognized into earnings over the contract period, as research and development activities are completed or over the warranty period as applicable.

12. Government assistance:

From time to time, the Company enters into agreements for financial assistance with government agencies. During the years ended March 31, 2009, 2008 and 2007, government assistance of $2,021, $3,658 and $5,150, respectively, was received or receivable by the Company, which has been recorded as a reduction of related research and development expenditures (note 17).

12. Government assistance (continued):

Included in the above amounts is funding of nil (2008 — $1,351; 2007 - $2,205) from Industry Canada's Industrial Technologies Office (formerly Technology Partnerships Canada) ("TPC") and $946 remains receivable from TPC at March 31, 2009 (2008 — $946; 2007 — $3,779). Under the terms of the original TPC funding agreement entered into on March 27, 2003, TPC funded 30% of the eligible costs of, among other research projects, the adaptation of the Company's technology to diesel engines to the original scheduled project completion date of March 31, 2006. In fiscal 2007, TPC approved an extension of the completion date to March 31, 2008. The Company has attained the maximum amount of eligible costs under the agreement. From fiscal 2009 to fiscal 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1.4 million or 0.33% of the Company's annual gross revenue from all sources, provided that gross revenue exceeds $13.5 million in any of the aforementioned fiscal years. The royalty payment period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $28.2 million. As at March 31, 2009, $1.4 million in royalties owing to TPC have been recorded in accounts payable and accrued liabilities. In addition, the Company was required to provide TPC with common share purchase warrants having a value of $4,000 as at September 30, 2008 calculated based on the Black-Scholes option pricing model. These warrants were issued in October 2008.

The Company is also obligated to pay royalties to the Government of Canada's Department of Natural Resources relating to funding received in prior years. The royalty to the Department of Natural Resources is 1% of future revenue from engines for power generators until the earlier of ten years from the project completion date (August 30, 2004) or when cumulative royalties total $1,000. As at March 31, 2009, there has been no revenue from the sales of engines for power generators and, therefore, no royalty payments have been paid or are payable.

13. Share capital:

On August 14, 2008, the Company filed a prospectus in Canada and a registration statement on Form F-10 with the U.S. Securities and Exchange Commission in connection with its initial public offering of 4,500,000 common shares in the United States at approximately $12.74 (US$12.00) per share. Gross proceeds totaled $57,348 (US$54,000). The Company also incurred share issue costs of $4,906.

Shares, share options, performance share units, warrants and per share amounts have been adjusted on a retroactive basis to reflect the three-and-one-half-to-one share consolidation (3.5:1) completed on July 21, 2008.

14. Obligation to issue warrants:

Under the terms of the agreement with TPC, the Company was obligated to issue warrants as at September 30, 2008 with a fair value of $4,000 based on the Black-Scholes option pricing model. The value of these warrants was recognized on a straight-line basis from the date of the original agreement to September 30, 2006, the original issuance date. In October, 2008, 790,614 warrants with an exercise price of $10.65 were issued to TPC. The fair value of the warrants granted was calculated based on a Black-Scholes option pricing model using the 5 day weighted stock price as at September 30, 2008.

15. Stock options and other stock-based plans:

(a) Share options:

The Company has an incentive share option plan for employees, directors, officers and consultants. The options are granted with an exercise price not less than the market price of the Company's common shares on the date immediately prior to the date of grant. The exercise period of the options may not exceed eight years from the date of grant. Vesting periods of the options are at the discretion of the board of directors and may be based on fixed terms, achieving performance milestones or reaching specified share price targets.

A summary of the status of the Company's share option plan as of March 31, 2009, 2008 and 2007 and changes during the years then ended is presented as follows:

	2009		2008		2007	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	1,235,799	$ 6.96	1,493,998	$ 6.68	1,419,589	$ 7.17
Granted	39,280	13.73	71,428	9.31	167,392	4.13
Exercised	(104,669)	5.57	(232,024)	5.28	—	—
Cancelled/expired	(34,247)	7.66	(97,603)	8.22	(92,983)	9.87
Outstanding, end of year	1,136,163	$ 7.32	1,235,799	$ 6.96	1,493,998	$ 6.68
Options exercisable, end of year	786,282	$ 7.53	833,296	$ 7.77	422,704	$ 10.43

Range of exercise prices	Number outstanding, March 31, 2009	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable March 31, 2009	Weighted average exercise price
$3.22 to $3.96	52,673	5.0	$ 3.41	45,531	$ 3.32
4.13 to 4.90	128,928	5.1	4.41	85,596	4.39
5.22 to 6.27	544,164	4.1	5.31	263,804	5.32
6.30 to 9.77	190,363	3.5	7.12	180,839	7.07
10.33 to 13.83	111,591	3.1	11.59	102,068	11.68
14.49 to 20.62	80,354	3.5	15.79	80,354	9.43
24.50 to 30.80	28,090	1.2	27.02	28,090	27.02
$3.22 to $30.80	1,136,163	3.92	$ 7.32	786,282	$ 7.53

During the year ended March 31, 2009, the Company recognized $523 (2008 — $558; 2007 — $530) in stock-based compensation related to stock options. The fair value of the options granted was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield — nil% (2008 — nil%, 2007 — nil%); expected stock price volatility — 61.0% (2008 — 56.1%, 2007 — 59.0%); risk free interest rate — 2.74% (2008 — 3.71%, 2007 — 4.79%); expected life of options — 4 years (2008 — 4 years, 2007 — 5 years). The weighted average grant date fair value was $6.65 for options granted for the year ended March 31, 2009 (2008 — $4.38, 2007 — $2.45).

15. Stock options and other stock-based plans (continued):

(b) Employee share purchase plan:

The Company has an employee share purchase plan ("ESPP") in which full-time employees of the Company are eligible to participate. Eligible employees may make contributions to the ESPP of up to 10% of their regular base pay. The Company contributes up to a maximum combined total of 5% of the employee's regular base pay to the employee's RRSP and/or ESPP. Shares contributed to the ESPP are purchased by the Company on a semi-monthly basis on the open market. Shares purchased on behalf of the employee with the employee's contribution vest with the employee immediately. Shares purchased with the Company's contribution vest on December 31st of each year, so long as the employee is still employed with the Company.

(c) Performance share units:

At the Company's 2006 annual general meeting, the shareholders of the Company ratified and approved the Amended and Restated Unit Plan and reserved 2,142,857 common shares under this plan. The Amended and Restated Unit Plan is in addition to the Performance Share Unit Plan approved by the shareholders on September 10, 2001 (the "2001 PSU Plan"). Each performance share issued pursuant to the Amended and Restated Unit Plan or the 2001 PSU Plan is exercisable into one common share of the Company for no additional consideration. Any employee, contractor, director or executive officer of the Company who is selected by the Board of Directors of the Company is eligible to participate in the Amended and Restated Unit Plan. The Executive and Senior Management Total Compensation Program sets out provisions where the Units will be granted to the Company's executive management if performance milestones are achieved as determined at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors in consultation with the Company's management.

These performance milestones are focused on achievement of key cash management, profitability and revenue growth objectives. Vesting periods for each Unit granted pursuant to the Amended and Restated Unit Plan is at the discretion of the Board of Directors and may include time based, share price or other performance targets.

The value assigned to issued Units and the amounts accrued are recorded as other equity instruments. As Units are exercised and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital. During the year ended March 31, 2009, the Company recognized $1,723 (2008 — $106; 2007 — $1,559) of stock-based compensation associated with the 2001 PSU Plan and the Amended and Restated Unit Plan.

The stock-based compensation associated with the Unit plans and the stock option plan (note 15(a)) is included in operating expenses as follows:

	2009	2008	2007
Research and development	$ 283	$ 87	$ 348
General and administrative	1,457	465	1,494
Sales and marketing	506	112	247
	$ 2,246	$ 664	$ 2,089

15. Stock options and other stock-based plans (continued):

(c) Performance share units (continued):

A summary of the status of the PSU's issued under the 2001 PSU Plan and the amended and restated Unit Plan as of March 31, 2009, 2008 and 2007, and changes during the years then ended is as follows:

	Units
Outstanding, March 31, 2006	408,893
Units exercised	(81,052)
Units granted	261,633
Outstanding, March 31, 2007	589,474
Units exercised	(60,383)
Units granted	553,900
Outstanding, March 31, 2008	1,082,991
Units exercised	(3,947)
Units granted	667,815
Units cancelled	(16,889)
Outstanding, March 31, 2009	1,729,970

As at March 31, 2009, 597,560 PSU's are vested and exercisable.

16. Other equity instruments:

	2009	2008
Value assigned to Performance Share Units (note 15(c))	$ 4,778	$ 3,079
Value assigned to warrants (note 10(b) and 14)	7,541	—
	$ 12,319	$ 3,079

The value assigned to warrants represents 790,614 warrants issued to TPC with a fair value of $4,000 and 771,428 warrants with an assigned value of $3,564 and 46,118 broker warrants with an assigned value of $284 issued as part of the debenture units net of transaction costs of $307.

17. Research and development expenses:

Research and development expenses are recorded net of program funding received or receivable. For the years ending March 31, 2009, 2008 and 2007, the following research and development expenses had been incurred and program funding received or receivable:

	2009	2008	2007
Research and development expenses	$ 33,003	$ 26,684	$ 27,041
Program funding (note 12)	(2,021)	(3,658)	(5,150)
Research and development	$ 30,982	$ 23,026	$ 21,891

18. Income taxes:

(a) The Company's income tax recovery differs from that calculated by applying the combined Canadian federal and provincial statutory income tax rates for manufacturing and processing companies of 30.8% (2008 — 33.3%; 2007 — 34.1%) as follows:

	2009	2008	2007
Loss before income taxes and Joint Venture Partners' share of income from joint ventures	$ 13,683	$ 9,224	$ 8,301
Expected income tax recovery	$ 4,207	$ 3,075	$ 2,831
Reduction (increase) in income taxes resulting from:			
Non-deductible interest on long-term debt and amortization of discount	(273)	(141)	(211)
Non-deductible stock-based compensation	(690)	(221)	(713)
Non-deductible expenses	(54)	(45)	(375)
Withholding taxes and other adjustments	(218)	—	—
Change in enacted rates	(2,341)	(1,508)	(5,692)
Foreign tax rate differences	(1,279)	(426)	(527)
Change in valuation allowance	(5,873)	3,739	7,738
	$ (6,521)	$ 4,473	$ 3,051

(b) The tax effects of the significant temporary differences which comprise tax assets and liabilities, at March 31, 2009 and 2008, are as follows:

	2009	2008
Future tax assets:		
Net operating loss carry forwards	$ 16,220	$ 19,188
Long-term investments	163	626
Intellectual property	1,685	2,116
Equipment, furniture and leasehold improvements	806	813
Financing and share issue costs	1,526	273
Warranty liability	8,607	3,205
Deferred revenue	1,647	439
Capital lease obligations	13	18
Total gross future tax assets	30,667	26,678
Valuation allowance	(20,879)	(17,368)
Total future tax asset	$ 9,788	$ 9,310
Allocated as follows:		
Current future tax assets	$ 4,451	$ 4,944
Long-term future tax asset	5,337	4,366
Total future tax asset	$ 9,788	$ 9,310

18. Income taxes (continued):

(b) Continued:

In determining the valuation allowance, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent on the generation of income during the future periods in which those temporary differences become deductible. Since evidence does not exist that the future income tax assets will be fully realized, a valuation allowance has been recorded. All of the valuation allowance related to CWI was reversed in prior periods as CWI generated taxable income for four consecutive tax years and the Company expects that CWI will generate taxable income in the future.

Current tax expense for the year ended March 31, 2009 of $3,276 (2008 — $218, 2007 — $404) is payable outside of Canada, primarily in the United States. Future income tax expense of $1,114 (2008 — recovery of $5,855) relates to temporary differences in the United States and future tax expense of $2,131 (2008 — $1,164) relates to tax expense in Canada related to gains on sale of available for sale investments previously recognized in AOCI.

(c) The Company has non-capital loss carry forwards in Canada available to offset future taxable income which expire as follows:

2010	$ 2,235
2014	2,703
2015	2,508
2026	2,354
2027	9,668
2028	21,508
2029	17,714
	$ 58,690

The Company has non-capital loss carry forwards in the United States available to offset future taxable income. The losses expire as follows: 2028 — $478; 2029 — $2,017.

19. Investment in Joint Ventures:

	2009	2008
Cummins Westport Inc. (a)	$ 12,124	$ 13,809
BTIC Westport Inc. (b)	479	174
	$ 12,603	$ 13,983

(a) Cummins Westport Inc.:

The Company entered into a joint venture with Cummins on March 7, 2001. The joint venture, CWI, was formed to explore a range of product and technology opportunities using natural gas as the primary fuel. The Company provided personnel, financing and key technologies for the venture, while Cummins provided an existing product line, manufacturing, product distribution and customer service functions, as well as key management and engineering personnel.

19. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

From inception until December 31, 2003, the Company was responsible for all capital contributions to fund operations. Initially and to December 31, 2003, the Company owned 100% of the common shares and Cummins owned 100% of the non-participating preferred shares which were convertible into common shares for no consideration at the option of Cummins.

On December 16, 2003, the Company and Cummins amended the joint venture agreement to have CWI focus on and develop markets for alternative fuel engines. In addition, the two companies signed a Technology Partnership Agreement that creates a flexible arrangement for future technology development between Cummins and the Company. Under the terms of the amended joint venture agreement, Cummins exercised the conversion feature of the preferred shares effective January 1, 2004. However, the Company remained responsible for funding the profit and loss of CWI through CWI's fiscal 2004 year which ran from January 1 to December 31, 2004. Based on its economic interest in CWI, the Company continued to consolidate 100% of the results of operations from CWI until December 31, 2004. Cummins has agreed to manufacture engines for CWI's business and transfer them to CWI at cost. In consideration for this service, CWI agreed to pay Cummins a technology royalty access fee equal to 2.75% to a cumulative maximum of US$10.4 million. As at March 31, 2009, the Company had paid royalties totaling US$5.5 million.

Subsequent to December 31, 2004, Cummins shares equally in the profits and losses of CWI. However, the Company has determined that CWI is a VIE and that the Company is the primary beneficiary. Accordingly, the Company continues to consolidate CWI with Cummins' share of CWI's income and losses included as "Joint Venture Partners' share of net income from joint ventures".

CWI has provided a loan to Cummins under a demand loan agreement. The loan receivable bears interest monthly at a rate equal to the Bank of Canada prime corporate paper one-month rate in effect on the last day of each month. As at March 31, 2009, this rate was 1.05%. All outstanding interest is payable in United States dollars on or before December 15, 2009. Interest begins accruing on the date in which monies are advanced under the loan agreement. The loan is uncollateralized and is renewed annually.

