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

FORM 40-F

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

OR

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

For the Nine months ended December 31, 2011

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 Number (if applicable))**	**(I.R.S. Employer Identification Number (if applicable))**

Suite 101, 1750 West 75th Avenue
Vancouver, British Columbia, Canada V6P 6G2
(604) 718-2001
(Address and telephone number of Registrant's principal executive offices)

Kirkland & Ellis LLP	**Copies to:**
333 South Hope Street	**Eva Davis**
Los Angeles, California, 90071	**Kirkland & Ellis LLP333 South Hope Street**
(213) 680-8508	**Los Angeles, California, 90071**
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)	**(213) 680-8508**

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:

x Annual Information Form x 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 December 31, 2011, 48,455,601 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 x Yes ¨ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes x No

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 on Form 40-F, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "project" and similar expressions, as they relate to the Company or the Company's 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. (" **CWI**"), Company and Westport Light Duty Inc. (formerly Juniper Engines Inc.) ("**WLD**"), products;
- the penetration of our existing markets and expansion of those markets;
- our ability to successfully launch new technology in light-, medium-, and heavy-duty markets initiatives;
- our ability to expand, exploit and protect our intellectual property;
- our capital expenditure and engineering investment programs;
- the future desirability and use of natural gas as an alternative fuel;
- commodity prices and the fuel price differential between natural gas, diesel and other petroleum-based products;
- ongoing relationships between us and our business and joint venture 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 and emissions regulations in the future;

- ongoing availability of government incentives and mandates for our technology;
- our ability to attract and retain personnel;
- production methods for our liquefied natural gas (“ **LNG**”), compressed natural gas (“ **CNG**”), and liquefied petroleum gas (“ **LPG**”), systems;
- increasing commercialization of our technologies;
- expansion of our product offerings;
- 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;
- our estimates and assumptions used in our accounting policies, and accruals, including warranty accruals, and financial condition;
- our compliance with environmental regulations; and
- our foreign subsidiaries’ past and potential future involvement with countries subject to Canadian and U.S. sanctions and embargoes.

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 on Form 40-F 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;
- the success of our business partners and original equipment manufacturers (" **OEMs**"), with whom we partner;
- future levels of government funding and incentives;
- competition from incumbent or new technologies;
- price differential between CNG, LNG and LPG relative to petroleum-based fuels;
- limitations on our ability to protect our intellectual property;
- potential claims or disputes in respect of our intellectual property;
- limitations in our ability to successfully integrate acquired businesses;

- limitations in the development of natural gas refueling infrastructure;
- 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 99.1 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.

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 December 31, 2011 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.0170.

ANNUAL INFORMATION FORM

The Company’s AIF for the fiscal year ended December 31, 2011 is filed as Exhibit 99.1 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 nine months ended December 31, 2011 and twelve months ended March 31, 2011 and 2010, including the report of the independent auditor with respect thereto, are filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company’s management’s discussion and analysis (“MD&A”) is filed as Exhibit 99.3 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.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management’s Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended December 31, 2011, included as Exhibit 99.3 to this Annual Report, under the heading “Disclosure Controls and Procedures and Internal Controls — Changes in Internal Control Over Financial Reporting”.

REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

See Audited consolidated financial statements of the Company and notes thereto for the nine months ended December 31, 2011 and twelve months ended March 31, 2011 and 2010 together with the report of the auditors thereon, included as Exhibit 99.2 to this Annual Report, under the heading “Report of Independent Registered Public Accounting Firm”.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended December 31, 2011, included as Exhibit 99.3 to this Annual Report, under the heading "Disclosure Controls and Procedures and Internal Controls — Changes in 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 M.A. (Jill) Bodkin, John A. Beaulieu, Gottfried Muench 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 99.1 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, 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 and the Management's Discussion and Analysis of Financial Condition and Results of Operations, 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, attached hereto as Exhibit 99.1, and is 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 M.A. (Jill) Bodkin 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, attached hereto as Exhibit 99.1, which 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 consolidated 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 $375,500 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 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 website, 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 amendments, waivers or implicit waivers to the Code during the nine months ended December 31, 2011. Shareholders may submit a request online at the Company's website www.westport.com for a free printed copy of the Code.

CONTRACTUAL OBLIGATIONS

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended December 31, 2011, included as Exhibit 99.3 to this Annual Report, under the heading "Contractual Obligations and Commitments".

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the nine months ended December 31, 2011 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 5615(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.

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.

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: February 29, 2012

EXHIBIT INDEX

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

Exhibit	Description
Annual Information	
99.1	Annual Information Form of the Company for the nine months ended December 31, 2011
99.2	Audited consolidated financial statements of the Company and notes thereto for the nine months ended December 31, 2011 and twelve months ended March 31, 2011 and 2010 together with the report of the auditors thereon
99.3	Management's Discussion and Analysis for the nine months ended December 31, 2011
Certifications	
99.4	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	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
99.7	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	
99.8	Consent of KPMG LLP

Exhibit 99.1

Westport Innovations Inc.

ANNUAL INFORMATION FORM
for the year ended December 31, 2011

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

Effective date: February 29, 2012



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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, including Westport LD products, increasing penetration within our existing markets and expansion of those markets geographically, and continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the headings "OVERVIEW", "GENERAL DEVELOPMENTS", and within "STRATEGY" under the subheadings, "WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS", and "Focus on Geographic Expansion by Penetrating Key Markets in Asia, Europe and Australia", and additionally, mid-range to heavy-duty engines including those described under the heading, "CWI ALTERNATIVE FUEL ENGINES");
- our ability to successfully launch new technology in light, medium and heavy duty and high-horsepower market initiatives (set out, for example, under the headings "OVERVIEW", "STRATEGY" and "RISK FACTORS);
- our ability to exploit and protect our intellectual property (set out, for example, under the headings "OVERVIEW", "INTELLECTUAL PROPERTY", and "RISK FACTORS" particularly under the subheadings, "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business");
- our capital expenditure and investment programs (set out, for example, under the headings, "OVERVIEW" and "RISK FACTORS" particularly under the subheadings "We may not realize the anticipated benefits from joint ventures, investments or acquisitions" and "We could be adversely affected by risks associated with acquisitions");
- the future desirability and use of natural gas as an alternative fuel and commodity prices and the fuel price differential between natural gas and diesel (set out, for example, under the headings "OVERVIEW", "STRATEGY" and "RISK FACTORS", particularly, under the subheadings, "Our growth is dependent on natural gas refuelling infrastructure that may not take place" and "Fuel price differentials are hard to predict and may be less favourable in future");
- ongoing relationships between us and our business partners and the results of our development programs with such partners (set out, for example under the headings "OVERVIEW", "GENERAL DEVELOPMENTS", and "STRATEGY", we make statements throughout these sections regarding such relationships), under the heading "RISK FACTORS", particularly, under the subheading "We are dependent on relationships with strategic partners", and future development program expectations as well as under the heading "OPERATIONS" under the subheading "Westport WiNG™ Power System Production" regarding availability of the WiNG ™ System;

- our ability to continue to compete with our competitors and their technologies, and the capital and operating costs of vehicles using our technologies relative to competing technologies (set out, for example, under the headings “STRATEGY”, particularly under the subheading “Maintain Leadership as Alternative Fuel Technology Providers”, and the headings “COMPETITIVE CONDITIONS” and “RISK FACTORS”, particularly, under the subheading, “We currently face, and will continue to face significant competition”);
- continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the headings “OVERVIEW”, “STRATEGY” and “RISK FACTORS”, particularly, under the subheadings “A market for engines with our fuel systems may never develop or may take longer to develop than we anticipate” and “Our growth is dependent on natural gas refueling infrastructure that may not take place”);
- profit margins and production costs of engines incorporating our technologies (set out, for example, under the headings “OVERVIEW”, “STRATEGY” and “RISK FACTORS”, particularly, under the subheadings “Warranty claims could diminish our margins” and “We have foreign currency risk”);
- the further development of infrastructure supporting the application of natural gas as an alternative fuel (set out, for example, under the headings, “OVERVIEW”, “STRATEGY”, “WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS” and “RISK FACTORS”, particularly under the subheading “Our growth is dependent on natural gas refueling infrastructure that may not take place”);
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets (set out, for example, under the headings “OVERVIEW”, “STRATEGY” and “RISK FACTORS”);
- increasingly stringent environmental and emissions regulations in the future (set out, for example, under the headings “OVERVIEW”, “STRATEGY” and “RISK FACTORS”);
- ongoing availability of government incentives and mandates for our technology (as set out, for example, under the headings “GENERAL DEVELOPMENTS” (references to the South Coast Air Quality Management District (“**SCAQMD**”) approving funding, and to the U.S. Department of Energy’s (“**DOE**”) Clean Cities program, “GOVERNMENT FUNDING” and under “RISK FACTORS”, particularly, under the subheading, “We are partly dependent on 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”);
- our ability to attract and retain personnel (as set out under the heading “HUMAN RESOURCES AND POLICIES” and “RISK FACTORS”, particularly, under the subheadings, “We may have difficulty managing the expansion of our operations” and “We could lose or fail to attract the personnel necessary to run our business”);
- demand for engines incorporating our technologies (as set out under the headings “GENERAL DEVELOPMENTS”, “STRATEGY” and “RISK FACTORS”, particularly, under the subheading, “A market for engines with our fuel systems may never develop or may take longer to develop than we anticipate”);

- the timing of commissioning of liquefied natural gas (“ **LNG**”) refuelling stations (as set out under the headings “ GENERAL DEVELOPMENTS” and “RISK FACTORS”, particularly under the subheading, “Our growth is dependent on natural gas refuelling infrastructure that may not take place”);
- production capacity and methods for our LNG system (as set out under the heading, “STRATEGY” for example under the subheading, “Achieve Automotive-Scale Production by Adding New Partners”, and also under the heading “WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS” and the subheading, “Westport HD System Production and Distribution”);
- increasing commercialization of our technologies and expansion of our product offerings and markets (as set out for example under the headings “OVERVIEW” and “GENERAL DEVELOPMENTS” where we refer to Kenworth’s announcement that it would introduce the ISL G natural gas engine in more models, where we refer to our announcement that Clark selected Juniper engines for certain forklifts, where we refer to Volvo entering an agreement under which we become a Tier 1 Development Supplier for heavy-duty natural gas engines and where we refer to AFV’s expansion plans as well as under “STRATEGY” where we refer to Westport LD’s intention to grow its business);
- our estimates and assumptions used in our accounting policies, accruals, including warranty accruals, and financial condition, and our adoption, timing and ability to meet certain accounting standards (as set out in Schedule “A” entitled “AUDIT COMMITTEE CHARTER” and in our quarterly and annual financial statements);
- the ability of our products to adapt to the use of biogas, renewable natural gas and manufactured fuels, including hydrogen, as fuels (as set out under the headings “OVERVIEW” (second paragraph) and “STRATEGY”); and
- our compliance with environmental regulations and regulatory policies (as set out under the headings “SOCIAL AND ENVIRONMENTAL POLICIES” and “RISK FACTORS”, particularly, under the subheading, “We could become liable for environmental damages resulting from our research, development or manufacturing activities”).

Such statements reflect management’s current views with respect to future events and are subject to certain risks and uncertainties and are based upon a number of factors 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. Such risks, uncertainties, factors and assumptions include, without limitation:

- market acceptance of our products (as set out, for example, under “RISK FACTORS”, particularly, under the subheadings “A sustained economic recession could negatively impact our business” and “Certain of our products may not achieve widespread adoption”);
- product development delays and delays in contractual commitments (as set out, for example, under “RISK FACTORS”, particularly, under the subheadings “We are dependent on relationships with strategic partners”, “We are dependent on relationships with our suppliers” and “Our limited production trials, commercial launch activities and field tests could encounter problems”);

- changing environmental regulations (as set out, for example, under “RISK FACTORS”, particularly, under the subheading “Changes in environmental and regulatory policies could hurt the market for our products”);
- the ability to attract and retain business partners (as set out, for example, under the heading “RISK FACTORS”, particularly under the subheadings “We are dependent on relationships with strategic partners” and “We are dependent on our relationship with Cummins for CWI revenues and profits”);
- the success of our business partners and original equipment manufacturers (“ **OEMs**”) with whom we partner (as set out, for example, under the heading “RISK FACTORS”, in particular under the subheading “We are dependent on relationships with strategic partners”);
- future levels of government funding and incentives (as set out, for example, under the heading “RISK FACTORS”, particularly, under the subheadings “We may be unable to raise additional capital”, “Potential fluctuations in our financial results make financial forecasting difficult” and “We are partly dependent on 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”);
- competition from other technologies (as set out, for example, under the heading, “RISK FACTORS”, particularly under the subheading “We currently face, and will continue to face, significant competition”);
- price differential between CNG, LNG and LPG relative to petroleum-based fuels (as set out, for example, under the heading “RISK FACTORS”, in particular under the subheading “Fuel price differentials are hard to predict and may be less favourable in the future”);
- limitations on our ability to protect our intellectual property (as set out, for example, under the heading “RISK FACTORS”, in particular under the subheading “We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success”);
- potential claims or disputes in respect of our intellectual property (as set out, for example, under the heading “RISK FACTORS”, in particular under the subheading “We could become engaged in intellectual property litigation or disputes that may negatively affect our business”);
- limitations in our ability to successfully integrate acquired businesses (as set out, for example, under the heading “RISK FACTORS”, in particular under the subheadings “We may not realize the anticipated benefits from joint ventures, investments or acquisitions” and “We could be adversely affected by risks associated with acquisitions”);
- limitations in the development of natural gas refueling infrastructure (as set out, for example, under the heading “RISK FACTORS”, in particular under the subheading “Our growth in dependent on natural gas refueling infrastructure that may not take place”);
- the ability to provide the capital required for research, product development, operations and marketing (as set out, for example, under the heading “RISK FACTORS”, particularly under the subheadings “We have incurred and continue to incur losses” and “Warranty claims could diminish our margins”);

- there could be unforeseen claims made against us (as set out, for example, under the heading “RISK FACTORS”, particularly under the subheadings “We could become subject to product liability claims”, “We could become liable for environmental damages resulting from our research, development or manufacturing activities” and “We could become engaged in intellectual property litigation or disputes that may negatively affect our business”);
- our international business operations could expose us to factors beyond our control such as currency exchange rates, changes in government policy, trade barriers, trade embargoes, and delays in the development of international markets for our products (as set out, for example, under the heading “RISK FACTORS”, particularly under the subheadings “We have foreign currency risk”, “If we do not properly manage foreign sales and operations, our business could suffer”, “We could be adversely affected by the operations of our joint ventures and joint venture partners” and “Some of our foreign subsidies may do business in countries subject to U.S. sanctions and embargoes, and we have limited managerial oversight over those activities”); and
- other risks relating to our common shares discussed in more detail in this AIF under the heading “RISK FACTORS” particularly under the subheadings “Our Common Share price may fluctuate”, “We do not currently intend to pay any cash dividends on our Common Shares in the foreseeable future; therefore our shareholders may not be able to receive a return on their Common Shares until 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”, “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” and, “We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us.”

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.

CURRENCY

Unless specifically stated otherwise, all dollar amounts set forth in this AIF are in U.S. dollars. On December 31, 2011, the Bank of Canada closing rate for one United States dollar was $1.0170 Canadian dollars.

YEAR END

On May 30, 2011, Westport’s board of directors (the “**Board**” or “**Board of Directors**”) approved a fiscal year-end change from March 31 to December 31 to align the year ends of all consolidated operating companies to the calendar year. As a result, references in this AIF to fiscal 2011 refer to the “stub” period of only nine months from April 1, 2011 to December 31, 2011, unless otherwise specified.

CORPORATE STRUCTURE

In this AIF, references to "**Westport**", "**the Company**", "**we**", "**us**" and "**our**" 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 4300, 888 3rd Street SW Calgary, Alberta T2P 5C5.

On July 21, 2008, Westport amended its articles to provide for the consolidation of its issued and outstanding common shares on the basis of one new common share for each three and one-half common shares issued and outstanding, with all such fractional shares being rounded down to the nearest whole number of common shares.

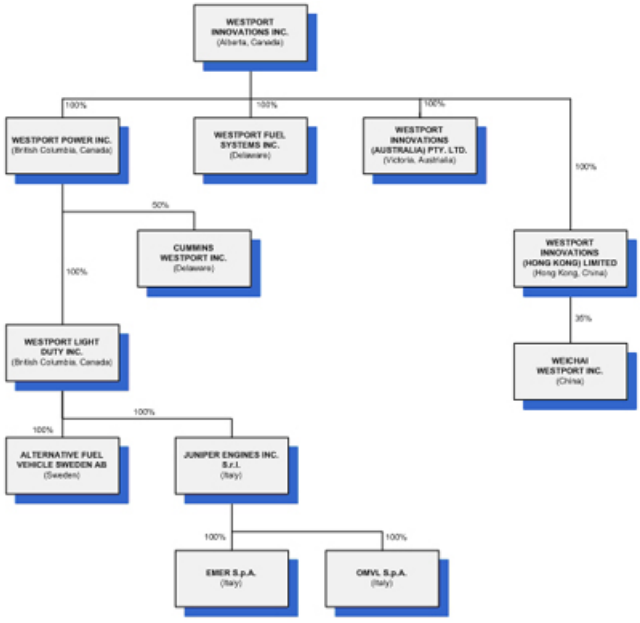
We have two material subsidiaries, Westport Power Inc. (" **WPI**"), which is 100% wholly-owned and incorporated pursuant to the Business Corporations Act (British Columbia) and Westport Light Duty Inc. ("**Westport LD**"), which is 100% wholly-owned by WPI, and incorporated pursuant to the Business 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, ("**Westport HK**") a Hong Kong, China corporation. Westport HK owns 35% of the voting securities of Weichai Westport Inc. ("**WWI**"), a Chinese corporation.

We, through WPI, own 50% of the voting securities of Cummins Westport Inc. (" **CWI**"), a Delaware corporation.

We, through Westport LD, own 100% of the voting securities of Alternative Fuel Vehicle Sweden AB (" **AFV**"), a Swedish corporation, and 100% of the voting securities of Juniper Engines Inc. S.r.l. ("**Juniper S.r.l.**"), an Italian corporation. Juniper S.r.l. owns 100% of the voting securities of Emer S.p.A. ("**Emer**"), an Italian corporation, and 100% of the voting securities of OMVL S.p.A. (" **OMVL**"), an Italian corporation.

Certain of our business operations, described in greater detail below, are undertaken through a business unit known as "Westport Heavy-Duty" or "Westport HD".



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 beginning on Page 3 of this AIF.

OVERVIEW

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Our technology and products enable light- (less than 5.9 litre), medium- (5.9 to 8.9 litre), heavy-duty (11 to 16 litre) and high-horsepower (greater than 16 litre) petroleum-based fuel engines to use primarily natural gas, giving users a cleaner, and generally less expensive alternative fuel based on a more abundant natural resource. To date, we have sold over 30,000 natural gas and propane engines to customers in more than 19 countries. We currently have strategic relationships with three of the world's top four engine producers and supply or have strategic relationships with six of the world's top ten truck producers, as well as seven of the world's top ten automotive manufacturers.

Since our founding in 1995, we have focused on developing technology that allows us to produce more environmentally sustainable engines without compromising the performance, fuel economy, durability and reliability of diesel engines. We have invested over $300 million towards the research, development and commercialization of our proprietary technologies, which allow engines to operate on natural gas while preserving the key benefits of diesel engines. The substitution of natural gas for petroleum-based fuel drives a significant reduction in harmful combustion emissions, such as nitrogen oxides, particulate matter and greenhouse gases, in addition to providing a relatively inexpensive alternative fuel from a more plentiful natural resource. Our systems enable combustion engines to use gaseous fuels, such as natural gas, propane, renewable natural gas or hydrogen. Our research and development effort and investment have resulted in a substantial patent portfolio that serves as the foundation for our differentiated technology offerings and competitive advantage.

We leverage our proprietary technology by partnering with the world's leading diesel engine and truck OEMs to develop, manufacture and distribute our engines to a diverse group of global truck and bus OEMs. Our strategic relationships with OEMs provide us with access to their manufacturing capacity, supply chain and global distribution networks without incurring the considerable investment associated with these assets. We commercialize our technology in markets where demand for clean, low-emission engines is prevalent, including light-duty, medium-duty and heavy-duty.

Westport LD, which is currently composed of Westport Light Duty Inc., Juniper S.r.l., OMVL, Emer and AFV, designs, produces and sells high-performance alternative fuel engines, systems and components targeting the high volume light-duty vehicle and engine segments for automotive and industrial markets. Westport LD offers advanced technology natural gas and liquefied petroleum gas ("**LPG**") engines and fuel systems for the OEM markets. Customers and partners include GM, Fiat, VW, Toyota, PSA Peugeot Citroën, Ford and Volvo Car Corporation ("**Volvo**"). In North America, Westport LD offers fully-integrated, cost-effective solutions available in light-duty vehicles with the Westport WiNG™ Power System—an advanced, integrated, bi-fuel (natural gas/gasoline) system for fleet customers of commercial and passenger vehicles, initially launching on the Ford F-250 and F-350 platforms. The North American business is supported through Westport LD Michigan Technical Center. In Sweden, Westport LD offers bi-fuel (natural gas/gasoline) systems engineered and installed by AFV for the Volvo V70 bi-fuel wagon. Westport LD also offers OMVL and Emer brand aftermarket kits and components for conversion of engines from gasoline, or petrol, to compressed natural gas ("**CNG**") and LPG. For industrial applications, Westport LD offers complete engine solutions to industrial vehicle OEMs and stationary packagers globally. Westport LD currently supplies Clark Material Handling with Juniper 2.4L CNG and LPG industrial engines based on the Hyundai platform for Clark forklifts sold globally. The Juniper 2.4L engine is also available for stationary applications such as engine power units for oilfield applications, for which Westport LD sells to Cummins Western Canada, and electrical and agricultural installations. Effective August 3, 2011, the name of Juniper Engines Inc. was formally changed to Westport Light Duty Inc. This was a change of name only, and the business continues unaffected. Westport LD will continue to use the "Juniper" brand.

Cummins Westport Inc., our 50:50 joint venture with Cummins, Inc. (" **Cummins**"), serves the medium- to heavy-duty engine markets. CWI engines are offered by many OEMs of transit and shuttle buses, conventional trucks and tractors, and 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. The fuel for CWI engines is typically carried on the vehicles as CNG or LNG. CWI engines are produced at certain Cummins' plants, allowing CWI to leverage Cummins' manufacturing footprint without incurring additional capital costs. CWI also utilizes Cummins' supply chain, back office systems and distribution and sales networks.

Westport Heavy-Duty ("**Westport HD**") is a business unit of Westport serving the heavy-duty engines markets and currently offers a 15 litre natural gas engine for the heavy-duty trucking market in North America. Westport HD applies our proprietary development platform, and is engaged in the engineering, design and marketing of natural gas-enabling technology for the heavy-duty diesel engine and truck market. The fuel for the Westport HD system is typically carried on the vehicle as LNG to provide greater energy density compared to CNG and to allow the vehicle to travel farther before refuelling. At the heart of the Westport HD system is our proprietary high pressure direct injection ("**HPDI**"), technology, which provides the environmental and cost benefits of natural gas while delivering comparable benefits of diesel engines: high efficiency over the speed and torque operating range, high torque capability and robust reliability.

The HPDI approach and components are also ideally suited for many high-horsepower applications that require high efficiency and performance over the operating range of the engine, such as rail, mining and marine applications. We are already working with Caterpillar to evaluate direct injection, natural gas fuel system technologies for possible use on Caterpillar's large engines, and with Electro-Motive Diesel ("**EMD**") to integrate Westport HPDI technology and natural gas fuel system technologies into an EMD locomotive provided by Canadian National Railways.

In July 2010, Westport and Volvo Powertrain Corporation (" **Volvo Powertrain**") signed a development and commercialization agreement to develop biogas- and natural gas-fuelled engine products. The natural gas engine development program is expected to result in a heavy-duty engine that will meet future emission requirements and be commercialized according to a mutually agreed timeline.

We have formed additional joint ventures to capitalize on the growth of alternative fuel engines in geographic markets outside of North America. In July 2010, we established WWI, a joint venture between Westport (35% interest), Weichai Power Co. Ltd., ("**Weichai**") (40% interest) and Hong Kong Peterson (CNG) Equipment Ltd. ("**Hong Kong Peterson**") (25% interest) to focus on the Chinese market. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally. WWI's facility in China has an annual production capacity of 20,000 engines. WWI is integrating Westport HPDI technology into Weichai's heavy-duty engine platform for future products seeking to deliver best-in-class solutions in a rapidly developing market.

In September 2011, Westport entered an agreement with an affiliate of Royal Dutch Shell Plc (" **Shell**") to launch a co-marketing program in North America aimed at providing customers a better economic case when purchasing and operating liquefied natural gas–powered vehicles ("**LNGVs**") by consolidating key value chain components such as fuel supply, customer support and comprehensive maintenance into a single, user-friendly package.

GENERAL DEVELOPMENTS

On February 27, 2012, Westport announced that it had signed a development agreement with a leading global engine manufacturer to develop a heavy-duty truck engine featuring Westport proprietary high pressure direct injection technology for the North American market. Under the terms of the agreement each partner is to contribute significant resources and pay for its own people and costs of the program.

On February 21, 2012 and February 22, 2012, Westport announced that it was offering to sell 5,500,000 common shares in the United States and Canada at a price of $43.25 per share, for gross proceeds of $237,875,000. Westport additionally granted the underwriters of the offering the option to purchase an additional 825,000 common shares at the offering price during the period ended 30 days from the date the date of Westport's final prospectus supplement filed in connection with the offering. The offering was completed on February 27, 2012 with the option granted to the underwriters having been exercised in full, for aggregate gross proceeds to Westport of $273,556,250.

On February 20, 2012, Westport announced that it had entered into a Supply Agreement with Cummins to allow manufacturing of the Westport 15 litre engine in a Cummins manufacturing facility in Jamestown, New York, as further described under the heading "WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS, and more specifically the heading " Westport HD System Production and Distribution")

On February 20, 2012, CWI announced the ISX12 G heavy-duty, factory built dedicated natural gas engine for regional haul truck / tractor, vocational and refuse applications.

On February 20, 2012, Westport announced that it had entered into an amended and restated joint venture agreement with Cummins regarding the CWI joint venture, as further described under the heading "CWI ALTERNATIVE FUEL ENGINES".

On February 3, 2012, Cummins Westport Inc. announced that Navistar, Inc. would be offering the CWI ISL G engine in the International ® TranStar and WorkStar trucks

On December 1, 2011, Westport announced that it had entered into an agreement with EMD, an OEM of diesel-electric locomotives, to integrate Westport HPDI technology and natural gas fuel system technologies into an EMD locomotive provided by Canadian National Railways ("**CN**"). The consortium is expecting to demonstrate the natural gas locomotive as part of the previously announced Sustainable Development Technology Canada ("**SDTC**") project with CN and Gaz Metro. In accordance with the consortium agreement, Westport will provide its core technologies for the engine and fuel system, and intellectual property. EMD will contribute its expertise to integrate the natural gas engine, related components and controls to create a working locomotive platform. EMD is one of the world's largest builders of diesel-electric locomotives for all commercial railroad applications including intercity passenger, commuter, freight, switching, industrial and mining.

On November 7, 2011, Westport announced that it had been certified as having met the international standards of ISO 14001:2004, an Environmental Management System ("**EMS**") standard. Westport EMS encompasses the development, design, testing and assembly of alternative fuel systems for OEM clients and the general operations of Westport facilities.

On October 12, 2011, Westport announced that it had acquired AFV of Gothenburg, Sweden. AFV is the sole supplier of natural gas fuel systems to Volvo. Volvo dealers in Sweden have offered a bi-fuel 231-hp 2.5 litre turbocharged version of the popular V70 wagon, with the natural gas fuel system engineered and installed by AFV, since 2009. The Volvo V70 Bi-Fuel has been approved as a company car for Swedish businesses, and Swedish drivers can fuel up at more than one hundred public natural gas filling stations. In addition to emissions benefits, corporate and private customers are eligible for tax incentives that make natural gas an even more economical alternative. AFV now aims to expand into other markets.

On September 28, 2011, Westport announced that the new natural gas Westport WiNG™ Power System (" **WiNG™ System**") would be available in the popular Ford F-250 and F-350 Super Duty pickup trucks sold and serviced through authorized Ford dealers. The F-250 and F-350 pickup trucks, based on Ford's new 6.2L hardened engine platform, can also run on ordinary gasoline. As part of the product launch with Ford Super Duty Pickup Trucks, Westport LD unveiled the new WiNG™ System, an advanced, integrated, bi-fuel system for passenger and commercial vehicles targeting fleet customers.

On September 23, 2011, Westport announced that it had raised CDN$36 million through the issuance of debentures (the " **Debentures**") offered by Macquarie Private Wealth Inc. ("**Macquarie**"), on a private placement basis, to replace previously issued debentures that matured in July 2011. The debentures are unsecured and subordinated to senior indebtedness, mature on September 22, 2014 and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15th and September 15th of each year during the term, commencing on March 15, 2012. The debentures are not listed on any stock exchange.

On September 7, 2011, Westport announced that it had entered into an agreement with Shell to launch a co-marketing program in North America aimed at providing customers a better economic case when purchasing and operating LNGVs by consolidating key value chain components such as fuel supply, customer support and comprehensive maintenance into a single, user-friendly package. Under the terms of the agreement, both companies will leverage their industry-leading positions in LNG production and distribution for Shell and LNGV systems and technology for Westport, to deliver an integrated commercial solution to participating customers, initially in North America.

On July 5, 2011, Westport announced that it had completed the previously announced purchase of Emer, a leading fuel system provider in the compressed natural gas and liquefied petroleum gas industry with a significant track record in technology innovation and operations. The combined operations, under Westport LD, offer a complete systems solution to OEMs looking to take advantage of the growing alternative fuel market. On September 14, 2011, Westport filed a business acquisition report regarding the acquisition of Emer pursuant to form 51-102F4 of National Instrument 51-102, *Continuous Disclosure Obligations*.

On June 28, 2011, Westport announced that it had entered into an agreement with General Motors to help develop advanced natural gas engine technology. Westport also announced the planned opening of the Westport LD Michigan Technical Center.

On May 17, 2011, Westport announced that it had entered into an agreement with Caterpillar, Inc. (" **Caterpillar**") to evaluate direct injection, natural gas fuel system technologies for possible use on Caterpillar's large engines. As part of the agreement, the parties have agreed to combine their respective technologies and components to develop a fuel system to be evaluated on a multi-cylinder test engine. Through this evaluation project, Westport and Caterpillar are seeking to demonstrate that the integration of their respective direct injection, natural gas technologies can deliver the high performance and high efficiency requirements large engine applications will demand. Under the terms of the agreement, the evaluation is expected to be completed in 2012, with program expenses shared by both Caterpillar and Westport.

On April 5, 2011, Westport announced that Heckmann Corporation, a water solutions company focused on water issues worldwide and, in particular, oil and natural gas exploration and production, is teaming up with Encana Natural Gas Inc., a subsidiary of Encana Corporation, Westport and Peterbilt Motors Company, a division of PACCAR Inc., to transition its truck fleet from traditional diesel vehicles to natural gas vehicles ("**NGVs**"). Under the terms of the agreement, Encana will make fuelling services available where Heckmann Water Resources (" **HWR**") operates its fleet of water transportation vehicles. HWR will use the trucks to service its customer's natural gas wells and provide water handling services in conjunction with its system of pipelines and disposal wells. HWR issued a purchase order for 200 Peterbilt 367 LNG trucks incorporating Westport HD systems from Westport.

On February 27, 2011, Westport announced that it had secured a funding commitment of C$2.3 million from SDTC to develop HPDI technology for high-horsepower applications. Westport is proposing to significantly improve the cost structure for operators of high-horsepower equipment while achieving compliance with increasingly stringent emission regulations and reducing greenhouse gas ("**GHG**") emissions by up to 25%. Consortium members in the SDTC project are Canadian National Railways Company and Gaz Métro Transportation Solutions, a wholly-owned subsidiary of Gaz Métro, the main distributor of natural gas in Quebec.

On February 22, 2011, Westport announced UPS's commitment for LNG trucks powered by Westport HD systems. The new heavy-duty trucks will be used in interstate operations for the Ontario, California to Las Vegas, Nevada route. UPS announced plans to build publicly accessible LNG refuelling stations in Las Vegas and its intention to access existing refuelling stations in Ontario, California, and Salt Lake City, Utah, thus filling in an LNG trucking corridor from California to Utah. Funding for the trucks and refuelling stations is supported by the U.S. DOE Clean Cities program and the South Coast Air Quality Management District's UPS Ontario-Las Vegas LNG Corridor Expansion Project. The DOE estimates that the LNG trucks alone will help displace approximately 1.25 million gallons of petroleum annually.

On December 21, 2010, Westport announced that Vedder Transport Ltd. of Abbotsford, British Columbia had issued a purchase order for 50 Peterbilt 386 LNG trucks featuring Westport HD systems. Vedder Transport Ltd., a division of the Vedder Transportation Group, specializes in the transportation of Food Grade products in a bulk liquid or dry state and offers dedicated and irregular route, truck load and less than truck load freight services throughout Canada, and between Canada and the United States. The new trucks, powered by Westport HD, were intended to be used on routes within Southern British Columbia primarily servicing the Bulk Food Grade Industry such as the British Columbia Dairy Producers and other liquid or dry state worldwide agricultural organizations. FortisBC (formerly called Terasen Gas), a subsidiary of Fortis Inc., the largest distributor of natural gas in British Columbia, is currently fueling the Vedder Transport natural gas fleet with a temporary LNG refuelling station in Abbotsford, with the intention of building a planned permanent LNG refuelling station.

On November 17, 2010, Westport announced that it had been ranked first by Corporate Knights Cleantech 10™ list for the second year in a row. The Cleantech 10™ and Next 10 represent Canada's best publicly and privately held companies in the Cleantech realm, and span a range of sectors from desalination to biofuels to solar technology.

On November 9, 2010, Westport filed a final prospectus supplement in Canada and the United States for an offering of Westport common shares totalling 6,050,000 common shares at a price of $17.50 per share, for gross proceeds of $105.9 million. On November 15, 2010, Westport announced the exercise in full of the underwriters' option to purchase an additional 907,500

common shares in connection with the offering. With the exercise of the option, under the offering, Westport issued a total of 6,957,500 common shares at a price of $17.50 per share, for gross proceeds of $121.8 million.

On October 28, 2010, Westport announced that Robert Transport of Boucherville, Québec had issued a purchase order for 180 Peterbilt LNG trucks featuring Westport HD systems. Robert Transport is one of Canada's largest for-hire trucking companies with an estimated 1,100 tractors and 2,300 employees. The new trucks, powered by Westport HD systems, were intended to be used on line haul routes between Montréal and Québec City, and Montréal to Toronto. Fuel for the Robert Transport fleet was expected to be provided by Gaz Métro Transport Solutions, a wholly-owned subsidiary of Gaz Métro, the main distributor of natural gas in Québec, plans to install three LNG refuelling sites along the Ontario – Québec 401/Highway 20 corridor between the greater Québec City area and the greater Toronto area. The first LNG station has been built in Boucherville, Québec.

On July 13, 2010, Westport announced that Volvo Powertrain, a subsidiary of Volvo AB, and Westport had signed a new agreement defining Westport responsibility to develop a range of biogas and natural gas-fuelled engine products for Volvo. Westport works directly with the Volvo AB brands to identify market development opportunities for natural gas vehicles and assists in the infrastructure build-out of biogas and natural gas where needed. Westport originally entered into an agreement with Volvo Powertrain in November 2009 describing Westport as a Tier 1 Development Supplier for its heavy-duty natural gas engines and associated supply chain.

On July 6, 2010, Westport announced that the Westport HD 2010 15L engine had been certified by the U.S. Environmental Protection Agency ("**EPA**") to 2010 emissions compliance. The HD engine is certified and compliant to U.S. EPA 2010 emission limits of 0.2 g/bhp-hr oxides of nitrogen ("**NOx**") and 0.01 g/bhp-hr particulate matter (" **PM**") without the use of emissions credits. In addition, Australia's Department of Infrastructure, Transport, Regional Development and Local Government had certified the Westport HD engine in compliance with the Australian Design Rules ("**ADR**") 80/03, which took effect for all heavy-duty truck models starting January 2011.

On July 3, 2010, Westport completed its previously announced investment in a joint venture with Weichai and Hong Kong Peterson to form WWI. The joint venture agreement is scheduled to expire in 2039. Under the joint venture agreement, Westport invested approximately $4.3 million, for a 35% equity interest in WWI. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts for use in automobiles, buses, heavy-duty trucks, marine applications and power generation.

On July 2, 2010, Westport announced that it had completed the acquisition of OMVL, including its 51% interest in Juniper, for $25.7 million. Westport paid cash of $17.1 million upon closing and will pay approximately $10.3 million on the third anniversary of the closing date. As a result of the transaction, Juniper, previously a joint venture between wholly-owned subsidiaries of Westport Innovations Inc. and SIT Group of Italy became a wholly-owned subsidiary of Westport. This acquisition completed Westport LD's strategy to enter the mobile industrial, non-mobile industrial and automotive segments. On September 14, 2010, Westport filed a business acquisition report regarding the acquisition of OMVL pursuant to form 51-102F4 of National Instrument 51-102, Continuous Disclosure Obligations.

On April 14, 2010, Westport announced that 790,614 warrants previously issued to Industry Canada, a department of the Government of Canada (under its former TPC program), had been exercised at a price of $10.65 per warrant generating $8.4 million in cash for Westport. Each warrant entitled the holder to one common share of Westport.

On March 24, 2010, Kenworth expanded its natural gas truck line with the T440 powered by the Cummins Westport ISL G, following a December 22, 2009 announcement that Kenworth would introduce the ISL G natural gas engine for the Kenworth T800 short hood and W900S models.

On January 19, 2010, Westport announced that Clark Material Handling Asia Ltd. (" **Clark**") had selected Juniper Engines Inc. (now, Westport LD) to supply 2.4L LPG engines for Clark's forklifts in the 1.5 to 3.3 tonne product range. Juniper brand engines are assembled in Korea and delivered to Clark's Korean facility to be installed into forklifts sold in North America, as well as other export markets. In January 2009, Westport unveiled Juniper Engines at an international trade conference with an initial focus on industrial markets with Hyundai Engine Platforms.

On December 9, 2009, Westport filed a final prospectus supplement in Canada and the United States for an offering of Westport common shares totalling 4,750,000 common shares at a price of U.S. $10.50 per share for gross proceeds of US$ 47.4 million. On December 17, 2009, Westport announced the exercise of an underwriters' option to purchase an additional 712,500 common shares in connection with the offering. With the exercise of the option under the offering, Westport issued a total of 5,462,500 common shares at a price of US$10.50 per share for gross proceeds of approximately US$57.4 million.

On November 16, 2009, Westport entered into an agreement with Volvo Powertrain to become a Tier 1 Development Supplier for its heavy-duty natural gas engines and associated supply chain.

On September 11, 2009, the SCAQMD Governing Board voted to approve funding for 448 natural gas fuelled (LNG and CNG) trucks to replace old diesel trucks serving the San Pedro Bay Ports. Subsequently, the Governing Board agreed to approve funding for another 35 natural gas-fuelled (LNG and CNG) trucks. SCAQMD is the administrator of the truck-funding program for the California Air Resources Board and the Ports. Funding for the program is available at variable funding levels year-to-year and is provided by the Proposition 1B Program of the state of California, by the SCAQMD, and by the Ports. All of the trucks that have submitted applications for the funding are equipped with either the CWI ISL G or our Westport HD system.

On August 31, 2009, Peterbilt announced availability of natural gas powered vocational and aerodynamic vehicles powered by the Cummins Westport ISL G.

On August 26, 2009, Westport announced that the U.S. DOE Clean Cities program to reduce petroleum consumption in the transportation sector awarded $300 million in funding for 25 cost-share projects across the United States to deploy more than 9,000 alternative fuel and energy efficient vehicles and build 542 new refuelling stations. Based on the DOE's announcement, funding for approximately 500 LNG trucks and 2,300 CNG vehicles, including refuse trucks and shuttle buses, was awarded.

On June 11, 2009, Daimler Trucks North America introduced the Cummins Westport ISL G natural gas engine in the Freightliner Business Class® M2 112 truck in a total of six LNG and CNG tractor/truck configurations.

On March 4, 2009, Westport announced that its quality management system had been certified as compliant to International Organization of Standardization (ISO) 9001:2008 standards for the design, assembly and commercialization of Westport's LNG fuel systems.

STRATEGY

We believe that natural gas provides the best near-term alternative for oil in transportation and industrial applications, offering environmental, energy security and increasingly attractive economic benefits. Moreover, the technology and infrastructure for wide scale adoption already exists. Our objective is to enhance and protect our position as a leading global provider of alternative fuel systems technology for diesel applications using gaseous fuels such as natural gas, LPG, renewable natural gas ("**RNG**") or hydrogen. In order to achieve this goal, we focus our efforts on the following business strategies:

Accelerate Market Penetration of Westport LD and Pursue Additional Light-Duty Engine Markets

Westport LD targets the high volume light-duty vehicle and engine segments for automotive and industrial markets. Westport LD intends to grow its business through new OEM relationships, expansion of existing relationships and continued strong aftermarket sales, by leveraging its capabilities and assembly facilities in Italy, Sweden, Argentina, and the United States that today supply Europe, Asia and the Americas. We will continue to pursue select strategic investments in new markets and develop OEM-class products and capabilities in order to allow Westport LD to compete for leadership in the light-duty alternative fuels market, with North American fleet vehicles being a significant target market.

Continue to Partner with Leading Global OEMs to Scale Westport HD Systems

Westport HD systems have been in development since 1999 and have undergone extensive testing and field trials in Canada, Australia and California, and in March 2007, the Company began commercial delivery of its systems for heavy-duty trucks. Since launching the product in North America and Australia, we have sold over 550 HD systems as of December 31, 2011. Through our relationships with Cummins, Weichai and Volvo, we have access to every major target market for heavy-duty trucks in the world. In North America, we have partnered with Kenworth Truck Company (a PACCAR Company), Kenworth Trucks (a division of PACCAR Australia), and Peterbilt Motors Company (a PACCAR Company) for line production of the Kenworth T800, the Kenworth Trucks T408SAR, K108, and T908, and the Peterbilt 386 and 367 trucks equipped with our LNG fuel system and Westport HD 15L engine in North America. In China, WWI is integrating Westport HPDI technology into Weichai's heavy-duty engine platform for future products seeking to deliver best-in-class solutions in a rapidly developing market. Moreover, Westport and Volvo Powertrain are developing biogas- and natural gas-fuelled engine products that will meet future emission requirements and be commercialized according to a mutually agreed timeline.

We are continuing discussions with additional leading truck and engine OEMs to integrate our products into existing truck and engine configurations and expand our existing relationships. By offering a complete systems solution, including development services, to our OEM partners, our goal is to create market demand by nurturing early customers and removing possible barriers to adoption by working directly with strategic partners.

Continue to Partner with Leading Global OEMs to Develop Natural Gas Technologies for High-Horsepower Applications

There are a number of high-horsepower applications (16 litre or greater) that would benefit from utilizing Westport HD technologies such as locomotives, mine trucks and marine vessels. These demanding engine applications consume large amounts of fuel and often operate in regions where LNG offers a significant cost advantage over diesel, thereby providing favourable economics for natural gas use. Moreover, what makes this sector even more attractive, is that there is a concentrated target group of OEMs and customers. We have previously demonstrated our technology on high-horsepower power generation applications and are currently working with a number of leading OEMs, such as Caterpillar, in these spaces to evaluate high pressure direct injection natural gas fuel system technologies for use in the areas highlighted above.

Continue to Develop Valuable Strategic and Business Alliances

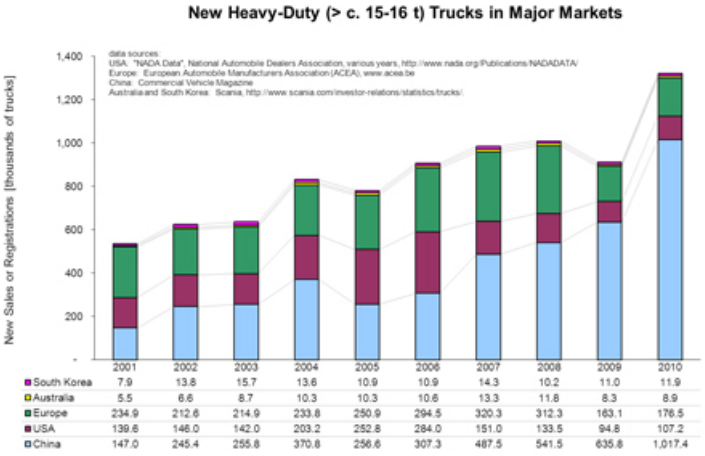
We have established several strategic relationships with key industry engine OEMs, including Volvo, Cummins and Weichai as well as Delphi Automotive Systems, LLC, or, Delphi, which is supplying Westport proprietary HD fuel injectors. We have also established several strategic joint ventures, including CWI and WWI. In addition to our strong supply chain relationships, we have also developed strategic relationships with several leading truck OEMs, including: Kenworth Truck Company, or, Kenworth, Peterbilt Motors Company, or, Peterbilt, Mack Trucks, Inc., Freightliner Trucks and PACCAR Australia Pty. Ltd. We also have a strategic relationship with North America's largest natural gas refueling company, Clean Energy Fuels Corp., as well as other natural gas producers around the world such as Shell and Encana. These relationships provide significant value in leveraging our partners' global market access and distribution channels while creating barriers for competitors seeking to enter our markets.

Achieve Automotive-Scale Production by Adding New Partners

We plan to partner where possible with the largest tier-one automotive component suppliers, allowing us to benefit from economies of scale, pre-existing manufacturing capacity, proven production capability, and developed supply chains, thus driving down our cost structure and further enhancing product quality. To date, we have focused on developing a strong supply chain by partnering with leading suppliers to the medium- and heavy-duty truck industry. We cooperate on fuel delivery system development programs with a number of companies and are in discussions with a number of the world's leading suppliers to develop complete solutions for our customers.

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

We intend to focus our market development efforts in rapidly expanding regions. China is one of the world's largest markets for all types of vehicles, and its heavy-duty truck (greater than 16 tonnes) 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, whereas production in Germany, Japan and the United States is nearly flat or declining over the same period.



China is focused on moderating the environmental impact of rapid urbanization and tremendous vehicle growth. The demand for cleaner fuel, such as natural gas, with economic advantages over traditional fuels is increasing, with an estimated 600,000 natural gas vehicles already in China and over 2,100 refuelling stations to support those vehicles. WWI has experienced significant growth in China with over $109 million in revenue for calendar year 2011 compared to $45 million in revenue for calendar year 2010.

We also focus on promising markets in other parts of Asia, such as India. Westport LD, through Emer, has a joint venture Minda Emer Technologies Limited that supplies Suzuki Maruti, the market leader in passenger cars in India.

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 light-duty, automotive, transit, refuse, urban truck, and heavy-duty vehicle markets.

Another region where we believe market conditions are favourable for LNG trucks is Australia. In December 2008, we signed a collaborative agreement with PACCAR Australia to commercialize LNG Kenworth trucks for this market, and in early 2011, we established a head office in Melbourne to support sales, parts, and service. A significant market driver in Australia is the availability of domestic natural gas and expanding 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. The high fuel requirements needed for fleet transportation in Australia position natural gas trucks to take meaningful market share from their higher operating cost diesel counterparts. The high fuel use of these fleets often creates advantageous payback scenarios to purchasers when they convert their fleets to run on natural gas.

Maintain Leadership as Alternative Fuel Technology Providers

Alternative fuel system technology is the foundation of our business and our ability to commercialize our products globally. We believe the combination of our considerable investment in research and development and team of world-class engineers is responsible for driving innovation in gaseous fuel systems and combustion engine technology since our founding in 1995. Leading global engine producers and OEMs utilize our differentiated intellectual property, thereby allowing us to commercialize our products worldwide.

We believe that our global patent portfolio has been pivotal to our market-leading position and that it continues to serve as a significant barrier to new entrants. In addition to protecting our competitive position in the market, our intellectual property also allows us to generate an additional revenue stream through licensing agreements. In order to support our business objectives, we expect our intellectual property portfolio to expand as we file new patent and trademark applications to capture value generated by new technological advances.

In order to maintain technology leadership in gaseous fuel utilization, we continue to explore products improvement and new product opportunities in each of the segments we serve. This is to ensure that our products maintain best in class status and that they evolve to meet market dynamics. Today, our products are built on an alternative fuel platform that leverages the abundant global supply of natural gas and LPG. Over the longer term, if alternative renewable energy sources such as RNG or manufactured fuels, including hydrogen, hydrogen-natural gas blends, and dimethyl ether, emerge as cost-competitive options, we expect that our gaseous-fuelled engine technologies, systems and experience will position us to exploit such new low-carbon fuels as they emerge.

OPERATIONS

Westport LD designs, produces and sells high-performance alternative fuel engines, systems and components targeting the high volume light-duty vehicle and engine segments for automotive and industrial markets. CWI designs, engineers and produces natural gas engines based on Cummins diesel engine platforms, primarily for the urban bus, refuse, and truck markets in North America. Westport HD provides engines and fuel systems that allow heavy-duty vehicles to run primarily on natural gas while maintaining diesel equivalent performance and efficiency. Westport additionally is developing its technologies and engines for a number of high-horsepower applications that require high efficiency and performance over the operating range of the engine.

WESTPORT LD ALTERNATIVE FUEL ENGINES & FUEL SYSTEMS

Westport LD is Westport's light-duty, global business unit targeting the high volume light-duty vehicle and engine segments for automotive and industrial markets targeting the principal markets of North America, Europe, and Asia.

Westport LD offers advanced technology CNG and LPG engines and fuel systems for the OEM markets. In North America, Westport LD offers fully-integrated, cost-effective solutions available in light-duty vehicles with the Westport WiNG™ Power System, an advanced, integrated, bi-fuel (natural gas/gasoline) system for fleet customers of commercial and passenger vehicles, initially

launching on the Ford F-250 and F-350 platforms. The North American business is supported through Westport LD Michigan Technical Center. In Sweden, Westport LD offers bi-fuel (natural gas/gasoline) systems engineered and installed by AFV for the Volvo V70 bi-fuel wagon.

Westport LD also offers OMVL and Emer brand aftermarket kits and components for the conversion of engines from gasoline (petrol) to natural gas or LPG. Westport LD leverages the advanced engineering capabilities of Westport and the precision high volume manufacturing of our European operations.

For industrial applications, Westport LD offers complete engine solutions to industrial vehicle OEMs and stationary packagers globally. The Juniper brand engine provides robust performance for harsh applications such as material handling, oilfield and power generation. Westport LD currently supplies Clark Material Handling with Juniper 2.4L LPG industrial engines, based on the Hyundai base engine platform, for Clark forklifts sold globally.

The market for alternatively-fuelled industrial forklift engines was estimated in 2010 at 36,000 engines per year (primarily LPG) in North America, according to the Industrial Truck Association. In the North American oilfield engine market, Cummins Western Canada estimates that there are over 10,000 alternatively fuelled engines (primarily natural gas) sold into the oilfield space each year.

The Juniper integrated engine and fuel system solution offers advantages over incumbent products, including: a more compact fuel system and engine package, higher torque and power, enhanced acceleration, and precise air-fuel ratio control.

Westport LD, as a single point-of-contact solution provider, can help reduce manufacturing, logistics and support costs for OEMs. Our strengths as a solutions provider include a proven fuel systems 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.

Westport LD, through the acquisition of OMVL, Emer and AFV, is providing light-duty products and capabilities for the light commercial and passenger vehicle market. Westport LD intends to grow its business through new OEM relationships and continued strong aftermarket sales by leveraging its capabilities and manufacturing and assembly facilities in Italy, Sweden, Argentina and the United States. Westport LD currently collaborates with global manufacturers of motor vehicles, including GM, Ford, Fiat, VW, Toyota and PSA Peugeot Citroën and Volvo with sales in Europe, the Americas, and Australasia.

Westport LD has access to a strong portfolio of fuels expertise that includes LPG, natural gas, biomethane and hydrogen, and higher efficiency advanced technologies for future development. Our goal is to be an innovation leader, bringing higher efficiency and higher performance offerings to the market at a competitive price.

We will continue to pursue select strategic investments in new markets and develop OEM-class products and capabilities in order to allow Westport LD to compete for leadership in the light-duty alternative fuels market, with North American fleet vehicles being a significant target market.

Westport WiNG™ Power System Production

The WiNG™ System is expected to be available in the popular Ford F-250 and F-350 Super Duty pickup trucks sold and serviced through authorized Ford dealers in the second quarter of 2012. The F-250 and F-350 pickup trucks, powered by Ford's new 6.2L hardened engine platform, can also run on ordinary gasoline.

The Ford F-250 and F-350 pickups with the bi-fuel WiNG™ System have undergone the same rigorous OEM testing for safety and durability required for all OEM products. They are designed to meet both EPA and California Air Resources Board ("**CARB**") standards.

The WiNG™ System will be assembled and tested on the Ford vehicles in Louisville, Kentucky, in close proximity to Ford's Kentucky Truck plant.

AFV Bi-Fuel System

The Volvo V70 Bi-Fuel wagon has a maximum power rating of 170kW at 4800 rpm, and maximum torque rating of 340NM from 1700 to 4800 rpm. The product is certified to meet Euro 5 emissions regulations.

The fuel system for Volvo V70 Bi-Fuel wagons is assembled and tested on the Volvo V70 products in Gothenburg, Sweden, adjacent to the Volvo plant.

Juniper 2.4 Litre Alternative Fuel Engine & Fuel System Production

The four cylinder 2.4 litre LPG product is capable of achieving 56 kW (75 hp) at 2,800 rpm and maximum torque of 190 Nm (140 ft. lbs) at 1,800 rpm. The CNG version of the 2.4 litre engine is rated for 52kW (70hp) at 2,800 rpm and maximum torque of 180 Nm (133 ft. lbs) at 1,800 rpm. Both the LPG and CNG 2.4 litre engines are certified to EPA 2007 Tier II Off-road LSI Engine and CARB 2010 Off-road LSI Regulations.

The fuel system for the Juniper 2.4 litre engine is assembled in Westport LD's Pernumia, Italy, plant, and the base engines are manufactured by Hyundai Motor Company in South Korea. Final engine assembly and testing is performed in Busan, South Korea.

Westport LD Revenues

(Expressed in thousands of U.S. dollars)	Year Ended	
	December 31, 2011[1]	March 31, 2011
Product Revenue	$ 59,118	$ 23,610
Parts Revenue	73	103
Total	$ 59,191	$ 23,713

Note:

(1) Effective March 31, 2011, Westport changed its year end from March 31 to December 31. As such, figures in this column represent revenues generated during the nine months from March 31, 2011 to December 31, 2011.

CUMMINS WESTPORT INC. ALTERNATIVE FUEL ENGINES

Cummins Westport Inc. existing engine products are based on Cummins diesel platforms, featuring spark-ignited alternative fuel technology designed for transit, shuttle, school bus and truck applications. Because of inherent advantages in low-emission internal combustion natural gas engines, we believe that 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 is already the leading supplier of natural gas engines to North American transit/shuttle/school buses and to city refuse collection fleets, and the outlook for conventional truck markets is promising.

CWI has four engines in commercial production today: ISL G, C Gas Plus, B Gas Plus, and ISB5.9 G targeted at the principal markets of urban transit, shuttle bus, refuse collection, vocational and dump trucks, medium and heavy-duty truck and tractor applications, school bus, street-sweepers, and delivery vehicles. On February 19, 2012 (the "**Effective Date**"), Westport, Cummins and CWI entered into a Second Amended and Restated Joint Venture Agreement (the "**Amended JVA**") governing the operations of CWI which amended the focus of CWI's future product development investments to North American markets, including engines for on-road applications between the displacement range of 5.9 litres through 12 litres, and to have these engines manufactured in Cummins North American plants.

The ISL G was introduced in 2007 and was the world's first heavy duty engine for bus and truck applications to meet the 2010 U.S. 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**"), NOx, and 0.01 g/bhp-hr particulate matter. In 2008, the ISL G was certified to the Euro EEV, or, Environmentally Enhanced Vehicle, standard.

The 8.9 litre ISL G engine uses stoichiometric exhaust gas recirculation spark ignited, (" **SESI**"), combustion, leveraging Cummins' proven cooled exhaust gas recirculation ("**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. TWC's are simple passive devices that are maintenance-free and have been commonly used in passenger cars since the 1970s. CWI SESI technology improves power density as well as fuel economy and emissions with low-speed torque improved by over 30% compared to previous lean burn engines. With ratings from 250 to 320 horsepower, this high-performance, low-emissions engine has sufficient power and torque for medium/heavy-duty truck and tractor applications, large urban transit buses, shuttle and school buses, and larger refuse and dump trucks. 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 lean burn natural gas engine with ratings from 250 to 280 horsepower. Introduced in June 2001, it was an advanced version of the C8.3G engine that Cummins had been producing since 1996. The C Gas Plus is certified to Euro III and IV emissions standards established by the European Union.

The B Gas Plus engine is 5.9 litres in displacement and is suitable for shuttle bus, vocational and other truck applications that require less power and a smaller package size than the C Gas Plus or 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. The B Gas Plus is certified to Euro V and EEV emissions standards. The B Gas Plus has power ratings from 195 to 230 horsepower.

The ISB5.9 G is intended to replace the B5.9G/BGI natural gas engine. The ISB5.9 G is certified to Euro V and EEV emission standards with Euro Onboard Diagnostic Stage II certification. The ISB5.9 G has power ratings from 195 to 230 horsepower.

Field tests have begun for the ISX12 G engine, a 12 litre heavy-duty, factory built dedicated natural gas engine for regional haul truck / tractor, vocational and refuse applications. The ISX12 G natural gas engine is based on the Cummins ISX12 diesel engine platform and will operate exclusively on natural gas (CNG or LNG) utilizing CWI's proprietary spark ignited, SESI technology, first introduced with the 8.9 litre ISL G in 2007.

CWI is a Delaware corporation owned 50% by Westport Power Inc., a wholly-owned subsidiary of Westport, and 50% by Cummins. The Amended JVA governs the relationship of the parties relating to the ownership, operation and governance of CWI. The purpose of the joint venture is to engage in the business of selling, marketing and developing spark-ignited natural gas or propane engines.

Generally speaking, products covered by the scope of the Amended JVA include all spark-ignited natural gas or propane engines, and related parts, products and kits manufactured for CWI as of the Effective Date, including the ISX12 G engine in development by CWI, as well as any further emissions-certified versions of such products, and any future CWI products unanimously approved by the CWI board of directors, Cummins and Westport for inclusion under the CWI joint venture ("**Products**").

The Amended JVA defines CWI's market as sales of Products manufactured (or, in the case of the 6.7 and 11.9 litre engines, planned to be manufactured) in the United States, Canada and/or Mexico for use in on-road vehicles in such countries as well as continuation of CWI's business with respect to the local production of Products in India and/or China for the local market for up to three (3) years following the Effective Date. Under the terms of the Amended JVA CWI will not develop or sell new fit for market products outside of North America

Cummins has the sole right to make, have made, use, offer to sell, sell and export all Products during the term of the Amended JVA outside of North America. Products sold outside of North America will be sold by Cummins as Cummins branded products. CWI will be credited the revenue and charged for the cost of revenue and other related costs for Products from 5.9 up to 10 liters regardless of where sold in the world or how branded. Revenue on the sale of the 11.9 liter Product in North America and in Australia will be credited to CWI, subject to CWI being charged for the cost of revenue and other related costs. Cummins will retain all revenue for sales of the 11.9 liter Product outside of North America and Australia.