Assets, liabilities, revenue and expenses of CWI included in the consolidated financial statements of the Company as at and for the periods presented are as follows:

	2009	2008
Current assets:		
Cash and cash equivalents	$ 17,061	$ 137
Short-term investments	—	13,713
Accounts receivable	2,101	3,503
Loan receivable	11,234	6,774
Prepaid expenses	162	108
Current portion of future income tax asset	4,451	4,944
	35,009	29,179
Future income tax asset	5,337	4,366
Equipment, furniture and leasehold improvements	467	166
	$ 40,813	$ 33,711

19. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

	2009	2008
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,171	$ 2,131
Deferred revenue	360	69
Current portion of warranty liability	11,656	4,689
	14,187	6,889
Long-term liabilities:		
Warranty liability	10,976	3,985
Deferred revenue	3,141	386
	14,117	4,371
	$ 28,304	$ 11,260

	2009	2008	2007
Product revenue	$ 90,916	$ 50,999	$ 44,746
Parts revenue	18,990	16,298	13,285
	109,906	67,297	58,031
Cost of revenue and expenses:			
Cost of revenue	81,301	45,490	36,195
Research and development	9,841	7,562	8,074
General and administrative	1,983	1,088	856
Sales and marketing	5,679	6,447	4,216
	98,804	60,587	49,341
Income before undernoted	11,102	6,710	8,690
Interest and investment income	903	793	112
Effect of foreign currency translation	—	(1,518)	61
Income before income taxes	12,005	5,985	8,863
Income tax recovery (expense):			
Current	(3,059)	(208)	(204)
Future	(1,114)	5,855	3,455
	(4,173)	5,647	3,251
Income for the year	7,832	11,632	12,114
Joint Venture Partner's share of net income from joint venture	(3,916)	(5,816)	(6,057)
Company's share of income	$ 3,916	$ 5,816	$ 6,057

19. Investment in Joint Ventures (continued):

(b) BTIC Westport Inc.:

On July 21, 2006, the Company and Beijing Tianhai Industry Co. Ltd. ("BTIC") of Beijing, China formed BWI to market liquefied natural gas ("LNG") fuel tanks for vehicles. Through the 50:50 joint venture agreement and related license and supply agreements, BTIC and Westport share equally in the profits on products developed and sold by the joint venture. Headquartered in Beijing, China, BWI sells tanks for installation on any vehicle, regardless of the natural gas engine manufacturer. During the year ended March 31, 2008, the Company contributed $425 (US$400) to the formation of this joint venture.

The consolidated financial statements include 100% of the assets, liabilities, revenue and expenses of BWI since the Company has determined that BWI is a variable interest entity and that the Company is the primary beneficiary. Accordingly, the Company consolidates BWI and BTIC's share of BWI's income and losses is included in "Joint venture partners' share of income from joint ventures". For the year ended March 31, 2009, the BTIC's share of net income from BWI was $305. In 2008, BTIC's share of the net loss from BWI was $252.

20. Commitments and contingencies:

(a) The Company has obligations under operating lease arrangements which require the following minimum annual payments during the respective fiscal years:

2010	$ 1,734
2011	1,329
2012	1,265
2013	814
2014	588
Thereafter	65
	$ 5,795

For the year ended March 31, 2009, the Company incurred operating lease expense of $1,295 (2008 — $876; 2007 — $795).

(b) The Company has an outstanding letter of credit of $600.

(c) On July 16, 2008, the Company announced that it had entered into a joint venture agreement with Weichai Power Co., Ltd. ("Weichai Power"), China's largest heavy duty engine manufacturer, and Hong Kong Peterson (CNG) Equipment Limited ("Hong Kong Peterson") to form a new entity, Weichai Westport Inc. ("WWI"). WWI will research, develop, design, manufacture, market, distribute and sell advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy duty trucks, power generation and shipping applications. Under the terms of the 30-year joint venture agreement, the Company's initial investment to acquire a 35% share of the joint venture is expected to be approximately $5,273 (RMB30,000). Weichai Power and Hong Kong Peterson will hold a 40% and 25% interest, respectively, in WWI. The joint venture is currently awaiting approval by the Chinese government and the Company's investment will be made when such approval is received.

21. Segmented information:

The Company currently operates in one operating segment which involves the research and development and the related commercialization of engines and fuel systems operating on gaseous fuels. The majority of the Company's equipment, furniture and leasehold improvements are located in Canada. For the year ended March 31, 2009, 84% (2008 — 66%; 2007 - 72%) of the Company's revenue was from sales in North America, 4% (2008 — 18%; 2007 — 13%) from sales in Asia, and 12% (2008 — 16%; 2007 — 15%) from sales elsewhere.

22. Financial instruments:

(a) Financial risk management:

The Company has exposure to liquidity risk, credit risk, foreign currency risk, equity price risk and interest rate risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has sustained losses and negative cash flows from operations since inception. At March 31, 2009, the Company has $82,619 of cash, cash equivalents and short-term investments.

The following are the contractual maturities of financial obligations as at March 31, 2009:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 14,359	$ 14,359	$ 14,359	$ —	$ —	$ —
Demand instalment loan (1)(2)	4,642	4,950	1,494	2,568	888	—
Short-term debt (3)	1,614	1,614	1,614	—	—	—
Subordinated debenture notes (4)	11,318	18,037	1,350	16,687	—	—
Other long-term debt	52	57	17	27	13	—
Operating lease commitments	—	5,795	1,734	2,594	1,402	65
Royalty payments (5)	1,350	28,189	1,350	2,700	2,700	21,439
Investment in Joint Venture (6)	—	5,273	5,273	—	—	—
	$ 33,335	$ 78,274	$ 27,191	$ 24,576	$ 5,003	$ 21,504

(1) Includes interest at the interest rate in effect on March 31, 2009.

(2) Demand instalment loan is repayable over five years unless the bank demands early payment.

(3) Short-term debt is repayable only from the sale of certain LNG systems. The Company has assumed these systems will be sold within a year.

(4) Includes interest at 9%

(5) From fiscal 2009 to 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1,350 or 0.33% of the Company's gross annual revenue from all sources, provided that gross revenue exceeds $13,500 in any aforementioned fiscal year, up to a maximum of $28,189. The Company has assumed the minimum required payments.

(6) See note 20.

The Company expects to be able to meet its future financial obligations with its current source of funds. However, there are uncertainties related to the timing of the Company's cash inflows and outflows, especially around the sale of inventories, and amounts required for market and product development costs. These uncertainties include the volume of commercial sales related to its natural gas engines and fuel system products and the development of markets for, and customer acceptance of, these products. As a result, the Company may need to seek additional equity or arrange debt financing, which could include additional lines of credit, in order to meet its financial obligations.

22. Financial instruments (continued):

(c) Credit risk:

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short-term investments, accounts receivable and loan receivable. The Company manages credit risk associated with cash and cash equivalents and short-term investments by regularly consulting with its current bank and investment advisors and investing primarily in liquid short-term paper issued by Schedule 1 Canadian banks, R1 rated companies and governments. While the Company does not hold asset-backed securities directly, these parties may be exposed in varying degrees to asset-backed securities and U.S. sub-prime mortgages. The Company monitors its portfolio and its policy is to diversify its investments to manage this potential risk.

The Company is also exposed to credit risk with respect to uncertainties as to timing and amount of collectibility of accounts receivable and loan receivable. As at March 31, 2009, 31% (March 31, 2008 — 14%) of accounts receivable relates to customer receivables, 46% (March 31, 2008 — 30%) relates to government grants receivable and 23% (2008 — 56%) relates to amounts due from partners and indirect and value added taxes receivable. The loan receivable is due from Cummins Inc., a large U.S. based engine manufacturer and the Company's joint venture partner. In order to minimize the risk of loss for customer receivables the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 to 90 days. The Company reviews its customer receivable accounts and regularly recognizes an allowance for doubtful receivables as soon as the account is determined not to be fully collectible. Estimates for allowance for doubtful debts are determined by a customer-by-customer evaluation of collectibility at each balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern problems.

The carrying amount of cash and cash equivalents, short-term investments, accounts receivable and loan receivable of $100,270 at March 31, 2009 represents the Company's maximum credit exposure.

(d) Foreign currency risk:

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the United States dollar ("U.S."). Cash and cash equivalents, short-term investments, accounts receivable, accounts payables and short-term debt that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by transacting with third parties in U.S. dollars and Canadian dollars to the maximum extent possible and practical. The Company attempts to limits its exposure to foreign currency risk by holding a combination of Canadian and U.S. denominated cash and cash equivalents and short-term investments based on forecasted Canadian or U.S. dollar net expenditures. The Company currently does not enter into any forward foreign currency contracts to further limit its exposure.

22. Financial instruments (continued):

(d) Foreign currency risk (continued):

The U.S. dollar carrying amount of assets and liabilities subject to exposure to foreign currency risk in the consolidated statement of operations at March 31, 2009 is as follows:

	U.S. dollars
Cash and cash equivalents	$ 14,292
Accounts receivable	1,898
Long-term investments	1,122
Accounts payable	2,148
Short-term debt	1,280

If foreign exchange rates on March 31, 2009 had changed by 25 basis points, with all other variables held constant, net loss for the year ended March 31, 2009 would have changed by $63 and other comprehensive income by $3. The Company's exposure to currencies other than U.S. dollars is not material.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on its loan receivable and demand instalment loans. The Company limits its exposure to interest rate risk by continually monitoring and adjusting portfolio duration to align to forecasted cash requirements and anticipated changes in interest rates.

If interest rates for the year ended March 31, 2009 had changed by 50 basis points, with all other variables held constant, net loss for the year ended March 31, 2009 would have changed by $4.

(f) Equity price risk:

The value of our equity investment in CEFC, a publicly traded company, is subject to market price volatility. This investment is classified as available for sale. As of March 31, 2009, every dollar change in the stock price of CEFC, would result in a change in other comprehensive income of $184.

(g) Fair value of financial instruments:

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, loan receivable and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of these instruments.

The Company's short- and long-term investments are recorded at fair value except for its interest in Juniper Engines Inc. which is accounted for using the equity method and other investments which are carried at cost (note 5) due to the lack of a readily available market for these securities.

The carrying value reported in the balance sheets for obligations under capital lease, which is based upon discounted cash flows, approximates its fair value. The fair values of the Company's demand instalment loan and short-term debt are not materially different from its carrying value based on market rates of interest.

22. Financial instruments (continued):

(g) Fair value of financial instruments (continued):

The carrying value reported in the balance sheets for the subordinated debenture notes (note 10(b)) is recorded at amortized cost using the effective interest rate method and the gross proceeds have been allocated between debt and equity based on the relative fair values of the subordinated debenture notes and the warrants on the issue date. As at March 31, 2009, the fair value of the subordinated debenture notes is higher than its carrying value by $2,884 based on market interest rates.

23. Management of capital:

As at March 31, 2009, the Company's capital is composed of share capital, its $13,000 line of credit with a Schedule 1 Canadian bank, and $15,000 in debenture units, the primary terms of which are described in note 10(b).

The Company's objectives when managing capital are as follows:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain sufficient cash, cash and cash equivalents on hand to service debt payments as they come due and to meet externally imposed capital requirements (the Company must maintain cash and cash equivalents and short term investments of at least 1.5 times the amount drawn against its line of credit and outstanding letters of credit); and
- to have sufficient cash, cash equivalents, short-term investments and available for sale marketable securities on hand to fund the Company's business plans.

The Company's primary uses of capital are to finance product development, market development, working capital, capital expenditures, and operating losses. The Company currently funds these requirements from the proceeds from offerings of equity or debt securities, internally generated cash flows, primarily from its 50% share of CWI and non-CWI revenues, sales of Clean Energy shares, amounts drawn against its line of credit, and government or partner funding.

There were no changes to the Company's approach to capital management during the year ended March 31, 2009.

24. Reconciliation to United States generally accepted accounting standards:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") which differ in certain respects with accounting principles generally accepted in the United States ("US GAAP") as follows:

(a) Convertible notes:

On June 12, 2006, the Company agreed to issue up to $22,092 in five year secured, subordinated convertible notes (note 10(c)) with a coupon rate of 8% to funds managed by Perseus, L.L.C. ("Perseus"), a private equity fund management group. The notes were issued in two tranches of $13,807 and $8,285, respectively. At the time of issuance of the notes, Perseus also received warrants to acquire, at an exercise price equal to the conversion price of the accompanying notes, common shares of the Company equal to 25% of the number of common shares into which the notes were convertible. On July 26, 2007 the subordinated convertible notes were converted to common shares.

For Canadian GAAP purposes, on issue of the convertible notes described above, the Company allocated certain amounts to the value of the warrants and conversion options based on their estimated fair value with the difference between the gross proceeds and the value of the warrants and conversion options allocated to the debt. For US GAAP purposes, the allocation between the debt and the warrants would be done on a relative fair value basis. In addition, under US GAAP, an amount is allocated only to a beneficial conversion option when the market price of the shares into which the debt is convertible exceeds the effective exercise price. For US GAAP purposes, of the two original tranches, only the second tranche of the debt issued in January 2007 was deemed to have a beneficial conversion option.

Accordingly, for US GAAP purposes, the amount assigned to the debt and the warrants was increased by $3,540 and $1,590, respectively as at March 31, 2007 and the amount assigned to the conversion option was reduced by $5,130.

On conversion, the carrying value of the debt, which is net of any unamortized discount and debt issuance costs was reclassified to share capital for Canadian GAAP purposes together with the value assigned to the conversion options. The related inducement fee of $763 was charged to deficit. For US GAAP, the accounting for the first tranche was the same. However, for the second tranche which had a beneficial conversion option, the unamortized debt discount was expensed for US GAAP purposes. The inducement fee also was expensed for US GAAP purposes. Accordingly, as at March 31, 2008, share capital under US GAAP was increased by $3,204 and interest expense for the year ended March 31, 2008 was increased by $4,424.

(b) Debt issuance costs and the effective interest method:

Effective April 1, 2007, the Company began amortizing debt issuance costs and debt discounts using the effective interest method under Canadian GAAP and classified debt issuance costs as reductions of the carrying value of the debt to which it relates. Prior to April 1, 2007, debt issuance costs were classified as deferred charges and debt issuance costs and debt discounts were amortized on a straight-line basis.

24. Reconciliation to United States generally accepted accounting standards (continued):

(b) Debt issuance costs and the effective interest method (continued):

Under US GAAP, debt issuance costs are presented as deferred charges and debt issuance costs and debt discounts are amortized using the effective interest method for all years presented. In addition, the difference between transaction costs allocated to the debt and debt discounts for Canadian GAAP purposes compared to US GAAP as described in note 24(a) resulted in a difference in interest expense for US GAAP purposes. Accordingly, the adjustment to opening deficit of $113 made for Canadian GAAP purposes would not be made under US GAAP and interest expense for the years ended March 31, 2009, March 31, 2008 and 2007 was reduced by $Nil, $147 and $423, respectively. In addition, unamortized financing costs of $764 relating to the issuance of debenture units which are deducted against the liability and amortized using the effective interest rate method are reclassified as deferred charges under US GAAP.

(c) Investments:

On April 1, 2007, the Company changed its accounting for “available-for-sale” securities under Canadian GAAP to be consistent with US GAAP. However, prior to April 1, 2007, the Company carried its investments in debt and equity securities at cost. For US GAAP purposes, the Company’s investments in debt and equity securities that have quoted market prices would have been classified as “available for sale” securities with unrealized gains and losses recognized in other comprehensive income (loss) for all periods presented. Accordingly, cumulative adjustments at April 1, 2008 of $20,402 to investments, $3,370 to opening deficit and $17,032 to accumulated other comprehensive income (“AOCI”) under Canadian GAAP would not be made under US GAAP. For US GAAP purposes, the Company recognized an increase in investments and AOCI of $20,402 for the year ended March 31, 2007.

Under Canadian GAAP, the income tax recovery generated by a reversal of a previously recognized future income tax valuation allowance to reduce future income tax liabilities generated by mark to market adjustments on available for sale securities is recognized in net loss for the year. The valuation allowance is reversed while the related tax expense is included in AOCI until the shares are sold at which time the tax expense is included in net loss. Under US GAAP, the reversal of the valuation allowance would be recognized in other comprehensive income (loss). Accordingly, for US GAAP purposes, future income tax expense of $2,362 (2008 — $1,164) recognized under Canadian GAAP would not be recognized in the years ended March 31, 2009 and 2008.

For Canadian and US GAAP purposes, the cost and the related amounts included in AOCI related to securities sold are reclassified to net loss based on weighted average amounts of the shares sold.

(d) Acquired in-process research and development costs:

Under Canadian GAAP, acquired in-process research and development costs are capitalized and amortized to net income or loss. For US GAAP purposes, such in-process research and development costs are expensed immediately if there is no alternative use for the research and developments. Accordingly, amortization of in-process research and development recorded under Canadian GAAP for the years ended March 31, 2009, 2008 and 2007 of $144, $145 and $144, respectively, would not be recognized under U.S. GAAP. As at March 31, 2009, the carrying value of intellectual property would be reduced by $430 (2008 — $574) with a corresponding increase in deficit.

24. Reconciliation to United States generally accepted accounting standards (continued):

(e) Cumulative translation adjustment

In 2009, CWI paid a dividend to its joint venture partners of $18.6 million. The transaction between CWI and Company resulted in a reduction in the Company's net investment in CWI. For Canadian GAAP purposes, the Company recognized a foreign exchange gain on the reduction of the net investment and reduced AOCI by a corresponding amount. Under U.S. GAAP, foreign exchange gains or losses arising from a net investment in a foreign operation are recognized in other comprehensive income until the investment is sold. Accordingly, for U.S. GAAP purposes, a foreign exchange gain of $793 recognized in net loss for Canadian GAAP is not recognized under U.S. GAAP.

(f) Stock-based compensation:

As described in note 15, the Company has granted stock options to certain directors, consultants and employees. These options are granted for services provided to the Company. For Canadian GAAP purposes, only options granted on or after April 1, 2002 are accounted for using the fair value method. In addition, on April 1, 2004, the Company recognized a cumulative adjustment to deficit for stock-based compensation related to stock options granted to employees on or after April 1, 2002 that would have been recognized prior to April 1, 2004 had the Company applied the fair value method since April 1, 2002.

For US GAAP purposes, effective April 1, 2004, the Company changed its accounting policy for recognizing stock-based compensation from the intrinsic value method to the fair value method using the transition provisions of Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("SFAS 148"). As permitted by SFAS 148, the Company adopted the fair value method retroactively without restatement using the modified prospective method. For U.S. GAAP purposes, all options granted subsequent to December 15, 1995 are measured using the fair value method but, for the Company, only the effect of those options outstanding and unvested as of April 1, 2004 on the results from operations in the year in which SFAS 148 is adopted would be recognized.

Accordingly, on adoption of the fair value method for US GAAP purposes, adjustments to deficit of $2,493, share capital of $68, and additional paid in capital of $2,425 recognized for Canadian GAAP purposes are not recognized for US GAAP purposes. In addition, for US GAAP purposes in years prior to 2005, the Company recognized stock-based compensation of $2,165 relating to stock options issued to non-employees prior to April 1, 2002.

Under US GAAP, an additional $211 would be recognized prior to 2002 as a result of certain option modifications.

24. Reconciliation to United States generally accepted accounting standards (continued):

(f) Stock-based compensation (continued):

Additional information about the PSU's issued under the 2001 PSU Plan are as follows:

	Units	Weighted average grant date fair value
Unvested, March 31, 2007	85,713	$ 5.25
Units granted	553,900	7.91
Units vested	(111,043)	5.46
Unvested, March 31, 2008	528,570	6.69
Units granted	667,815	9.01
Units vested	(47,087)	8.09
Units cancelled	(16,888)	8.29
Unvested, March 31, 2009	1,132,410	$ 7.56

The aggregate intrinsic value of the Company's stock option awards and PSUs at March 31, 2008 are as follows:

	2009	2008
Stock options		
Outstanding	$ 3,259	$ 5,454
Exercisable	1,313	3,302
PSUs:		
Outstanding	$ 1,302	$ 4,366
Exercisable	813	2,909

The total intrinsic value of options and PSUs exercised for the year ended March 31, 2009 was $131 (2008 — $1,508; 2007 — $310). As at March 31, 2009, $6,777 of compensation cost relating to share-based payment awards has yet to be recognized in results from operations and will be recognized over a weighted average period of four years.

(g) Income taxes:

Under both Canadian and US GAAP, future income tax assets and liabilities are measured using the income tax rates and income tax laws that, at the balance sheet date, are expected to apply when the assets are realized or the liabilities are settled. In Canada, announcements of changes in income tax rates and tax laws by the government can have the effect of being substantially enacted at the balance sheet date even though they are not yet proclaimed into law. When persuasive evidence exists that the government is able and committed to enacting proposed changes in the foreseeable future, the substantively enacted rate is used to measure the future tax assets and liabilities. Under US GAAP, only the income tax rates and income tax laws enacted at the balance sheet date are used to measure the future income tax assets and liabilities. For the years ended March 31, 2009, 2008, and 2007, enacted rates for US GAAP purposes were equal to rates used for Canadian GAAP purposes.

24. Reconciliation to United States generally accepted accounting standards (continued):

(g) Income taxes (continued):

Income tax recovery (expense) consists of:

	Net income (loss) before taxes and Joint Venture Partners' share of net income from joint ventures	Income tax recovery (expense)		
		Current	Deferred	Total
Year ended March 31, 2009:				
Canada	(32,739)	(460)	(2,131)	(2,591)
United States	18,958	(3,059)	(1,114)	(4,173)
Germany	(48)	243	—	243
China	(268)	—	—	—
Australia	414	—	—	—
	(13,683)	(3,276)	(3,245)	(6,521)
Year ended March 31, 2008:				
Canada	$ (14,760)	$ —	$ (1,164)	$ (1,164)
United States	5,862	(218)	5,855	5,637
Germany	(14)	—	—	—
China	(312)	—	—	—
	$ (9,224)	$ (218)	$ 4,691	$ 4,473
Year ended March 31, 2007:				
Canada	$ (18,028)	$ (16)	$ —	$ (16)
United States	8,937	(189)	3,455	3,266
Germany	790	(199)	—	(199)
	$ (8,301)	$ (404)	$ 3,455	$ 3,051

For US GAAP purposes, the Company accounts for uncertainties using FASB Interpretation No. 48, *Uncertainty in Income Taxes — An Interpretation of SFAS Statement No. 109* ("FIN 48"). This interpretation provides guidance on recognition and measurement of uncertainties in income taxes. Under FIN 48, a company would recognize the benefit of tax positions when it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

For all periods presented, there is no difference between Canadian and US GAAP as the Company does not believe that any income tax positions taken in its filings are subject to material uncertainty if reviewed by the Canada Revenue Agency, Internal Revenue Service or other tax jurisdiction in which the Company operates. In cases where the Company is charged interest and penalties on uncertain tax positions which do not meet the recognition criteria, the Company includes these in interest expense and other operating expenses, respectively.

24. Reconciliation to United States generally accepted accounting standards (continued):

(g) Income taxes (continued):

The following is a summary of the tax years that remain subject to examination by tax jurisdiction:

Canada	Fiscal year 2004 to 2009
United States	Fiscal year 2005 to 2009
Germany	Fiscal year 2003 to 2009
China	Fiscal year 2007 to 2009

However, in Canada and the United States, if the Company utilizes tax loss carry forwards in the future, those losses may be challenged in the year they are used even though the year in which they were incurred is barred by statute.

(h) Effect of US GAAP differences:

The effect of the previously discussed accounting differences on total assets, total liabilities and shareholders' equity, net loss, comprehensive loss and loss per share under US GAAP are as follows:

	2009	2008
Total assets, Canadian GAAP	$ 135,504	$ 78,940
Differences in accounting for:		
Intellectual property (d)	(430)	(574)
Reclassification of unamortized transaction costs (a)	763	—
Total assets, US GAAP	$ 135,837	$ 78,366
Total liabilities, Canadian GAAP	$ 74,546	$ 49,144
Reclassification of unamortized transaction costs (a)	763	—
Total liabilities, US GAAP	$ 75,309	$ 49,144
Shareholders' equity, Canadian GAAP	$ 60,958	$ 29,796
Difference in accounting for:		
Intellectual property (d)	(430)	(574)
Shareholders' equity, US GAAP	$ 60,528	$ 29,222

24. Reconciliation to United States generally accepted accounting standards (continued):

(h) Effect of US GAAP differences (continued):

	2009	2008	2007
Loss for the year, Canadian GAAP	$ (24,425)	$ (10,315)	$ (11,307)
Difference in amortization of discount on convertible notes and debt issuance costs (a)(b)	—	147	423
Difference in accounting for inducement fee and unamortized discount on conversion of convertible notes (a)	—	(4,424)	—
Difference is accounting for reclassification of cumulative translation adjustment on dividend paid by joint venture (f)	(793)	—	—
Reversal of tax expense on realized gain on available for sale securities (c)	2,362	1,164	—
Amortization of intellectual property (d)	144	145	144
Loss for the year, US GAAP	(22,712)	(13,283)	(10,740)
Other comprehensive income (loss):			
Cumulative translation adjustment on CWI dividend (f)	793	—	—
Unrealized gain on available for sale securities (c)	—	—	20,402
Reversal of tax expense on realized gain on available for sale securities (c)	(2,362)	(1,164)	—
	(1,569)	(1,164)	20,402
Comprehensive income (loss), US GAAP	$ (24,281)	$ (14,447)	$ 9,662
Basic and diluted loss per share, US GAAP	$ (0.75)	$ (0.53)	$ (0.50)

There are no differences between Canadian GAAP and US GAAP in total cash flows from operations, investments and financing presented in the consolidated statement of cash flows in any of the years presented.

(i) Additional financial information and disclosures required under US GAAP:

(*i*) Accounts receivable:

A summary of the components of accounts receivable is as follows:

	2009	2008
Customer trade receivable	$ 2,002	$ 1,014
Government funding receivable	2,968	2,077
Due from Joint Venture Partner	—	3,344
Other receivables	1,447	593
	$ 6,417	$ 7,028

24. Reconciliation to United States generally accepted accounting standards (continued):

(i) Additional financial information and disclosures required under US GAAP (continued):

(*ii*) Accounts payable and accrued liabilities:

A summary of the components of accounts payable and accrued liabilities is as follows:

	2009	2008
Trade accounts payable	$ 8,802	$ 6,641
Accrued payroll	2,670	1,176
Accrued interest	403	378
Income taxes payable	2,236	211
Other	248	64
	$ 14,359	$ 8,470

(*iii*) Warranty liability:

A continuity of the warranty liability is as follows:

	2009	2008	2007
Balance, beginning of year	$ 9,157	$ 6,971	$ 5,770
Warranty claims	(9,254)	(2,333)	(2,270)
Warranty accruals	17,105	6,534	4,924
Change in warranty estimates	4,317	(1,292)	(1,387)
Impact of foreign exchange	3,266	(723)	(66)
Balance, end of year	$ 24,591	$ 9,157	$ 6,971

(*iv*) Cost of revenue:

Cost of revenue related to product revenue for the year ended March 31, 2009 was $78,290 (2008 — $37,157; 2007 — $28,961) and cost of revenue related to parts revenue was $12,730 (2008 - $11,866; 2007 — $9,420).

(*v*) Investments and fair value:

Effective April 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The adoption of this statement did not have a material impact on the Company's results of operations or financial condition.

24. Reconciliation to United States generally accepted accounting standards (continued):

(i) Additional financial information and disclosures required under US GAAP (continued):

(v) Investments and fair value (continued):

The Company also adopted Financial Accounting Standards Board ("FASB") Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which defers for one year the effective date of SFAS No. 157 for non-financial assets and liabilities measured at fair value on a nonrecurring basis, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The purpose of this deferral is to allow the FASB and constituents additional time to consider the effect of various implementation issues that have arisen, or may arise, for the application of SFAS No. 157.

SFAS No. 157 describes three levels of inputs used to measure and categorize fair value. The following is a brief description of those three levels:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs may reflect management's own assumptions about the assumptions a market participant would use in valuing the asset or liability.

When available, the Company uses quoted market prices to determine fair value and classify such items in Level 1. When necessary, Level 2 valuations are performed based on quoted market prices for similar instruments in active markets and/or model-derived valuations with inputs that are observable in active markets. Level 3 valuations are undertaken in the absence of reliable Level 1 or Level 2 information.

The following table presents certain information for the Company's financial assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009:

	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 43,576	$ 43,576	$ —	$ —
Long-term investments	1,456	1,416	—	40
Balance as of March 31, 2009	$ 45,032	$ 44,992	$ —	$ 40

24. Reconciliation to United States generally accepted accounting standards (continued):

(i) Additional financial information and disclosures required under US GAAP (continued):

(*vi*) Other disclosures:

Deferred revenue is included in other long-term liabilities on the balance sheet for Canadian GAAP purposes and disclosed in note 11. Under US GAAP, this amount would be presented separately on the balance sheet.

From time to time, the Company performs research and development for unrelated parties. The Company receives revenue for such research and development activities from these parties based on contractual arrangements. These arrangements generally require the Company to perform certain specific activities and revenue is received as the activities are performed. Revenue received is not repayable, irrespective of the outcome of the activities. There were no material research and development arrangements in progress as at March 31, 2009 or 2008. During the year ended March 31, 2009, the Company earned revenue of $793 (2008 — $1,172; 2007 — $1,622) related to such activities. Costs expensed related to these activities were $442 (2008 — $721; 2007 — $1,503).

(j) Recently issued accounting pronouncements:

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment to FAS 115* ("SFAS 159"). SFAS 159 permits a company to choose to measure certain financial assets, financial liabilities and firm commitments at fair value. The standard is effective for the Company on April 1, 2008. The adoption of SFAS 159 did not have a material impact on the Company's consolidated financial statements for US GAAP purposes.

In December 2007, the FASB issued Statement of Financial Accounting Standards 141(R), *Business Combinations* ("SFAS 141(R)"). The statement broadens the scope of SFAS 141 to all transactions in which an entity obtains control over another entity. The statement provides further guidance on the recognition of identifiable assets and liabilities and the measurement of goodwill. The statement is effective for the Company on April 1, 2009. SFAS 141(R) will only affect the Company if an acquisition occurs after adoption of SFAS 141(R).

In December 2007, the FASB issued Statement of Financial Accounting Standards 160 *Non-Controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS 160"). The statement clarifies the definition of a non-controlling interest, requires non-controlling interests to be presented as part of equity on the balance sheet, changes the way the consolidated income statement is presented and establishes a single method of accounting for a change in a parent's ownership interest in a subsidiary. The statement also provides for further disclosures in the consolidated financial statements. The statement is effective for the Company on April 1, 2009 and is not expected to materially impact the consolidated financial statements for US GAAP purposes although the Company will be required to reclassify the amount for Joint Venture Partners' share of net assets of joint ventures to equity and provide certain additional disclosures.

24. Reconciliation to United States generally accepted accounting standards (continued):

(j) Recently issued accounting pronouncements (continued):

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities. FAS 161 is effective for the Company on April 1, 2009. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is evaluating the impact of the new statement.

In May 2008, FASB issued FSP No. APB 14-1, *Accounting for Convertible Debt Instruments that may be Settled in Cash Upon Conversion (Including Partial Settlement)*, which will change the accounting treatment for convertible debt securities that may settle fully or partly in cash. FSP No. APB 14-1 requires bifurcation of convertible debt securities into a debt component that is initially recorded at fair value and an equity component that represents the difference between initial proceeds from the issuance of the instrument and the fair value allocated to the debt component. The debt component is then subsequently accreted to par value over its expected life. The standard is effective for fiscal years and interim periods beginning after December 15, 2008, and must be retroactively applied to all periods presented, even if the instrument has matured, converted or has been otherwise extinguished as of the effective date of the standard. The Company is evaluating the impact of FSP No. APB 14-1.

In October 2008, FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset when the Market for that Asset is not Active* which clarifies the application of SFAS No. 157 in a market that is not active and provides key considerations in determining the fair value of the financial asset. FSP FAS 157-3 is effective upon issuance, including prior periods. Revisions in a valuation technique shall be accounted for as a change in accounting estimate. The Company does not anticipate that the adoption of this standard for US GAAP purposes will have a material impact on the consolidated financial statements.