Under the terms of the Amended JVA, Westport and Cummins agree not to sell Products within the market scope except as provided by the Amended JVA. Cummins has also agreed not to market or sell a spark-ignited natural gas engine of 13 liters or less that is derivative of the ISX12 G platform, or any spark-ignited natural gas or propane engine that falls within the displacement range of the Products in North America. However, after the first five (5) years of

the Amended JVA term, Cummins may produce and sell a spark-ignited natural gas or propane engine for the North American market that falls within the displacement range of the Products if done without any assistance from CWI, if such engine is based on an entirely new Cummins heavy duty engine platform not in production in North America on the Effective Date and provided that Cummins pays to CWI a specified royalty on the net revenue of each such engine sold.

Westport and Cummins also agree to keep confidential certain confidential information disclosed by the other party in connection with the JVA, and neither party may assign the obligations or benefits of the JVA without the prior written approval of the other party (except in the case of an assignment to a wholly owned subsidiary).

Under the Amended JVA, in the event CWI's annual revenue exceeds certain baseline revenue levels, Westport and Cummins are entitled to receive a performance bonus (the "**Performance Bonus**"). If and when achieved in any year, the Performance Bonus will be calculated as a percentage of CWI's net income based on the amount by which CWI's actual annual revenue exceeds its baseline revenue level for such year and the applicable party's share of the Performance Bonus (75% in the case of Westport; 25% in the case of Cummins).

The Amended JVA became effective upon the Effective Date and will continues in full force and effect until the earlier of (a) December 31, 2021, or (b) termination prior to such date in accordance with the terms of the Amended JVA. The Amended JVA will be subject to termination prior to December 31, 2021 under certain circumstances and events described in the Amended JVA, including upon a change of control of either Cummins or Westport.

In the event of a change of control of Westport, in lieu of exercising its termination right, Cummins may elect to continue the Amended JVA upon certain modified terms, including that: ownership of CWI will be adjusted so that Cummins owns 50.1% and Westport owns 49.9% of CWI; no Performance Bonus will be payable for any periods following such election; Cummins will thereafter have the ongoing right to nominate the President; and Westport will have no access or license to any CWI intellectual property developed after the date of the change of control.

The board of directors of CWI is comprised of three (3) representatives from each of Westport and Cummins.

Pursuant to the Amended JVA, certain actions require unanimous approval of CWI's board of directors and/or shareholders, including the declaration or payment of any dividends or any other distributions by CWI, material changes to CWI's business and the addition of new products to CWI's business.

On February 29, 2012 CWI announced that Jim Arthurs, former Vice President, Westport Cryogenic Systems, had been appointed as President of CWI. The board of directors for CWI is comprised of Bill Larkin, Westport CFO; Mel Ogmen, Westport Vice President, Engineering & Operations; Clark Quintin, President of Westport HD; Ed Pence, Cummins Vice President and General Manager – Heavy Duty Engine Business; Dean Cantrell, Cummins Controller – Heavy Duty Engine Business; and Ric Kleine, Cummins Vice President – MidRange On-Highway Business.

CWI Engine Production and Distribution

CWI engines have historically been manufactured in two different locations: a Cummins engine plant in Rocky Mount, North Carolina, and by Cummins India Limited in Pune, India. Pursuant to the terms of the Amended JVA, CWI will focus on sales in North America with engines that are currently manufactured in Cummins' North American engine plants in Rocky Mount, North Carolina and Jamestown, New York. Engines are sold to truck and bus OEMs for installation onto new vehicles. The fuel storage systems are installed at the OEM factory or at a third party location, such as a truck-body builder (i.e., refuse) or at a fuel system integrator.

CWI Revenues

(Expressed in thousands of U.S. dollars)	Year Ended	
	December 31, 2011[1]	March 31, 2011
Product Revenue	$ 114,518	$ 84,612
Parts Revenue	24,326	26,675
Total	$ 138,844	$ 111,287

Note:

(1) Effective March 31, 2011, Westport changed its year end from March 31 to December 31. As such, figures in this column represent revenues generated during the nine months from March 31, 2011 to December 31, 2011.

WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS

A key element of our strategy is to diversify our revenue base through increasing the market share of our Westport HD system, which includes both the Westport HD 15L engine and the LNG fuel system. The Westport HD system is designed to power on-road heavy-duty trucks. Our immediate market focus is North America and Australia, particularly in regions where LNG availability or relationships with fuel providers are developing or established. Our target market segment consists of high fuel consumers or high mileage, heavy-haul over-the-road ("**OTR**") fleets that operate on fixed routes or corridors or that operate from centralized locations or distribution centers.

The Westport HD system allows on-road heavy-duty truck to operate with approximately 95% replacement of diesel fuel by natural gas in high duty cycle applications while maintaining 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 high 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 reduction in combustion by-products such as NOx, PM and GHG.

We believe the Westport HD 15L engines are the best solution for low emissions heavy-duty trucks that require one or more of the following characteristics:

- high diesel substitution with natural gas;
- high torque at low engine speeds;
- high power ratings for heavy loads and difficult terrain;
- excellent transient response;
- full certification to meet or surpass low NOx and PM emissions legislation; and
- lower GHG emissions.

We target geographical markets with one or more of the following characteristics:

- LNG fuel availability in the market at competitive prices that make total life cycle costs for vehicle purchase and operation less expensive than conventional diesel trucks;
- Existence of high mileage, high fuel users that may include heavy-haul or long haul fleets that are running along major transportation corridors

We believe that these factors are currently present in Quebec, Ontario, British Columbia, southern California, Texas, the North East and other regions within the United States as well as in parts of Australia. Within these areas, we target fleets with heavy-duty trucks that typically operate from centralized hubs with return-to-base operations or those that run on corridors where fuelling infrastructure can be more easily established and managed. We are currently targeting prospective customers that meet the aforementioned characteristics including those that are engaged in heavy-haul OTR transport.

The Westport HD system is composed of proprietary natural gas fuel injectors, fuel pumps, control units, and onboard LNG storage tanks. LNG fuel for the HD engine is stored in the LNG tank and drawn out with a unique LNG pump (powered by hydraulic oil from an engine-driven hydraulic pump). The LNG is vaporized using excess heat from the engine coolant and exits the tank module at approximately 100 ºF and 4,500 psi (40 ºC and 30 MPa). The warm, high-pressure gas is filtered and passed through an accumulator vessel that dampens pressure fluctuations and provides natural gas for engine start-up. At the same time, a diesel fuel pump draws and pressurizes diesel fuel from the pilot diesel tank. Both the diesel and natural gas are sent to the fuel conditioning module, where they are pressure regulated, filtered, and distributed to the fuel injectors via fuel rails. The HD engine is electronically managed by the control units, allowing continuous adjustments that provide optimal and unparalleled engine efficiency. The Westport HD system is currently available in Australia certified to the ADR 80/03 emissions standard and in North America (Canada and USA) where it has received 2010 U.S. EPA and CARB emissions certification.

In July 2010, Westport and Volvo Powertrain signed a development and commercialization agreement to develop biogas- and natural gas-fuelled engine products. The natural gas engine development program aims to result in a heavy-duty engine that will meet future emission requirements and be commercialized according to a mutually agreed timeline.

In July 2010, also we established WWI, a joint venture between Westport (35% interest), Weichai (40% interest) and Hong Kong Petersen (25% interest) to focus on the Chinese market. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally. In addition, WWI is integrating Westport HPDI technology into Weichai's heavy-duty engine platform for future products seeking to deliver best-in-class solutions in a rapidly developing market.

Current Engine Ratings

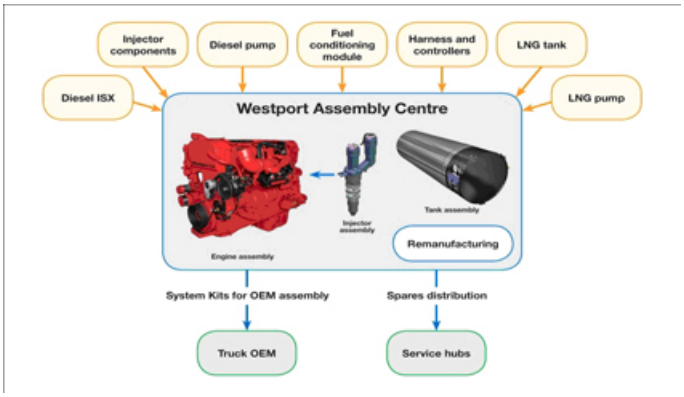
The Westport HD engine for North America is based on a Cummins ISX engine and is offered in three ratings: 400 horsepower with 1,450 ft-lbs torque; 450 horsepower with 1,650 ft-lbs torque; and 475 horsepower with 1,750 ft-lbs torque. These engines have been certified to both the US EPA and CARB emissions standards for 2010.

In Australia, three engine ratings are being developed: HD 485 with peak power of 500 horsepower and 1,650 ft-lbs torque; HD 525 with peak power of 550 horsepower and 1,850 ft-lbs torque; and HD 550 with peak power of 578 horsepower and 1,850 ft-lbs torque. These engines have been certified to the ADR emission levels ADR 80/03.

Westport HD System Production and Distribution

The Westport HD system includes (i) the Westport HD 15L engine equipped with our proprietary natural gas fuel injectors featuring HPDI technology; (ii) our proprietary fuel pumps; (iii) proprietary control units; and (iv) onboard LNG storage tanks. Production for the Westport HD system follows an OEM on-line production model made possible with agreements with both Kenworth (North America and Australia) and Peterbilt (North America only) for assembly line production of LNG trucks powered by Westport HD systems. For OEM supply, the Cummins ISX engine, purchased by PACCAR Inc., is manufactured at Cummins' manufacturing plant and then transported to our 21,000 square foot assembly centre in Delta, British Columbia, where it is fitted with our proprietary Westport HD system. The Delta facility is also responsible for the final assembly and testing of the complete engine and fuel system. Component parts are delivered to our assembly plant where the assembly process is completed.

Westport has entered into a Supply Agreement with Cummins to allow manufacturing of the Westport HD 15 litre engine in a Cummins manufacturing facility in Jamestown, New York. The HD Supply Agreement provides Westport with the ability to have its Westport technology-equipped heavy duty engines produced in a Cummins manufacturing facility when a minimum threshold sales volume of at least 1,500 engines in any 12-month period has been achieved by Westport. The supply agreement term is for three years beginning from the date the first Westport technology-equipped engine is shipped by Cummins after Westport meets the minimum volume threshold. The term automatically renews if the threshold volumes continue to be achieved. If Cummins does not ship a Westport technology-equipped engine within the next five years, the agreement will terminate.



Westport HD Revenues

(Expressed in thousands of U.S. dollars)	Year Ended	
	December 31, 2011[1]	March 31, 2011
Product Revenue	$ 16,046	$ 2,253
Parts Revenue	2,278	2,681
Service Revenue	10,181	8,128
Total	$ 28,505	$ 13,062

Note:

(1) Effective March 31, 2011, Westport changed its year end from March 31 to December 31. As such, figures in this column represent revenues generated during the nine months from March 31, 2011 to December 31, 2011.

HIGH-HORSEPOWER APPLICATIONS

The HPDI approach and components are also ideally suited for many high-horsepower applications that require high efficiency and performance over the operating range of the engine. HPDI is currently being evaluated in the context of rail and mining applications. In December 2011, Westport entered into an agreement with EMD, OEM of diesel-electric locomotives, to integrate Westport HPDI technology and natural gas fuel system technologies into an EMD locomotive provided by CN. In May 2011, Westport entered into an agreement with Caterpillar, Inc. to evaluate direct injection, natural gas fuel system technologies for possible use on Caterpillar's large engines.

TECHNOLOGY

We have invested over $300 million towards the research, development and commercialization of our proprietary technologies, which allow engines to operate on natural gas and other gaseous fuels while preserving the key performance benefits of gasoline or diesel engines.

We strive to develop and integrate the technologies that best fits the requirements of our target applications. As a result, Westport uses different fuel system and engine technologies across its range of applications. Generally, our technologies encompass vehicle and engine fuel systems, combustion and control approaches, as well as exhaust emissions treatment.

Light Duty Applications

Light Duty applications include fork lift applications, small industrial engines, passenger cars and larger commercial vehicles such as pick-up trucks and utility vans.

Fuel System Components: Westport, through its EMER and OMVL subsidiaries, develops and manufactures safe, certified, reliable, low cost fuel system components that enable gasoline engines to be adapted to natural gas or LPG operation. Fuel system components include CNG tank valves, which are designed to provide multiple layers of safety, fill nozzles, gaseous fuel lines, manual and electrically operated shut-off valves, single and double-stage pressure regulators, fuel gauges, high and low pressure fuel filters, integrated fuel rails and injectors, and customized electronic control units.

Stoichiometric Multi-Point Injection Spark Ignition: Westport LD fuel system components can be integrated on engines to allow sequential multipoint port injection of natural gas or LPG. These engines are spark-ignited, operate with a closed-loop controlled stoichiometric air/fuel ratio, and rely on a conventional three-way catalyst for emissions control. These engines can operate as bi-fuel engines (operation with either gasoline or gaseous fuel is possible) or dedicated to just one type of fuel. Most passenger car applications today are bi-fuel, whereas engines used in industrial applications such as forklifts and oilfields are dedicated to one type of fuel.

Westport is making fully-integrated, cost-effective solutions available for industrial and light-duty vehicles applications, such as the Westport WiNG™ Power System—an advanced, integrated, bi-fuel (natural gas / gasoline) system for fleet customers of passenger and commercial vehicles.

Westport evaluates opportunities and conducts R&D to improve fuel system components and engine operating methods to offer gaseous fueled engines and vehicles that offer the highest level of safety, reliability, durability, performance, emissions and efficiency.

Heavy-Duty Applications

Heavy-Duty (“**HD**”) applications include medium HD vehicles such as transit buses, refuse trucks, coaches, urban delivery vans, beverage delivery and school buses (vehicles that have a gross vehicle weight between 14,000 and 33,000 lbs). Heavy HD trucks include larger tractor-trailer combination and dump trucks.

In the medium HD class of vehicles, Westport and its partners are providing lean burn and stoichiometric spark ignited engines to address the needs of different markets.

Lean Burn Spark Ignition: 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 and low PM 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. Spark-ignited medium HD engine technologies are integrated with a robust diesel engine platform and a dedicated control strategy to create a clean-burning alternative fuel engine with excellent performance, reliability, and durability characteristics. WWI offers LBSI for example in China, India and Latin America to power transit buses and a variety of trucks.

Stoichiometric Spark Ignition with Exhaust Gas Recirculation: CWI's SESI technology builds upon the LBSI approach, but uses 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 simple, passive 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. CWI's very successful ISL G engine that is used in North American transit buses, refuse trucks and day cab trucks is based on the SESI technology.

In heavy HD applications, Westport also provides fuel systems and engines enabling HPDI of natural gas. The fuel system includes a liquefied natural gas storage tank and pump, special fuel injectors, fuel conditioning modules and electronic control software and hardware.

High Pressure Direct Injection: HPDI technology emulates the robust and efficient characteristics of diesel combustion but with the fuel being mostly natural gas. Engines with HPDI use small diesel pilot sprays and larger natural gas jets injected late in the compression cycle. HPDI retains the compression ratio and un-throttled operation of diesel engines, enabling high cycle efficiency and low end torque capability. It requires no special pistons, cams, ignition system, gas mixer, intake manifolds, exhaust sensors or port injectors. For high use applications, the diesel is, on average, approximately 5% of the total fuel energy input and is used to start the combustion process just prior to the main injection of natural gas. Due to the lower flame temperature of natural gas, NOx emissions can be cut by 30% to 50% compared to diesel equipped with no or moderate exhaust gas recirculation. Due to the lower carbon content of gas compared to diesel, HPDI leads to engine out PM emissions reduction of 60% to 80%, and to GHG emissions reduction of 20% to 30% inclusive of methane emissions. Our HPDI technology has been demonstrated on Cummins, Volvo, MAN, Detroit Diesel, Weichai and other heavy-duty engines and could be applied to any modern direct injection diesel engine, given sufficient development. HPDI is well suited to large on-highway trucks and to high-horsepower applications where performance and part load fuel consumption are critical.

High Pressure Gaseous Fuel Injectors: Our HPDI 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 replacing a diesel injector with our HPDI fuel injector. These injectors enable late-cycle, high pressure direct injection of natural gas, ensuring diffusion-type combustion. HPDI fuel injectors are common-rail, diesel-actuated and electronically controlled.

We have developed fuel injectors 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, the reduced cushioning associated with the low viscosity of gaseous fuels, and the critical sealing between gas and pilot fuel within the injectors.

We design and test our own natural gas direct injection fuel injectors. Westport has reached high volume scale production capability by partnering with one of the world's largest diesel injector manufacturers, Delphi, to supply Westport proprietary HD fuel injectors.

The engine fuel system also includes gas and diesel control modules that filter, measure and regulate the fuels prior to admission to the engine, and electronic modules that control the various components of the fuel system.

Cryogenics tanks and pumps: Our cryogenic technologies enable our customers to use liquefied gaseous fuels for mobile applications of HPDI, 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 engine fuelling capability, minimize heat leak and external exposure of cryogenic parts.

Advanced Combustion and Fuel System Concepts

Westport continues to evaluate new combustion and fuel system concepts. In the past we have evaluated technologies such as:

Hot surface ignition ("**HSI**"). Westport has demonstrated concept vehicles operating with natural gas direct injection and hot surface ignition. Specially shielded ceramic glow plugs were used for the ignition. Fast-response direct actuation common rail injectors were used to provide rate shaped injection or multiple gas injections. Emissions were drastically reduced because of the natural gas, but diesel-cycle diffusion combustion retains the power, torque, and efficiency of the diesel engine.

On-board gas compressor. We have developed vehicle booster-compressors to meet the fuel system's need to provide high-pressure natural gas to the injectors from CNG tanks. This compressor technology is modular and scalable to adapt to varying flow rates, gas pressures and packaging requirements. This was used for example on the concept vehicles operating with HSI.

Homogeneous Combustion Direct Injection. Westport has demonstrated concept power generation engines operating with some of the natural gas being pre-mixed with the intake air prior to ingestion into the combustion chamber and some of the natural gas being direct injected. The pre-mixed natural gas burned in a homogeneous charge compression ignition manner. We have developed methods to control the ideal timing of the Start of Combustion through signal processing of engine mounted accelerometers.

Exhaust After Treatment Systems: As a natural gas engine and fuel system developer, we have investigated and developed aftertreatment systems for natural gas engine technologies. We have worked with oxidation catalysts, three-way catalysts, lean NOx adsorbers, diesel particulate filters, and selective catalytic reduction systems. Novel systems and methods, applicable to both natural gas and diesel engines, have been developed.

Hydrogen direct injection and hydrogen natural gas blends: Westport has demonstrated the operation of transit buses fueled with blends of hydrogen and natural gas. Westport has worked with OEM partners and continues to work with certain laboratories to investigate hydrogen direct injection.

In addition, Westport continues in collaboration with partner universities and laboratories to investigate certain fundamental aspects of gaseous fuel combustion and emissions catalysis.

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 and to best enable the successful commercialization of our proprietary 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 markets. 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 property 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 our technical innovations into their products and processes. Where appropriate, we license third party technologies to provide us with the flexibility to adopt preferred technologies.

As of December 31, 2011, we held approximately 300 issued patents worldwide, including 68 issued U.S. patents, in addition to numerous pending patent applications around the world. About 70 percent of these issued patents have more than 10 years of term remaining if maintained for their potential lifetime. 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 corresponding 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 and continues to yield new and patentable developments. We expect to file new patent applications each year as our patent portfolio expands to strengthen our role as a leading developer of gaseous-fuelled engine technology by capturing new developments as they arise. 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 take measures to carefully protect our intellectual property rights in our collaboration agreements and attempt to capture maximum

value from our products to ensure 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 of which we are aware that is 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 and its related 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 spark-ignited natural gas, hybrid electric and dual-fuel and bi-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 significant awards include:

March 29, 2011 – CWI was awarded $3.60 million from the U.S. Department of Energy's National Renewable Energy Laboratory to develop an 11.9 litre natural gas engine and integrate it into refuse trucks and Class 8 delivery trucks around the nation to verify performance in different climates, altitudes, and driving environments (i.e., city and highway).

February 2011 – Westport was awarded C$2.30 million from SDTC to develop Westport HD system technology for high-horsepower applications. Westport is proposing to significantly improve the cost structure for operators of high-horsepower equipment while achieving compliance with increasingly stringent emission regulations and reducing GHG emissions by up to 25%. Consortium members in the SDTC project are EMD, Canadian National Railways Company and Gaz Métro Transportation Solutions, a wholly-owned subsidiary of Gaz Métro, the main distributor of natural gas in Quebec.

February 2008 – Westport was awarded $2.25 million in funding, of which $1.75 million is from the SCAQMD and $500,000 from the California Energy Commission ("**CEC**"), 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. As of December 31, 2011 Westport had received $2.0 million of this funding with the remaining $250,000 due to be paid upon approval of a final progress report which was submitted in December 2011.

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, and retain consultants and contract workers with specific expertise when appropriate.

As of December 31, 2011, Westport had a world-wide total of 779 employees consisting mostly of engineers and technicians, 426 of which were employed by Westport LD and 79 of which were employed by Westport HD. Of the total number of Westport employees, we had 679 full-time employees and 100 contract or part-time staff in our offices in Vancouver, Canada, Argentina, Australia, China, France, Italy, Korea, Sweden and throughout the United States. CWI had 62 full-time employees, including 52 employees seconded from Cummins, 10 employees seconded from Westport plus one contract staff seconded from Cummins.

Our employees are not represented by a labour union, except in Italy and Sweden. 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

Westport is committed to the protection of the environment, the prevention of pollution and strives to be an industry leader in mitigating the environmental impacts of fuel system research, development, testing and assembly. This Environmental Policy Statement outlines the standards to which our operations are held:

1. Westport will work to ensure that its operations comply with all applicable environmental legislation, industry codes and standards;
2. Westport will work to collaborate with partners and industry stakeholders in the protection of the environment, the conservation of resources and the implementation of pollution mitigating practices;
3. Westport will continue to research, design, and develop alternative fuel engine technologies that preserve environmental health and safeguard employees, customers and the general public from injuries or health hazards;
4. Westport determines, evaluates, and strives to mitigate the environmental impacts of our existing operations and will work to conduct a thorough environmental assessment and risk analysis prior to the implementation of new projects;
5. Westport will abide by internally established standards to utilize energy and other resources efficiently in its operations, including emissions and waste management programs that exceed current legislative requirements;
6. Westport will strive to be an environmentally responsible neighbour in the communities where we operate and to act promptly and responsibly to correct incidents or conditions that endanger health, safety or the environment;
7. In conjunction with external response agencies, Westport will respond to environmental emergencies promptly and effectively via a trained and coordinated on-site Emergency Response Team;
8. Westport will work to fully investigate all environmental incidents or unplanned releases and to communicate findings as necessary to all affected parties;

9. Westport will endeavour to train its employees on their individual responsibility to protect the environment, to adhere to this Policy Statement, and to cooperate with Westport's efforts in this regard. On-site contractors and others acting on behalf of Westport are expected to abide by the same environmental code of conduct;
10. Westport will strive to evaluate its environmental performance through regular auditing and assessment of its regulatory compliance and adherence to this policy. We will strive to communicate the appropriate information to our stakeholders including our Board of Directors, employees, shareholders, governmental agencies and the general public;
11. We will strive to continuously improve our environmental management system and measure the environmental impacts of our operations. Westport will implement this policy through a comprehensive plan with measurable goals/targets and a rigorous analysis of performance. Westport will work to provide a candid discussion of our environmental achievements and challenges in its annual sustainability report published on its website.

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, assess our environmental footprint and set targets for improvement.

We published our first sustainability report at the end of fiscal 2008 to highlight aspects of our safety, environment, and community engagement performance. Our fifth sustainability report, which will be published within our fiscal 2011 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 individuals 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 $590,000 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 November 2011, we were ranked on the Corporate Knights' Cleantech 10™ list for the fifth year in a row. The Cleantech 10™ and Next 10 represent Canada's best publicly and privately held companies in the Cleantech realm, and span a range of sectors from desalination to biofuels to solar technology. The Cleantech 10™ list was created by The Cleantech Index (www.cleantechindex.com), which underlies several Index-based funds and is the first and only index to cover cleantech companies across a broad array of industries. Corporate Knights sought out technology-driven growth companies that have big impacts on resource efficiency and the environment—not simply those re-branding themselves as 'green.' A set of 18 screening criteria were applied to all TSX companies that Cleantech Group LLC uses for their broad Cleantech Index. A heavy emphasis was placed on purity (percentage of revenues or income from Cleantech business, and whether or not it's really 'clean') and quality (strategy, management, financial strength, sector leadership). Other key criteria included growth, earnings, liquidity, capitalization, technology/intellectual property, and overall impact.

In June 2011, Westport was included 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.

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 cash flow 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
January 2011	19.70	15.11	15.70	2,852,105
February 2011	18.49	14.14	17.86	3,182,298
March 2011	21.49	16.06	21.25	2,164,804
April 2011	26.77	21.57	23.93	3,005,359
May 2011	25.36	20.79	23.93	1,189,443
June 2011	24.34	19.29	23.11	3,660,608
July 2011	26.84	22.89	24.41	1,621,890
August 2011	24.94	19.87	23.93	2,394,194
September 2011	33.97	22.00	30.39	4,431,023
October 2011	31.41	24.05	30.08	3,076,815
November 2011	31.88	26.82	28.40	2,348,998
December 2011	34.99	28.03	33.77	2,168,872
January 2012	42.12	32.56	41.64	2,054,660
February 2012 (to February 29)	47.09	37.95	40.16	3,743,923

The outstanding Common Shares are additionally listed and posted for trading on the NASDAQ Global 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 Global Market for the periods indicated:

NASDAQ Exchange (WPRT) Period	High ($)	Low ($)	Close ($)	Volume
January 2011	19.77	15.15	15.77	11,919,727
February 2011	19.00	14.25	18.37	18,268,175
March 2011	22.39	16.19	21.98	18,118,712
April 2011	27.90	22.40	25.30	28,261,200
May 2011	25.96	21.29	24.83	15,127,504
June 2011	24.97	19.66	24.02	19,669,196
July 2011	28.05	23.60	25.64	19,374,848
August 2011	27.07	20.01	24.46	22,525,688
September 2011	34.23	22.13	28.93	28,389,524
October 2011	31.68	22.63	30.25	21,817,981
November 2011	31.28	25.82	27.67	16,983,860
December 2011	34.44	26.90	33.24	15,854,580
January 2012	42.15	31.91	41.60	24,002,535
February 2012 (to February 29)	47.38	38.05	40.46	46,931,615

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 December 31, 2011, our issued share capital consisted of 48,455,601 Common Shares and no Preferred 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.

	December 31, 2011	
	Number	Weighted Average Exercise Price
		$
Shares Outstanding	48,455,601	
Share Options		
- Outstanding	328,027	8.96
- Exercisable	311,360	8.55
Performance Share Units		
- Outstanding	318,214	N/A
- Exercisable	—	N/A
Restricted Share Units		
- Outstanding	932,703	N/A
- Exercisable	276,931	N/A

PRIOR SECURITIES ISSUED

No securities of Westport not listed or quoted on any exchange were issued during the year ended December 31, 2011, other than options, restricted share units and the Debentures. 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 annual and special meeting of shareholders, which will be made available on SEDAR at www.sedar.com.

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 the members of our Board of Directors and Executive Officers as of February 29, 2012, as well as the positions and offices held by such persons, their principal occupations, and number of Common Shares held as of February 29, 2012:

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 February 29, 2012
Warren J. Baker[2][3][4] *Avila Beach, California*	Director	President, California Polytechnic State University (1979-2010)	September 2002	11,642
John A. Beaulieu[1][2][3][4] *Vancouver, Washington*	Chairman and Director	Managing Partner of Cascadia Pacific Management LLP (a private venture fund company)	September 1997	17,645
M.A. (Jill) Bodkin[1][2][4] *Vancouver, British Columbia*	Director	Chair and Chief Executive Officer of Golden Heron Enterprises; Director of Canadian Development for KCTS 9 Television (2007-2010)	July 2008	7,460
David R. Demers[3][4] *West Vancouver, British Columbia*	Chief Executive Officer and Director	Chief Executive Officer of Westport	March 1995	127,257
Dezsö J. Horváth[1][4] *Toronto, Ontario*	Director	Dean and Tanna H. Schulich Chair in Strategic Management, Schulich School of Business, York University	September 2001	56,823
Douglas R. King[4] Hillsborough, California	Director	Retired from Ernst & Young LLP for the past five years. During this time Mr. King has served as a Board Member on various publicly traded companies	January 2012	1,813
William (Bill) E.Larkin *Blaine, Washington*	Chief Financial Officer	Chief Financial Officer of Westport; previously Chief Financial Officer of DDi Corp. (2009 to 2010); Chief Financial Officer of Fuel Systems Solutions, Inc. (2008 to 2009); Corporate Controller of Fuel Systems Solutions, Inc. (2006 to 2008)	N/A	1,383
Sarah Liao Sau Tung[4] *Hong Kong, China*	Director	Senior Advisor to the Vice Chancellor of the University of Hong Kong on Sustainability; 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 to 2007)	July 2008	6,093
Albert T. Maringer[2][4] *Canmore, Alberta*	Director	President and Chief Executive Officer of Maringer Consulting Alberta Ltd. since 2007	July 2008	3,588
Gottfried (Guff) Muench[1][4] *West Vancouver, British Columbia*	Director	Previously held various senior positions within Cummins Inc., including Canadian General Sales Manager-Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company	July 2010	4,398

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 February 29, 2012
Clark G. Quintin *West Vancouver, British Columbia*	President, Westport HD	President, Westport HD since April 2011; previously a Consultant (2009 to 2010); and President & CEO of Integrated Paving Concepts (2002 to 2009)	N/A	Nil
Ian J. Scott *North Vancouver, British Columbia*	President, Westport LD	President of Westport Light Duty, Inc. (formerly Juniper Engines) since 2007	N/A	27,641
Nicholas C. Sonntag *Gibsons, British Columbia*	Executive Vice President, Corporate Development, and President, Westport Europe and Asia	Executive Vice President, Corporate Development and President of Westport Europe and Asia	N/A	7,766
Elaine A. Wong *Vancouver, British Columbia*	Executive Vice President, Strategic Development	Executive Vice President, Strategic Development of Westport; former Chief Financial Officer of Westport (2003 to 2010)	N/A	45,729

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.