In June 2008, FASB ratified EITF No. 07-05, *Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock* ("EITF 07-05"). EITF 07-05 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. EITF 07-05 is effective for the Company on April 1, 2009. The Company is currently evaluating the impact of the adoption of EITF 07-05.



Management's Discussion and Analysis

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") for Westport Innovations Inc. ("Westport", "the Company", "we", "us") is intended to assist readers in analyzing our financial results and should be read in conjunction with the audited annual consolidated financial statements, including the accompanying notes, for the fiscal year ended March 31, 2009. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The effect of significant differences between Canadian GAAP and US GAAP has been disclosed in note 24 to our audited consolidated financial statements for the year ended March 31, 2009. This MD&A is dated May 19, 2009.

Additional information relating to Westport, including our Annual Information Form ("AIF") and Form 40-F, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov., respectively. All financial information is reported in Canadian dollars unless otherwise noted. Shares, share options, performance share units, warrants and per share amounts have been adjusted on a retroactive basis to reflect our three and one-half-to-one (3.5:1) share consolidation completed on July 21, 2008.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the beliefs of management and reflects our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Act of 1934 as amended. Such statements include but are not limited to statements regarding the demand for our products, the future success of our business and technology strategies, our investments, cash and capital requirements, the intentions of partners and potential customers, the performance of our products, our future market opportunities, our estimates and assumptions used in our accounting policies, our accruals, including warranty accruals, our financial condition, and timing of when we will adopt or meet certain accounting and regulatory standards. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activities, performance or achievements expressed in or implied by these forward looking statements. These risks include risks related to revenue growth, operating results, industry and products, general economy, conditions of the capital and debt markets, government policies and regulation, technology innovations, as well as other factors discussed below and elsewhere in this report, including the risk factors contained in the Company's most recent Annual Information Form filed on SEDAR at www.sedar.com. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward looking statements except as required by National Instrument 51-102.

The forward looking statements contained in this document speak only as of the date of this MD&A. Except as required by applicable legislation, Westport does not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances after this MD&A, including the occurrence of unanticipated events.

BUSINESS OVERVIEW

Headquartered in Vancouver, Canada, Westport is engaged in the research, development and marketing of high performance, low-emission engines and fuel injection systems that use gaseous fuels such as natural gas, liquefied petroleum gas ("LPG") or hydrogen. We expect increased demand for these products for transportation, power generation and industrial applications because of the performance, emissions and life-cycle cost characteristics when compared to alternatives now available or known to be under development for these applications.

To encourage customers to adopt natural gas solutions for their transportation requirements, our strategy is to provide integrated solutions from fuel supply and storage through to service and support in cooperation with the world's leading engine, component and vehicle manufacturers and fuel infrastructure providers. We currently have one operating segment, which involves the research, development, and related commercialization of engines and fuel systems, operating on gaseous fuels such as natural gas and hydrogen, for the on-road commercial vehicle sector. Within that operating segment, we focus on the following strategic pillars: continuing to profitably grow Cummins Westport Inc. ("CWI"), our 50:50 commercial joint venture with Cummins Inc. ("Cummins"); commercializing and developing our Westport – HD liquefied natural gas ("LNG") systems for heavy duty (Class 8) trucks in North America and Australia, developing Juniper Engines Inc. ("Juniper") , which is focused on 2.0 litre and 2.4 litre industrial engines, and launching Weichai Westport Inc. ("WWI"), which is focused on developing heavy-duty engines in China. Outside of these four strategic pillars, Westport's corporate development efforts focus on the creation of new alliances and joint ventures, market development projects, and monetization of our significant patent portfolio.

CWI

Our first strategic pillar, CWI, is focused on the development, marketing and sale of a broad range of low-emission, alternate fuel engines for medium-duty and heavy-duty truck, refuse truck, transit bus, shuttle and urban specialty vehicle applications. Geographically, CWI's revenues are derived primarily from North America with developing markets in Asia, Europe, India and South America. CWI produces engines in the United States and has license agreements in place for local manufacturing in India and China through facilities operated by Cummins and its affiliates. CWI has a dominant market share in the North American natural gas transit market and is seeing increasing growth in the medium-duty truck and refuse truck markets. During fiscal 2009, CWI saw strong growth in demand for its products with 3,907 units shipped compared to 2,684 units in fiscal 2008. The majority of sales in fiscal 2009 related to ISL G engines sold in the United States. The ISL G was originally launched in mid-2007 and meets 2010 emissions standards today. Outside of the United States, during fiscal 2009, the Delhi Transport Corporation placed an order with Cummins India Ltd. for 3,125 natural gas engines using CWI's technology for 230 horsepower B Gas Plus engines powered by compressed natural gas. This order started shipping in the third quarter of fiscal 2009 and is expected to complete by the fourth quarter of fiscal 2010.

CWI's strategy is to grow profitably by leveraging its parents – Cummins for its global manufacturing, distribution and service support network, and Westport for its worldwide natural gas focus and expertise, industry relations and technology leadership. Since January 1, 2004, when the joint venture was re-launched to focus on spark ignited ("SI") products, CWI revenues, expressed in U.S. dollars to exclude foreign exchange distortions, have grown at more than 30% compounded annually on a calendar year basis. For the years ended March 31, 2009 and 2008, in Canadian dollars and after taking into account Cummins' 50% share, CWI contributed, on a pre-tax basis, $6.0 million and $3.0 million, respectively, to Westport. CWI's assets, liabilities, revenue and expenses are disclosed separately in note 19 of our consolidated financial statements.

WESTPORT HD — LNG SYSTEMS FOR HEAVY-DUTY TRUCKS

Our second strategic pillar focuses on the commercialization and development of high-performance LNG systems for heavy duty trucks. This product line incorporates our proprietary direct injection technologies which allow us to deliver a natural gas-fuelled version of the latest original equipment manufacturer ("OEM") diesel engines and match the base engine's efficiency and performance without changing the base engine design, thereby minimizing the disruptions to the manufacturer and to the customer in switching fuels. In order to deliver LNG to our engines, we have developed proprietary integrated LNG fuel pumps and storage tanks to form a complete system. In order to support the adoption of LNG systems, we also work with engine, truck, component and fuel providers as necessary to provide integrated solutions for customers. We are currently focused on markets in North America and Australia and on fleets with high fuel usage, return to depot fueling, and access to natural gas fuel at a discount to diesel.

We have an agreement in place with Kenworth Truck Company ("Kenworth"), a division of PACCAR Inc. for factory production of our LNG fuel system adapted for the Cummins ISX-15-liter engine in a Kenworth T800 truck. In December, 2008, our agreement was expanded to include development and commercialization of LNG Kenworth trucks for the Australian market. During fiscal year 2009, we substantially completed our $3.8 million Assembly Centre in Metro Vancouver, which will support factory production of our products with Kenworth and other PACCAR companies such as Peterbilt in North America.

Juniper

We hold a 49% interest in Juniper, a 49:51 venture with OMVL SpA which offers high-performance alternative fuel engines for the global industrial market. On April 1, 2008, we invested $1.5 million as an initial contribution to Juniper. Juniper will initially target the OEM liquefied petroleum gas forklift market, and will be fully integrated, high performance and low-emission solutions. Juniper products are based on Hyundai Motor Company's 2.0 litre and 2.4 litre industrial engine platforms, and OMVL's multipoint fuel injection technology. The products are designed to meet EPA and CARB standards for 2010 and will be available in the second half of 2009. For the year ending March 31, 2009, the venture's first year of operations, we recorded an equity loss of $1.0 million related to Juniper.

Weichai Westport Inc. ("WWI")

On July 16, 2008, we announced that we had entered into a 30-year joint venture agreement with Weichai Power and Hong Kong Peterson to form a new entity. WWI will research, develop, design, manufacture, market, distribute and sell advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy-duty trucks, power generation and shipping applications. Under the terms of the WWI joint venture agreement, our initial investment is expected to be approximately $5.3 million (30 million RMB), equaling a 35% equity interest in WWI. Weichai Power and Hong Kong Peterson will hold 40% and 25% equity interests in WWI, respectively. As at the date of this MD&A, the Company has not made its initial investment to WWI as our investment into the joint venture is awaiting formal Chinese government approval.

Corporate Development and Technology Activities

A significant area of focus for our Company is developing new OEM and supply relationships and new innovative technologies. We cooperate or have cooperated on fuel delivery system development programs with a number of companies including Beijing Tianhai Industry Co. Ltd ("BTIC"), Cryostar SAS ("Cryostar"), Ford, BMW, Isuzu, Cummins and Weichai Power Co. Ltd. ("Weichai Power") and are in various stages of negotiations to develop and commercialize our technologies with other global leaders. On July 14, 2008, we announced that we had entered into a development agreement with a leading European engine manufacturer relating to our proprietary high-pressure direct injection ("HPDI") fuel system operating with natural gas and bio gas. We are working together to integrate and test our HPDI fuel system on their engine platforms with development work expected to last twelve to eighteen months.

We also hold a 50% interest in BTIC Westport Inc ("BWI"), a joint venture with BTIC, which is headquartered in Beijing, China and sells and markets LNG tanks for natural gas fuelled vehicles globally. The tanks can be installed on any vehicle, regardless of the manufacturer. We originally contributed $0.4 million to BWI. Through the joint venture agreement and related license and supply agreements, we share equally in the profits on products developed and sold by BWI. During fiscal 2009, BWI recorded net income of $0.6 million, of which our share was $0.3 million.

External market conditions

During the second half of our fiscal year, we saw significant deterioration in the credit and equity markets, falling energy prices, a lower Canadian dollar and weakness in the worldwide economy. Some of our major OEM partners have closed plants, consolidated product lines and / or have downsized. Many have also implemented tighter credit procedures. Some of the wider economic issues have negatively affected the natural gas vehicle market including significant declines in the price of diesel fuel compared to last summer. Since much of our revenues are earned through sales to government entities, or are at least partially funded by government entities, we believe we may be less affected than others in the automotive sector and may also see opportunities arising from government stimulus packages.

In response to these challenging financial conditions, we have taken certain actions to better position ourselves including revising our annual budget and forecasts. We have also reduced or deferred operating expenditures to lower our overhead and revised our hiring practices to reduce annual payroll costs and are monitoring our working capital position.

SELECTED ANNUAL FINANCIAL INFORMATION

Selected Statements of Operations Data for Fiscal Years Ended March 31, 2007 to 2009

	Fiscal years ended March 31		
	2009	2008	2007
(expressed in thousands of Canadian dollars, except for per share amounts, shares outstanding and units shipped)			
Units shipped	4,038	2,720	2,001
Total revenue	121,837	71,536	60,480
Gross margin	30,817	22,513	22,099
GM %	*25%*	*31%*	*37%*
Net loss	(24,425)	(10,315)	(11,307)
Net loss per share – basic and diluted (1)	(0.81)	(0.41)	(0.53)
Weighted average shares outstanding	30,268,947	25,167,966	21,478,521
Cash and short-term investments	82,619	22,762	23,081
Total assets	135,504	78,940	59,633
Long-term financial liabilities (2)	28,543	5,762	22,648
Cash used in operations before changes in non-cash working capital	(25,625)	(17,594)	(11,325)
CWI income for the year after taxes	7,832	11,632	12,114
JV Partner's share of CWI income	3,916	5,816	6,057

(1) Fully diluted loss per share is not materially different as the effect of conversion of stock options, warrants and performance share units would be anti-dilutive.

(2) Excluding current portions of warranty liability and long-term debt obligations, and Joint Venture Partners' share of net assets of joint ventures

OVERVIEW OF FISCAL 2009 RESULTS

Operating Results

In the fiscal year ended March 31, 2009, consolidated revenues increased to $121.8 million from $71.5 million in fiscal 2008, a year over year increase of 70%. There were 4,038 units shipped compared with 2,720 units shipped in the prior fiscal year, with increased sales of CWI's ISL G and Westport's LNG systems. CWI revenues increased from $67.3 million in fiscal 2008 to $109.9 million in fiscal 2009, an increase of 63%, on higher engine shipments and with parts revenue up $2.7 million. Non-CWI revenues increased from $4.2 million to $11.9 million on 131 LNG units shipped in the fiscal 2009 year compared to 36 in the prior fiscal year. LNG system shipments were primarily to customers associated with the Ports of Los Angeles and Long Beach ("the Ports"). In U.S. dollar terms (our products are priced in U.S. dollars), consolidated revenues increased by approximately 57%.

Our net consolidated loss for the year ended March 31, 2009 was $24.4 million, or $0.81 per share, compared to $10.3 million, or $0.41 per share for the year ended March 31, 2008. Our non-CWI loss increased by $12.2 million, while our share of CWI net income decreased by $1.9 million. Non-CWI net loss increased from $16.1 million to $28.3 million with non-CWI operating expenses (research and development, general and administrative, and sales and marketing) up $12.6 million compared with fiscal 2008. The increase relates primarily to higher expenses associated with launching our LNG systems for the heavy duty market such as Kenworth integration costs, production related operating costs, current product support, and sales and marketing expenses. In addition, during the year, we listed on NASDAQ incurring additional listing fees, board expenses, insurance, legal, accounting and other costs and we also incurred higher legal costs related to our OEM engine development agreements with our European partner and WWI. We also accrued approximately $1.4 million in royalties payable to Industry Canada's Industrial Technologies Office ("ITO") whereas funding associated with this program was recognized in prior years. Other revenue and expenses included our 49% share of the loss from Juniper of $1.0 million for in fiscal 2009. We also recognized $14.3 million in gains and $2.3 million in future income tax expense from the sale of Clean Energy Fuels Corp. ("Clean Energy") shares compared to $10.7 million in gains and $1.2 million in future taxes associated with the sale of Clean Energy shares and other long-term investments in the previous year. We recorded $1.9 million in interest expense and amortization of long-term debt compared with $1.0 million in the previous year. This increase related to $15.0 million in subordinated debenture units discussed below.

Our share of CWI's income decreased $1.9 million from $5.8 million in fiscal 2008 to $3.9 million in fiscal 2009 despite the increase in revenues, primarily as a result of higher warranty accruals and income taxes. In fiscal 2009, CWI utilized its remaining loss carryforwards and recognized income tax expense of $4.2 million compared to a tax recovery of $5.6 million in the prior year. On a pre-tax basis, CWI recognized income of $12.0 million compared to $6.0 million in fiscal 2008.

Capital Management

On July 3, 2008, we issued 15,000 debenture units for total gross proceeds of $15 million. Each debenture unit consists of an unsecured subordinated debenture in the principal amount of $1,000 bearing interest at 9% per annum and 51 Common Share purchase warrants exercisable into common shares at any time for a period of two years from the date of issue at $18.73 per share. We have the option to redeem the debentures at any time after 12 months and before 18 months from the date of issue at 115% of their principal amount and at 110% of their principal amount after 18 months. Interest is payable semi-annually and the debentures mature on July 3, 2011. We also issued 46,118 broker warrants which are exercisable into Common Shares at a price of $16.10 per share for a period of two years from the date of issue.

On August 14, 2008, we filed a final prospectus in Canada and a registration statement on Form F-10 with the U.S. Securities and Exchange Commission in connection with an initial public offering of Westport common shares in the United States on NASDAQ. We started trading on NASDAQ on August 15th and raised $53.0 million through the initial public offering, net of $4.9 million in financing costs.

In October 2008, as required by the terms of our funding agreement with ITO, we issued 790,614 warrants with a strike price of $10.65 to the Government of Canada and a fair value of $4 million. The fair value was agreed upon in the funding agreement and the number of warrants issued was determined using a Black-Scholes option pricing model using the 5 day weighted stock price as at September 30, 2008.

CASH & INVESTMENTS

As at March 31, 2009, our cash and short term investments balance was $82.6 million compared to $22.8 million at March 31, 2008. For the year ended March 31, 2009, we raised approximately $53.0 million in net proceeds from our NASDAQ initial public offering discussed above, $14.0 million, net of expenses, from the issuance of debenture units discussed above, and $19.4 million from the sale of shares in Clean Energy. Cash used in operations and for capital expenditures was $15.2 million, with $9.3 million used in operations and $5.9 million in capital expenditures associated primarily with the establishment of our assembly centre and expansion of office facilities. During the year ended March 31, 2009 we invested $1.5 million in Juniper, advanced Cummins $1.6 million net of loan repayments and paid $5.4 million against our limited recourse loan from Clean Energy. During the third quarter, CWI also paid out $9.3 million in dividends to Cummins.

In fiscal 2008, we negotiated a limited recourse loan repayable only from certain receipts of sales of LNG systems, from Clean Energy for U.S. $6.0 million to allow us to produce approximately 75 LNG systems in anticipation of deliveries to customers. Of the 75 LNG units included in this agreement, 59 have been sold in fiscal 2009 with proceeds from the sale being used to draw down the non-interest bearing loan. As at March 31, 2009, there was a balance of $1.6 million with repayment of the loan only due and payable with payments from customers on the remaining 16 units. The loan is denominated in U.S. dollars.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. The Company's accounting policies are described in note 2 of the annual consolidated statements. We have identified several policies as critical to our business operations and in understanding our results of operations. These policies, which require the use of estimates and assumptions in determining their reported amounts, include our accounting of CWI as a variable interest entity, the valuation of long-term investments, equipment, furniture and leasehold improvements, intellectual property, revenue recognition, stock based compensation inventory and warranty. The application of these and other accounting policies are described in note 2 of our fiscal 2009 annual consolidated financial statements. Actual amounts may vary significantly from estimates used.

Variable Interest Entity Accounting

A variable interest entity ("VIE") is any type of legal structure not controlled by voting equity, but rather by contractual and/or other financial arrangements. Interests in VIEs are consolidated by the company that is the primary beneficiary. We have identified CWI, BWI and Juniper as VIEs and determined that we are the primary beneficiary in the case of both CWI and BWI. Accordingly, we consolidate CWI and BWI, reflecting 100% of their assets, liabilities, revenues and expenses in our consolidated financial statements and showing the 50% interest held by our joint venture partners, Cummins and BTIC, as "Joint Venture Partners' share of net income from joint ventures". We have concluded that we are not the primary beneficiary in the case of Juniper and as a result, our investment in Juniper is recorded as an equity investment with our 49% share of its net income recorded as "loss from investment accounted for by the equity method".

Warranty Liability

Estimated warranty costs are recognized at the time we sell our products and included in cost of revenues. We use historical failure rates, and costs to repair product defects during the warranty period, together with information on known products to estimate the warranty liability. The ultimate amount payable and the timing will depend on actual failure rates and the actual cost to repair. We review our warranty provision quarterly and make adjustments to our assumptions based on the latest information available at that time. Since a number of our products are new in the market, including the ISL G, which was launched in mid-2007, and our HPDI LNG systems, of which approximately 175 units have been shipped as of March 31, 2009, historical data may not necessarily reflect actual costs to be incurred and this exposes the Company to potentially significant fluctuations in liabilities. Adjustments to the warranty provision are recorded in cost of revenues. During the year, we increased our warranty reserves to reflect new claims experience information received on CWI products. These changes in estimates are discussed further in the "Cost of Revenue" and "Gross Margin" sections under "Results of Operations".

Revenue Recognition

Our primary source of revenue is the sale of CWI spark ignited engines, kits, LNG systems, and parts. Product revenue is recognized, net of estimated costs of returns, allowances, and sales incentives, when the products are shipped and title passes to the customers and collection is reasonably assured. Product revenue also includes kit sales, fees earned from performing test services, research and development activities for third parties and revenues earned from licensing our technologies to third parties. Revenue from testing and research and development activities is recognized as the services are performed. Amounts received in advance of revenue recognition are recorded as deferred revenue. Parts revenue is recognized as the parts are sold.

Inventories

Inventory consists of fuel systems, component parts, work-in-progress, and finished goods associated with our LNG systems. We carry inventory at the lower of weighted average cost and net realizable value. In establishing whether or not a provision is required for inventory obsolescence, we estimate the likelihood that inventory carrying values will be affected by changes in market demand for our products and by changes in technology, which could make inventory on hand obsolete. We perform regular reviews to assess the impact of changes in technology, sales trends and other changes on the carrying value of inventory. If and when we determine that such changes have occurred and that they would have a negative impact on the carrying value of inventory on hand, adequate provisions would be made. Unforeseen changes in these factors could result in the recognition of additional inventory provisions.

Long-term Investments

Long-term investments are designated as available for sale and recorded at their fair value to the extent a reliable fair value is determinable. Changes in fair value are recognized in accumulated other comprehensive income. A decline in value that is considered other than temporary is recognized in net loss for the period.

Equipment, Furniture, and Leasehold Improvements and Intellectual Property

Generally accepted accounting principles in Canada require that we consider whether or not there has been an impairment in our long-lived assets, such as equipment, furniture and leasehold improvements and intellectual property, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such costs are not recoverable, we are required to write down the assets to fair value. When quoted market values are not available, we use the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset, as an estimate of fair value to determine whether or not a write down is required.

Stock-based Compensation

We account for stock-based compensation related to stock options and performance share units granted to employees and directors using the fair value method. The resulting compensation expense for stock options is calculated using the Black-Scholes valuation method and estimated forfeitures and is recognized in results from operations over the period in which the related employee services are rendered. We account for performance based units by calculating the fair value based on the market price of the Company's common shares on the date of grant and record compensation expense in the period earned, which generally is the period over which the units vest.

Adoption of new accounting standards

On April 1, 2008, we adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, *General Standards of Financial Statement* Presentation; Section 1535, *Capital Disclosures*; Section 3031, *Inventory*; Section 3064, *Goodwill and Other Intangible Assets*; Section 3862, *Financial Instruments – Disclosures*; and Section 3863, *Financial Instruments – Presentation*. In accordance with the transitional provisions, prior periods have not been restated. The principal changes resulting from these new standards are described below:

Financial Statement Presentation:

Section 1400 amended the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. We adopted this new guidance effective April 1, 2008 but the adoption had no impact on the consolidated financial statements.

Capital disclosures:

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The purpose of this standard is to enable financial statement users to evaluate the Company's policies and procedures for managing capital. We adopted this standard on April 1, 2008, resulting in more extensive disclosures in our annual and interim financial statements.

INVENTORY:

Section 3031 establishes standards for the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. In certain circumstances, the new section will also permit the reversal of previous write-downs. We adopted this standard effective April 1, 2008. This standard did not have a material impact on our consolidated financial statements.

FINANCIAL INSTRUMENTS:

Section 3862 and Section 3863 establish standards for the presentation of financial instruments and non-financial derivatives and identify the information that should be disclosed about them. The purpose of these standards is to place enhanced emphasis about the nature and extent of risks arising from financial instruments and how we manage those risks. We adopted this standard on April 1, 2008, resulting in more extensive disclosures in our annual and interim financial statements.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

The following changes have been recently issued and will be adopted in future.

GOODWILL AND INTANGIBLE ASSETS:

Section 3064 replaces 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 and intangible assets. The new standard provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, establishing consistent treatment of all intangible assets, whether separately acquired or internally developed. We will adopt this standard effective April 1, 2009 and are currently assessing the impact of this new standard on our consolidated financial position, results of operations or cash flows.

INTERNATIONAL FINANCIAL REPORTING STANDARDS:

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board over a transitional period to be completed by 2011.

Canadian GAAP will be fully converged with IFRS-IASB through a combination of two methods: as current joint-convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the publicly accountable enterprises' transition date to IFRS-IASB; and standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the publicly accountable enterprises' transition date to IFRS-IASB.

We have considered the potential implementation of IFRS-IASB as well as the possibility of adopting U.S. GAAP, as an alternative. In reviewing these two options we have considered our shareholder base, conversion costs, recent developments in the proposed convergence of IFRS-IASB with U.S. GAAP and other factors. We have determined, at this time, that adopting U.S. GAAP would be less disruptive and less costly as we currently prepare a U.S. GAAP reconciliation in the notes to our consolidated financial statements and our systems are set-up to capture U.S. GAAP information. Management expects to transition to U.S. GAAP on or before January 1, 2011. We will continue to monitor developments in IFRS-IASB standards and our intent will be to move IFRS-IASB if and when adopted in the United States.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosures. We have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Under the supervision of the CEO and CFO and based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures and assessed the design of the Company's internal control over financial reporting as of March 31, 2009. Based on this evaluation, we have concluded that disclosure controls and procedures were effective and internal controls over financial reporting have been adequately designed to provide reasonable assurance regarding the reliability of our financial statements and reports. Pursuant to Sarbanes-Oxley Rule 404 for the fiscal year ended March 31, 2010, our independent auditors will be required to furnish an audit report on our internal control over financial reporting.

During the year ended March 31, 2009, we implemented certain inventory modules of our enterprise resource planning system to allow us to more efficiently track cost of sales. We continue to refine our internal controls in relation to inventory. Our primary internal controls and processes over inventory remained unchanged. No material changes were made in our internal controls over financial reporting during the year ended March 31, 2009. We expect that our financial reporting policies, processes and systems will continue to evolve as we continue to launch product at increasing volume levels and partner with various OEMs and other partners.

FINANCIAL OVERVIEW

RESULTS FROM OPERATIONS

Revenue

(expressed in thousands of Canadian dollars except for units)

	Fiscal years ended March 31		
	2009	2008	2007
Engine shipments (units)	3,907	2,684	1,993
HPDI Fuel Systems (units)	131	36	8
Total Unit shipments	4,038	2,720	2,001
Product revenue	102,755	55,238	47,195
Parts revenue	19,082	16,298	13,285
	121,837	71,536	60,480

Product Revenue by Geographic Region

(as a percentage of revenue)

	Fiscal years ended March 31		
	2009	2008	2007
Americas	84%	66%	72%
Asia	4%	18%	13%
Rest of the world	12%	16%	15%

Product revenue for the year ended March 31, 2009 was $102.8 million, up $47.6 million, or 86%, from $55.2 million in the prior fiscal year, on total CWI and LNG product shipments of 4,038 units compared to 2,720 units in the prior year. CWI product revenue was up 78% to $90.9 million compared to $51.0 million in fiscal 2008. CWI product sales increased from 2,684 units in fiscal 2008 to 3,907 units in fiscal 2009. In U.S. dollar terms, CWI product revenue increased by US$32.2 million, or by 65%, with Americas up by U.S.$36.6 million, primarily because of increased deliveries of the ISL G for transit and refuse applications; Asia down U.S.$5.8 million as fiscal 2008 saw deliveries of engines to China in advance of the 2008 Olympics; and the rest of the world up U.S.$1.4 million primarily because of shipments to India. The U.S. dollar strengthened against the Canadian dollar by an average of 9% during the year, resulting in higher growth in Canadian dollar terms. Kit revenues, which are included in product revenue, increased to $6.3 million, from $1.4 million, primarily driven by the sales order from Delhi Transport Corporation.

Non-CWI revenues grew from $4.2 million to $11.9 million with 131 LNG units in the year compared to 36 in the prior year. In fiscal 2009, this included $11.0 million of product revenue associated with sales of heavy duty LNG systems in North America and Australia as well as $0.9 million in other revenues related primarily to testing services.

For the year ended March 31, 2008, product revenue was $55.2 million up 17% from fiscal 2007 revenues of $47.2 million and units shipped increased to 2,720 from 2,001. In fiscal 2008, sales to Asia were driven primarily by shipments to China for Beijing Public Transit and for export in Chinese buses. Americas growth was driven primarily by the launch of the ISL G, which replaced the C Gas Plus in North America, and increased demand for the product in refuse and truck applications while revenues internationally increased due to activities in India and increased sales to Europe. Non-CWI revenues increased to $4.2 million in 2008 from $2.4 million in 2007 with 36 LNG system shipments for heavy duty trucks compared with eight in 2007.

Parts revenue for the years ended March 31, 2009 and 2008 was $19.1 million and $16.3 million, respectively. The 17% increase is attributable primarily to foreign exchange. Engine population, reliability and age also impact parts revenue. For the year ended March 31, 2008, parts revenue compared to fiscal 2007 increased $3.0 million to $16.3 million from $13.3 million as distributors stocked up on new parts for the ISL G engine.

Cost of revenue for the year ended March 31, 2009 was $91.0 million compared to $49.0 million in the prior year. CWI's cost of revenues was $81.3 million and $45.5 million for fiscal years 2009 and 2008, respectively. The $35.8 million increase is associated primarily with the $42.6 million increase in revenues. However, in the year ended March 31, 2009, cost of revenue also includes an unfavourable warranty adjustment of $4.3 million in 2009 associated primarily with the ISL G and L Gas engines. Non-CWI cost of revenue was $9.7 million and $3.5 million, respectively, in the years ended March 31, 2009 and 2008. The change was related primarily to increasing sales revenue.

Cost of revenue for the year ended March 31, 2008 was $49.0 million compared to $38.4 million in the prior year. Included in CWI's cost of revenue of $45.5 million and $36.2 million for fiscal years 2008 and 2007 were net positive adjustments to warranty of $1.3 million and $1.4 million respectively. Non-CWI cost of revenues was $3.5 million and $2.2 million.

Gross margin was $30.8 million and $22.5 million for the years ended March 31, 2009 and 2008, respectively. Gross margin percentages were 25% and 31% for those years, respectively. CWI gross margin and gross margin percentage were $28.6 million and 26% in fiscal 2009 compared with $21.8 million and 32% in fiscal 2008. Gross margin percentage declined primarily because of higher warranty reserves taken, and a higher accrual rate taken on new ISL G units shipped in the year. To reflect warranty claims experience in the year, CWI increased warranty reserves by $4.3 million, which negatively impacted the margin percentage by 4%. The remaining change in the CWI margin is attributable to product and geographic sales mix as well as an increase in kit revenue which generates a lower margin. Non-CWI gross margin and gross margin percentages were $2.2 million and 18.5% in fiscal 2009 compared to $0.7 million and 17.0% in fiscal 2008. Gross margins fluctuate with foreign exchange, product mix and volumes.

Gross margin was $22.5 million and $22.1 million for the years ended March 31, 2008 and 2007, respectively. Gross margin percentage declined by six points on a consolidated basis between fiscal 2007 and 2008 from 37% to 31% primarily because of product and geographical mix with parts, kits and LNG systems generally having a lower margin on a percentage basis relative to CWI engines. CWI gross margin percentage also declined in the year with the launch of the ISL G engine, which, being a new product, launched with more aggressive pricing and conservative warranty estimates than its predecessors, the C-Gas Plus and L Gas. On non-CWI products, foreign exchange reduced LNG system margins in the year with inventories purchased when the U.S. dollar was weaker.

Research and development expenses, net of program funding, increased $8.0 million, or 35% in fiscal 2009 to $31.0 million from $23.0 million in the prior year. CWI's net research and development expenses increased by $2.2 million during fiscal 2009. The increase relates to $1.1 million of technology royalty fees to Cummins as the result of higher revenues and $1.1 million of increasing costs relating to product development and product support. During fiscal 2009, non-CWI net expenses increased by $5.7 million. Government and partner funding decreased by $1.4 million with ITO contributions fully recognized in the prior year and we also accrued $1.4 million in royalty payments to ITO as per our funding agreement in the 2009 fiscal year. We also incurred $3.0 million in increased current product engineering expenses and production and other costs associated with the Westport Assembly Centre. In addition, we incurred $2.3 million in costs associated with new product development such as research and testing associated with meeting 2010 emissions standards for our HPDI units and work associated with our European OEMs and next generation fuel systems. This was offset by completion of the 2007 LNG North America and Australia product development program during fiscal 2009 reducing costs by $2.4 million compared with fiscal 2008.