DIRECTOR BIOGRAPHIES

Warren J. Baker, a US 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 is retired President Emeritus having served as President of California Polytechnic State University in San Luis Obispo, California from 1979 until August 1, 2010. 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 former member of the US Business-Higher Education Forum. Dr. Baker has served as a member of the US National Science Board appointed by President Reagan serving two terms from 1985 to 1994. He 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, US – Mexico Foundation Science Foundation.

John A. Beaulieu, a US citizen, of Vancouver, Washington, USA, joined the Board of Directors in September of 1997 and was appointed Chairman in 2002. 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 involved with one socially focused organization in the health field.

M.A. (Jill) Bodkin, a Canadian citizen, of Vancouver, British Columbia, Canada, joined the Board in July 2008. She has been Chair and Chief Executive Officer of Golden Heron Enterprises since 1996. From 2007 through 2010, Ms. Bodkin was also Director for Canadian Development for KCTS 9 Television, the Seattle, Washington based Pacific Northwest PBS station. Ms. Bodkin is the President of Yaletown Venture Partners VCC, Vancouver, and is a member of the Board of Syracuse University's Maxwell School of Citizenship and Public Affairs. 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, until 1987, 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, and President of the Board of Pacific Coast Public Television. She has served on the Oversight Council for the Canadian Institute of Chartered Accountants, Advisory Boards on investment and trade to Canadian and British Columbia Cabinet Ministers, and 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 member of the Board 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 Primero Mining Corp.

Dezsö J. Horváth, a Canadian citizen, of Toronto, Ontario, Canada, has been a member of the 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. 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 (since 2003), Samuel, Son & Co. Limited (since 2007) and UBS Bank (Canada) (2009). He is also a Director of The Toronto Leadership Centre (since 1998) and the Canada-India Business Council (C-IBC) (since 2009). As well, he is on the International Advisory Council of the St. Petersburg University School of Management, Russia (since 1996), Guanghua School of Management, Peking University, China (since 2007), Fundação Dom Cabral (FDC), Brazil (since 2009), and is a member of the Advisory Board for The CEO of the Year Award (co-sponsored by The Caldwell Partners Amrop International, the National Post and the CTV Television Network) (since 1992). Dr. Horváth is a member of the Strategic Management Society (SMS), the Academy of Management (AOM) 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.

Douglas R. King, a US citizen, of Hillsborough, California, USA, joined the Board in January 2012. Mr. King is a Certified Public Accountant with significant experience in the accounting industry, including over 30 years of auditing experience at Ernst & Young LLP where he served in various capacities in multiple offices. Mr. King served as the managing partner at the San Francisco office of Ernst & Young LLP from 1998 to 2002. Currently, Mr. King is a member of the Board of Directors, Chairman of the Audit Committee, and member of the Nominating and Corporate Governance Committee at Silicon Graphics International Corp. (NASDAQ:SGI); member of the Board of Directors, Chairman of the Audit Committee, and member of the Executive Compensation and Finance Committees at SJW Corp. (NYSE:SJW); and a member of the Board of Directors of the private company Adaptive Spectrum and Signal Alignment, Inc. Previously, Mr. King was a member of the Board of Directors, Chairman of the Audit Committee, and member of the Nominating and Corporate Committee at Fuel Systems Solutions (NASDAQ:FSYS) from April 2006 until July 2010 and a member of the Board of Directors, Chairman of the Audit Committee and member of Executive Compensation and Special Committees of Marvell Technology Group (NASDAQ:MRVL) from April 2004 until October 2007. Mr. King has a Bachelor of Science degree from the University of Wisconsin (Madison) and an Masters of Business Administration degree from the University of Arkansas.

Sarah Liao Sau Tung, a Hong Kong SAR citizen, of Hong Kong, People's Republic of China, joined the Board in July 2008. Dr. Liao 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 from 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 Defense 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. Dr. Liao was awarded 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.

Albert T. Maringer, a Canadian citizen, of Canmore, Alberta, Canada joined the Board in July 2008. Dr. Maringer 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. He has also served as a member of the board of directors of the Canadian Nuclear Association. Dr. Maringer was a member of the Board of Trustees, Calgary Zoo, Calgary, and is a director and Chairman Emerit with the German-Canadian Chamber of Commerce and Industry. Dr. Maringer is Member of the Board (Aufsichtsrat) of Guardus AG in Ulm/Germany, was Chairman of the board of Clinicare Inc., a healthcare information technology company in Calgary, Alberta, and an advisory board member of Skypower Corporation in Toronto, Ontario. He is past Chairman of Utilicase, a privately held software company in Montreal. 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 holds a Chair of International Management, Friedrich- Schiller-Universität in Germany.

Gottfried (Guff) Muench, a Canadian citizen, of West Vancouver, British Columbia, Canada, joined the Board in July 2010. Mr. Muench obtained a Masters of Business Administration degree (1981) from the University of Western Ontario, and from 1981 to 2010, Mr. Muench held various senior positions within Cummins Inc., including Canadian General Sales Manager–Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company in Columbus, Indiana. In 1986, Mr. Muench became the owner and principal of Cummins British Columbia, now Cummins Western Canada, the Cummins distributor for western Canada that now serves customers in eight different provinces and territories. From 2001 to 2002, Mr. Muench also served as the first President of Cummins Westport Inc.

EXECUTIVE OFFICER BIOGRAPHIES

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

William (Bill) E. Larkin, a U.S. citizen, joined Westport in February 2010 as Chief Financial Officer. Mr. Larkin served as Chief Financial Officer of Fuel Systems Solutions, Inc. (FSYS) from May 2008 to May 2009 and as a consultant through September 2009. Mr. Larkin served as Corporate Controller and Chief Accounting Officer of FSYS from November 2006 to May 2008. Prior to that, Mr. Larkin served as Director of Financial Reporting at Standard Pacific Corp and as an auditor at Deloitte & Touche LLP, based in Los Angeles. Prior to joining Westport, Mr. Larkin served as Interim Chief Financial Officer for DDi Corp., a publicly listed manufacturer of circuit boards, beginning October 2009. Mr. Larkin earned a Bachelor of Science degree in accounting from the University of Southern California and is a Certified Public Accountant. As of February 19, 2012 Mr. Larkin joined the board of directors of CWI.

Clark G. Quintin, a Canadian citizen, joined Westport in April 2011 as President of Westport HD. Prior to joining Westport, Mr. Quintin was Corporate Director, President and Chief Executive Officer of Integrated Paving Concepts Inc. from 2002 to 2009. In addition, he served as Senior Vice President, Sales and Distribution for MacMillan Bloedel over a five-year period. Mr. Quintin also served for 20 years with IBM in Canada and the United States where he held a series of sales, marketing and executive roles including Executive Assistant to the Chairman,

IBM Corporation and was selected to participate in the prestigious one year Management Acceleration Program. In his last assignment with IBM, he was Vice President and General Manager, Western Canada. Over his career, Mr. Quintin has served on several boards of public, private, and not-for-profit organizations. Mr. Quintin is currently Chair of the Board for Lions Gate Hospital Foundation. Mr. Quintin holds a Bachelor of Commerce degree in Marketing and Finance from the University of Calgary. As of February 19, 2012 Mr. Quintin joined the board of directors of CWI.

Ian J. Scott, a Canadian citizen, is President of Westport LD. Mr. Scott joined Westport in 2001 and was appointed Director, Strategy and New Business Development in 2003. In 2006, he was promoted to the position of Vice President, Emerging Markets and Business Development, where he was responsible for Westport's new initiatives outside of the core Cummins Westport and Heavy-Duty HPDI business units. In 2007, Mr. Scott was appointed President of Juniper Engines Inc., a newly formed joint venture between Westport and OMVL SpA, focused on light duty LPG and CNG engine solutions. In 2010, Westport acquired OMVL and Juniper became a 100% subsidiary of Westport. In July 2011, Westport acquired Emer SpA, bringing full CNG and LPG tank-to-engine capabilities to Juniper. Juniper was recently renamed Westport Light Duty Inc. (Westport LD) to more accurately reflect the expanded business. Mr. Scott has more than 20 years of global energy and alternative fuels management and engineering experience. Prior to joining Westport, Mr. Scott held positions with Amoco and Schlumberger in Canada, Europe and Africa. He earned Bachelor of Applied Science (Geological Engineering) and Masters of Business Administration (Strategic Management) degrees from the University of British Columbia.

Nicholas C. Sonntag, a Canadian citizen, joined Westport in October 2006 as Executive Vice President, responsible for the growth and development of Westport's emerging OEM global partnerships. Based out of Westport's Lyon, France office Mr. Sonntag is also President Westport Europe and Asia and is responsible for growing the company's business and developing opportunities in those regions. Mr. Sonntag is also a Director of Westport's JV with Weichai. Prior to joining Westport, Mr. Sonntag served as President of CH2M HILL's operations in Greater China, working on sustainable infrastructure and industrial development across China and Hong Kong. Prior to his time in China, Mr. Sonntag was President of CH2M HILL's operations in Canada. Mr. Sonntag has held senior executive positions with 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; the International Center for Sustainable Cities; and China-U.S. Center for Sustainable Development. Mr. Sonntag obtained a Bachelor of Science degree in Engineering Physics and a Master of Science, Business Administration degree from the University of British Columbia.

Elaine A. Wong, a Canadian citizen, is currently Executive Vice President, Strategic Development and was previously 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. Until February 19, 2012 Ms. Wong also served as 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 and is currently a director and Treasurer for the David Suzuki Foundation. Prior to joining Westport, 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 and Certified Public Accountant (Illinois) designations, as well as a Bachelors of Commerce Degree with Honours from the University of British Columbia.

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of February 29, 2012, our Board members and officers as a group beneficially owned, directly or indirectly 319,238 of our Common Shares, representing approximately 0.58% of the 54,845,530 Common Shares outstanding on February 29, 2012.

CONFLICTS OF INTEREST

David Demers, a director and officer of Westport, served on the board of directors of CWI, our 50:50 joint venture with Cummins until February 19, 2012. Elaine Wong, an officer of Westport, also served as a board member of CWI until February 19, 2012. Each of Bill Larkin and Clark Quintin, officers of Westport, joined the board of directors of CWI on February 19, 2012. Nicholas Sonntag, an officer of Westport is a board member of WWI, our joint venture with Weichai and Hong Kong Peterson.

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 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.

Global economic factors beyond our control such as a sustained and far reaching economic recession, more restrictive access to credit markets or other broad economic issues may negatively affect the natural gas vehicle market, and reduce demand for our products 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 port drayage fleets, 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 future cost of diesel, gasoline and other alternative fuels that may be used by competitive technologies; 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 Westport HD 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 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 will be unlikely to buy products containing our fuel systems.

The application of our direct injection technology in high-horsepower applications is in its infancy. Our technology may not meet all the demands of these new applications, such as ultra high reliability, long life, high efficiency, high performance, refueling convenience, emissions and safety regulations. Other technologies may provide better compromise. In these cases our market penetration may be lower than expected.

Dependence on Government Incentives

We are partly dependent on 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.

Our business has benefited from the availability of government tax incentives, such as tax credits and grants to encourage the use of natural gas in trucks, buses and other vehicles. Federal incentives for alternative fuel and infrastructure expired on December 31, 2011 along with the eligibility for 100% Bonus Depreciation for some capital assets acquired before January 1, 2012. The remaining provision from HR 4853 (Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010), which was passed December 17, 2010, is the provision for bonus depreciation for some capital assets at a reduced rate of 50% for assets acquired after December 31, 2011 and before January 1, 2013.

The New Alternative Transportation to Give Americans Solutions Act of 2011 (NAT GAS Act) was introduced in the US Senate on November 15, 2011. This Senate bill includes provisions for vehicle tax credits, vehicle manufacture credits, and infrastructure credits through the end of 2016. The bill introduced a nominal tax through 2021 on natural gas to finance the cost of incentives. Senate Bill 1863 has been referred to the Senate Committee on Finance. There are no dates scheduled for voting, and we cannot predict if this legislation will be passed.

In the absence of Federal legislation, individual states have initiated and passed bills to provide incentives to encourage the use of domestic energy such as natural gas. The Texas Clean Transportation Triangle Senate Bills 20 and 385 have been passed and authorize funding for

approximately $16 million for natural gas vehicle rebates, with particular focus on converting heavy-duty fleet vehicles to natural gas, and $4 million per year for the next two years for the establishment of natural gas stations between the cities of Dallas, San Antonio and Houston. California, through the CEC with funds through Assembly Bill 118, has established the Natural Gas Vehicle Buy-Down Program, a rebate program to incent the deployment of natural gas and propane vehicles in all weight classes in California. Funding for this program for 2012 is $12.7 million. California also has programs authorized by Proposition 1B that periodically has funding available to promote the use of cleaner heavy-duty trucks within the state. Other states such as Louisiana, Oklahoma, and West Virginia offer state income tax credits for the purchase of alternative fuel vehicles including natural gas. Pennsylvania has recently passed legislation that would lead to a grant program.

Due to the variable nature of government funding and incentive programs, we are unable to ascertain if current programs will continue or be renewed or whether proposed bills will be passed and enacted into law. While we believe that even in the absence of government incentives, there are sound financial and environmental motivations for customers to buy our engines; however, continued uncertainty over the amount and availability of government incentives in the United States and Canada could cause customers to delay making purchasing decisions as they wait for programs to become available. The absence of consistent commitment by government to promote natural gas vehicles could negatively affect the business by delaying purchasing decisions by prospective customers insofar as this uncertainty persists.

While some of our customers have been able to qualify for programs offered by Federal, state and local agencies such as CARB, CEC, SCAQMD in California as well as other jurisdictions, there is no certainty that this assistance will continue into the future. In addition to customers' participation in fleet vehicle deployment incentives, Westport enters into agreements with government agencies to help fund our research and development programs. As with the variability of vehicle deployment incentives, there can be no assurance that we will succeed in being awarded future R&D funding from any government agencies at the same levels we have received in the past or at all.

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, diesel and gasoline fuels. 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, availability of shale gas, pipeline transportation capacity for natural gas, refining capacity for crude oil, and government excise and fuel tax policies. While this price differential increased in fiscal 2011, there can be no assurance that natural gas will remain less expensive than diesel and gasoline fuels. 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. As the market for natural gas engine products continues to grow this competition may increase. 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. In addition, the terms of some of our joint venture agreements allow for the potential for the introduction of competing products in certain markets by our joint venture partners.

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. Many existing manufacturers have or had natural gas engine programs and could develop new engines without our help or components, using more conventional technologies or technologies from competitive companies. 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, including CO2 reduction; 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.

In high-horsepower applications, there are already engine manufacturers with significant experience with utilization of natural gas, for example in power generation and in marine applications. Westport may not be able to gain experience fast enough to capture a significant enough market share.

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 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 a declaratory judgment of non-infringement, to the initiation of design changes. We intend to vigorously defend our intellectual property.

As a result, while we are not currently engaged in any material 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 our strategic partners will not seek to renegotiate or amend those agreements before or after a product has been commercialized. We can offer no guarantee that even if technology agreements do exist with our strategic partners 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, to change or seek to change the terms of our contractual relationships with them 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 have in the past and may in the future arise under our agreements with our strategic partners. These and other possible disagreements have in the past and may in the future lead to the renegotiation or modification of such agreements, or could lead to the 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 have in the past and may in the future 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 a strategic supply agreement with Delphi Automotive Systems, LLC, 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 Westport HD 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, carrying inventory and 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 Westport's revenues are currently derived from the operations of CWI.

CWI 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 CWI's business and financial results.

Under the Amended JVA, while Cummins is subject to exclusivity restrictions that generally limit Cummins' ability to compete against CWI in North America in respect of spark-ignited natural gas or propane products within the displacement range of the Products, beginning in February 2017, Cummins is permitted to market and sell a spark-ignited natural gas or propane engine within the displacement range of the Products in North America based on a new Cummins heavy duty engine platform. In addition, the Amended JVA permits Cummins to develop, market and sell products that compete with CWI outside of North America. The introduction by Cummins of new products that compete with CWI could have a material adverse effect on CWI's sales of Products and on CWI's financial results.

Under the Amended JVA, the market scope for sales of Products by CWI is primarily limited to North America. Cummins has the sole right to sell Products outside of North America, and the revenues from such sales (as well as the corresponding costs and liabilities) will be credited to CWI. There can be no assurance that Cummins will continue to pursue sales of the Products outside of North America or that the pricing for such Products will be set at levels that will allow such Products to compete effectively in the applicable markets. In addition, the limitation of CWI's market scope primarily to North America subjects CWI to more concentrated market risk. Any decrease in demand within the North American market for the Products, including as a result of the decrease in the cost of fuels that are alternatives to natural gas or conditions or events that impair or adversely affect the infrastructure for producing and transporting liquefied natural gas could have a material adverse effect on CWI's business and financial results.

The Amended JVA provides that substantially all significant decisions with respect to CWI and its business must be unanimously approved by the CWI board of directors and, in some instances, the shareholders of CWI. Because the CWI board of directors is evenly divided between Westport and Cummins designees and each of Westport and Cummins have 50% ownership of the common shares of CWI, any material change in the nature or scope of CWI's business, including the commencement of any new line of business, and the addition of any products to the joint venture are outside of Westport's control. Failure or delay by Cummins or Westport and their respective designees to the CWI board of directors to approve any such matters could have a material adverse effect on CWI's business and financial results. In addition, the declaration and payment of any dividends by CWI requires unanimous approval of the CWI board of directors and is subject to the business judgment of the CWI board of directors, taking into account the factors specified in the Amended JVA. Failure or delay by CWI to pay dividends could have a material adverse effect on Westport's cash flows and liquidity.

The Amended JVA provides that upon a change of control of Westport, Cummins may elect to terminate the Amended JVA (in which case Cummins is obligated to repurchase Westport's shares of CWI at a price determined based on a formula in the Amended JVA) or continue the

Amended JVA upon certain modified terms. These provisions may make it less likely that Westport will experience a change of control or may diminish any takeover premium that a third party would pay for its shares.

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 Westport HD systems, 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 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, a change in manufacturing processes, and/or recall of our products, which 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. Even in the absence of any warranty claims, a product deficiency such a manufacturing defect or a safety issue could be identified, necessitating a product recall, which could itself have an adverse impact on our finances and on existing or future sales.

New products may have different performance characteristics from previous products. In addition, we have limited field experience with our Westport HD 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 to natural gas, LPG and hydrogen and products that use these gases. Natural gas, LPG and hydrogen are

flammable gases and are 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 Euros, and we report in U.S. dollars. Foreign exchange gains and losses are included in results from operations. A large decline in the value of the U.S. dollar relative to the Canadian dollar or Euro relative to the U.S. dollar could negatively impact margins and other financial results. We have not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations. In fiscal 2011, on average, the U.S. dollar declined 2.6% against the Canadian dollar and appreciated 3.1% against the Euro.

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.

We could be adversely affected by risks associated with acquisitions.

We may, in the future, seek to expand our business through acquisitions. Any such acquisitions will be in part dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Acquisitions involve a number of risks, including: (i) the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that we may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and personnel of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key personnel of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

We could be adversely affected by the operations of our joint ventures and joint venture partners.

We operate in many parts of the world that have experienced social unrest, political and economic instability and resulting governmental corruption. While we have policies in place to ensure adequate monitoring of our activities and compliance with Canadian, United States and local laws and regulations in the countries in which we operate, we also operate, and intend to operate in the future, through various joint venture arrangements. Our level of control over joint venture operations may be restricted or shared, and we may be unable to control the actions of

joint venture partners or their employees. Despite our policies mandating compliance with Canadian, United States and local laws, we cannot assure you that our internal control policies and procedures always will protect us from reckless or negligent acts committed by our joint ventures or their employees or agents. Such employees or agents of the joint venture or joint venture partners may undertake actions that would result in a violation of law, including but not limited to, tax laws, customs laws, environmental laws, labour laws, permitting laws and regulations, industry laws or international anti-corruption and anti-bribery laws, including Canadian anti-corruption laws and the U.S. Foreign Corrupt Practices Act. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business and operations.

Some of our foreign subsidiaries may do business in countries subject to U.S. sanctions and embargoes, and we have limited managerial oversight over those activities.

Some of our foreign subsidiaries, joint ventures or future acquisitions may sell our products to customers in countries that may be subject to sanctions and embargoes imposed by the U.S and Canadian governments or the United Nations. Although these sanctions and embargoes may not prohibit our foreign subsidiaries and joint ventures from selling products and providing services in these countries, they may prohibit us and our domestic subsidiaries and joint ventures, as well as employees of our foreign subsidiaries and joint ventures who are U.S. or Canadian citizens, from participating in, approving or otherwise facilitating any aspect of the business activities in those countries. The constraints on our ability to have U.S. or Canadian persons, including our senior management, provide managerial oversight and supervision over sales in embargoed countries may negatively affect the financial or operating performance of such business activities. Further, failure to comply with U.S. and Canadian laws in our foreign operations could result in material fines and penalties, damage to our reputation and a reduction in the value of our Common Shares.

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 February 29, 2012, the 52-week trading price of our Common Shares on NASDAQ ranged from a low of $16.19 to a high of $47.38. 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; 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 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, 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 any cash that we raise. 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. In addition, we may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers.

United States investors may not be able to obtain enforcement of civil liabilities against us.

The enforcement by investors of civil liabilities under the United States federal or state securities laws may be affected adversely by the fact that we are governed by the *Business Corporations Act* (Alberta), a statute of the Province of Alberta, Canada, that the majority of our officers and directors and some of the experts named in this AIF, are residents of Canada or otherwise reside outside the United States, and that all, or a substantial portion of their assets and a substantial portion of our assets, are located outside the United States. It may not be possible for investors to effect service of process within the United States on certain of our directors and officers or the experts named in this AIF or enforce judgments obtained in the United States courts against us, certain of our directors and officers or the experts named in this AIF based upon the civil liability provisions of United States federal securities laws or the securities laws of any state of the United States.

There is some doubt as to whether a judgment of a United States court based solely upon the civil liability provisions of United States federal or state securities laws would be enforceable in Canada against us, our directors and officers or the experts named in this AIF. There is also doubt as to whether an original action could be brought in Canada against us or our directors and officers or the experts named in this AIF to enforce liabilities based solely upon United States federal or state securities laws.

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 which is attached is 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
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, until 1987, 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 has served as 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.
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 Evans Products Company and Ford Motor Company and as President of Steelcraft Corp.

Name	Independent?	Financially Literate?	Relevant Education and Experience
Dezsö 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 and has been a member of a number of boards in both the public and private sector.
Gottfried (Guff) Muench	Yes	Yes	Mr. Muench obtained a Masters of Business Administration degree (1981) from the University of Western Ontario, and from 1981 to 2010, Mr. Muench held various senior positions within Cummins Inc., including Canadian General Sales Manager–Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company in Columbus, Indiana. In 1986, Mr. Muench became the owner and principal of Cummins British Columbia, now Cummins Western Canada, the Cummins distributor for Western Canada, which now serves customers in eight different provinces and territories. From 2001 to 2002, Mr. Muench also served as the first President of Cummins Westport Inc.

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 Audit 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.

	Year Ended (Cdn $)	
	December 31, 2011[1]	March 31, 2011
Audit Fees	$356,043	$373,152
Audit Related Fees	$ 36,750	$ 12,600
Tax fees	$125,082	$ 55,300
All Other Fees	$ Nil	$ Nil
Total	$517,875	$441,052

Note:

(1) Effective March 31, 2011, Westport changed its year end from March 31 to December 31. As such, figures in this column represent fees incurred during the nine months from March 31, 2011 to December 31, 2011.

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 2011 or 2010. 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.

LEGAL AND REGULATORY PROCEEDINGS

We are not involved in any material legal or regulatory actions or proceedings, nor are any such actions 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 that has materially affected or would materially affect us or any of our subsidiaries.

MATERIAL CONTRACTS

Debenture Units

On September 23, 2011, we announced we had raised CDN$36 million through the issuance of debentures offered by Macquarie Private Wealth Inc, on a private placement basis, to replace previously issued debentures that matured in July 2011. The debentures are governed by the terms of an indenture are unsecured and subordinated to senior indebtedness, mature on September 22, 2014 and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15th and September 15th of each year during the term, commencing on March 15, 2012. The debentures are not listed on any stock exchange.

The note indenture governing the debentures ("**Note Indenture**") restricts 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) certain 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 $40,000,000 outstanding at any time; and

(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 $50,000,000 at any time.

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 C$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, ITO was to contribute the lesser of C$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 C$4 million in warrants using the closing share price as at that date and Black-Scholes option pricing model to value each warrant. Moreover, from fiscal year 2007 to 2013, we were to pay a royalty equal to the greater of C$1.35 million, or 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 C$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 C$13.5 million, the royalty will be the greater of C$1.35 million and 0.33% of such gross business revenues. If royalty repayments do not total C$28.2 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 C$10.65 to the Government of Canada. The fair value of these warrants was C$4,000,000 calculated based on a Black-Scholes option pricing model. On April 14, 2010, the warrants issued to ITO with a fair value of $3,200,000 were exercised. 771,428 warrants with an assigned value of $3,572,000 and 46,118 broker warrants with an assigned value of $266,000 were issued as part of the debenture units net of transaction costs

of $290,000. On July 3, 2010, all unexercised warrants and broker warrants expired. As at December 31, 2011, royalties of $1.4 million relating to ITO were paid and an additional $1.0 million was accrued during the year.

Amended and Restated Joint Venture Agreement

Effective February 19, 2012, Cummins and Westport entered into the Amended JVA for the CWI joint venture. The Amended JVA provides for, among other things, clarification concerning the scope of products within CWI and revised certain economic terms of the prior joint venture agreement.

Cummins and Westport agreed in the Amended JVA to focus CWI's future product development investments on North American markets including engines for on-road applications between the displacement range of 5.9 litres through 12 litres, and to have these engines manufactured in Cummins North American plants.

A copy of the Amended JVA is available on SEDAR at http://www.sedar.com. See also "OUR BUSINESS" and "OPERATIONS" in this AIF for a description of the Amended JVA.

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.

INTERESTS OF EXPERTS

KPMG LLP, our independent auditors, has audited our consolidated financial statements for the year ended December 31, 2011. As at the date hereof, KPMG LLP has 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 consolidated financial statements and Management's Discussion & Analysis for the year ended December 31, 2011, 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 Corporate 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 99.2

Consolidated Financial Statements
(Expressed in thousands of United States dollars)

WESTPORT INNOVATIONS INC.

For the nine months ended December 31, 2011 and
the years ended March 31, 2011 and 2010

KPMG LLP
Chartered Accountants
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Canada

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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Westport Innovations Inc.

We have audited the accompanying consolidated financial statements of Westport Innovations Inc., which comprise the consolidated balance sheets as at December 31, 2011 and March 31, 2011, the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the nine-month period ended December 31, 2011 and the years ended March 31, 2011 and March 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in the United States, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Westport Innovations Inc. as at December 31, 2011 and March 31, 2011 and its consolidated results of operations and its consolidated cash flows for the nine-month period ended December 31, 2011 and the years ended March 31, 2011 and March 31, 2010 in accordance with generally accepted accounting principles in the United States.

Other Matters

The Company's consolidated financial statements for the years ended March 31, 2011 and March 31, 2010 were previously prepared in conformity with Canadian generally accepted accounting principles. As more fully described in note 3(a) to the consolidated financial statements, the Company elected, on April 1, 2011, to change its basis of preparing its consolidated financial statements to US generally accepted accounting principles. Consequently, the Company's consolidated financial statements for March 31, 2011 and March 31, 2010 referred to above have been restated to conform with US generally accepted accounting principles.

As discussed in note 3(a) to the consolidated financial statements, the Company has elected to change its timing of its annual goodwill impairment testing date from January 31 to November 30.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Westport Innovation Inc.'s internal control over financial reporting as of December 31, 2011 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 28, 2012 expressed an unmodified opinion on the effectiveness of Westport Innovation Inc.'s internal control over financial reporting.

//**s**// **KPMG LLP**

Chartered Accountants

February 28, 2012
Vancouver, Canada

KPMG LLP
Chartered Accountants
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Westport Innovations Inc.

We have audited Westport Innovations Inc.'s, (the "Company") internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Financial Statements and Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Company acquired Emer S.p.A during the nine-month period ended December 31, 2011 and management excluded from its assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2011, Emer S.p.A's internal controls over financial reporting associated with total assets of $123,892 and total revenues of $31,831 included in the consolidated financial statements of the Company as of and for the nine-month period ended December 31, 2011. Our audit of internal control over financial reporting of the Company also excludes an evaluation of internal controls over financial reporting of Emer S.p.A.

The Company acquired Alternative Fuel Vehicle Sweden AB during the nine-month period ended December 31, 2011 and management excluded from its assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2011, Alternative Fuel Vehicle Sweden AB's internal controls over financial reporting associated with total assets of $2,720 and total revenues of $2,566 included in the consolidated financial statements of the Company as of and for the nine-month period ended December 31, 2011. Our audit of internal control over financial reporting of the Company also excludes an evaluation of internal controls over financial reporting of Alternative Fuel Vehicle Sweden AB.

We also have conducted our audit on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Our report dated February 28, 2012 expressed an unqualified opinion on those consolidated financial statements.

//**s**// **KPMG LLP**

Chartered Accountants

February 28, 2012
Vancouver, Canada

WESTPORT INNOVATIONS INC.
Consolidated Balance Sheets
(Expressed in thousands of United States dollars, except share amounts)

	December 31, 2011	March 31,2011 (Recast – Note 3(a))
Assets		
Current assets:		
Cash and cash equivalents	$ 70,298	$ 148,462
Short-term investments	15,379	31,841
Accounts receivable (note 5)	55,423	15,934
Loan receivable (note 21(a))	19,409	14,200
Inventories (note 6)	37,057	16,805
Prepaid expenses	6,551	1,786
Current portion of deferred income tax assets (note 20(b))	6,447	7,282
Other current assets (note 8)	2,034	—
	212,598	236,310
Long-term investments (note 7)	8,369	5,622
Other assets (note 8)	1,994	1,982
Property, plant and equipment (note 9)	36,243	12,083
Intangible assets (note 10)	36,582	6,859
Deferred income tax assets (note 20(b))	5,075	2,316
Goodwill (note 11)	55,814	8,202
	$ 356,675	$ 273,374
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	$ 55,807	$ 24,765
Deferred revenue	3,146	2,041
Short-term debt	—	208
Current portion of long-term debt (note 13)	20,568	15,210
Current portion of warranty liability (note 14)	12,978	12,151
	92,499	54,375
Warranty liability (note 14)	11,253	5,884
Long-term debt (note 13)	65,577	10,012
Deferred revenue	10,327	6,932
Deferred income tax liabilities (note 20(b))	3,446	—
Other long-term liabilities (note 15)	3,104	164
	186,206	77,367
Shareholders' equity:		
Share capital (note 17):		
Authorized:		
Unlimited common shares, no par value Unlimited preferred shares in series, no par value		
Issued:		
48,455,601 (2011 – 46,972,304) common shares	459,866	430,608
Other equity instruments	6,112	4,205
Additional paid in capital	4,499	5,141
Accumulated deficit	(331,158)	(284,509)
Accumulated other comprehensive income	13,271	25,641
	152,590	181,086
Joint venture partners' share of net assets of joint ventures (note 21)	17,879	14,921
	170,469	196,007
Commitments and contingencies (notes 16 and 22)		
Subsequent events (note 25)		
	$ 356,675	$ 273,374

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Gottfried Muench " Director

"John A. Beaulieu" Director

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

	Nine months ended December 31, 2011	Years ended March 31, 2011 (Recast – Note 3(a))	2010 (Recast – Note 3(a))
Product revenue	$ 189,682	$ 110,475	$ 94,803
Parts revenue	26,677	29,459	26,850
Service revenue	10,181	8,128	—
	226,540	148,062	121,653
Cost of revenue and expenses:			
Cost of product and parts revenue	145,930	90,982	82,979
Research and development (notes 18 and 19)	43,294	34,663	26,213
General and administrative (note 18)	23,534	16,211	11,839
Sales and marketing (note 18)	24,961	21,660	16,741
Foreign exchange loss (gain)	(2,036)	3,877	379
Depreciation and amortization	6,280	3,455	1,828
Bank charges, interest and other	1,206	665	419
	243,169	171,513	140,398
Loss before undernoted	(16,629)	(23,451)	(18,745)
Income (loss) from investment accounted for by the equity method (note 7)	1,500	842	(983)
Interest on long-term debt and amortization of discount	(2,998)	(3,323)	(2,539)
Interest and other income	958	1,222	392
Gain on sale of long-term investments (note 7)	—	—	2,827
Loss before income taxes	(17,169)	(24,710)	(19,048)
Income tax recovery (expense) (note 20):			
Current	(19,630)	(8,886)	(9,663)
Deferred	3,963	(761)	1,271
	(15,667)	(9,647)	(8,392)
Net loss for the year	(32,836)	(34,357)	(27,440)
Net income (loss) attributed to:			
Joint venture partners (note 21)	12,958	7,785	7,071
The Company	(45,794)	(42,142)	(34,511)
Loss per share attributable to the Company:			
Basic and diluted	$ (0.96)	$ (1.00)	$ (1.01)
Weighted average common shares outstanding:			
Basic and diluted	47,933,348	42,305,889	34,133,247

See accompanying notes to consolidated financial statements.

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

	Nine months ended December 31, 2011	Years ended March 31, 2011 (Recast – Note 3(a))	2010 (Recast – Note 3(a))
Loss for the year	$ (32,836)	$(34,357)	$(27,440)
Other comprehensive income (loss):			
Unrealized gain on available for sale securities, net of tax of $nil (2011 – $nil; 2010 – $300)	—	—	1,708
Reclassification of net realized gains on available for sale securities to net loss, net of tax of $nil (2011 – $nil; 2010 – $300)	—	—	(2,101)
Cumulative translation adjustment	(12,370)	7,414	14,431
	(12,370)	7,414	14,038
Comprehensive loss	$ (45,206)	$(26,943)	$(13,402)
Comprehensive income (loss) attributable to:			
Joint venture partners	$ 12,958	$ 7,785	$ 7,071
The Company	(58,164)	(34,728)	(20,473)

See accompanying notes to consolidated financial statements.

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

	Common Shares outstanding	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Joint venture partners' share of net assets of joint ventures	Total shareholders' equity
Balance, March 31, 2009 (Recast – Note 3 (a))	32,040,540	$232,621	$ 9,848	$ 4,000	$(207,856)	$ 4,189	$ 10,065	$ 52,867
Issue of common shares on exercise of stock options	389,580	3,634	—	(1,365)	—	—	—	2,269
Issue of common shares on exercise of performance share units	601,855	3,190	(3,190)	—	—	—	—	—
Issue of common shares on public offering	5,462,500	57,356	—	—	—	—	—	57,356
Share issuance costs	—	(3,192)	—	—	—	—	—	(3,192)
Stock-based compensation	—	—	3,167	1,363	—	—	—	4,530
Net loss for the year	—	—	—	—	(34,511)	—	7,071	(27,440)
Dividends paid by joint ventures	—	—	—	—	—	—	(4,000)	(4,000)
Other comprehensive income	—	—	—	—	—	14,038	—	14,038
Balance, March 31, 2010 (Recast – Note 3 (a))	38,494,475	$293,609	$ 9,825	$ 3,998	$(242,367)	$ 18,227	$ 13,136	$ 96,428
Issue of common shares on exercise of stock options	472,414	5,115	—	(1,817)	—	—	—	3,298
Issue of common shares on exercise of performance share units	241,825	3,239	(3,239)	—	—	—	—	—
Issue of common shares on exercise of warrants	858,221	13,853	(4,344)	—	—	—	—	9,509
Cancellation of common shares	(52,131)	(895)	—	—	—	—	—	(895)
Reclassification of fair value of expired warrants	—	—	(2,413)	2,413	—	—	—	—
Stock-based compensation	—	—	4,376	547	—	—	—	4,923
Issue of common shares on public offering	6,957,500	121,756	—	—	—	—	—	121,756
Share issuance costs	—	(6,069)	—	—	—	—	—	(6,069)
Net loss for the year	—	—	—	—	(42,142)	—	7,785	(34,357)
Dividends paid by joint ventures	—	—	—	—	—	—	(6,000)	(6,000)
Other comprehensive income	—	—	—	—	—	7,414	—	7,414
Balance, March 31, 2011 (Recast – Note 3 (a))	46,972,304	$430,608	$ 4,205	$ 5,141	$(284,509)	$ 25,641	$ 14,921	$ 196,007
Issue of common shares on exercise of stock options	225,845	2,810	—	(994)	—	—	—	1,816
Issue of common shares on exercise of performance share units	391,612	3,799	(3,799)	—	—	—	—	—
Issue of common shares in connection with acquisitions	915,021	23,052	—	—	—	—	—	23,052
Cancellation of common shares	(49,181)	(403)	—	—	(855)	—	—	(1,258)
Stock-based compensation	—	—	5,706	352	—	—	—	6,058
Net loss for the year	—	—	—	—	(45,794)	—	12,958	(32,836)

Dividends paid by joint ventures	—	—	—	—	—	—	(10,000)	(10,000)
Other comprehensive income	—	—	—	—	—	(12,370)	—	(12,370)
Balance, December 31, 2011	48,455,601	$459,866	$ 6,112	$ 4,499	$(331,158)	$ 13,271	$ 17,879	$ 170,469

See accompanying notes to consolidated financial statements.

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

	Nine months ended December 31, 2011	Years ended March 31, 2011 (Recast – Note 3(a))	2010 (Recast – Note 3(a))
Cash flows from operating activities:			
Loss for the year	$ (32,836)	$ (34,357)	$(27,440)
Items not involving cash:			
Depreciation and amortization	6,280	3,455	1,828
Stock-based compensation expense	6,179	4,923	4,530
Deferred income tax expense (recovery)	(3,963)	761	(1,271)
Change in deferred lease inducements	(47)	(58)	(95)
Gain on disposition of long-term investments	—	—	(2,827)
Loss (income) from investment accounted for by the equity method	(1,500)	(842)	983
Accretion of long-term debt	1,016	1,992	1,298
Other	654	(344)	—
Changes in non-cash operating working capital:			
Accounts receivable	(18,581)	5,523	(5,667)
Inventories	(2,051)	(1,927)	5,523
Prepaid expenses	(4,639)	(488)	54
Accounts payable and accrued liabilities	3,255	(2,831)	645
Deferred revenue	4,430	3,058	1,526
Warranty liability	5,860	(2,844)	1,495
	(35,943)	(23,979)	(19,418)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(13,269)	(3,613)	(204)
Purchase of intangible assets	(123)	—	—
Sale of short-term investments, net	15,516	3,376	7,584
Proceeds from disposition of long-term investments	—	—	3,744
Advances on loan receivable	(29,816)	(20,942)	(17,099)
Repayment on loan receivable	24,013	18,185	12,721
Acquisitions, net of acquired cash (note 4)	(9,084)	(13,016)	—
Investment in equity interest (note 7)	(955)	(4,316)	—
	(13,718)	(20,326)	6,746
Cash flows from financing activities:			
Repayment of demand installment loan	—	(3,206)	(1,245)
Repayment on operating lines of credit	(3,240)	—	—
Repayment of short-term debt	(221)	—	(1,120)
Repayment of long-term debt	(53,057)	(117)	(42)
Issuance of subordinated debenture notes	34,345	—	—
Finance costs incurred	(1,392)	—	—
Shares issued for cash	1,816	134,563	59,625
Share issuance costs	—	(6,069)	(3,192)
Dividends paid to joint venture partner	(10,000)	(6,000)	(4,000)
	(31,749)	119,171	50,026
Effect of foreign exchange on cash and cash equivalents	3,246	3,116	2,171
Increase (decrease) in cash and cash equivalents	(78,164)	77,982	39,525
Cash and cash equivalents, beginning of year	148,462	70,480	30,955
Cash and cash equivalents, end of year	$ 70,298	$148,462	$ 70,480

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

	Nine months ended December 31, 2011	Years ended March 31, 2011 (Recast – Note 3(a))	2010 (Recast – Note 3(a))
Supplementary information:			
Interest paid	$ 1,349	$ 1,729	$ 1,437
Taxes paid	7,460	11,394	8,454
Non-cash transactions:			
Purchase of property, plant and equipment by assumption of capital lease obligation	34	—	343
Shares issued on exercise of performance share units	3,799	2,344	3,190
Cancellation of performance share units	1,258	895	—
Common shares issued in connection with acquisitions (note 4)	23,052	—	—
Contingent consideration payable in common shares for Alternative Fuel Vehicle Sweden AB acquisition (note 4)	428	—	—

See accompanying notes to consolidated financial statements.

1. Company organization and operations:

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

The Company is a provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Its technology and products enable light (<5.9-litre), medium (5.9- to 8.9-litre), heavy-duty (11- to 16-litre) and high horsepower (>16-litre) petroleum-based fuel engines to use primarily natural gas, giving users a cleaner, more plentiful and generally less expensive alternative fuel.

The Company is focused on developing technology to enable more environmentally sustainable engines without compromising the performance, fuel economy, durability, and reliability of diesel engines. The substitution of natural gas for petroleum-based fuel drives a significant reduction in harmful combustion emissions, such as nitrogen oxides, particulate matter and greenhouse gas, in addition to providing an abundant, relatively inexpensive alternative fuel. Its systems can be used to enable combustion engines to use gaseous fuels, such as natural gas, propane, or hydrogen. Its research and development effort and investment have resulted in a substantial patent portfolio that serves as the foundation for its differentiated technology offerings and competitive advantage.

The Company has a joint venture interest in Cummins Westport Inc. ("CWI"), a joint venture with Cummins Inc. ("Cummins"), formed in 2001 (note 21 (a)). CWI develops, supports and markets a comprehensive product line of on highway low-emission, high performance engines and ancillary products using proprietary intellectual property.

On July 2, 2010, the Company acquired, through its wholly owned subsidiary, Juniper Engines Italy S.r.l., 100% of the outstanding shares of OMVL S.p.A. ("OMVL"), including its 51% interest in Westport Light Duty Canada Inc. (previously named "Juniper Engines Inc.", from Società Italiana Tecnomeccanica La Precisa S.p.A. and Sit International B.V (note 4(c)). OMVL is based in Pernumia, Italy and designs, manufactures and markets complete fuelling systems for new vehicles and the aftermarket conversion of engines from gasoline to compressed natural gas and liquefied petroleum gas.

On July 1, 2011, the Company acquired, through its wholly owned subsidiary, Juniper Engines Italy S.r.l., 100% of the outstanding shares of Emer S.p.A. ("Emer"), from Venice S.p.A. (note 4(a)). Based in Brescia, Italy, Emer is a fuel system provider in the compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") industry.

On October 12, 2011, the Company acquired, through its wholly owned subsidiary, Westport Light Duty Inc., 100% of the outstanding shares of Alternative Fuel Vehicle Sweden AB ("AFV") (note 4(b)). Based in Gothenburg, Sweden, AFV is the sole supplier of natural gas fuel systems to Volvo Car Company.

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, operating cash flows from its wholly owned subsidiaries, 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 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 accounting principles generally accepted in the United States ("U.S. GAAP"). Effective April 1, 2011, the Company elected to report its consolidated financial statements in accordance with U.S. GAAP. The change in generally accepted accounting principles and its impact on the consolidated financial statements is described in note 3(a).

(b) Foreign currency translation:

Effective April 1, 2010, the Company changed the reporting currency for its consolidated financial statement presentation from the Canadian dollar to the United States dollar. The functional currency of the Company's operations continues to be the Canadian dollar except for CWI, which continues to use the U.S. dollar as its functional currency, OMVL and Emer, which use the Euro as their functional currency, and AFV, which uses the Swedish Krona as its functional currency. The Company translates its consolidated Canadian dollar, Euro and Swedish Krona functional currency financial statements into the reporting currency using the current rate method. All assets and liabilities are translated using the period end exchange rates. Shareholders' equity balances are translated using a weighted average of historical exchange rates. Revenues and expenses are translated using the monthly average rate for the period. All resulting exchange differences are recognized in other comprehensive income.

Transactions that are denominated in currencies other than the functional currency of the Company or its subsidiaries are translated at the rate in effect on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Non-monetary assets and liabilities are translated at the historical exchange rate. All foreign exchange gains and losses are recognized in the statement of operations, except for the translation gains and losses arising from available-for-sale instruments which are recorded through other comprehensive income until realized through disposal or impairment.

2. Significant accounting policies (continued):

(b) Foreign currency translation (continued):

Except as otherwise noted, all amounts in these financial statements are presented in U.S. dollars. The year-end exchange rate of the Canadian dollar as at December 31, 2011 was $1.02 (March 31, 2011 – $1.03), and the average exchange rate for the nine month period ended December 31, 2011 was $1.01 (years ended March 31, 2011 – $0.98; March 31, 2010 – $0.92). The period end exchange rate of the Euro was 1.30 (March 31, 2011 – 1.42), and the average exchange rate for the Euro for the nine month period ended December 31, 2011 was 1.40 (July 2, 2010 to March 31, 2011 – 1.34). The period end exchange rate of the Swedish Krona was 0.15 (October 12, 2011 – 0.15) and the average exchange rate for the Swedish Krona from October 12, 2011 to December 31, 2011 was 6.74.

(c) Cash and cash equivalents:

Cash and cash equivalents includes cash, term deposits, bankers acceptances and guaranteed investment certificates 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.

(d) 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 in value that is considered other than temporary is recognized in net loss for the period.

(e) Accounts and loans receivable:

Accounts receivable and loans receivable are measured at amortized cost. An allowance for doubtful accounts is recorded based on a review of specific accounts deemed uncollectible. Account balances are charged against the allowance in the period in which it is considered probable that the receivable will not be recovered.

(f) Inventories:

The Company’s inventories consist 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 includes 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 the 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.

2. Significant accounting policies (continued):

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is provided as follows:

Assets	Basis	Rate
Buildings	Straight-line	10 years
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

(h) Long-term investments:

The Company accounts for investments in which it has significant influence using the equity basis of accounting. All other long-term investments, other than warrants, 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. Investments in warrants are accounted for as derivative instruments and recognized at fair value. Changes in fair value are recognized in net loss for the year.

(i) Financial liabilities:

Accounts payable and accrued liabilities, short-term debt and long-term debt are measured at amortized cost. Transaction costs relating to long-term debt are deferred in other assets on initial recognition and are amortized using the effective interest rate method.

(j) Research and development costs:

Research and development costs are expensed as incurred and are recorded net of government funding received or receivable. 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.

(k) 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 property, plant and equipment 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.

(l) Intangible assets:

Intangible assets consist primarily of the cost of intellectual property, trademarks, technology, customer contracts and non-compete agreements. Intangible assets are amortized over their estimated useful lives which range from 5 to 20 years.

2. Significant accounting policies (continued):

(m) Impairment of long-lived assets:

The Company reviews its long-lived assets for impairment, including property, plant and equipment 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.

(n) Goodwill impairment:

Goodwill is not amortized and instead is tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at November 30.

A two-step test is used to identify a potential impairment and to measure the amount of impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is considered not impaired; otherwise, goodwill is impaired and the loss is measured by performing step two. Under step two, the impairment loss is measured by comparing the implied fair value of the reporting unit goodwill with the carrying amount of goodwill.

Fair value is determined using widely accepted valuation techniques, including discounted cash flows and market multiple analyses. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies. It is the Company's policy to conduct impairment testing based on its current business strategy in light of present industry and economic conditions, as well as its future expectations.

Goodwill is recorded at the time of purchase for the excess of the amount of the purchase price over the fair values of the assets acquired and liabilities assumed. Future adverse changes in market conditions or poor operating results of underlying assets could result in losses or an inability to recover the carrying value of the goodwill, thereby possibly requiring an impairment charge.

2. Significant accounting policies (continued):

(o) 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 known information to estimate the warranty liability. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. The Company records warranty expense for new products upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. 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 Company's products are new in the market, historical data may not necessarily reflect actual costs to be incurred and may result in significant fluctuations in the warranty liability.

(p) Extended warranty:

The Company sells extended warranty contracts that 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.

(q) Revenue recognition:

Product and parts revenue is recognized when the products are shipped and title passes to the customer. 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.

The Company also earns service revenue from certain research and development arrangements under which the Company provides contract services relating to developing natural gas engines or biogas engines for use in customer products. Service revenue is recognized using the milestone method upon completion of project milestones as defined and agreed to by the Company and its customers. The Company recognizes consideration earned from the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The payment associated with each milestone relates solely to past performance and is deemed reasonable upon consideration of deliverables and the payment terms within the contract.

2. Significant accounting policies (continued):

(r) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred 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 deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes income tax laws that have been enacted at the balance sheet date. A valuation allowance is provided to reduce the deferred income tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred income tax assets will not be realized.

The Company recognizes 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.

In cases where the Company is charged interest and penalties on uncertain tax positions that do not meet the recognition criteria, the Company includes these in interest expense and other operating expenses, respectively.

(s) Stock-based compensation plans:

The Company has stock option plans, which are described in note 18(a). The Company accounts for stock-based compensation related to stock options granted to employees and directors at their fair value on the date of grant. Compensation expense, net of estimated forfeitures, is recognized in results from operations over the vesting period. The Company has an employee share purchase plan, which is described in note 18(b). The Company matches the employees' contribution and recognizes this cost as an expense in the period it is incurred. This plan was terminated on March 31, 2011.

The Company also issues share units under its stock-based compensation plans as described in note 18(c). The Company grants both restricted share units ("RSUs") and performance share units ("PSUs"). The Company accounts for stock-based compensation related to RSUs and PSUs (the "Units") at their fair value on the date of grant, and compensation expense, net of estimated forfeitures, is recognized in the period earned, which generally is the period over which the Units vest. Certain Units vest based on both a service condition and a market condition which is determined by the performance of the Company's share price on the Toronto Stock Exchange. The impact of market conditions, if any, on the compensation expense is determined at the time of grant with no adjustment to compensation expense for actual result of the market condition.

2. Significant accounting policies (continued):

(t) 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 limit 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 nine months ended December 31, 2011, the Company recognized $699 (years ended March 31, 2011—$661; March 31, 2010—$635) of expense associated with the RRSP.

(u) Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates are the determination of the fair value of assets and liabilities acquired in business combinations, the determination of future cash flows and discount rates for impairment of long-lived assets and goodwill, valuation of inventories, valuation of deferred income tax assets and recognition of tax uncertainties, and the determination of warranty liability. Actual results could differ from those estimates.

(v) 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 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 and restricted share units, if dilutive. For stock options, warrants and share units, the number of additional shares is calculated by assuming that outstanding stock options, warrants and share units were exercised at the beginning of the year or when granted and 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 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.

(w) Reclassifications:

Certain items in the prior period financial statements have been reclassified to conform with current year presentation.

3. Accounting changes:

(a) Changes in accounting policies:

Change in generally accepted accounting principles:

The Company historically prepared its consolidated financial statements in accordance with Canadian GAAP and provided a supplemental reconciliation to U.S. GAAP. Effective April 1, 2011, the Company adopted U.S. GAAP as the accounting and reporting framework for its consolidated financial statements. These consolidated financial statements, including the related notes, have been prepared in accordance with U.S. GAAP. All comparative financial information contained herein has been recast to reflect the Company's results as if the Company had historically reported in accordance with U.S. GAAP. The adjustments related to the amortization of acquired in-process research and development costs, classification of debt issuance costs and tax impact on realized and unrealized gain on available for sale securities. The adjustments resulted in a decrease in accumulated deficit of $146, a decrease in assets of $12, an increase in liabilities of $130 and a decrease in shareholders' equity of $142 at April 1, 2011. The adjustments also resulted in a decrease in net loss of $141 and $129 for the years ended March 31, 2011 and 2010, respectively.

Change in goodwill impairment testing date:

Due to the change of the Company's fiscal year-end from March 31 to December 31, the annual goodwill impairment testing date has been changed to November 30 from January 31, effective for the nine-month period ended December 31, 2011.

(b) Adoption of new accounting standards:

Multiple-Deliverable Revenue Arrangements

In October 2009, the Financial Accounting Standards Board ("FASB") issued ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*. The new guidance provides a more flexible alternative to identify and allocate consideration among multiple elements in a bundled arrangement when vendor-specific objective evidence or third-party evidence of selling price is not available. The new guidance requires the use of the relative selling price method and eliminates the residual method to allocation arrangement consideration. Additional expanded qualitative and quantitative disclosures are also required. The guidance is effective for the Company prospectively for revenue arrangements entered into or materially modified on or after April 1, 2011. Adoption of this update did not have any impact on the Company's consolidated financial statements.

Fair value measurements and disclosures

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures,* to require more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and transfers between Levels 1, 2, and 3. This update was effective for the Company on April 1, 2011. The adoption of this update increased our disclosure requirements on the fair value of our financial instruments, which is included in note 24.

3. Accounting changes (continued):

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

Intangibles – Goodwill and Other

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles—Goodwill and Other*, which modifies step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform step 2 of the impairment test if it is more likely than not that a goodwill impairment exists. This update was effective for the Company on April 1, 2011. Adoption of this update did not have any impact on the consolidated financial statements.

Business Combinations

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations*, on the disclosure of supplementary pro forma information for business combinations. A public entity (acquirer) that presents comparative financial statements should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. This update is effective prospectively for acquisitions on or after April 1, 2011 for the Company. As a result of adopting this update, the additional disclosures required by this update were made in note 4 related to the Company's acquisition of Emer and AFV.

(c) New accounting pronouncements:

Fair value measurements

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. The Company does not anticipate the adoption of this standard to have a material impact in the Company's consolidated financial statement footnote disclosures.

3. Accounting changes (continued):

(c) New accounting pronouncements (continued):

Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* , ("ASU 2011-05"). ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. ASU 2011-05 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU No. 2011-12 ("ASU 2011-12"), which defers certain requirements within ASU 2011-05. These amendments are being made to allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income in all periods presented. This new guidance is to be applied retrospectively. The Company does not expect the adoption of this standard to have any impact on the Company's consolidated financial statements.

Intangibles – Goodwill and other

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles—Goodwill and Other (Topic 350)—Testing Goodwill for Impairment* ("ASU 2011-08"), which allows an entity to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will be applying this guidance effective for our fiscal year beginning January 1, 2012.

Balance sheet

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* ("ASU 2011-11"). ASU 2011-11 enhances disclosures regarding financial instruments and derivative instruments. Entities are required to provide both net information and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. This new guidance is to be applied retrospectively. The Company anticipates that the adoption of this standard will expand its consolidated financial statement footnote disclosures.

4. Business combinations:

(a) Acquisition of Emer:

On July 1, 2011, the Company acquired, through its wholly owned subsidiary, Juniper Engines Italy S.r.l., 100% of the outstanding shares of Emer from the seller. The fair value of the consideration for the acquisition was $39,706 and is still subject to adjustment. Westport paid cash of $17,607 on closing and issued 881,860 common shares with a value of $22,099 based on the NASDAQ closing price of the Company's shares on July 1, 2011 of $25.06. The Company also assumed approximately $77,000 in existing net debt of Emer. Post-closing, Westport repaid approximately $36,300 of the debt, leaving approximately $40,700 in debt on the consolidated balance sheet as of July 1, 2011.

The acquisition was accounted for as a business combination using the purchase method. The results of Emer have been included in the consolidated financial statements of the Company from July 1, 2011. The Company has engaged an independent third-party to value property and equipment, inventories and intangible assets. The fair value amounts below are preliminary and subject to change. The final fair value amounts may differ materially from the amounts disclosed below. Any such changes in the determination of the fair value of the assets and liabilities acquired could also result in changes to current and future operating results. Preliminary fair value adjustments include adjustments to inventories, property, plant and equipment, intangible assets and deferred taxes. The estimated preliminary fair value of the assets acquired and liabilities assumed are as follows:

Consideration allocated to:	
Property, plant and equipment	$ 17,644
Other tangible assets, including cash of $11,073	60,532
Intangible assets subject to amortization over 5 to 20 years	32,954
Goodwill	50,774
Total assets acquired	161,904
Less:	
Long-term debt	(83,272)
Other liabilities	(38,926)
Total net assets acquired	$ 39,706
Consideration:	
Cash	$ 17,607
Common shares	22,099
	$ 39,706

4. Business combinations (continued):

(a) Acquisition of Emer (continued):

The foreign exchange rate used to translate Euro denominated net assets acquired, liabilities assumed and purchase consideration into U.S. dollars was 1.45 based on the July 1, 2011 closing rate.

The Company recognized goodwill associated with the transaction of $50,774. Goodwill includes the value of the assembled work force and expected synergies including access to markets and supply chain integration. Goodwill is not deductible for tax purposes.

The consolidated financial statements reflect consolidated revenue and net loss for Emer of $31,831 and $1,924, respectively, from July 1, 2011 to December 31, 2011. Had the Company acquired Emer on April 1, 2011, consolidated pro forma revenue and net loss for the nine-month period ended December 31, 2011 would have been $247,216 (year ended March 31, 2011 – $219,609) and $54,927 (year ended March 31, 2011 – $31,322), respectively, not including the financial results of AFV (note 4(b)).

The Company incurred acquisition related expenses of $1,683 during the nine months ended December 31, 2011, which have been recorded in general and administrative expenses in the consolidated statements of operations.

(b) Acquisition of AFV:

On October 11, 2011, the Company acquired, through its wholly owned subsidiary Westport Light Duty Canada Inc., 100% of the outstanding shares of AFV. The fair value of the consideration for the acquisition was $3,939. Westport paid cash of $2,558 on closing and issued 33,161 common shares with a value of $953 based on the TSX closing price of the Company's shares on October 11, 2011 of $28.74 (CDN$29.56). There is also a contingent earn-out which will be settled in Westport shares if AFV achieves certain performance targets by December 31, 2014.

The Company also assumed approximately $1,087 in existing debt of AFV. Upon closing Westport settled $420 of the debt, leaving approximately $667 in debt on the consolidated balance sheet as of October 11, 2011.

4. Business combinations (continued):

(b) Acquisition of AFV (continued):

The acquisition was accounted for as a business combination using the purchase method. The results of AFV have been included in the consolidated financial statements of the Company from October 11, 2011.

The fair value of the assets acquired and liabilities assumed are as follows:

Consideration allocated to:	
Total tangible assets, including cash of $8	$ 2,161
Intangible assets subject to amortization over 8 years	2,638
Goodwill	2,701
Total assets acquired	7,500
Less: total liabilities	(3,561)
Total net assets acquired	$ 3,939
Consideration:	
Cash	$ 2,558
Common shares	953
Contingent consideration payable	428
	$ 3,939

The foreign exchange rate used to translate net assets acquired, liabilities assumed and purchase consideration from Swedish Krona into U.S. dollars was 6.6712 based on the October 11, 2011 closing rate.

The Company recognized goodwill associated with the transaction of $2,701. Goodwill includes the value of the assembled work force and expected synergies including access to markets and product know-how. Goodwill is not deductible for tax purposes.

The consolidated financial statements reflect consolidated revenue and net loss for AFV of $2,566 and $191, respectively, from October 11, 2011 to December 31, 2011. Had the Company acquired AFV on April 1, 2011, consolidated pro forma revenue and net loss for the nine months ended December 31, 2011 would have been $201,707 (year ended March 31, 2011 – $148,062) and $43,064 (year ended March 31, 2011 – $42,724), respectively, not including the financial results of Emer (note 4(a)).