Research and development expenses, net of program funding, increased $1.1 million, or 5%, in fiscal 2008 to $23.0 million from $21.9 million in the prior year. CWI net research and development expenses decreased by $0.5 million with the launch of the ISL G during the year and the weaker U.S. dollar lowering the cost of labour and materials. Non-CWI net expenses increased by $1.6 million with investments made during the year in LNG North America and Australia product development and current product support offsetting decreases in development costs associated with our Isuzu program, which formally ended in fiscal 2007, and costs related to getting our LNG tank and pump systems commercial ready in fiscal 2007. Government funding also decreased from $5.2 million in fiscal 2007 to $3.7 million in fiscal 2008 with funding from ITO down $0.9 million as a result of maximum funding levels reached in the year and with CWI funding down $1.0 million with the ISL G product development completed. Funding related to the Australian demonstration project increased by $0.6 million.

Research and Development Expenses
(expressed in thousands of Canadian dollars)

	Fiscal years ended March 31		
	2009	**2008**	**2007**
Research and development expenses	33,003	26,684	27,041
Program funding	(2,021)	(3,658)	(5,150)
Research and development, net	30,982	23,026	21,891

General and administrative expenses for the year ended March 31, 2009 and 2008 were $8.6 million and $6.0 million, respectively. The $2.6 million increase relates primarily to $0.9 million associated with increased CWI expenses, increased stock based compensation costs of $1.0 million, and $0.6 million in increased public company costs, consulting costs and other costs.

For the year ended March 31, 2008, general and administrative expenses decreased by $0.9 million from $6.9 million in fiscal 2007. The $0.9 million decrease relates primarily to a $1.0 million decrease in stock based compensation.

Sales and marketing expenses for the years ended March 31, 2009 and 2008 were $15.1 million and $10.6 million, respectively. The $4.5 million increase primarily relates to additional sales and support costs of $3.4 million associated with our commercial launch of HPDI products and other promotional initiatives and $1.9 million relating to business development and emerging markets initiatives and OEM integration costs primarily relating to PACCAR offset by a $0.8 million decrease in CWI sales and marketing expenses.

In the year ended March 31, 2008, sales and marketing expenses increased to $10.6 million from $7.1 million in fiscal 2007 primarily with CWI accruing $1.8 million to resolve customer issues, an increase in other CWI sales and marketing expense relating to the launch of the ISL G engine and non-CWI business development activities in California, Europe and China.

Foreign exchange gains and losses primarily reflect the realized net gains and losses on foreign currency transactions and the net unrealized gains and losses on our net U.S. dollar denominated assets and liabilities that are mainly comprised of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. For the year ended March 31, 2009, we recognized a foreign exchange loss of $0.7 million with the significant foreign currency volatility during the year. On April 1, 2008, we determined that CWI was a self sustaining foreign operation with a U.S. dollar functional currency for accounting purposes. During fiscal 2009, $2.8 million of net unrealized foreign exchange gains were recorded as cumulative translation adjustment, a separate component of shareholders' equity. Prior to April 1, 2008, CWI was an integrated operation for accounting purposes such that foreign exchange gains and losses relating to CWI were recorded in the consolidated statements of operations.

Depreciation and amortization for the years ended March 31, 2009, 2008 and 2007 were $2.0 million, $1.6 million and $1.4 million, respectively. Between 2008 and 2009, the increase in depreciation and amortization of $0.4 million related primarily to depreciation of leasehold improvements and equipment related to our new production facility, which was completed during the year. Between 2007 and 2008, depreciation increased by $0.2 million reflecting depreciation and amortization of capital expenditures recorded in the period offset by assets becoming fully depreciated.

Interest on long-term debt and amortization of discount of $1.9 million in the year ended March 31, 2009 related to the interest and the accretion on the subordinated debenture notes issued July 3, 2008. Interest on the debentures was recorded at 9% per annum. Canadian GAAP also required us to separately allocate the proceeds of the debenture units between the debt component and the warrants. Accordingly, the value of the debt ($11.4 million) and the value of the warrants ($3.6 million) were calculated based on each instruments relative share value. The amount of the long-term debt is being accreted to its face value using the effective interest rate method.

Interest on long-term debt and amortization of discount of $1.0 million and $1.7 million in the years ended March 31, 2008 and 2007, respectively, related to the interest and the accretion on $22.1 million of convertible notes issued to funds managed by Perseus LLC. Prior to the notes being fully converted in July, 2007, interest was being accrued at 8% per annum and the amount of the debt was being accreted to its face value using the effective interest rate method.

Interest and other income for the years ended March 31, 2009 and 2008 was $1.9 million and $1.3 million, respectively. Amounts include interest income on cash and short-term investments as well as gains from the sale of short-term investments. The increase of $0.6 million from 2008 to 2009 relates to a higher average balance in our cash and short-term investments subsequent to the financing associated with our NASDAQ listing in July 2008 partially offset by lower interest yields particularly in the third and fourth quarters.

For the years ended March 31, 2008 and 2007, interest and other income was $1.3 million and $0.8 million. The amounts included interest on cash and short-term investments as well as gains from the sale of equipment and income earned from the sale of Clean Energy options.

Gain on sale of long-term investments in fiscal 2009 of $14.3 million relates to the sale of Clean Energy shares. In 2008 the realized gain of $10.7 million related to the sale of Clean Energy shares ($8.0 million) as well as a disposition of substantially the remaining portion of our interest in Wild River Resources Ltd. ("Wild River"), for a net gain on sale of $2.7 million. In fiscal 2007, the $8.1 million related to the net gain on the sale of 45% of our interest in Wild River and the dilution gain arising when we reduced our ownership from 55% to 16%.

Income tax expense for the year ended March 31, 2009 was $6.5 million while for the years ended March 31, 2008 and 2007 we had income tax recoveries of $4.5 million and $3.1 million, respectively. Current income tax expense, representing cash taxes payable in the year, was $3.3 million, $0.2 million and $0.4 million for fiscal 2009, 2008 and 2007, respectively. Future income tax expense in fiscal 2009 was $3.2 million while in fiscal 2008 and 2007 income tax recoveries were $4.7 million and $3.5 million, respectively. Future income tax recoveries and expenses arise on the recognition of temporary differences between the carrying amounts and the tax bases of our assets and liabilities. As a result of utilizing all of the tax losses carried forward during the third quarter of fiscal 2009, CWI incurred current tax expense of $3.0 million on its third and fourth quarter taxable income.

During the year ended March 31, 2009, CWI utilized its remaining tax losses carried forward from previous years of $14.7 million U.S. dollars. These losses carried forward had previously been recognized as future tax assets and the majority of the losses were utilized in the first and second quarters. The portion of the future tax asset relating to losses carried forward was drawn down to offset current tax expense. The draw down of the future tax asset for utilized losses was offset by an increase in the warranty liability, which will result in future tax deductions for CWI.

The remaining increase in future income tax expense relates to the sale of our Clean Energy shares of $2.2 million as a result of reversing the future tax credit arising on available for sale investments in 2007 when such investments were designated as being previously recognized in accumulated other comprehensive income.

In the years ended March 31, 2008 and 2007, CWI recognized future income tax recoveries of $5.9 million and $3.5 million, respectively, arising from the recognition of future income tax assets associated with its loss carry-forwards. Prior to fiscal 2007, these losses were fully offset by a valuation allowance. However, as CWI had shown a consistent history of profitability, a portion of its loss carry-forwards were recognized in fiscal 2007 and the balance fully recognized in fiscal 2008.

In the year ended March 31, 2008, we also recognized a $1.3 million future income tax expense associated with the gains on sale of available for sale investments previously recognized in accumulated other comprehensive income.

Joint Venture Partners' share of income from joint ventures of $4.2 million in fiscal 2009 reflects Cummins 50% share of CWI's net income after tax and also includes BTIC's 50% share of BWI's net operating income in the period. In fiscal 2009, the Cummins share of CWI was $3.9 million and BTIC's share of BWI was $0.3 million. For the year ended March 31, 2008, $5.6 million reflects Cummins' 50% share of CWI's net income after tax and also includes BTIC's 50% share of BWI's net operating loss in the period, or $0.3 million. For the year ended March 31, 2007, Cummins' share of CWI's net income was $6.1 million representing 50% of CWI's pre-tax income of $8.9 million and 50% of CWI's net tax recovery of $3.3 million.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

As at March 31, 2009, our cash, cash equivalents and short-term investment position was $82.6 million, an increase of $59.8 million from the end of fiscal 2008. Cash and cash equivalents consist of guaranteed investment certificates with maturities of 90 days or less when acquired. Short-term investments consist of investment grade bankers' acceptances, term deposits and commercial paper. We invest primarily in short-term paper issued by Schedule 1 Canadian banks, R1 high rated corporations and governments.

For the year ended March 31, 2009, our cash used in operations was $9.3 million. Cash used in operations before changes in non-cash working capital, a non-GAAP measure, was $25.6 million. Changes in non-cash working capital for the year contributed $16.3 million. The $16.3 million change in working capital for the year ended March 31, 2009 was impacted positively by cash inflows from higher accounts payable and accrued liabilities balance of $5.5 million, increases in warranty liability of $12.2 million arising from increases in warranty accruals recorded in the year, and increases in deferred revenue of $2.9 million. This was offset by an additional investment in inventory of $5.0 million with changes to accounts receivable and prepaid expenses accounting for the remaining difference of $0.7 million. Cash used in investing activities included $5.9 million spent on equipment, furniture and leasehold improvements, the majority of which related to our new Westport Assembly Centre and expansion of office space. The total cost for this new facility, including: equipment, leasehold improvements and furniture was approximately $3.8 million. We also increased our net advances to Cummins by $1.6 million and paid a dividend to them of $9.3 million. We expect Cummins will continue to borrow funds from CWI's excess cash each quarter. We also repaid $5.4 million against our non-recourse loan with Clean Energy.

During the year ended March 31, 2009, we funded our operations and purchases of equipment, furniture and leasehold improvements through proceeds from the sale of our Clean Energy shares of $19.4 million, and through our equity financing associated with our listing on NASDAQ resulting in cash of $53 million, net of $4.9 million of share issuance costs, as well as from our subordinated debenture units of $14.0 million, net of expenses of $1.0 million, and our share of operating cash flow from CWI.

Our plan is to use our current cash, cash equivalents and short-term investments, our share of CWI profits, borrowings under our credit facility and proceeds from the sale of our remaining investment in Clean Energy, valued at $1.4 million as at March 31, 2009, to fund our committed milestones and obligations for our current programs. We will also continue to seek third party and government funding on commercially acceptable terms to offset costs of our investments; however, there are no guarantees that we will be successful in obtaining third party funding on acceptable terms or at all.

Our $13 million credit facility with our bank has been drawn down by our demand installment loan of $4.6 million and is subject to and limited by financial covenants, which may prevent us from drawing against the full amount of the line. As at March 31, 2009, we had access to the full amount of the line. During the year, our bank increased the interest rate payable on our credit facility from prime minus 0.25% to prime plus 0.25% for borrowings up to $5 million due to the current credit environment.

Westport's capital requirements will vary depending on a number of factors, including: the timing and size of orders for our LNG systems, our ability to successfully launch products on time, our supply chain and manufacturing requirements, our success in executing our business plan, relationships with current and potential strategic partners, commercial sales and margins, product reliability, progress on research and development activities, capital expenditures and working capital requirements. We also review investment and acquisition opportunities on a regular basis for technologies, businesses and markets that would complement our own products or assist us in our commercialization plans. Significant new orders, expanded engine programs, acquisitions or investments could require additional funding. If such additional funding is not available to us, if expected orders do not materialize or are delayed, or if we have significant overspending in our programs, we may be required to delay, reduce or eliminate certain research and development activities, reduce or cancel inventory orders, and possibly forego new program, acquisition or investment opportunities. Any of those circumstances could potentially result in a delay of the commercialization of our products in development and could have an adverse effect on our business, results of operations, liquidity and financial condition.

This "Capital Requirements, Resources and Liquidity" section contains certain forward looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers are encouraged to read the "Forward Looking Statements and Basis of Presentation" sections of this MD&A which discusses forward-looking statements and the "Risks and Uncertainties" section of this MD&A and of our Annual Information Form.

SHARES OUTSTANDING

For the years ended March 31, 2009, 2008 and 2007, the weighted average number of shares used in calculating the loss per share was 30,268,947, 25,167,966 and 21,478,521, respectively. During the year ended March 31, 2009, we granted 39,280 stock options and 667,815 performance share units relating to our long-term incentive programs. As part of the debenture units issued on July 3, 2008, we also issued 771,428 warrants with a strike price of $18.73 and 46,118 broker warrants with a strike price of $16.10. We also issued 790,614 warrants with a strike price of $10.65 to the Government of Canada, as required under our funding agreement. Shares, share options and performance share units outstanding and exercisable as at the following dates are shown below:

	March 31, 2009		May 19, 2009	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Shares outstanding	32,040,540		32,041,492	
Share Options				
- Outstanding	1,136,163	7.32	1,131,132	7.29
- Exercisable	786,282	7.53	782,203	7.48
Performance Share Units				
- Outstanding	1,729,970	N/A	1,729,970	N/A
- Exercisable	597,560	N/A	597,560	N/A
Warrants				
- Outstanding and exercisable	1,608,160	14.68	1,608,160	14.68

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF FOURTH QUARTER 2009

Our revenues and operating results can vary significantly from quarter to quarter depending on the timing of product deliveries, product mix, product launch dates, research and development project cycles, timing of related government funding and foreign exchange impacts. Net loss has and can vary significantly from one quarter to another depending on operating results, gains and losses from investing activities, stock-based compensation awards, recognition of tax benefits and other similar events.

The following table provides summary unaudited financial data for our last eight quarters:

Selected Quarterly Operations Data (unaudited)

Selected Quarterly Operations Data (unaudited) Three months ended	30-Jun-07	30-Sep-07	31-Dec-07	31-Mar-08	30-Jun-08	30-Sep-08	31-Dec-08	31-Mar-09
Units shipped	533	867	801	519	1,078	1,460	824	676
Average foreign exchange rate (C$:US$)	$ 1.10	$ 1.04	$ 0.98	$ 1.00	$ 1.01	$ 1.04	$ 1.21	$ 1.25
(expressed in thousands of Canadian dollars except per share) Product revenue	$ 11,842	$ 16,639	$ 15,488	$ 11,269	$ 21,428	$ 34,332	$ 25,448	$ 21,547
Parts revenue	$ 3,888	$ 4,530	$ 3,822	$ 4,058	$ 4,081	$ 4,680	$ 5,606	$ 4,715
Total revenue	$ 15,730	$ 21,169	$ 19,310	$ 15,327	$ 25,509	$ 39,012	$ 31,054	$ 26,262
Cost of sales	$ 10,392	$ 15,116	$ 12,756	$ 10,759	$ 17,170	$ 29,785	$ 24,733	$ 19,332
Gross margin	$ 5,338	$ 6,053	$ 6,554	$ 4,568	$ 8,339	$ 9,226	$ 6,321	$ 6,930
	34%	*29%*	*34%*	*30%*	*33%*	*24%*	*20%*	*26%*
Net income (loss) for the period	$ (4,724)	$ (4,867)	$ 7,401	$ (8,125)	$ (3,463)	$ 676	$ (8,928)	$ (12,710)
Earnings (loss) per share:								
Basic	$ (0.22)	$ (0.19)	$ 0.28	$ (0.30)	$ (0.13)	$ 0.02	$ (0.28)	$ (0.43)
Diluted	$ (0.22)	$ (0.19)	$ 0.26	$ (0.30)	$ (0.13)	$ 0.02	$ (0.28)	$ (0.43)
Cash from (used in) operations before change in non-cash operating working capital	$ (3,372)	$ (2,645)	$ (3,339)	$ (8,238)	$ (2,548)	$ (3,947)	$ (8,288)	$ (10,842)
Company's 100% share of CWI net income	$ 1,160	$ 2,412	$ 8,870	$ (810)	$ 3,234	$ 2,800	$ 258	$ 1,540
Joint Venture Partner's share of CWI net income	$ 580	$ 1,206	$ 4,435	$ (405)	1,617	1,400	$ 129	$ 770

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

Our total consolidated revenues for the three months ended March 31, 2009 were $26.3 million, an increase of $11.0 million or 72% from the same period in fiscal 2008 ($15.3 million.) On a U.S. dollar basis, consolidated revenues increased by 38%. CWI product revenues were up $10.7 million as the result of increased volume of ISL G sales in the quarter and a delay in the completion of the integration of the ISL G in the fourth quarter of fiscal 2008 at an OEM, which caused planned deliveries to slip into fiscal 2009. CWI also had kit revenue which is included in product revenue, of $3.4 million in the fourth quarter of fiscal 2009 compared with $0.1 million in the fourth quarter of 2008 due to the Delhi Transport Corporation order. Non-CWI product revenues also increased by $0.2 million with 5 LNG systems shipped in the fourth quarter of fiscal 2009 compared with none in the previous year.

Net loss for the three months ended March 31, 2009 was $12.7 million compared to net loss of $8.1 million in the three months ended March 31, 2008. Gross margin increased by $2.4 million on higher revenues, and gross margin percentages decreased from 30% in the fourth quarter of fiscal 2008 to 26% in fiscal 2009 as the result of higher warranty accruals on the ISL G units, inventory adjustments and changes in product mix. Our share of CWI's net income increased by $1.2 million from a loss of $0.4 million to a contribution of $0.8 million, primarily because of increased revenues and lower sales and marketing expenses in the period offset by increased taxes. In the fourth quarter of fiscal 2008, CWI made a special $1.4 million accrual to support customer operational issues associated with a discontinued product. In fiscal 2009, CWI fully utilized its remaining tax loss carry-forwards, resulting in recognition of tax expense of $1.6 million versus a tax recovery of $0.4 million in the fourth quarter of fiscal 2008.

Non-CWI net loss in the fourth quarter of fiscal 2009 was $13.5 million compared to a net loss of $7.7 million in fiscal 2008. We incurred additional costs relating to research and development of $1.8 million including royalty payments to TPC ($0.3 million), a reduction of government funding ($0.2 million), together with increased production, OEM integration costs and 2010 product initiatives. We also incurred increased general and administrative expenses relating primarily to costs associated with being a dual-listed public company and accrued annual bonuses and severance in the period. Sales and marketing expenses including our heavy duty LNG sales activities and emerging market as well current product support costs accounted for an increase of $0.8 million. We also incurred Kenworth integration expenditures and new product-related costs of $0.7 million. Interest expense increased by $0.6 million as a result of our $15 million of subordinated debenture units. We also recognized a gain on sale of Clean Energy shares in the fourth quarter of 2008 of $0.5 million and a non-CWI foreign exchange gain of $0.6 million in the fourth quarter of 2008, while there were no similar gains in the fourth quarter of 2008.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	2-3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	14,359	14,359	14,359	—	—	—
Demand instalment loan	4,642	4,950	1,494	2,568	888	—
Short-term debt	1,614	1,614	1,614	—	—	—
Subordinated debenture	18,037	18,037	1,350	16,687	—	—
Other long-term debt	52	57	17	27	13	—
Operating lease commitments	—	5,795	1,734	2,594	1,402	65
Royalty payments	1,350	28,189	1,350	2,700	2,700	21,439
Investment in Joint Venture	—	5,273	5,273	—	—	—
	6,044	44,264	9,868	7,889	5,003	21,504

Contractual Commitments

Capital lease obligations related primarily to office equipment, have terms of two to five years and have interest rates ranging from 1.15% to 6.17%. Operating lease commitments represent our future minimum lease payments under leases related primarily to our operating premises and office equipment.

Demand Installment Loan

As of March 31, 2009, we had $4.6 million in a demand installment loan outstanding, down $1.2 million from $5.8 million as at March 31, 2008. The loan is drawn against our line of credit of $13 million and bears interest at prime plus 0.25% for amounts under $5.0 million with further rate reductions applying above $5.0 million.

Short-term Debt

Short term debt is repayable only based on the sale of certain product. The Company has assumed these sales will take place within a year.

Subordinated Debenture Notes

Subordinated debenture notes bear interest at 9% per annum and mature on July 3, 2011. Interest is payable semi-annually and the principal amount is repayable on maturity. The Company has the option to redeem at any time after 12 months and before 18 months from the date of issue at 115% of the principal amount and at 110% of the principal amount after 18 months.

Contingent off-balance sheet arrangements

GOVERNMENT FUNDING

We are continually exploring strategic opportunities to work with governments to provide them with alternative fuel solutions. As a result of our government partnerships, we recognized $2.0 million in government funding in 2009 compared with $3.7 million in fiscal 2008 and $5.2 million in fiscal 2007. Under certain repayment terms, we are obligated to repay royalties as follows:

AGREEMENT	DESCRIPTION	ROYALTIES	TERM
INDUSTRIAL TECHNOLOGIES OFFICE (FORMERLY TECHNOLOGY PARTNERSHIPS CANADA)	Fund 30% of the eligible costs of, among other research projects, the adaptation of Westport's technology to diesel engines, up to $18.9 million.	Annual royalties equal to the greater of $1,350,000 or 0.33% of annual gross revenues from all sources, provided that gross revenues exceed $13.5 million.	Fiscal 2009 to fiscal 2015, inclusive; royalty period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $28,189,000.
DEPARTMENT OF NATURAL RESOURCES CANADA	Funded $1 million for demonstration of a low emissions natural gas power generator in Grande Prairie, Alberta.	1% of revenues from future sales of natural gas engines for power generators.	Earlier of 10 years from project completion date (August 30, 2004), or when cumulative royalties total $1 million.

As at March 31, 2009, no royalties have been paid. An amount payable of $1.35 million relating to ITO has been accrued as at March 31, 2009 and may be due and payable by July, 31, 2009, if we are not successful in our discussions with TPC to extend the work phase of our agreement by another year. If we are successful in our request, payment of royalties will commence in fiscal 2011.

Business Risks and Uncertainties

An investment in our business involves risk and readers should carefully consider the risks described in our Annual Information Form and other filings on www.sedar.com and www.sec.gov. Our ability to generate revenue and profit from our technologies is dependent on a number of factors, and the risks identified below, if they were to occur, could have a material impact on our business, financial condition, liquidity, results of operation or prospects. While we have attempted to identify the primary known risks that are material to our business, the risks and uncertainties described below may not be the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operation or prospects.

A full discussion of the risks impacting our business is contained in the Annual Information Form for the year ended March 31, 2009 under the heading "Risks" and is available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

We use certain non-GAAP measures to assist in assessing our financial performance and liquidity. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Non-GAAP measures and reconciliations to financial statement line items for the periods indicated are as follows:

Cash flows from operations before changes in non-cash working capital

(expressed in thousands of Canadian dollars)

	2009	2008	2007
Cash flows from operations:			
Loss for the year	$ (24,425)	$ (10,315)	$ (11,307)
Items not involving cash:			
Depreciation and amortization	1,978	1,550	1,410
Stock-based compensation expense	2,246	664	2,089
Accretion of TPC warrants	—	—	571
Future income tax recovery	3,245	(4,691)	(3,455)
Change in deferred lease inducements	(321)	(251)	(164)
Gain on sale of long term investments	(14,275)	(10,659)	(8,120)
Joint Venture Partner's share of income from joint venture	4,221	5,564	6,057
Loss from investment accounted for by the equity method	1,021	—	—
Interest on long-term debt, amortization of discount and other	866	690	1,663
Other	(181)	(146)	(69)
Cash flows from operations before changes in non-cash operating working capital	$ (25,625)	$ (17,594)	$ (11,325)

Exhibit 4



Code of Conduct

July 2008

"Creating a Better World through Innovative Energy Solutions"

Westport Code of Conduct

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Letter from the CEO

Dear Fellow Westporter,

When a small group of UBC engineers headed by Dr. Phil Hill founded Westport on April 1, 1996, they built into the company certain values that make us what we are today. Those values are: a passion for technology and innovation, a strong sense of teamwork, the belief that individuals and corporations can make real contributions to society, and above all, that everything we do must be guided by personal integrity and ethical behavior. Each one of us is a representative of Westport. How we conduct ourselves and interact with each other, customers, shareholders, suppliers and government and other regulatory agencies is a reflection on who we are as individuals and who we are as a company.

Westport's Code of Conduct is not meant to be a document that is read once and then put away for another year. It is intended to encapsulate our shared values and be an expression of each Westporter's personal commitment to uphold those values. It provides guidelines for making everyday business decisions that not only comply with all legal and regulatory requirements, but also inspires trust and respect from our partners and stakeholders. This document also serves as a benchmark for holding each other and ourselves accountable.

I do not need to tell Westporters how to behave. However, I am asking you to read and commit to our Code of Conduct and to be responsible for upholding our values. Only by doing that, can we fully realize our potential to change the world.



David Demers
Chief Executive Officer

Introduction

The integrity and good judgment of our people is the foundation of Westport's business success. What follows are general principles by which we can judge our day-to-day business conduct. We believe that these principles reflect what we are doing today, and that their application is self-evident. These form the ethical foundation on which we base our decisions and actions as individuals and as a complete organization.

Our Commitment to Ethical and Legal Conduct

At Westport, we expect all members of our organization to act in a clear ethical manner and to comply with all applicable laws and regulations at all times. Westport's Code of Conduct ("Code") does not alter that basic assumption in any way.

We will conduct our business with honesty, integrity and fairness at all times. This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that Westport files with, or submits to, the applicable securities regulatory authorities and other public communications made by Westport;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of Code violations to an appropriate person or persons identified in the Code; and
- accountability for adherence to the Code.

This Code details some specific situations where further guidance may be appropriate. This Code does not provide answers for every situation or possible 'grey areas' or dilemmas we may confront. It does, however, provide substantial guidance on acceptable business conduct and individual behavior for various ethical and legal issues. In almost all circumstances, we should be able to make the right decision by answering the following questions:

- Is what we are proposing to do legal?
- Is it right?
- Is it fair?

- Is it consistent with our mission and values?
- Could I clearly explain my decision to all stakeholders with pride?
- Would I feel proud if my actions were described in public print?

This Code also provides the basis for a number of our other corporate policies, such as our Intellectual Property, Disclosure, Insider Trading, Expense, Information Technology and Harassment policies, which are described in more detail on our employee intranet. These additional policies form part of this Code of Conduct and should be read in conjunction with the Code. This Code does not attempt to summarize all laws, rules and regulations applicable to Westport or its business. Please consult with our Corporate Counsel if you have questions on specific laws, rules and regulations that you think may be applicable to Westport or its business.

Application of the Code of Conduct

This Code applies to everyone in our organization, including our directors, officers, employees, contractors and agents ("Westporters"). This Code also applies to any Westporter working in a Westport subsidiary company or joint venture. It is our duty to ensure that everyone stays in compliance and, if there is a breach, it is immediately corrected.

An up-to-date copy of the Code is available on the employee intranet. Once a year, everyone in the Westport organization will certify that they have read, understood and agreed to comply with the Code.

Every Westporter is responsible for ensuring the Code is followed at all times and is obligated to bring any concerns or suspected breaches forward to their manager or to a senior officer of Westport. An Ethics Hotline available via the employee intranet and the internet has also been established to allow concerns to be voiced anonymously. Team leaders and other managers are also responsible for ensuring that this Code is understood and followed by all employees, contractors and agents for whom they are directly or indirectly responsible.

Westport's Responsibilities To Its Stakeholders

Westport's stakeholders include our shareholders, employees, partners, customers, suppliers, governments, local communities and the environment in which Westport operates.

All members of our organization are required to conduct themselves honestly, in good faith and with Westport's best interests in mind.

Shareholders

Our primary obligation to shareholders is to preserve and enhance the value of their investment in Westport, in other words, to maximize shareholder value. Westport recognizes that effectively managing stakeholder relationships significantly contributes to enhancing shareholder value.

However, this commitment to enhancing shareholder value does not mean that illegal, unsafe or unethical acts will ever be condoned or justified on the grounds of the pursuit of profit; nor does it mean that other stakeholders will have their legitimate interests harmed.

Employees

Westport and Westporters respect the individuality, dignity and worth of every Westporter and seek to foster a work environment that encourages, recognizes, and rewards each individual's creativity and productivity. Westport undertakes to: (i) provide a safe and healthy workplace; (ii) create and maintain a work and business environment that is free from discrimination and harassment; (iii) communicate in a forthright and timely manner information material to its employees; and (iv) respect employee privacy, including the right to have personal information treated as confidential.

Customers

Westporters are personally committed to satisfying Westport customers by supplying products that meet or exceed our customers' expectations in terms of product quality, value, utility and safety. It is our objective to perform all our business activities with a dedication to quality and safety, including the quality of the products we offer and the quality of our services to our customers.

Partners and Suppliers

Westport will treat its partners and suppliers with respect and integrity. When contracting with a partner or supplier, Westporter's will act objectively and fairly and will avoid even the appearance of impropriety or conflict of interest. Of course, we will always seek to obtain the best value for Westport on the basis of price, quality and service. In any situation where there may be the appearance of impropriety, it is the duty of the Westporter to bring the matter to the attention of his or her immediate supervisor or senior officer as soon as reasonably possible.

Governments

Westport and each of its members are committed to deal openly and honestly with each governmental agency that has responsibility or interest in Westport's business and other affairs.

Communities and the Environment

As a responsible corporate citizen, we acknowledge that our role is to contribute positively to the communities in which we operate. While compliance with all applicable laws and regulations forms the foundation of this commitment, we recognize there is always the potential to minimize the environmental impact of our operations and/or products by going above and beyond legal requirements. Employees are expected to help identify or report those activities that may adversely affect the environment or our neighbors. All community inquiries or complaints will be investigated and responded to in a timely manner.

Employment Policies

Westport is committed to the principles of equality and rewarding excellence according to one's demonstrated ability and potential. We want to maintain our high levels of employee motivation and commitment and our reputation as a great place to work. Our work environment is based on all Westporters demonstrating mutual trust, respect and concern for the safety and well being of all Westporters.

The basic principles we follow are:

- Discrimination- and harassment-free work environment
- Safety and respect for the environment
- Promotion of the health and well being of employees
- Open communications

A Discrimination- and Harassment-Free Workplace

Westport will maintain a working environment that provides equal opportunity and one that is free from discrimination and harassment on the grounds of age, race, colour, religion, creed, gender, nationality, ethnicity, place of origin, citizenship, language, political belief, marital or family status, pregnancy, sexual orientation, disability or any other prohibited ground of discrimination or harassment.

Discrimination may be defined as any distinction in intent or effect that is based on these prohibited grounds. Discrimination has the effect of imposing burdens or disadvantages on an individual or group that are not imposed on others, or withholding benefits or advantages that are available to others.