The Company incurred acquisition related expenses of $93 during the nine months ended December 31, 2011, which have been recorded in general and administrative expenses in the consolidated statements of operations.

4. Business combinations (continued):

(c) Acquisition of OMVL:

On July 2, 2010, the Company acquired, through its wholly owned subsidiary, Juniper Engines Italy S.r.l., 100% of the outstanding shares of OMVL, including its 51% interest in Juniper, from Società Italiana Tecnomeccanica La Precisa S.p.A and Sit International B.V. The fair value of the consideration for the acquisition was $25,711. Westport paid cash of $17,146 on closing, and is required to pay $10,778 (€7,600 euro) on the third anniversary of the closing date. The obligation to the Sellers payable on July 2, 2013 was recognized as a liability on the acquisition date and recorded at fair value. The amount is non-interest bearing and the fair value was determined using a credit adjusted risk free rate of 3.72% to discount future cash flows. The long-term payable to the sellers of OMVL is recorded in long-term debt on the consolidated balance sheet (note 13(b)).

The Company also entered into an “on first demand” bank guarantee in favour of the Sellers with Banca Intesa S.p.A, covering the Company’s future payment obligation payable on July 2, 2013. The bank guarantee is subject to a cross guarantee with the Bank of Montreal with whom the Company has a credit facility (note 13(b)).

The Company previously held the other 49% of Juniper, which was accounted for as a long-term investment using the equity method. After the transaction, Juniper became a wholly owned subsidiary of the Company. As a result of this transaction, the Company remeasured its 49% interest in the net assets and liabilities of Juniper held prior to the transaction at fair value and recognized a gain of $184, which is recorded in other income. For the period from April 1, 2010 to July 2, 2010, the Company recognized a loss of $155 (year ended March 31, 2010 – $983) from investment accounted for by the equity method.

The acquisitions were accounted for as business combinations using the purchase method. The results of OMVL and the additional 51% of Juniper have been included in the consolidated financial statements of the Company from July 2, 2010.

The Company obtained an independent third-party valuation of inventories, property and equipment, and intangible assets. The fair value of the assets acquired and liabilities assumed are as follows:

Consideration allocated to:	
Total tangible assets, including cash of $4,130	$ 23,531
Intangible assets subject to amortization	6,338
Goodwill	7,573
Total assets acquired	37,442
Less: total liabilities assumed and gain on acquisition of Juniper of $184	(11,731)
Total net assets acquired	$ 25,711
Consideration:	
Cash	$ 17,146
Long-term payable	8,565
	$ 25,711

4. Business combinations (continued):

(c) Acquisition of OMVL (continued):

The foreign exchange rate used to translate Euro denominated assets acquired, liabilities assumed and purchase consideration into U.S. dollars was 1.26 based on the July 2, 2010 Bank of Canada closing rate.

The Company recognized goodwill associated with the transactions of $7,573. The goodwill includes the value of the assembled work force and expected synergies including access to markets and supply chain integration. Goodwill is not deductible for tax purposes.

The consolidated financial statements for the year ended March 31, 2011 reflect consolidated revenue for Juniper (including OMVL) of $23,713 and net loss of $5,138. Had the Company acquired OMVL on April 1, 2010, the Company's pro forma revenue and net loss for the year end March 31, 2011 would have been $158,580 and $39,785, respectively.

The Company incurred acquisition related expenses of $397 during the year of acquisition, which have been recorded in general and administrative expenses in the consolidated statements of operations.

5. Accounts receivable:

	December 31, 2011	March 31, 2011
Customer trade receivable	$ 43,268	$ 14,289
Government funding receivable	1,412	1,281
Due from joint venture partner and other receivables	11,528	1,075
Allowance for doubtful accounts	(785)	(711)
	$ 55,423	$ 15,934

6. Inventories:

	December 31, 2011	March 31, 2011
Purchased parts	$ 20,020	$ 10,494
Assembled parts	4,198	2,705
Work-in-process	6,994	3,453
Finished goods	6,360	1,349
Obsolescence provision	(515)	(1,196)
	$ 37,057	$ 16,805

During the nine months ended December 31, 2011, the Company recorded a write-down to net realizable value of approximately $430 (years ended March 31, 2011 – $nil; March 31, 2010 – $1,793) for obsolescence and scrap. Cost of revenue related to product revenue for the nine months ended December 31, 2011 was $128,036 (years ended March 31, 2011 – $72,448; March 31, 2010 – $66,277) and cost of revenue related to parts revenue was $17,894 (years ended March 31, 2011 – $18,534; March 31, 2010 – $16,702).

7. Long-term investments:

	December 31, 2011	March 31, 2011
Weichai Westport Inc.	$ 7,732	$ 5,622
Minda-Emer Technologies Ltd.	637	—
	$ 8,369	$ 5,622

On July 3, 2010, the Company invested $4,316 under an agreement with Weichai Power Co. Ltd. and Hong Kong Peterson (CNG) Equipment Ltd. to form Weichai Westport Inc. ("WWI"). On October 11, 2011, the Company invested an additional $955 in WWI. The Company has a 35% equity interest in WWI.

For the nine months ended December 31, 2011, the Company recognized income of $1,438 (year ended March 31, 2011—$997), as income from investment accounted for by the equity method.

On July 1, 2011, the Company acquired 50% interest in Minda-Emer Technologies Ltd ("Minda-Emer") through its acquisition of Emer. On the date of acquisition, the interest in Minda-Emer was ascribed a value of $643. As the Company does not control Minda-Emer, it accounts for this investment using the equity method. During the nine months ended December 31, 2011, the Company recognized income of $62.

The gain on sale of long-term investments recognized for the year ended March 31, 2010 of $2,827 consisted of disposals of various available-for-sale equity securities.

8. Other assets:

	December 31, 2011	March 31, 2011
Note receivable (a)	$ 2,446	$ 1,852
Deferred financing charges (b)	1,323	130
Other	259	—
	4,028	1,982
Current portion	(2,034)	—
	$ 1,994	$ 1,982

(a) On October 15, 2010, the Company entered into a Note and Warrant Purchase Agreement (the "Agreement") with a private energy company based in the United States to fund operating and capital expenditures related to infrastructure development activities. The Agreement was subsequently amended on September 30, 2011.

Under the Agreement, the Company loaned $2,200 and received 1,427,179 warrants representing 20% of the current outstanding shares to purchase common shares at $0.10 per share for a period of five years. The loan bears interest at 12.5%, and is payable on maturity dates ranging from October 15, 2012 to October 20, 2013.

Recoverability of the loan will depend on the future success of the counterparty's operations and cash flows. The Company has determined that the fair value of the warrants is nominal, given that the counterparty's development activities are at an early stage.

(b) Financing charges incurred on the issuance of subordinated debentures (note 13(a)) have been deferred and are being amortized into income over the term of the loans using the effective interest rate method.

9. Property, plant and equipment:

December 31, 2011	Cost	Accumulated amortization	Net book value
Land and buildings	$ 668	$ 124	$ 544
Computer equipment and software	8,914	7,257	1,657
Furniture and fixtures	2,072	1,602	470
Machinery and equipment	55,025	27,322	27,703
Leasehold improvements	14,930	9,061	5,869
	$81,609	$ 45,366	$36,243

March 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment and software	$ 7,839	$ 7,219	$ 620
Furniture and fixtures	1,741	1,331	410
Machinery and equipment	29,546	19,401	10,145
Leasehold improvements	10,088	9,180	908
	$49,214	$ 37,131	$12,083

As at December 31, 2011, equipment with a cost of $15,448 (March 31, 2011– $443) and a net book value of $3,662 (March 31, 2011 – $354) is held under capital lease.

10. Intangible assets:

December 31, 2011	Cost	Accumulated amortization	Net book value
Patents and trademarks	$19,508	$ 727	$18,781
Technology	6,380	1,122	5,258
Customer contracts	13,334	815	12,519
Non-compete agreement	37	13	24
	$39,259	$ 2,677	$36,582

March 31, 2011	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 3,273	$ 125	$ 3,148
Technology	2,059	190	1,869
Customer contracts	1,970	159	1,811
Non-compete agreement	37	6	31
	$ 7,339	$ 480	$ 6,859

During the nine months ended December 31, 2011 and the years ended March 31, 2011 and 2010, amortization of $1,806, $592 and $131, respectively, was recognized in the statement of operations.

The expected amortization of intangible assets for fiscal year 2012 to 2016 is $3,381 per year.

11. Goodwill:

A continuity of goodwill is as follows:

	December 31, 2011	March 31, 2011
Balance, beginning of period	$ 8,202	$ —
Acquisition of Emer (note 4(a))	50,774	—
Acquisition of AFV (note 4(b))	2,701	—
Acquisition of OMVL (note 4(c))	—	7,573
Impact of foreign exchange	(5,863)	629
Balance, end of period	$ 55,814	$ 8,202

12. Accounts payable and accrued liabilities:

	December 31, 2011	March 31, 2011
Trade accounts payable	$ 40,758	$ 18,270
Accrued payroll	9,534	4,852
Accrued interest	1,233	416
Income taxes payable	2,705	1,087
Other	1,577	140
	$ 55,807	$ 24,765

13. Long-term debt:

	December 31, 2011	March 31, 2011
Subordinated debenture notes (a)	$ 35,398	$ 15,078
Long-term payable (b)	9,330	9,919
Senior financing (c)	24,871	—
Senior revolving financing (c)	11,360	—
Other bank financing (d)	2,557	—
Capital lease obligations (e)	2,629	225
	86,145	25,222
Current portion	(20,568)	(15,210)
	$ 65,577	$ 10,012

(a) On September 23, 2011, the Company raised $35,398 (CDN$36,000) through the issuance of debentures to Macquarie Private Wealth Inc. (“Macquarie”) on a private placement basis.

The debentures are unsecured and subordinated to senior indebtedness, mature on September 22, 2014 and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15th and September 15th of each year during the term, commencing on March 15, 2012.

The debentures are redeemable at the option of the Company but cannot be redeemed on or prior to September 22, 2012. The debentures may be redeemed at a price equal to $1,150 per $1,000 principal amount of the debentures after September 22, 2012 and on or before March 22, 2013. After March 22, 2013 and before maturity, the debentures can be redeemed at a price equal to $1,100 per $1,000 principal amount.

13. Long-term debt (continued):

(a) Continued:

The Company has paid to Macquarie a cash commission equal to 3.85% of the gross proceeds of the offering totaling $1,460 which is included in other assets (note 8) and amortized over the term of the debentures.

On July 3, 2011, the Company repaid the previously outstanding debentures plus accrued interest totaling $15,078.

(b) On July 2, 2010, the Company acquired OMVL for $25,711. A portion of the purchase price amounting to $9,859 (€7,600) is payable on the third anniversary of the closing date. The difference between the carrying value of this liability and the principal amount is accreted to the principal amount using the effective interest rate of 3.72% over the term to maturity. The amount payable to the Sellers will be paid in full on maturity and is not subject to any interest payments. The amount outstanding is denominated in Euros, exposing the Company to foreign exchange changes. The amount is guaranteed to the sellers of OMVL by Banca Intesa S.p.A with a cross guarantee from the Bank of Montreal with a letter of credit for $10,387 (CDN$10,564).

(c) The senior financing agreement bears interest at the 6-month Euribor plus 2.5% and its carrying value is recorded at amortized cost using the effective interest rate method. The principal repayment schedule of the remaining senior financing is as follows for the years ended December 31:

2012	$ 6,635
2013	3,658
2014	4,023
2015	4,389
2016	4,572
2017	2,286
	$25,563

The senior revolving financing facility bears interest at the 6-month Euribor plus 2.5% (4.1% as at December 31, 2011) and will be repaid through two principal payments of $6,486 (€5,000) and $5,189 (€4,000) on March 31, 2016 and September 30, 2017, respectively.

The Company has pledged its interest in Emer as a general guarantee for its senior financing and senior revolving financing.

Throughout the entire term of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2011, the Company is in compliance with all covenants under the financing arrangements.

(d) Other bank financing consists of various unsecured bank financing arrangements that carry rates of interest ranging from 4% to 9.63% and are payable on maturity dates ranging from May 31, 2012 to June 30, 2016.

13. Long-term debt (continued):

(e) The Company has capital lease obligations that have initial terms of three to five years at interest rates ranging from 2.13% to 15.92%. The capital lease obligations require the following minimum annual payments during the respective fiscal years:

2012	$ 1,236
2013	935
2014	412
2015	241
2016	19
2017	2
	2,845
Amount representing interest	(216)
	$ 2,629

(f) On September 29, 2011, the Company amended its credit facility that increased the maximum borrowings from CDN$20,000 to CDN$30,000. The credit facility is governed by a margin requirement limiting such borrowings to a calculated amount based on cash and investments held with the creditor. Borrowings may be drawn in the form of direct borrowings, letters of credit, foreign exchange forward contracts, and overdraft loans. Outstanding amounts on direct borrowings and overdraft loans drawn under this credit facility bear interest at the prime rate, and letters of credit bear interest at 0.75% per annum. As at December 31, 2011, no amounts of this credit facility were drawn (March 31, 2011 – $nil).

14. Warranty liability:

A continuity of the warranty liability is as follows:

	December 31, 2011	March 31, 2011	March 31, 2010
Balance, beginning of period	$ 18,035	$ 20,950	$ 19,496
Warranty claims	(9,514)	(14,143)	(14,164)
Warranty accruals	15,768	14,034	17,718
Change in warranty estimates	(10)	(2,735)	(2,059)
Impact of foreign exchange	(48)	(71)	(41)
Balance, end of period	$ 24,231	$ 18,035	$ 20,950
Current portion	(12,978)	(12,151)	(11,894)
Long-term portion	11,253	5,884	9,056

15. Other long-term liabilities:

	December 31, 2011	March 31, 2011
Severance indemnity (a)	$ 1,914	$ —
Long-term tax accrual (c)	644	—
Contingent consideration payable to acquire AFV (b)	428	—
Deferred lease inducements	118	164
	$ 3,104	$ 164

(a) Italian law requires companies to make a mandatory termination payment to employees. It is paid, as a lump sum, when the employment ends for any reason such as retirement, resignation, or layoff. The severance indemnity liability is calculated in accordance with local civil and labour laws based on each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. The liability recorded in the consolidated balance sheet is the amount that the employee would be entitled to if the employee terminates immediately. This liability for severance indemnities relates primarily to the Company's employees in Italy.

(b) The total purchase price to acquire AFV also includes earn-out payments payable in the Company's shares and tied to revenue and production milestones to be achieved no later than December 31, 2014. This contingent consideration is estimated to be $428 as at December 31, 2011.

(c) The long-term tax accrual represents the Company's estimate of tax uncertainties associated with tax positions previously taken with respect to the Company's tax returns. This accrual includes $161 of estimated interest and penalties.

16. Government assistance:

From time to time, the Company enters into agreements for financial assistance with government agencies. During the nine months ended December 31, 2011, and the years ended March 31, 2011 and 2010, government assistance of $2,767, $1,675 and $1,333, respectively, was received or receivable by the Company, which has been recorded as a reduction of the related research and development expenditures (note 19).

Under the terms of an agreement with the Industry Canada's Industrial Technologies Office ("ITO"), from April 1, 2008 to March 31, 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1,327 (CDN $1,350) or 0.33% of the Company's annual revenue provided that gross revenue exceeds $13,274 (CDN $13,500) 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 $27,729 (CDN $28,200). For the nine months ended December 31, 2011, $1,327 (March 31, 2011 – $1,392) in royalties have been paid or are payable of which $996 (March 31, 2011 – $1,392) remains accrued in accounts payable and accrued liabilities as at December 31, 2011.

16. Government assistance (continued):

The Company is also obligated to pay royalties to the Government of Canada's Department of Natural Resources equal to 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 $983 (CDN$1,000). As at December 31, 2011, there has been no revenue from the sales of engines for power generators; therefore, no royalty payments have been paid or are payable.

17. Share capital:

On December 17, 2009, the Company issued 5,462,500 common shares at a price of $10.50 per share. Gross proceeds totaled $57,356 and the Company incurred share issuance costs of $3,192.

On November 15, 2010, the Company issued 6,957,500 common shares at a price of $17.50 per share. Gross proceeds totaled $121,756 and the Company incurred share issue costs of $6,069.

On July 1, 2011, the Company issued 881,860 common shares at a price of $25.06 per share as part of the consideration paid to acquire Emer (note 4(a)).

On October 11, 2011, the Company issued 33,161 common shares at a price of $28.74 per share as part of the consideration paid to acquire AFV (note 4(b)).

18. Stock options and other stock-based plans:

At the Company's 2010 annual general meeting, the Company's shareholders ratified and approved the Westport Omnibus Plan and reserved 2,226,645 common shares under this plan. Under the Westport Omnibus plan, stock options, restricted share units ("RSUs") and performance share units ("PSUs") may be granted and are exercisable into common shares of the Company for no additional consideration. Any employee, contractor, director or executive officer of the Company is eligible to participate in the Westport Omnibus Plan.

The Executive and Senior Management Compensation Program sets out provisions where the RSUs and PSUs (together 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. These performance milestones are focused on achievement of key cash management, profitability and revenue growth objectives. Vesting periods and conditions for each Unit granted pursuant to the Westport Omnibus Plan are at the discretion of the Board of Directors and may include time based, share price or other performance targets.

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

(a) Stock options:

The Company grants incentive stock options to employees, directors, officers and consultants. Stock options are granted with an exercise price of 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 stock option plan as of December 31, 2011, March 31, 2011 and 2010 and changes during the periods then ended are presented as follows:

	December 31, 2011		March 31, 2011		March 31, 2010	
	Number of shares	Weighted average exercise price (CDN $)	Number of shares	Weighted average exercise price (CDN $)	Number of shares	Weighted average exercise price (CDN $)
Outstanding, beginning of period	562,014	$ 8.46	1,051,589	$ 8.13	1,136,163	$ 7.32
Granted	—	—	—	—	406,262	10.79
Exercised	(225,845)	7.87	(472,414)	7.19	(389,580)	6.53
Cancelled/expired	(8,142)	4.84	(17,161)	23.24	(101,256)	15.87
Outstanding, end of period	328,027	$ 8.96	562,014	$ 8.46	1,051,589	$ 8.13
Options exercisable, end of period	311,360	$ 8.55	455,206	$ 7.75	550,471	$ 8.44

Stock options are available for issuance under the Westport Omnibus Plan and were previously granted under the Company's Stock Option Plan. During the nine month period ended December 31, 2011, the Company recognized $352 (years ended March 31, 2011 – $547; March 31, 2010 – $1,363) in stock-based compensation related to stock options. No stock options were granted during the nine month period ended December 31, 2011 or the year ended March 31, 2011. The fair value of the options granted during the year ended March 31, 2010 was determined using the Black-Scholes option pricing formula simulation with the following weighted average assumptions: expected dividend yield – nil%, expected stock price volatility – 78.7%, risk free interest rate – 1.60%; expected life of options – 3.3 years. The weighted average grant date fair value was $5.60 for options granted for the fiscal year ended March 31, 2010.

As at December 31, 2011, $87 of compensation cost related to stock option awards has yet to be recognized in the results from operations and will be recognized over a weighted average period of 2.48 years.

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

(a) Stock options (continued):

Range of exercise prices (CDN $)	Number outstanding, December 31, 2011	Weighted average remaining contractual life	Weighted average exercise price (CDN $)	Number exercisable, December 31, 2011	Weighted average exercise price (CDN $)
$ 3.22 to $ 3.47	8,360	2.5	$ 3.33	8,360	$ 3.33
4.24 to 4.87	37,955	2.3	4.48	37,955	4.48
5.29 to 5.99	87,487	1.4	5.29	87,487	5.29
6.13 to 9.10	33,399	2.1	8.88	33,399	8.88
10.33 to 11.11	118,686	3.0	11.07	118,686	11.07
14.90 to 16.50	42,140	3.8	15.85	25,473	15.42
$ 3.22 to $16.50	328,027	2.48	$ 8.96	311,360	$ 8.55

(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 in 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. The ESPP was cancelled on March 31, 2011.

(c) Share units:

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 nine months ended December 31, 2011, the Company recognized $5,827 (years ended March 31, 2011 – $4,376; March 31, 2010 – $3,167) of stock-based compensation associated with the Westport Omnibus Plan and the former Amended and Restated Unit Plan.

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

(c) Share units (continued):

The fair value of all other Units was determined based on the market price of the underlying shares on the date of grant. Compensation expense, net of estimated forfeitures, is recognized in results from operations over the vesting period.

A continuity of the Units issued under the Westport Omnibus Plan and the former Amended and Restated Unit Plan as of December 31, 2011, March 31, 2011 and March 31, 2010 are as follows:

	December 31, 2011		March 31, 2011		March 31, 2010	
	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)
Outstanding, beginning of period	1,377,237	$ 12.19	1,194,913	$ 8.56	1,729,970	$ 7.55
Granted	269,292	35.70	424,149	$ 22.78	105,084	$ 9.10
Exercised	(391,612)	9.61	(241,825)	$ 12.81	(601,855)	$ 5.65
Cancelled/expired	(4,000)	18.61	—	—	(38,286)	$ 10.91
Outstanding, end of period	1,250,917	18.04	1,377,237	$ 12.19	1,194,913	$ 8.56
Units outstanding and exercisable, end of period	276,931	7.97	541,534	$ 6.91	182,495	$ 10.79

	December 31, 2011		March 31, 2011		March 31, 2010	
	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)
Unvested, beginning of period	835,703	$ 15.62	1,012,418	$ 8.16	1,132,410	$ 8.61
Granted	269,292	$ 35.70	424,149	$ 22.78	105,084	$ 9.10
Vested	(127,009)	$ 17.55	(548,733)	$ 7.58	(186,790)	$ 10.89
Cancelled/expired	(4,000)	$ 18.61	(52,131)	$ 13.64	(38,286)	$ 10.91
Unvested, end of period	973,986	$ 20.90	835,703	$ 15.62	1,012,418	$ 8.16

As at December 31, 2011, $14,114 of compensation cost related to Units awards has yet to be recognized in results from operations and will be recognized over a weighted average period of 3.34 years.

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

(c) Share units (continued):

Of the Units granted during the nine months ended December 31, 2011, 145,794 Units were subject to market and service conditions. The fair value of these Units was determined using a Monte-Carlo simulation using the following weighted average assumptions: expected dividend yield – nil%; expected stock price volatility – 59.98%; and risk free interest rate – 1.52%. The valuation model determined the grant date fair value based on assumptions about the likelihood of the Company achieving different payout factors as driven by the market conditions. Payout factors are determined based upon the absolute stock price two years after the grant date and the stock price relative to a Synthetic Clean Tech index of comparative companies two years after the grant date. One-half of these Units vest after two years and the remainder after three years from the date of the grant. The impact of market conditions, if any, on compensation expense for these units is determined at the time of the grant with no adjustment to the compensation expense for the actual results of the market condition.

The fair value of all other Units was determined based on the market price of the underlying shares on the date of grant. Compensation expense, net of estimated forfeitures, is recognized in results from operations over the vesting period.

The aggregate intrinsic value of the Company's stock option awards and share units at December 31, 2011 are as follows:

	December 31, 2011 CDN$	March 31, 2011 CDN$
Stock options:		
Outstanding	$ 8,138	$ 7,187
Exercisable	7,851	6,143
Exercised	5,849	6,644
Share units:		
Outstanding	$ 42,234	$29,266
Exercisable	9,352	11,508
Exercised	7,688	2,801

Stock-based compensation associated with the Unit plans and the stock option plan is included in operating expenses as follows:

	Nine months ended December 31, 2011	Year ended March 31, 2011	Year ended March 31, 2010
Research and development	$ 825	$ 627	$ 598
General and administrative	3,302	2,958	3,217
Sales and marketing	2,052	1,338	715
	$ 6,179	$ 4,923	$ 4,530

19. Research and development expenses:

Research and development expenses are recorded net of program funding received or receivable. The research and development expenses had been incurred and program funding had been received or are receivable as follows:

	Nine months ended December 31, 2011	Year ended March 31, 2011	Year ended March 31, 2010
Research and development expenses	$ 46,061	$ 36,338	$ 27,546
Program funding (note 16)	(2,767)	(1,675)	(1,333)
Research and development	$ 43,294	$ 34,663	$ 26,213

20. Income taxes:

(a) The Company's income tax provision differs from that calculated by applying the combined enacted Canadian federal and provincial statutory income tax rate of 26.5% for the nine months ended December 31, 2011 (years ended March 31, 2011 – 28.0%; March 31, 2010 – 29.6%) as follows:

	Nine months ended December 31, 2011	Year ended March 31, 2011	Year ended March 31, 2010
Loss before income taxes	$ (17,169)	$(24,710)	$(19,048)
Expected income tax recovery	$ 4,550	$ 6,919	$ 5,638
Reduction (increase) in income taxes resulting from:			
Permanent differences for interest on long-term debt and amortization of discount	13	(558)	(384)
Non-deductible stock-based compensation	(1,642)	(1,379)	(1,341)
Other permanent differences	(176)	(42)	(33)
Withholding taxes	(500)	(303)	(194)
Change in enacted rates	(213)	24	(951)
Foreign tax rate differences, foreign exchange and other adjustments	(4,308)	(3,285)	(1,119)
Change in valuation allowance	(13,391)	(11,023)	(10,008)
Income tax expense	$ (15,667)	$ (9,647)	$ (8,392)

20. Income taxes (continued):

(b) The significant components of the net deferred income tax assets and liabilities are as follows:

	December 31, 2011	March 31, 2011
Deferred income tax assets:		
Net operating loss carry forwards	$ 51,296	$ 40,581
Intangible assets	873	2,918
Property, plant and equipment	3,109	2,066
Financing and share issuance costs	5,212	2,472
Warranty liability	11,889	6,447
Deferred revenue	861	3,092
Inventory	1,972	713
Unrealized foreign exchange	1,324	889
Research and development	2,086	534
Other	1,782	997
Total gross deferred income tax assets	80,404	60,709
Valuation allowance	(61,456)	(48,065)
Total deferred income tax assets	18,948	12,644
Deferred income tax liabilities:		
Intangible assets	6,696	1,936
Property, plant and equipment	4,168	829
Other	8	281
Total deferred income tax liabilities	10,872	3,046
Total net deferred income tax assets	$ 8,076	$ 9,598
Allocated as follows:		
Current deferred income tax assets	$ 6,447	$ 7,282
Long-term deferred income tax assets	5,075	2,316
Long-term deferred income tax liabilities	(3,446)	—
Total net deferred income tax assets	$ 8,076	$ 9,598

The valuation allowance is reviewed on a quarterly basis to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent on the generation of income during the future periods in which those temporary differences are expected to reverse. If the evidence does not exist that all the deferred income tax assets will be fully realized, a valuation allowance has been recorded.

The following is a summary of the changes in the deferred income tax asset valuation allowance:

	Nine months ended December 31, 2011	Year ended March 31, 2011
Beginning balance	$ 48,065	$ 32,368
Additions	13,391	15,697
Reductions	—	—
Ending deferred valuation allowance	$ 61,456	$ 48,065

20. Income taxes (continued):

(c) The components of the Company's income tax recovery (expense) are as follows:

	Net income (loss) before income taxes	Income tax recovery (expense)		
		Current	Deferred	Total
Nine months ended December 31, 2011:				
Canada	$ (60,897)	$ (500)	$ —	$ (500)
United States	42,923	(18,697)	1,775	(16,922)
Italy	(1,342)	(388)	2,205	1,817
Other	2,147	(45)	(17)	(62)
	$ (17,169)	$(19,630)	$3,963	$(15,667)
Year ended March 31, 2011:				
Canada	$ (45,962)	$ (304)	$ (32)	$ (336)
United States	21,633	(8,954)	(272)	(9,226)
Italy	1,015	372	(457)	(85)
Other	(1,396)	—	—	—
	$ (24,710)	$ (8,886)	$ (761)	$ (9,647)
Year ended March 31, 2010:				
Canada	(39,297)	(201)	(41)	(242)
United States	20,774	(9,462)	1,312	(8,150)
Other	(525)	—	—	—
	$ (19,048)	$ (9,663)	$1,271	$ (8,392)

(d) The Company has loss carry forwards in the various jurisdictions available to offset future taxable income as follows:

Expiring in:	2012	2013	2014	2015	2016	2025 and later	Total
Canada	$—	$2,658	$2,466	$—	$—	$192,437	$197,561
Italy	—	—	—	—	—	3,685	3,685
United states	—	—	—	—	—	1,321	1,321
Sweden	—	—	—	—	—	776	776
Other	44	63	522	214	300	226	1,369
Total	$ 44	$2,721	$2,988	$214	$300	$198,445	$204,712

20. Income taxes (continued):

(e) As at December 31, 2011, the Company has unrecognized tax benefits of $644 (March 31, 2011 – $nil) which is an increase based on tax positions related to the current year. All of these unrecognized tax benefits would affect the Company's effective tax rate if recognized in future periods.

In cases where the Company is charged interest and penalties on uncertain tax positions that do not meet the recognition criteria, the Company includes these in interest expense and other operating expenses, respectively. As at December 31, 2011, the amount of accrued interest and penalties on unrecognized tax benefits was $161 (note 15(c)).

21. Investment in Joint Ventures:

	December 31, 2011	March 31, 2011
Cummins Westport Inc. (a)	$ 17,728	$14,770
BTIC Westport Inc. (b)	151	151
	$ 17,879	$14,921

(a) Cummins Westport Inc.:

The Company entered into a joint venture with Cummins on March 7, 2001. 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 for the period 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 the engines 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 $10,400. As at December 31, 2011, CWI has paid royalties totaling $10,400.

21. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

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 December 31, 2011, this rate was 1.06%. All outstanding interest is payable in United States dollars on or before December 15, 2011. Interest begins accruing on the date in which monies are advanced under the loan agreement. The loan is uncollateralized and is renewed annually.