Harassment is a type of discrimination and can take many forms (verbal, written, oral, electronic, or physical), but generally involves unwelcome conduct that is insulting, demeaning, malicious, or offensive in the view of the recipient. Westport employees have the right to have their dignity as human beings respected and to work in an environment free from harassment. Examples of harassment may include unwelcome remarks, jokes, nicknames, racial or ethnic slurs or stereotypes, or taunting linked to prohibited grounds and which undermine self-respect or adversely affect performance or working conditions.

Westport will take very seriously any allegations of discrimination or harassment. A more detailed description of our Discrimination and Harassment policy as well as the investigation and discipline process to be followed can be found on the employee intranet. If a person knows, or ought reasonably to have known, that discrimination or harassment may have occurred and fails to take appropriate action, the person or group that has condoned the discrimination or harassment, as well as the alleged perpetrator, may be subject to discipline, up to and including termination.

Safety and Respect for the Environment

Westport is committed to the health and safety of our employees and the public, the protection of the environment and the safe design and operation of our facilities and products. All Westporters are expected to work safely in accordance with established policies and procedures, report hazards or deficiencies that could contribute to an incident, stop or seek clarification for activities/tasks that may be unsafe and make suggestions to improve workplace safety. Detailed safety and environmental procedures are in place and all Westporter's are required to learn the applicable procedures and adhere to them. If in doubt, the Safety Officer should be consulted. Violations of our safety and environmental policies will result in disciplinary action being taken, up to and including termination.

Promotion of the Health and Well Being of Employees

Although we need to respect the privacy of our employees, in some circumstances it is both appropriate and expected that we will intervene in situations that are potentially damaging to the employee or people who work with them. In all circumstances, the Human Resources Officer should be consulted.

A workplace that is safe and free of any and all threats of violence or acts of violence is paramount to Westport. There will be zero tolerance for any kind of workplace violence or threat of violence. It is the responsibility of Westporters to be aware of what is going on around them and to report immediately to his or her supervisor or to Human Resources any act of violence or the threat of any violence that might endanger the safety of a Westporter.

Open Communications

All Westporters have the right to present any concerns or complaints, or simply to put questions, directly to senior management of Westport. Working together in an atmosphere of trust, respect and understanding is important if we are to maintain a productive work environment. We encourage all Westporters to speak up if clarification of an issue is needed, to make suggestions on how we can improve, or to report a problem. Anyone can go directly to any senior manager, including the CEO. No one will face retaliation or discipline for raising what they believe is an honest issue or concern.

Employment Abroad

As our operations and partnerships expand internationally, Westport is committed to respect of all fundamental and universally recognized human rights based on accepted international laws and practices such as those set out in the United Nations Universal Declaration of Human Rights and by the International Labour Organization.

Business Policies

Integrity of Books and Records

Every transaction between Westport and its stakeholders must be evidenced by the appropriate legal, accounting and supporting documents and reflected in Westport's books promptly, accurately and completely. No asset, liability or transaction is ever to be concealed from management, internal or external auditors or other persons, including governmental, regulatory and tax authorities. Any deception or other improper circumvention of generally accepted accounting standards is also prohibited.

All members of Westport are encouraged to question and report any transactions that appear to be contrary to these established policies.

Protecting and Managing Westport Assets

It is the obligation of all Westporters to protect and preserve Westport's assets and resources, including both physical and non-physical assets. Physical assets include, but are not limited to: electronic email, computer systems, vehicles, facilities and their infrastructure, equipment, materials, and corporate credit cards. Any use of these assets for purposes other than the discharge of Westport business or for pre-approved incidental purposes is prohibited.

Non-physical assets are the result of the hard work of Westporters and give us a competitive advantage in the marketplace. They include our confidential information, which can include unpublished technical reports, customer lists and other original compilations of information, business strategies and other management and business information, as well as intellectual property such as our know-how, our manufacturing processes and specifications, and our other trade secrets, our unpublished patent applications, and our patent and trademark strategies. Confidential information does not include information that we have disclosed publicly. It is the responsibility of all Westporters to know which information is confidential and to protect these assets by not disclosing or distributing any information that is confidential unless authorized by a Westport officer and not until after following all necessary safeguards for protecting that information.

Upon leaving Westport, a Westporter must return all Westport property. Former Westporters have an ongoing obligation to maintain the confidentiality of information that is confidential to Westport. Westport retains ownership of any intellectual property created by a Westporter while employed by Westport.

Competitive Business Practices

Westport and each of its affiliates will compete vigorously and fairly in the marketplace on the basis of price, quality, and service in accordance with the letter and spirit of competition laws.

Westporters will not belittle competitors. Information about a competitor's technological developments or market activities must be acquired only through legal and ethical means. To acquire or divulge confidential information by inappropriate means is a breach of duty that can expose the discloser and Westport to significant legal liability.

Communication with Media and Other Outsiders

Only certain people within Westport are authorized to speak on Westport's behalf to the media or to outside agencies such as governments or the investment community. It is every Westporter's responsibility to read and understand Westport's Disclosure Policy, which can found on the employee intranet. All inquiries for information should be referred to our Investor Relations and Communications Group.

Internal Controls and the Authority to Make Westport Commitments

Westport's legal and accounting systems and contracting, business and operational processes are designed to protect its assets and provide the appropriate controls needed to run the business. Bypassing these internal controls, making business commitments on behalf of Westport outside of these processes, and engaging in unauthorized business activities is strictly prohibited. Commitments to enter into any business arrangement, including contracts to provide services or to spend funds, must be approved by a company officer, unless the approval authority has been specifically delegated in writing. All Westport commitments must also have visibility to Westport's Finance and Legal departments to ensure the accuracy of our financial books and records.

Financial Management

Westport requires ethical conduct in the practice of financial management and any and all activities that impact on the financial results of Westport from all Westporters. Certain Westporters hold important roles in corporate governance and financial reporting. They are uniquely positioned and empowered to ensure that Westport's and its stockholders' interests are appropriately balanced, protected and preserved. Such Westporters will provide full, fair, accurate, complete, objective, and timely financial disclosures in documents filed or submitted to the securities regulatory authorities, any other government agency or self-regulatory organization, or used in public communications.

Conflicts of Interest

Westporters must act in the best interests of Westport at all times. A conflict of interest arises when a Westporter must choose between Westport's best interests and his or her own. Westporters must not engage in, or give the appearance of engaging in, an activity involving a conflict, or reasonably foreseeable conflict, between personal interests and those of Westport.

Certain situations of conflict of interest are clear and unambiguous. It is impossible to list all of the ways in which conflicts may arise and to identify the best way of handling each one, until the matter has arisen.

Whenever there is a conflict, possible conflict or possible perception of conflict of interest, however, Westporters must, as soon as possible, disclose this to their manager or to a Westport senior officer and take appropriate actions to ensure that the conflict, possible conflict or possible perception of conflict does not result in improper behaviour. Some situations may result in both you and your supervisor being involved in the conflict and, in such situations, the disclosure and discussion regarding the handling of the matter should move up the reporting structure until someone is involved who does not have such conflict.

Use of Position

Westporters must not take personal advantage of or gain from business or personal opportunities that are presented or discovered as a result of their position with Westport or through the use of corporate information, resources, property, or misrepresentation of their position or Westport. Westporters will not use their position to obtain or provide inappropriate benefits or opportunities for financial gain to family members, business associates or friends. This action will result in disciplinary action being taken, up to and including termination.

Accepting and Giving Gifts and Benefits

Accepting money, gifts or other benefits from customers, suppliers and others to influence your decision is not acceptable and Westporters must immediately report incidents of offers of money, gifts or other benefits to their manager or a Westport senior officer. Some gifts or benefits or tokens of nominal value are acceptable with the normal exchange of hospitality between persons doing business together or exchanged as part of protocol, provided that there is no suggestion that this benefit could affect your judgment or the proper performance of your duties. Westporters should consider the circumstances, timing, and nature of the gift when deciding whether it is appropriate. When in doubt, seek the opinion of your supervisor or an impartial manager.

Westport does not allow the giving of gifts, favours, personal advantages, loans or benefits of any kind to current or potential suppliers, customers, partners or government agencies (or their employees), other than gifts of nominal value with the normal exchange of hospitality between persons doing business together or exchanged as part of protocol. Any gift in this situation from Westport requires pre-approval from your manager and must be of a nominal nature within generally accepted business practices. Under no circumstances, will bribes or gifts of cash be tolerated.

Other Business or Employment

A Westporter having an outside business, employment or other interest that interferes with the ability to perform his or her Westport duties could have a conflict of interest. In such a case, the individual must fully disclose his or her activities in such outside activity, and obtain prior written approval from an objective supervisor before engaging in the disclosed activities.

We respect the rights of Westporter's to manage their own financial affairs and investments. However, potential conflicts may arise if one holds a financial stake in a competitor, supplier or customer. Disclosure of this interest to a senior officer of Westport should be made as soon as this situation first arises.

Conducting non-Westport business on Westport time or using Westport facilities, resources or equipment for personal gain without prior disclosure to and approval from an objective senior officer is strictly prohibited.

A conflict of interest arising from other business and employment can be grounds for dismissal if such conduct has not been pre-approved in writing by a senior officer.

Community Involvement

Westport encourages community and charitable activities, which could include elected or appointed and paid or voluntary participation in public or civic affairs. However, these outside activities should not result in inferior job performance, unapproved time away from work, or conflicts of interest. Conflicts of interest may arise, for example, when a Westporter is campaigning, donating, or running for office, or is participating or associating with an outside entity, and may be seen by some to be acting or speaking on behalf of Westport during this participation. Conflicts may also occur when a Westporter's independent judgment is, or is seen to be, compromised as a result of this or other forms of outside participation. Consequently, if such activities give rise to a perceived conflict of interest or other difficulties mentioned above, Westporters are required to obtain approval from a senior officer before engaging in such participation or association.

Confidentiality and Privacy

Westport respects the privacy rights and right to security of information of all stakeholders, including employees, partners, customers and suppliers. Westport preserves confidential and/or personal information, ensuring proper access and use of such information only for Westport's legitimate business purposes.

Confidential Information

Westporters have access to corporate information – both ours and that of our partners — that is sensitive, confidential and extremely valuable. This information includes customer information, company strategies, financial and competitive information, and other forms of confidential or non-public information, including intellectual property such as technical know-how and processes and other trade secrets. The unauthorized release of these types of information is potentially very harmful to Westport and its stakeholders. In some cases disclosure is illegal. Westporters must therefore use extreme care when dealing with confidential or sensitive information. Unless otherwise authorized by Westport's Corporate Counsel or a senior officer of the company, such information shall not be released to anyone outside Westport who is not authorized or legally entitled to receive it. We must take all practical measures required to preserve the confidentiality of such information.

A more formal policy guideline is available on the employee intranet.

Personal Information

Westport will not collect any personal information from our employees, directors, contractors, partners, customers and suppliers without explaining the purpose for collecting the information and then obtaining consent from the individual giving the information to use it for the specified purpose. Westport will destroy personal information that is no longer needed for the purpose for which it was collected. Westport will take reasonable steps to ensure that personal information is accurate and complete. Westport's designated Privacy Officers are responsible for ensuring Westport's compliance with privacy laws. Individuals can verify the accuracy of their own personal information that has been collected by Westport by contacting one of Westport's Privacy Officers. Westport has security procedures in place for safeguarding all personal information that it collects.

A more formal policy guideline is available on the employee intranet.

Patents and Other Intellectual Property

We must protect our intellectual property, including confidential information about unpublished patent applications, trade secrets, know-how, and other confidential information in our knowledge base that is valuable to our business. If we fail to protect our intellectual property, our shareholders' value in Westport could be greatly damaged.

Intellectual property created by Westporters while employed by Westport is the property of Westport, including intellectual property created during non-business hours, if the intellectual property relates to Westport's technology or business.

Insider Trading and Other Securities Issues

Westporters must not personally exploit any financial opportunity on the basis of any confidential information derived by reason of being an employee or contractor of Westport. This includes trading in Westport shares or any other company's securities. It is every Westporter's responsibility to read and understand Westport's Trading Policy, which can found on the employee intranet.

By law, no person or entity is permitted to trade securities of Westport or of any other company when they have undisclosed material information about that company that could, if disclosed, have an effect on the market price of those securities. Westporters must not disclose such information to any non-Westporter, including members of their family and friends. Such actions are very serious offences and anyone who becomes aware of any leak of confidential information must report this immediately to Westport's Corporate Counsel. Securities and other legislation in Canada and the United States, including the Canadian Criminal Code, provide for imprisonment and very large fines in cases of a breach of these rules.

Monitoring and Enforcing This Code

Compliance with the letter and the spirit of this Code is a condition of employment for all Westporters . Contravention of this Code may result in disciplinary action that could include dismissal or termination of the contractual relationship. For more serious breaches, civil action on behalf of Westport, and possible criminal prosecution by the appropriate authorities, may follow.

If a Westporter is unsure about the ethical aspect of any Westport decision or transaction, including specific issues of interpretation or clarification of anything contained in this Code, or is concerned about potential breaches of this Code, the Westporter is required to discuss the matter, before acting, with his or her immediate supervisor. If that is not possible or appropriate in the circumstances, then the Westporter is required to pursue the matter with a senior officer of Westport or send an e-mail describing his or her concern through the Ethics Hotline accessible through the employee intranet. If the issue is especially sensitive, it should be discussed directly with Westport's CEO or Corporate Counsel.

All information provided will be maintained in confidence to the fullest extent possible. No retaliatory action will be taken against any Westporter for refusing to participate in a breach or an apparent breach of the Code, or for disclosing ethical problems to an appropriate Westport officer or other Westporter.

Waivers of This Code

Any waivers of this Code for the benefit of directors or executive officers must be approved by Westport's board of directors.and must be disclosed in the appropriate filings with the applicable securities regulatory autrhorities.

SCHEDULE A: Westport Compliance Certificate

I have read the Westport Code of Conduct, the Disclosure Policy, and the Insider Trading Policy, in their entirety, and I understand and agree to comply with said policies.

I am aware of where I can find Westport's additional corporate policies listed within this Code. I agree to take it upon myself to read them and agree to comply with them.

I promise to act in an ethical manner, in compliance with all applicable laws and regulations, and with honesty, integrity and fairness at all times.

I agree that I am responsible for complying with this Code and I understand that I am expected to take all necessary and reasonable steps to ensure that this Code is followed and complied with.

If I become aware of a breach of this Code, I will promptly bring my concerns forward to a senior officer of Westport.

(Signed)

Date

Exhibit 5

CERTIFICATION

I, David R. Demers, certify that:

1. I have reviewed this annual report on Form 40-F of Westport Innovations Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: June 8, 2009

By: /s/ David R. Demers
Name: David R. Demers
Title: Chief Executive Officer

Exhibit 6

CERTIFICATION

I, Elaine A. Wong, certify that:

1. I have reviewed this annual report on Form 40-F of Westport Innovations Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: June 8, 2009

By: /s/ Elaine A. Wong
Name: Elaine A. Wong
Title: Chief Financial Officer

Exhibit 7

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Innovations Inc. (the "Company") on Form 40-F for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Demers, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 8, 2009

/s/ David R. Demers
David R. Demers
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Westport Innovations Inc. and will be retained by Westport Innovations Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 8

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Innovations Inc. (the "Company") on Form 40-F for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elaine A. Wong, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 8, 2009

/s/ Elaine A. Wong
Elaine A. Wong
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Westport Innovations Inc. and will be retained by Westport Innovations Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 9



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

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Fax (604) 691-3031
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Westport Innovations Inc.

We consent to the inclusion in this annual report on Form 40-F of our auditors' report dated May 14, 2009 on the consolidated balance sheets of Westport Innovations Inc. (the "Company") as at March 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three year period ended March 31, 2009 which are incorporated by reference in this annual report on Form 40-F of the Company for the year ended March 31, 2009.

"KPMG LLP"

Chartered Accountants

Vancouver, Canada
June 8, 2009

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.