The consolidated financial statements include 100% of the assets, liabilities, revenue and expenses of CWI as at and for all periods presented. From January 1, 2005, Cummins Inc. ("Cummins") shares equally in the profits and losses of CWI. However, the Company has determined that CWI is a variable interest entity, and the Company is the primary beneficiary. Accordingly, the Company continues to consolidate CWI with Cummins' share of CWI's income included in "Joint venture partners' share of income from joint ventures". For the nine months ended December 31, 2011, the net income from CWI attributable to Cummins was $12,958 (years ended March 31, 2011 – $7,999, March 31, 2010 – $7,165). A summarized balance sheet is presented below:

	December 31, 2011	March 31, 2011
Current assets	$ 46,888	$36,855
Long-term assets	5,481	4,326
Total assets	$ 52,369	$41,181

	December 31, 2011	March 31, 2011
Current liabilities:		
Current portion of warranty liability	$ 11,791	$11,443
Other current liabilities	8,546	5,250
	20,337	16,693
Long-term liabilities:		
Warranty liability	8,039	7,738
Other long-term liabilities	8,095	3,720
	16,134	11,458
Total liabilities	$ 36,471	$28,151

21. 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.

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. For the nine months ended December 31, 2011, the net loss from BWI attributable to BTIC was $nil (years ended March 31, 2011 – $214, March 31, 2010 – $94).

22. Commitments and contingencies:

The Company has obligations under operating lease arrangements that require the following minimum annual payments during the respective fiscal years:

2012	$ 4,122
2013	3,508
2014	1,565
2015	714
2016	659
	$10,568

For the nine months ended December 31, 2011, the Company incurred operating lease expense of $2,070 (years ended March 31, 2011 – $1,599; March 31, 2010 – $1,459).

As at December 31, 2011, the Company's wholly owned subsidiary Emer has provided a total amount of guarantees to third parties of $771 (€594), which include guarantees to its customers for the completion of specific supplies.

The Company is a party to a variety of agreements in the ordinary course of business under which it is obligated to indemnify a third party with respect to certain matters. Typically, these obligations arise as a result of contracts for sale of the Company's product to customers where the Company provides indemnification against losses arising from matters such as product liabilities. The potential impact on the Company's financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, the Company has not incurred material costs related to these types of indemnifications.

23. Segmented information:

The Company's business operates in four reportable operating segments:

- CWI which serves the medium- to heavy-duty engine markets. The fuel for CWI engines is typically carried on vehicles as compressed natural gas or liquefied natural gas;
- Westport LD, which designs, produces and sells high-performance alternative fuel engines targeting the global CNG and LPG industrial and light-duty automotive market;
- Westport HD, which offers a 15-litre LNG engine for the heavy-duty trucking market. Westport HD is our proprietary development platform, engaged in the engineering, design and marketing of natural-gas enabling technology for the heavy-duty diesel engine and truck market; and
- Corporate, which includes corporate costs such as R&D, G&A, marketing, interest and other charges, foreign exchange and depreciation that cannot be attributed to a particular segment and are incurred by all segments.

These reporting segments offer different products and services and are managed separately as each business requires different technology and marketing strategies.

The accounting policies for the reportable segments are consistent with those described in note 2. The Company evaluates segment performance based on the net operating income (loss), which is before income taxes and does not include depreciation and amortization, foreign exchange gains and losses, bank charges, interest and other expenses, interest and other income, and gain on sale of long-term investments. The Company did not record any intersegment sales or transfers for the nine months ended December 31, 2011 and the years ended March 31, 2011 and 2010.

23. Segmented information (continued):

	Nine months ended December 31, 2011	Year ended March 31, 2011	Year ended March 31, 2010
Revenue:			
CWI	$ 138,844	$111,287	$111,818
Westport LD	59,191	23,713	—
Westport HD	28,505	13,062	9,835
Corporate	—	—	—
	$ 226,540	$148,062	$121,653
Net operating income (loss):			
CWI	$ 42,833	$ 25,399	$ 22,269
Westport LD	(8,820)	(2,183)	—
Westport HD	(23,221)	(18,371)	(22,085)
Corporate	(21,971)	(20,299)	(16,303)
	(11,179)	(15,454)	(16,119)
Depreciation and amortization:			
CWI	(80)	(80)	(60)
Westport LD	(5,103)	(1,305)	—
Westport HD	—	—	—
Corporate	(1,097)	(2,070)	(1,768)
	(6,280)	(3,455)	(1,828)
Loss before undernoted	(17,459)	(18,909)	(17,947)
Other income (expense), net	290	(5,801)	(1,101)
Income before income taxes	$ (17,169)	$ (24,710)	$ (19,048)
Capital expenditures:			
CWI	$ 146	$ 442	$ 53
Westport LD	2,118	211	—
Corporate	11,005	2,960	151
	$ 13,269	$ 3,613	$ 204

For the nine months ended December 31, 2011, 60% (years ended March 31, 2011 – 60%; March 31, 2010 – 67%) of the Company's revenue was from sales in the Americas, 18% (years ended March 31, 2011 – 15%; March 31, 2010 – 14%) from sales in Asia, and 22% (years ended March 31, 2011 – 25%; March 31, 2010—19%) from sales elsewhere.

23. Segmented information (continued):

As at December 31, 2011, total goodwill of $55,814 (March 31, 2011 – $8,202) was allocated to the Westport LD segment. As at December 31, 2011, total long-term investments of $7,732 (March 31, 2011 – $5,622) was allocated to the Corporate segment and $637 (March 31, 2011 – $nil) was allocated to the Westport LD segment. Total assets are allocated as follows:

	December 31, 2011	March 31, 2011
CWI	$ 52,369	$ 41,181
Westport LD	101,324	46,708
Westport HD and corporate	202,982	185,485
	$ 356,675	$273,374

Capital assets and goodwill information by geographic area:

	December 31, 2011	March 31, 2011
Italy	$ 72,378	$12,755
Canada	16,294	6,701
Sweden	2,519	—
United States	812	787
Australia	32	—
China	22	42
	$ 92,057	$20,285

24. Financial instruments:

(a) Financial risk management:

The Company has exposure to liquidity risk, credit risk, foreign currency 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 are due. The Company has sustained losses and negative cash flows from operations since inception. At December 31, 2011, the Company has $85,677 of cash, cash equivalents, and short-term investments.

24. Financial instruments (continued):

(b) Liquidity risk (continued):

The following are the contractual maturities of financial obligations as at December 31, 2011:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 55,807	$ 55,807	$ 55,807	—	—	—
Unsecured subordinated debentures [1]	35,398	44,077	2,246	41,831	—	—
Long-term payable [2]	9,330	9,859	—	9,859	—	—
Senior financing [3]	24,871	28,791	8,124	8,866	9,493	2,308
Senior revolving financing [3]	11,360	14,386	12,191	1,033	1,033	129
Other bank financing	2,557	2,720	1,711	470	395	144
Other long-term debt	2,629	2,845	1,236	1,347	260	2
Operating lease commitments	—	10,568	4,122	5,073	1,373	—
Royalty payments[4]	—	23,735	1,327	2,655	19,753	—
	$141,952	$192,788	$ 86,764	$71,134	$32,307	$ 2,583

(1) Includes interest at 9%.

(2) Includes interest at 3.72%.

(3) Includes interest at 4.1%, the rate in effect at December 31, 2011.

(4) From fiscal 2011 to 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1,327 (CDN$1,350) or 0.33% of the Company's gross annual revenue from all sources, provided that gross revenue exceeds CDN$13,500 in any aforementioned fiscal year, up to a maximum of $27,718 (CDN$28,189). The Company has assumed the minimum required payments.

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, specifically 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.

24. 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. 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 collectability of accounts receivable and loans receivable. As at December 31, 2011, 77% (March 31, 2010 – 85%) of accounts receivable relates to customer receivables, 2% (March 31, 2010 – 8%) relates to government grants receivable and 21% (March 31, 2010 – 7%) relates to amounts due from partners and indirect and value added taxes receivable. The loan receivable in current assets is due from Cummins Inc., a large U.S. based engine manufacturer and the Company's joint venture partner. The Company is also exposed to credit risk on a loan receivable from a private energy company (note 7). 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 days 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 collectability at each balance sheet reporting date, taking into consideration past due amounts and any available relevant information on the customers' liquidity and financial position.

The carrying amount of cash and cash equivalents, short-term investments, accounts receivable, loan receivable and other assets of $164,604 at December 31, 2011 represents the Company's maximum credit exposure.

24. Financial instruments (continued):

(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.") and the Euro ("Euro"). Cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and long-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 limit 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.

The Company's functional currency is the Canadian dollar. The U.S. dollar and the Euro carrying amount of financial instruments subject to exposure to foreign currency risk in the consolidated balance sheet at December 31, 2011 is as follows:

	U.S. dollars
Cash and cash equivalents	$ 28,311
Short-term investments	11,955
Accounts receivable	781
Other assets	2,446
Accounts payable	3,484

	Euros
Cash and cash equivalents	€ 339
Long-term debt	7,193

If foreign exchange rates on December 31, 2011 had changed by 25 basis points, with all other variables held constant, net loss for the year ended December 31, 2011 would have changed by $100 and $17 for US dollar denominated and Euro denominated financial instruments, respectively. The Company's exposure to currencies other than U.S. dollars and Euros is not material.

24. Financial instruments (continued):

(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 certain long-term debt with variable rates of interest. 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 December 31, 2011 had changed by 50 basis points, with all other variables held constant, net loss for the year ended December 31, 2011 would have changed by $17.

(f) 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-term period to maturity of these instruments.

The Company's short-term investments are recorded at fair value. The long-term investment represents our interests in the WWI and Minda-Emer joint ventures, which are accounted for using the equity method.

The carrying value reported in the balance sheets for obligations under capital lease, which is based upon discounted cash flows, approximates its fair value.

Other assets consist of a note receivable from by a private energy company (note 8). It is recorded at the outstanding principal amount plus accrued interest. Given that the company is private, there is a lack of observable market data. However, the Company believes that the carrying value of the note approximates its fair value as the interest rate of 12.5% represents a market-based rate that would be demanded for a note with similar terms and conditions.

The Company also received warrants to purchase common shares under the Note and Warrant Purchase Agreement. As the shares are privately held, there is a lack of observable market data and the fair value of the common shares is not readily determinable. The Company believes the fair value of the warrants is nominal given the counterparty's development activities are still at an early stage.

The carrying value reported in the balance sheet for the unsecured subordinated debenture notes (note 13(a)) approximates its fair value, based on market rates of interest for similar indebtedness. Additionally, the interest rate on the notes approximates the interest rate being demanded in the market for debt with similar terms and conditions.

The carrying value reported in the balance sheet for other long-term payable (note 13(b)) is recorded at amortized cost using the effective interest rate method. It is being accreted to the gross proceeds of €7,600 that is payable to OMVL on July 2, 2013 at the effective interest rate of 3.65%. As at December 31, 2011, the fair value of the long-term debt is higher than its carrying value by $191 based on a market interest rate of 2.35%.

24. Financial instruments (continued):

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

The carrying value reported in the balance sheet for senior financing agreements (note 13(c)) approximates its fair value as at December 31, 2011, as the interest rate on the debt is floating and therefore approximates the market rate of interest. The Company's credit spread also has not substantially changed from the 2.5% premium currently paid.

The Company categorizes its fair value measurements for items measured at fair value on a recurring basis into three categories as follows:

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 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

As at December 31, 2011, cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

25. Subsequent events:

On February 20, 2012, the Company entered into an amended and restated joint venture agreement ("JVA") with Cummins Inc. for the CWI joint venture. The JVA was amended to provide for, among other things, clarification concerning the scope of products within CWI. In addition, the parties have revised certain economic terms of the JVA.

Under the prior JVA, CWI had a global exclusive right to design, engineer, and market mid-range on-road spark-ignited natural gas engines based on Cummins diesel engines manufactured in Cummins facilities. The Company and Cummins have agreed in the amended and restated JVA to focus CWI's future product development on North American markets including engines for on-road applications between the displacement range of 5.9 litres through 12 litres, and to have these engines manufactured in Cummins North American plants.

The joint venture will now have a term ending December 31, 2021 and can be terminated under certain circumstances before the end of the term, including in the event of a material breach of the agreement by, or in the event of a change of control of, one of the parties.

25. Subsequent events (continued):

On February 22, 2012, the Company announced its offering of 5,500,000 common shares at a price of $43.25 per share in the United States and Canada, for gross proceeds of $237,875. The Company granted the underwriters of the offering an option to purchase an additional 825,000 common shares at the offering price. On February 27, 2012, the Company announced the closing of its offering of common shares, including the exercise of the underwriters' over-allotment option in full. With the exercise of the option, the Company issued a total of 6,325,000 common shares under the offering for gross proceeds of $273,556.

Westport 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", "our") is intended to assist readers in analyzing our financial results and should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, for the fiscal year ended December 31, 2011. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's reporting currency is the U.S. dollar. This MD&A is dated February 28, 2012.

On May 30, 2011, the Board of Directors approved a fiscal year-end change from March 31 to December 31 to align the year ends of all consolidated operating companies to the calendar year. As a result of changing our year end, the current reporting period is a "stub" period of only 9 months (April 1, 2011 to December 31, 2011). Due to the difference in period lengths, the income statement and statement of cash flows is not directly comparable.

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. All financial information is reported in U.S. dollars unless otherwise noted.

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, 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 activity, 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 or accounting policies and regulations, 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

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Our technology and products enable light- (less than 5.9-litre), medium- (5.9- to 8.9-litre), heavy-duty (11- to16-litre) and high-horsepower (greater than 16-litre) petroleum-based fuel engines to use primarily natural gas, giving users a cleaner, and generally less expensive alternative fuel based on a more abundant natural resource.

Since our founding in 1995, we have focused on developing technology that allows us to produce more environmentally sustainable engines without compromising the performance, fuel economy, durability and reliability of diesel engines. The substitution of natural gas for petroleum-based fuel drives a significant reduction in harmful combustion emissions, such as nitrogen oxides, particulate matter and greenhouse gas, in addition to providing a relatively inexpensive alternative fuel from a more plentiful natural resource. Our systems enable combustion engines to use gaseous fuels, such as natural gas, propane or hydrogen. Our research and development effort and investment have resulted in a substantial patent portfolio that serves as the foundation for our differentiated technology offerings and competitive advantage.

We leverage our proprietary technology by partnering with leading diesel engine, truck and automotive original equipment manufacturers ("OEMs") to develop, manufacture and distribute our engines to a diverse group of global truck, bus and automotive OEMs. Our strategic relationships with OEMs provide us with access to their manufacturing capacity, supply chain and global distribution networks without incurring the considerable investment associated with these assets. We commercialize our technology in markets where demand for clean, low emission engines is prevalent, including light-duty, medium- to heavy-duty, and heavy-duty, as follows:

- Westport Light-Duty ("Westport LD"), which is currently composed of Westport LD, OMVL S.p.A. ("OMVL") and, as of July 1 and October 11, 2011, Emer S.p.A. ("Emer") and Alternative Fuel Vehicle ("AFV"), respectively, designs, produces and sells high-performance alternative fuel engines, systems and components targeting the high volume light-duty vehicle and engine segments for automotive and industrial markets. Westport LD offers advanced technology natural gas and LPG engines and fuel systems for the OEM light-duty automotive and industrial markets. In North America, Westport LD offers fully-integrated, cost-effective solutions available in light-duty vehicles with the Westport WiNG™ Power System—an advanced, integrated, bi-fuel (natural gas / gasoline) system for fleet customers of commercial and passenger vehicles, initially launched on the Ford F-250 and F-350 platforms. The North American business is supported through Westport LD Michigan Technical Center. In Sweden, Westport LD offers natural gas fuel systems engineered and installed by AFV for the Volvo V70 bi-fuel wagon. Westport LD also offers OMVL and Emer brand aftermarket kits and components for conversion of engines from gasoline, or petrol, to CNG or LPG. Westport LD leverages the advanced engineering of the Company and the precision high volume manufacturing of our Italian operations OMVL and Emer. For industrial applications, Westport LD offers complete engine solutions to industrial vehicle OEMs and stationary S-2 packagers globally. The Juniper brand engine provides robust performance for material handling, municipal, construction, and other harsh and challenging applications. Westport LD currently supplies Clark Material Handling with a Juniper 2.4-litre compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") industrial engines based on the Hyundai platform for Clark forklifts sold globally. The Juniper 2.4-litre engine is also available for stationary applications such as engine power units for oilfield applications, where Westport LD sells to Cummins Western Canada, and agricultural installations for electrical power generation. Effective August 3, 2011, the name of Juniper Engines Inc. was formally changed to Westport Light Duty Inc. This was a change of name only, and the business continues unaffected. Westport LD will continue to use the "Juniper" brand.
- Cummins Westport Inc ("CWI"), our 50:50 joint venture with Cummins, Inc., ("Cummins"), serves the medium- to heavy-duty engine markets. CWI's engines are offered by many OEMs of transit and shuttle buses, conventional trucks and tractors, and 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. The fuel for CWI engines is typically carried on the vehicles as CNG or liquefied natural gas ("LNG"). CWI engines are produced at certain Cummins' plants allowing CWI to leverage Cummins' manufacturing footprint without incurring additional capital costs. CWI also utilizes Cummins' supply chain, back office systems and distribution and sales networks.

- Westport Heavy-Duty ("Westport HD") serves the heavy-duty engines markets and currently offers a 15-litre natural gas engine for the heavy-duty trucking market in North America. Westport HD applies our proprietary development platform and is engaged in the engineering, design and marketing of natural gas-enabling technology for the heavy-duty diesel engine and truck market. The fuel for the Westport HD system is typically carried on the vehicle as LNG to provide greater energy density compared to CNG and to allow the vehicle to travel farther before refuelling. At the heart of the Westport HD system is our proprietary high pressure direct injection ("HPDI") technology, which provides the environmental and cost benefits of natural gas while delivering comparable benefits of diesel engines: high efficiency over the speed and torque operating range, high torque capability and robust reliability.

We have formed additional joint ventures to capitalize on the growth of alternative fuel engines in geographic markets outside of North America. In July 2010, we established Weichai Westport Inc. ("WWI"), a joint venture between Westport (35% interest), Weichai Power Co. Ltd. ("Weichai") (40% interest) and Hong Kong Peterson (CNG) Equipment Ltd. (25% interest), to focus on the Chinese market. WWI develops, manufactures and sells advanced, alternative fuel engines and parts for use in automobiles, buses, heavy-duty trucks, marine applications and power generation. WWI occupies a 20,000 square metre site in China with an annual production capacity of 20,000 engines. The current engines are widely used in city bus, coach and heavy-duty truck applications in China or exported to other regions globally. WWI is integrating Westport HPDI technology into Weichai's heavy-duty engine platform for future products seeking to deliver best-in-class solutions in a rapidly developing market.

On July 1, 2011, we acquired Emer. Upon closing, we paid consideration of $39.7 million (€25.6 million), which consisted of $17.6 million (€12.1 million) in cash and 881,860 shares of Westport common stock. The purchase price includes the assumption of approximately $77.0 million (€53.0 million) in existing net debt in Emer. Post-closing, we repaid $36.3 million (€25.0 million) of the debt, leaving $40.7 million (€28.0 million) in net debt.

On September 7, 2011, we entered into an agreement with Royal Dutch Shell Plc to launch a co-marketing program in North America aimed at providing customers a better economic case when purchasing and operating liquefied natural gas–powered vehicles ("LNGV") by consolidating key value chain components such as fuel supply, customer support and comprehensive maintenance into a single, user-friendly package. Under the terms

of the agreement, both companies will leverage their industry-leading positions in LNG production and distribution for Shell and LNGV systems and technology for Westport, to deliver a superior integrated commercial solution to participating customers, initially in North America. Also, the companies will collaborate to develop industry standards for LNG as a new transportation fuel in support of their on-going efforts to maintain the highest health, safety and sustainable development practices.

On September 23, 2011, we raised $34.3 million (CDN $36.0 million) through the issuance of debentures offered by Macquarie Private Wealth Inc. ("Macquarie"), on a private placement basis, to replace previously issued debentures that matured in July 2011. The debentures are unsecured and subordinated to senior indebtedness, which mature on September 22, 2014, and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15th and September 15th of each year during the term, commencing on March 15, 2012. The debentures are not listed on any stock exchange. Westport paid Macquarie a cash commission equal to 3.85% of the gross proceeds of the offering.

On September 28, 2011, we announced that a new natural gas Westport WiNG™ Power System (WiNG™) will be available in the Ford F-250 and F-350 Super Duty pickup trucks sold and serviced through authorized Ford dealers. The F-250 and F-350 pickup trucks can also run on ordinary gasoline. As part of the product launch with Ford Super Duty Pickup Trucks, Westport LD has unveiled the new WiNG™ system, an advanced, integrated, bi-fuel system for passenger and commercial vehicles targeting fleet customers.

On October 12, 2011, we purchased 100% of Alternative Fuel Vehicle Sweden AB ("AFV") of Gothenburg, Sweden for approximately $7.6 million (SEK 51.0 million). The purchase price consists of a closing amount of approximately $3.1 million (SEK 21 million), of which $2.1 million (SEK 14.3 million) was paid in cash and $1.0 million (SEK 6.7 million) in shares of Westport's common stock with the number of shares calculated using a 20-day volume-weighted average price. Westport also assumed AFV's existing debt of approximately $1.2 million (SEK 8.2 million) and repaid a $0.4 million (SEK 2.8 million) shareholder loan to Göteborg Energi. The total purchase price also includes earn-out payments of $2.8 million (SEK 19.0 million) payable in Westport shares and tied to revenue and production milestones to be achieved no later than December 31, 2014.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth a summary of our financial results for the nine months ended December 31, 2011 and the twelve months ended March 31, 2011 and March 31, 2010:

Selected Statements of Operations Data

(expressed in thousands of United States dollars, except for per share amounts, shares outstanding and units shipped)	Nine months ended December 31, 2011	Twelve months ended March 31, 2011	March 31, 2010
Units shipped	4,964	3,656	3,921
Total revenue	226,540	148,062	121,653
Gross margin	80,610	57,080	38,674
GM %	*36%*	*39%*	*32%*
Net loss attributed to the Company	(45,794)	(42,142)	(34,511)
Net loss per share – basic and diluted [(1)]	(0.96)	(1.00)	(1.01)
Weighted average shares outstanding	47,933,348	42,305,889	34,133,247
Cash and short-term investments	85,677	180,303	104,205
Total assets	356,675	273,374	153,936
Long-term financial liabilities [(2)]	65,577	10,012	12,735
Cash used in operations before changes in non-cash working capital [(3)]	(24,217)	(24,611)	(23,123)
CWI income for the year after taxes	25,926	15,998	14,330
CWI income attibutable to the Company	12,963	7,999	7,165

(1) Fully diluted loss per share is the same as basic loss per share as the effect of conversion of stock options, warrants and performance share units would be anti-dilutive.
(2) Excluding warranty liability and other long-term liabilities
(3) see non-GAAP financial measures

OVERVIEW OF YEAR ENDED DECEMBER 31, 2011 RESULTS

Operating Results

For the nine months ended December 31, 2011, our consolidated revenues increased $78.4 million, or 52.9%, to $226.5 million from $148.1 million for the twelve months ended March 31, 2011. This increase in revenue was driven by an increase in Westport LD revenue of $35.4 million as we began consolidating Emer and AFV in the current year period and increases in CWI and Westport HD revenue of $27.6 million and $15.4 million, respectively.

Consolidated net loss attributable to the Company for the nine months ended December 31, 2011 was $45.8 million, or $0.96 loss per diluted share, compared to a $42.1 million net loss, or $1.00 loss per diluted share, for the twelve months ended March 31, 2011. The $3.7 million increase in net loss was primarily due to an increase in net loss in Westport LD of $8.9 million and Westport HD net loss of $5.4, partially offset by an increase in CWI net income of $5.0 million and a decrease in corporate net loss of $5.6 million.

Capital Management

On September 23, 2011 we issued 36,000 debenture units for a total gross proceeds of $34.3 million (CDN $36.0 million). Each debenture unit consists of an unsecured subordinate debenture in the principal amount of CDN $1,000 bearing interest at 9% per annum. 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 debenture mature on September 22, 2014.

Cash, cash equivalents and Investments

As of December 31, 2011, our cash, cash equivalents and short-term investments balance was $85.7 million compared to $180.3 million at March 31, 2011. For the nine months ended December 31, 2011, cash used in operations was $35.9 million with $24.2 million used for operating purposes and $11.7 million used for working capital. We also paid cash of $6.5 million and $2.6 million (net of cash acquired) for our acquisition in Emer and AFV, respectively and invested additional capital in our investment in Weichai of $1.0 million. We also purchased $13.3 million of property and equipment, purchased $0.1 million in intangible assets, advanced loans net of repayment of $5.8 million, repaid our subordinated debenture notes and Emer's long term debt totaling $53.1 million, repaid Emer's operating lines of credit of $3.2 million, repaid our short-term debt of $0.2 million and CWI paid out a dividend of $10.0 million to our joint venture partner. We issued shares through the exercise of stock options, which resulted in an additional $1.8 million in cash and raised $33.0 million net of financing costs from the issuance subordinated debenture notes. Foreign exchange on Canadian dollar and Euro denominated cash, cash equivalents and short-term investments and unrealized foreign exchange impacts on certain foreign currency denominated balances resulted in a favorable $2.3 million impact on our cash, cash equivalents and short-term investments balance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with U.S. 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 our fiscal year 2011 annual consolidated financial 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 judgment, estimates and assumptions in

determining their reported amounts, include our accounting of CWI and BTIC Westport Inc. ("BWI") as variable interest entities, warranty liability, revenue recognition, inventories, property, equipment, furniture and leasehold improvements, stock based compensation, goodwill and intangible assets. The application of these and other accounting policies are described in Note 2 of our fiscal year 2011 annual consolidated financial statements and our 2011 Management and Discussion Analysis. Actual amounts may vary significantly from estimates used.

Variable Interest Entities

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 and BWI as VIEs and determined that we are the primary beneficiary in both cases. Accordingly, we consolidate CWI and BWI, reflecting 100% of their assets, liabilities, revenues and expenses in our consolidated financial statements and present the 50% interest held by our joint venture partners, Cummins and BTIC, as "Net income attributed to joint venture partners."

Warranty Liability

Estimated warranty costs are recognized at the time we sell our products and included in cost of revenue. 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 record adjustments to our assumptions based on the latest information available at that time. Since a number of our 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. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. We generally record warranty expense for new products upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. Adjustments to the warranty provision are recorded in cost of revenue. During the year, we decreased our warranty provision to reflect new claims experience information received on CWI products. These changes in estimates are discussed further in the "Gross Margin" section under "Results from Operations."

Revenue Recognition

Our primary source of revenue is from the sale of CWI spark ignited engines, kits, Westport HD LNG systems and

parts, and Westport LD CNG and LPG fuel systems for OEMs in the light-duty automotive and industrial markets. Product and parts revenue is recognized when the products are shipped and title passes to the customer. 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.

The Company also earns service revenue from a research and development arrangement with Volvo Powertrain ("VPT") and Volvo Truck Corporation ("VTC") under which the Company provides contract services relating to developing natural gas engines or biogas engines for use in Volvo products. Service revenue is recognized using the milestone method upon completion of project milestones as defined and agreed to by the Company and VPT and VTC. The Company recognizes consideration earned from the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The Company has deemed all milestone payments within the contract to be substantive. The payment associated with each milestone relates solely to past performance and is deemed reasonable upon consideration of deliverables and the payment terms within the contract. Certain milestones under the contract have yet to be defined.

Inventories

Inventories consist of fuel systems, component parts, work-in-progress and finished goods associated with our Westport HD and Westport LD 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. When we determine that such changes have occurred and would have a negative impact on the carrying value of inventory on hand, adequate provisions are recorded. Unforeseen changes in these factors could result in the recognition of additional inventory provisions.

Property, Plant and Equipment and Intangible Assets

U.S. GAAP requires that we consider whether or not there has been an impairment in our long-lived assets, such as equipment, furniture and leasehold improvements and intangible assets, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such assets 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, performance share units and restricted 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 net of estimated forfeitures and is recognized in results from operations over the period in which the related employee services are rendered. We account for performance shares by calculating the fair value using a Monte-Carlo simulation and restricted share units by calculating the fair value based on the market price of the Company's common shares on the date of grant. The compensation expense is recorded in the period it is earned, which generally is the period over which the units vest.

Goodwill

We do not amortize goodwill but instead test it annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at November 30. We use a two-step test to identify the potential impairment and to measure the amount of impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired; otherwise, goodwill is impaired and the loss is measured by performing step two. Under step two, the impairment loss is measured by comparing the implied fair value of the reporting unit goodwill with the carrying amount of goodwill. We determine fair value using widely accepted valuation techniques, including discounted cash flows and market multiple analyses. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies. It is our policy to conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as our future expectations.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Fair value measurements and disclosures

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, *Fair Value Measurements and Disclosures*, to require more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in level 3 fair value measurements, and transfers between Levels 1, 2, and 3. This update was effective for the Company on April 1, 2011. The adoption of this update increased our disclosure requirements on the fair value of our financial instruments, which is included in note 24.

Intangibles – Goodwill and Other

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles – Goodwill and Other*, which modifies step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform step 2 of the impairment test if it is more likely than not that a goodwill impairment exists. This update was effective for the Company on April 1, 2011. Adoption of this update did not have any impact on the consolidated financial statements.

Business Combinations

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations*, on the disclosure of supplementary pro forma information for business combinations. A public entity (acquirer) that presents comparative financial statements should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. This update is effective prospectively for acquisitions on or after April 1, 2011 for the Company. As a result of adopting this Update, the additional disclosures required by this Update were made in note 4 related to the Company's acquisition of Emer and AFV.

Multiple-Deliverable Revenue Arrangements:

In October 2009, the FASB issued ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*. The new guidance provides a more flexible alternative to identify and allocate consideration among multiple elements in a bundled arrangement when vendor-specific objective evidence or third-party evidence of selling price is not available. The new guidance requires the use of the relative selling price method and eliminates the residual method to allocation arrangement consideration. Additional expanded qualitative and quantitative disclosures are also required. The guidance is effective for the Company prospectively for revenue arrangements entered into or materially modified on or after April 1, 2011. Adoption of this update did not have any impact on the Company's consolidated financial statements.

Fair Value Measurements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS,* ("ASU 2011-04"). ASU

2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. The Company does not anticipate the adoption of this standard to have a material impact in the Company's consolidated financial statement footnote disclosures.

Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* , ("ASU 2011-05"). ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. ASU 2011-05 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU No. 2011-12 ("ASU 2011-12"), which defers certain requirements within ASU 2011-05. These amendments are being made to allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income in all periods presented. This new guidance is to be applied retrospectively. The Company does not expect the adoption of this standard to have any impact on the Company's consolidated financial statements.

Intangibles – Goodwill and other

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles—Goodwill and Other (Topic 350)—Testing Goodwill for Impairment* ("ASU 2011-08"), which allows an entity to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will be applying this guidance effective for our fiscal year beginning January 1, 2012.

Balance Sheet

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* ("ASU 2011-11"). ASU 2011-11 enhances disclosures regarding financial instruments and

derivative instruments. Entities are required to provide both net information and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. This new guidance is to be applied retrospectively. The Company anticipates that the adoption of this standard will expand its consolidated financial statement footnote disclosures.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS 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 such that appropriate decisions can be made regarding public disclosures. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including the CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a–15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The CEO and CFO have concluded that as of March 31, 2011, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosure.

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 U.S. GAAP. No changes were made in our internal control over financial reporting during the year ended December 31, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The CEO and CFO, together with other members of management, are responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is designed under our supervision, and effected by the Company's board of directors, management, and other personnel, 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 in the United States and the requirements of the Securities and Exchange Commission in the United States, as applicable. There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

Management, including the CEO and CFO, has evaluated the effectiveness of internal control over financial reporting, as defined in Rules 13a–15(f) and 15d–15(f) of the Exchange Act, in relation to criteria described in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As allowed by SEC guidance, management excluded from its assessment the 2011 acquisitions of Emer S.p.A and Alternative Fuels Vehicle Sweden AB, which accounted for 18.0% of total assets and 15.2% of total revenues as of and for the nine month period ended December 31, 2011. Based on this evaluation, Management has determined that internal control over financial reporting was effective as of December 31, 2011. KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2011.

FINANCIAL OVERVIEW

RESULTS FROM OPERATIONS

Nine Months Ended December 31, 2011 Compared to Twelve Months Ended March 31, 2011

Product revenue for the nine months ended December 31, 2011 increased $79.2 million, or 71.7%, to $189.7 million from $110.5 million for the twelve months ended March 31, 2011. CWI product revenue for the nine months ended December 31, 2011 increased $29.9 million, or 35.3%, to $114.5 million on sales of 4,692 units compared to $84.6 million and 3,629 units for the twelve months ended March 31, 2011, which was primarily attributed to higher sales volume of ISL G engines in the Americas. Westport HD revenues for the nine months ended December 31, 2011 increased $13.9 million, or 631.8%, to $16.1 million on shipments of 272 HD systems compared to $2.2 million and 27 HD systems for the twelve months ended March 31, 2011. Westport LD revenues for the nine months ended December 31, 2011 increased $35.4 million, or 149.4%, to $59.1 million compared to $23.7 million for the twelve months ended March 31, 2011 as we began consolidating Westport LD from July 2, 2010 and the consolidation of Emer and AFV in the current year period.

Product Revenue by Geographic Region

(as a percentage of revenue)

	Nine months ended December 31, 2011	Twelve months ended March 31, 2011
Americas	60%	60%
Asia	18%	15%
Rest of the world	22%	25%

Parts revenue for the nine months ended December 31, 2011 was $26.7 million compared to $29.5 million for the twelve months ended March 31, 2011, a decrease of $2.8 million, or 9.5%. CWI parts revenue for the nine months ended December 31, 2011 was $24.3 million compared with $26.7 million for the twelve months end March 31, 2011. Westport HD parts revenue for the nine months ended December 31, 2011 was $2.4 million compared with $2.7 million for the twelve months end March 31, 2011. The number of engines in the field, their age and their reliability all impacted parts revenue each period. The decrease in parts revenue for both CWI and Westport HD was due to the comparison of the shorter nine months period ended December 31, 2011 to the longer twelve months period ended March 31, 2011.

Service revenue for the nine months ended December 31, 2011 was $10.2 million compared to $8.1 million for the twelve months ended March 31, 2011. This increase was due to the timing of delivering certain milestones during the periods. All costs associated with the Volvo development agreements were recorded as research and development expenses in the period incurred in the consolidated statement of operations.

Gross margin increased $23.5 million to $80.6 million, or 35.6% of total revenue, for the nine months ended December 31, 2011 compared to $57.1 million, or 38.6% of total revenue, for the twelve months ended March 31, 2011. CWI product gross margin and product gross margin percentage for the nine months ended December 31, 2011 were $51.0 million and 44.5%, respectively, compared to $33.7 million and 39.9%, respectively, for the twelve months ended March 31, 2011. This increase in gross margin percentage was due primarily to a reduction in warranty accrual rates compared to the prior year period driven by improved product reliability and product mix. CWI parts gross margin percentage remained consistent at 37.1% for the nine months ended December 31, 2011 compared to 39.6% for the twelve months ended March 31, 2011.

Westport HD gross margin (including product, parts and service) and gross margin percentage for the nine months ended December 31, 2011 were $8.6 million and 30.1%, respectively, compared to $7.5 million and

57.1%, respectively, for the twelve months ended March 31, 2011. Westport HD product gross margin for the nine months ended December 31, 2011 was negative $1.3 million driven by launch customer pricing and materials variance on certain shipments. This compares to a negative $1.0 million Westport HD product gross margin for the twelve months ended March 31, 2011 as a result of a campaign expense of $1.2 million. Westport HD recorded gross margin of $10.2 million on service revenue for the nine months ended December 31, 2011 compared to $8.1 million for the twelve months ended March 31, 2010 as a result of reaching milestones during the respective periods. The costs related to the milestones were recorded in research and development costs. Westport HD also recorded a negative parts margin of $0.3 million compared with a positive $0.4 million for the twelve months ended March 31, 2011.

Westport LD gross margin and gross margin percentage for the nine months ended December 31, 2011 were $12.0 million and 20.3%, respectively, compared to $5.3 million and 23.0%, respectively, for the twelve months ended March 31, 2011. Westport LD's gross margin and gross margin percentage were negatively impacted by the step up of Emer's inventory when allocating the purchase price to the assets acquired and assumed liabilities. The step up in inventory increased cost of goods sold by $3.5 million. Taking this into consideration, Westport LD gross margin and gross margin percentage would have been $15.5 million and 26.1%, respectively. The increase is due to the consolidation of Emer and AFV as previously noted.

Research and development expenses, net of program funding, for the nine months ended December 31, 2011, increased $8.6 million to $43.3 million compared to $34.7 million for the twelve months ended March 31, 2011. CWI research and development expenses were $6.7 million for the nine months ended December 31, 2011 compared with $10.0 million for the twelve months ended March 31, 2011. The $3.3 million decrease was primarily due to the additional three months in comparing the current nine month period to the prior twelve month period of $2.4 million, a decrease in technology royalty fee of $1.2 million and an increase in government funding of $1.8 million offset by higher material and salary related costs associated with product development of $2.1 million. Westport HD research and development expenses, which include costs incurred under the Volvo development agreements, were $19.4 million for the nine months ended December 31, 2011 compared with $14.4 million for the twelve months ended March 31, 2011. The $5.4 million increase was primarily as a result of an increase in costs incurred under the Volvo development agreements in the current year of $6.0 million compared with $0.7 million in the prior year nine month period and $4.5 million in costs related to the increase in headcount to support this growing business offset by the additional three months in comparing the current nine month period to the prior twelve month period of $4.4 million. Westport LD research and development expenses were $11.2 million for the nine months ended December 31, 2011 compared with $3.7 million for the twelve

months ended March 31, 2011 primarily related to efforts to expand product offerings to light-duty automotive OEMs and consolidation of Emer and AFV in the current year period. Corporate research and developments expenses were $6.0 million for the nine months ended December 31, 2011 compared with $6.6 million for the twelve months ended March 31, 2011. The $0.6 million decrease was primarily due to the additional three months in comparing the current nine month period to the prior twelve month period of $2.2 million offset by $1.6 million in costs related to the increase in headcount to support new projects.

Research and Development Expenses

(expressed in thousands of U.S. dollars)

	Nine months ended December 31 2011	Twelve months ended March 31 2011
Research and development expenses	$ 46,047	$ 36,338
Program funding	(2,753)	(1,675)
Research and development, net	$ 43,294	$ 34,663

General and administrative expenses for the nine months ended December 31, 2011 increased $7.3 million to $23.5 million compared to $16.2 million for the twelve months ended March 31, 2011. CWI general and administrative expenses were $0.8 million for the nine months ended December 31, 2011 compared with $1.2 million for the twelve months ended March 31, 2011. The $0.4 million decrease was primarily due to the additional three months in comparing the current nine month period to the prior twelve month period. Westport HD general and administrative expenses were $1.2 million for the nine months ended December 31, 2011 compared with $1.0 million for the twelve months ended March 31, 2011. The $0.2 million increase was primarily due to an increase in administrative costs of $0.5 million related to increased headcount to support this growing business offset by the additional three months in comparing the current nine month period to the prior twelve month period of $0.4 million. Westport LD general and administrative expenses for the nine months ended December 31, 2011 were $6.8 million compared to $2.4 million for the twelve months ended March 31, 2011. The $4.4 million increase was primarily due to costs related to an increase in headcount and the consolidation of Emer and AFV in the current year period. Corporate general and administrative expenses were $14.7 million for the nine months ended December 31, 2011 compared with $11.6 million for the twelve months ended March 31, 2011. The $3.1 million increase was primarily due to increase in administration costs of $3.7 million related to increased headcount to support this growing business, $0.9 million in stock based compensation, $1.5 million in expenses related to the acquisition of Emer and $1.4 million in professional services offset by the additional three months in comparing the current nine month period to the prior twelve month period of $4.4 million.

Sales and marketing expenses for the nine months ended December 31, 2011 increased $3.3 million to $25.0 million compared to $21.7 million in the prior year period. CWI's sales and marketing expenses were $9.7 million for the nine months ended December 31, 2011 compared to $7.7 million in for the twelve months ended March 31, 2011. The $2.0 increase in CWI sales and marketing expense was related primarily to an increase in policy expense of $2.5 million and increases in market development, support and travel expenditures of $1.4 million offset by the additional three months in comparing the current nine month period to the prior twelve month period of $1.9 million. Westport HD sales and marketing expenses were $11.2 million for the nine months ended December 31, 2011 compared with $10.3 million for the twelve months ended March 31, 2011. The $0.9 million increase was primarily due to an increase in compensation and travel costs of $4.6 million from increased headcount to support this growing business offset by the additional three months in comparing the current nine month period to the prior twelve month period of $3.7 million. Westport LD sales and marketing expenses were $2.8 million for the nine months ended December 31, 2011 compared with $1.4 million for the twelve months ended March 31, 2011. The $1.4 million increase was primarily related to OEM and market development initiatives and the consolidation of Emer and AFV in the current year period. Corporate sales and marketing expenses were $1.2 million for the nine months ended December 31, 2011 compared to $2.3 million in for the twelve months ended March 31, 2011. The $1.1 decrease was primarily due to the additional three months in comparing the current nine month period to the prior twelve month period.

Foreign exchange gains and losses reflected net realized gains and losses on foreign currency transactions and the net unrealized gains and losses on our non-CWI net U.S. dollar denominated monetary assets and liabilities that were mainly composed of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. In addition, the Company has foreign exchange exposure on its non-OMVL and Emer Euro denominated monetary assets and liabilities including the Euro denominated long-term liability payable to the Sellers of OMVL. For the nine months ended December 31, 2011, we recognized a net foreign exchange gain of $2.0 million with the movement in the Canadian dollar relative to the U.S. dollar. This compares to a net foreign exchange loss of $3.9 million for the twelve months ended March 31, 2011. A majority of the foreign exchange gain for the nine months ended December 31, 2011 was unrealized.

Depreciation and amortization for the nine months ended December 31, 2011 was $6.3 million compared to $3.5 million for the twelve months ended March 31, 2011. The increase primarily related to depreciation of property and equipment and intangible assets acquired in the purchase of Emer and AFV.

Income from investment accounted for by the equity method relates to our 35% interest in WWI and our previous 49% interest in Juniper, which was accounted for on an equity basis prior to July 2, 2010. For the nine months ended December 31, 2011, we recorded $1.5 million of income from our interest in WWI. For the twelve months ended March 31, 2011, we recorded income from WWI that was partially offset by losses from our interest in Westport Light Duty Inc. (formerly, Juniper Engines Inc.) resulting in a net equity income of $0.8 million.

Interest on long-term debt and amortization of discount expense for nine months ended December 31, 2011 was $3.0 million and relates to the accretion of the discount on the CDN $15.0 million debentures issued on July 3, 2008, and bearing interest at 9% per annum of $0.9 million, accretion expense relating to the long-term payable to the Sellers of OMVL of $0.3 million, interest expense on the CDN $36.0 million debentures issued on September 23, 2011, bearing interest at 9% per annum, of $1.0 million, and interest expense on Emer senior financing facilities of $0.8 million.

Interest on long-term debt and amortization of discount expense for twelve months ended March 31, 2011 of $3.3 million related to interest and accretion on the CDN $15.0 million debentures of $3.0 million and $0.3 million of accretion expense relating to the long-term payable to the Sellers of OMVL.

Income tax expense for the nine months ended December 31, 2011 was $15.7 million compared to $9.6 million for the twelve months ended March 31, 2011. The current year period amount included $18.6 million related to CWI income taxes, $0.6 million in corporate for withholding taxes on dividend paid by CWI offset by Westport LD income tax recovery of $0.4 million, while in the prior year period, $8.9 million was primarily related to CWI. Westport HD was in a loss position, and the related future tax assets on losses carried forward were subject to a full valuation allowance. Future income tax recoveries and expenses arose on the recognition of temporary differences between the carrying amounts and the tax bases of our assets and liabilities. In the current year period, future income tax recoveries were recorded for CWI and Westport LD of $1.8 million and $1.3 million, respectively, while in the prior year period future income tax recoveries were recorded for CWI and Westport LD of $0.3 million and $0.5 million, respectively.

Year Ended March 31, 2011 Compared to Year Ended March 31, 2010

Product revenue for the year ended March 31, 2011 increased $15.7 million, or 16.6%, to $110.5 million from $94.8 million in the prior fiscal year. CWI product revenue decreased from $87.8 million to $84.6 million as a result of lower shipments of engines, 3,629 units in fiscal year 2011 compared to 3,807 units in fiscal year 2010,

and the mix of engines sold. CWI also recorded kit revenue of $2.6 million and natural gas engine margin of $0.7 million in fiscal year 2011 compared to $4.5 million and $4.1 million, respectively, in fiscal year 2010, as we completed deliveries to a customer in India. Westport HD product revenue for the year ended March 31, 2011 decreased to $2.2 million with 27 systems delivered compared to $7.0 million with 114 systems delivered in the prior fiscal year. Included in Westport HD product revenue for fiscal year 2011 was other HD revenue of $0.8 million, which was generated from contract services and the sale of used demo trucks during fiscal year 2011 compared to nil in fiscal year 2010. Westport LD contributed $23.7 million in revenue for the year ended March 31, 2011. The Company commenced consolidating OMVL and Westport Light Duty Inc. (formerly Juniper Engines Inc.) effective July 2, 2010.

Product Revenue by Geographic Region

(as a percentage of revenue)

	Fiscal years ended March 31	
	2011	2010
Americas	60%	67%
Asia	15%	14%
Rest of the world	25%	19%

Parts revenue for the year ended March 31, 2011 was $29.5 million compared to $26.9 million in the prior fiscal year, an increase of $2.6 million, or 9.7%. CWI parts revenue for the year ended March 31, 2011 was $26.7 million compared with $24.0 million in the prior fiscal year due to an increase in parts sold and an expanded parts list. The number of engines in the field, their age and their reliability all impact upon parts revenue each period. Westport HD parts revenue for the year ended March 31, 2011 was $2.7 million compared with $2.9 for the year ended March 31, 2010 due to a decrease in shipments of cryogenic tanks from BWI to domestic customers in China of $0.8 million compared with $1.9 million in the prior fiscal year. This decrease was partially offset by an increase of $0.9 million in service and after market parts shipped compared with the prior fiscal year due to a higher number of units in service. Westport LD contributed $0.1 million in parts revenue for the year ended March 31, 2011.

Service revenue for the year ended March 31, 2011 was $8.1 million. The Company achieved two milestones under its development Agreements in September 2010 and March 2011 for the completion of certain proof of concept work. As a result, we recorded revenue on the achievement of these milestones. All costs associated with the development are recorded as research and development expenses in the period incurred in the consolidated statement of operations.

Gross margin increased $18.4 million to $57.1 million, or 38.6% of total revenue, for the year ended March 31, 2011 compared to $38.7 million, or 31.8% of total revenue, in the prior fiscal year. CWI product gross margin and product gross margin percentage for the year ended March 31, 2011 were $33.7 million and 39.9%, respectively, compared to $29.8 million and 33.9%, respectively, for fiscal year 2010. This increase in gross margin percentage was due primarily to a reduction in warranty accrual of $3.7 million and campaign accrual of $0.2 million compared to the fiscal year 2010 due to improved product reliability. CWI parts gross margin percentage also increased from 37.4% in the fiscal year 2010 to 39.6% in the fiscal year 2011 primarily due to a reduction in selling and warehousing expenses.

Westport HD gross margin (including product parts and service) and gross margin percentage for the year ended March 31, 2011 was $7.5 million and 57.1%, respectively, compared to a negative $0.1 million and 0.9%, respectively, in the prior fiscal year. Westport HD product margin for the year ended March 31, 2011 was negative $1.0 million as a result of campaign expense of $1.2 million as well as certain materials variances on engine shipments. This compares to a negative Westport HD product gross margin of $1.3 million in fiscal year 2010. The Company recorded gross margin of $8.1 million on service revenue associated with the development Agreements as a result of achieving milestones during the year since the costs related to the Agreements were recorded as research and development expenses. Westport HD also recorded parts margin of $0.4 million compared with $1.2 million in the prior fiscal year primarily as a result of fewer tank shipments by BWI and lower after market parts sales. Westport LD recorded gross margin and gross margin percentage of $5.3 million and 23.0%, respectively for the year ended March 31, 2011.

Research and development expenses, net of program funding, for the year ended March 31, 2011 increased $8.5 million to $34.7 million compared with $26.2 million for the prior fiscal year. CWI's net research and development expenses increased $2.3 million from $7.7 million to $10.0 million during the year ended March 31, 2011. The increase in CWI research and development expense related primarily to the timing of materials spending on product development. Westport HD research and development expenses increased $1.7 million to $14.4 million during the year ended March 31, 2011, primarily as a result of higher material costs associated with product development, higher salary related expense due to an increase in headcount and a reduction in government funding. These increases were offset by lower costs associated with certification efforts on Westport's 2010 certification program that was achieved in July 2010. Westport LD research and development expenses were $3.7 million for fiscal year 2011 and related to efforts to expand product offerings to light-duty automotive OEMs. Corporate research and development costs increased $0.8 million to $6.6 million due to costs related to the increase in head count.

Research and Development Expenses

(expressed in thousands of U.S. dollars)

	Fiscal years ended March 31	
	2011	2010
Research and development expenses	$ 36,338	$ 27,546
Program funding	(1,675)	(1,333)
Research and development, net	$ 34,663	$ 26,213

General and administrative expenses for the year ended March 31, 2011 increased $4.4 million to $16.2 million compared with $11.8 million in the prior fiscal year primarily due to an increase in Westport HD administrative costs of $0.9 million. Corporate general and administrative costs increased $1.2 million and were offset by a decrease in stock-based compensation of $0.3 million. CWI general and administrative expenses increased $0.2 million in fiscal year 2011 primarily due to a one time salary benefit payment. The remaining increase related to Westport LD general and administrative expenses of $2.4 million.

Sales and marketing expenses for the year ended March 31, 2011 increased $5.0 million to $21.7 million compared to $16.7 million in the prior fiscal year. CWI sales and marketing expenses remained flat at $7.7 million for the both fiscal years 2011 and 2010. Westport HD related expenses in fiscal year 2011 increased by $3.6 million to $12.6 million primarily due to increases in stock-based compensation of $0.6 million and increases in OEM related market development, support and travel expenditures of $3.0 million. Westport LD sales and marketing expenses were $1.4 million during fiscal year 2011 and related to OEM and market development initiatives.

Foreign exchange gains and losses reflect net realized gains and losses on foreign currency transactions and the net unrealized gains and losses on our non-CWI net U.S. dollar denominated monetary assets and liabilities that are mainly composed of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. In addition, the Company has foreign exchange exposure on its non-OMVL euro denominated monetary assets and liabilities including the euro denominated long-term liability payable to the Sellers of OMVL. For the year ended March 31, 2011, we recognized a net foreign exchange loss of $3.9 million driven by the significant increase in the Canadian dollar relative to the U.S. dollar. A significant portion of this loss is unrealized. This compares to a net foreign exchange loss of $0.4 million in fiscal year 2010.

Depreciation and amortization for the years ended March 31, 2011 and 2010 was $3.6 million and $2.0 million, respectively. The increase in depreciation and amortization of $1.6 million was primarily due to the depreciation of property and equipment and intangible assets acquired in the purchase of OMVL.

Income from investment accounted for by the equity method for the years ended March 31, 2011 and 2010 was $0.8 million and a loss of $1.0 million, respectively. The amounts recorded in the fiscal year 2011 relates to our 35% interest in WWI and our previous 49% interest in Juniper, which was accounted for on an equity basis prior to July 2, 2010. For the year ended March 31, 2011, we recorded income from WWI of $1.0 million that was partially offset by losses of $0.2 million from our interest in Juniper in the first quarter of fiscal year 2011.

Interest on long-term debt and amortization of discount expense for year ended March 31, 2011 was $3.3 million compared with $2.5 million for the year ended March 31, 2010. Fiscal year 2011 included interest and accretion of the discount on the CDN $15.0 million debentures issued on July 3, 2008 and bearing interest at 9% per annum, and the Company also recorded $0.3 million of accretion expense relating to the long-term payable to the Sellers of OMVL. Interest on long-term debt and amortization of discount of $2.5 million for the year ended March 31, 2010 related to interest and accretion on the subordinated debenture notes and interest on our demand installment loan.

Gain on sale of long-term investments in fiscal year 2010 related to the sale of Clean Energy shares and the sale of our remaining interest in Wild River Resources Ltd. ("Wild River"). The Company sold 184,311 shares of Clean Energy in fiscal 2010 resulting in a gain on sale of $2.7 million. As at March 31, 2011 and 2010, the Company no longer owned any shares in Clean Energy. We also sold our interest in Wild River for net proceeds of $0.1 million resulting in a gain of $0.1 million in fiscal year 2010.

Income tax expense for the year ended March 31, 2011 was $9.6 million, which compares to an expense of $8.4 million for the year ended March 31, 2010. Current income tax expense representing cash taxes payable was $8.9 million in fiscal year 2011 compared with $9.7 million in fiscal year 2010, and we recorded a future income tax expense of $0.8 million, which compares to a recovery of $1.2 million in the prior fiscal year. 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. CWI represents the majority of the tax provision in both fiscal year 2011 and 2010 as the provision relating to CWI was $9.2 million and $8.2 million, respectively. Also, included in fiscal year 2011 is tax expense for OMVL of $0.1 million. Westport HD entities are primarily in a loss position or

have losses carried forward that offset taxable income. During fiscal years 2011 and 2010, we paid withholding tax on dividends of $0.3 million and $0.1 million, respectively. During fiscal year 2010, there was also future income tax expense related to the sale of our Clean Energy shares of $0.1 million as a result of reversing a future tax credit arising on available for sale investments.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

As at December 31, 2011, our cash, cash equivalents and short-term investment position was $84.6 million, a decrease of $95.7 million from $180.3 million at March 31, 2011. Cash and cash equivalents consist of guaranteed investment certificates, term deposits and bankers acceptances 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 nine months ended December 31, 2011, our cash used in operations was $35.9 million. Cash used in operations before changes in non-cash working capital, a non-GAAP measure, was $24.2 million. Changes in non-cash working capital resulted in a reduction of $11.7 million. The $11.7 million change in working capital was impacted, by increases in accounts payable and accrued liabilities of $3.3 million, warranty liability of $5.9 million, deferred revenue of $4.4 million, accounts receivable of $18.6 million, inventory of $2.1 million, and prepaid expenses of $4.6 million. Cash used in investing activities included cash paid to acquire Emer and AFV (net of cash acquired) of $6.5 million and $2.6 million, respectively, purchase of fixed assets of $13.3 million, loan advances net of repayment of $5.8 million, additional capital investment in Weichai of $1.0 million and purchase of intangible assets of $0.1 million offset by net proceeds from the sale of short-term investments of $15.5 million. Cash provided by financing activities included $33.0 million net of financing costs raised from the issuance of subordinated debenture notes and $1.8 million in shares issued for stock option exercises. This is offset by repayment of our previous subordinated debt of $15.5 million, Emer long-term debt of $37.6 million, Emer operating lines of credit of $3.2 million and our short-term debt of $0.2 million. CWI also paid $10.0 million in dividends to each parent company with Cummins share reflected as a reduction of the joint venture partners' share of net assets of joint venture.

Foreign exchange resulted in a positive adjustment to cash and cash equivalents of $3.2 million as a large portion of our cash balances are maintained in Canadian dollars and Euro, and we also are exposed to unrealized foreign exchange gains and losses on our foreign currency denominated assets and liabilities, which result in an adjustment when reconciling from net loss to cash and cash equivalents.

Our plan is to use our current cash, cash equivalents and short-term investments, our share of CWI profits and borrowings under our credit facility 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.

On September 29, 2011, the Company amended its credit facility that increased the maximum borrowings from CDN$20.0 million to CDN$30.0 million. The credit facility is governed by a margin requirement limiting such borrowings to a calculated amount based on cash and investments held with the creditor. Borrowings may be drawn in the form of direct borrowings, letters of credit, foreign exchange forward contracts and overdraft loans. Outstanding amounts on direct borrowings and overdraft loans drawn under this credit facility bear interest at the prime rate, and letters of credit bear interest at 0.75% per annum.

On February 22, 2012, the Company announced its offering of 5,500,000 common shares at a price of $43.25 per share in the United States and Canada, for gross proceeds of $237.9 million. The Company granted the underwriters of the offering an option to purchase an additional 825,000 common shares at the offering price. On February 27, 2012, the Company announced the closing of its offering of common shares, including the exercise of the underwriters' over-allotment option in full. With the exercise of the option, the Company issued a total of 6,325,000 common shares under the offering for gross proceeds of $273.6 million.

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 continue to 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 nine months ended December 31, 2011, twelve months ended March 31, 2011 and 2010, the weighted average number of shares used in calculating the loss per share was 47,933,348, 42,305,886 and 34,133,247, respectively. During the nine months ended December 31, 2011, we granted nil stock options and 269,292 share units relating to our long-term incentive programs. The shares, share options and performance share units outstanding and exercisable as at the following dates are shown below:

	December 31, 2011		February 28, 2012	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Shares outstanding	48,455,601		54,845,530	
Share Options				
- Outstanding	328,027	8.96	1,043,401	26.97
- Exercisable	311,360	8.55	270,257	8.33
Share Units				
- Outstanding	1,250,917	N/A	1,408,407	N/A
- Exercisable	276,931	N/A	273,373	N/A

(weighted average exercise prices are presented in Canadian dollars)

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF THE QUARTER ENDED DECEMBER 31, 2011

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) Three months ended	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11
Units shipped	1,044	730	1,115	1,036	775	1,073	1,710	2,181
(expressed in thousands of United States dollars except for per share amounts)								
Product revenue	$ 27,503	$ 18,870	$ 34,189	$ 30,976	$ 26,440	$ 37,162	$ 72,232	$ 80,288
Parts revenue	$ 6,957	$ 6,621	$ 6,663	$ 8,553	$ 7,622	$ 7,704	$ 8,458	$ 10,516
Engineering Service Revenue	$ —	$ —	$ 4,052	$ —	$ 4,076	$ —	$ 351	$ 9,830
Total revenue	$ 34,460	$ 25,491	$ 44,904	$ 39,529	$ 38,138	$ 44,866	$ 81,041	$ 100,634
Cost of sales	$ 22,983	$ 16,738	$ 27,082	$ 26,663	$ 20,499	$ 29,663	$ 55,236	$ 61,031
Gross margin	$ 11,477	$ 8,753	$ 17,822	$ 12,866	$ 17,639	$ 15,203	$ 25,805	$ 39,603
Gross margin percentage	*33%*	*34%*	*40%*	*33%*	*46%*	*34%*	*32%*	*39%*
Net loss for the period attributable to the Company	$ (11,700)	$ (8,050)	$ (6,217)	$ (13,495)	$ (14,380)	$ (18,113)	$ (13,162)	$ (14,519)
Loss per share:								
Basic	$ (0.32)	$ (0.20)	$ (0.16)	$ (0.31)	$ (0.31)	$ (0.38)	$ (0.27)	$ (0.30)
Diluted	$ (0.32)	$ (0.20)	$ (0.16)	$ (0.31)	$ (0.31)	$ (0.38)	$ (0.27)	$ (0.30)
Company's 100% share of CWI net income	$ 5,666	$ 3,034	$ 5,280	$ 3,160	$ 4,524	$ 5,886	$ 9,394	$ 10,646
CWI net income attributable to the Company	$ 2,833	$ 1,517	$ 2,640	$ 1,580	$ 2,262	$ 2,943	$ 4,697	$ 5,323

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

THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010

Our consolidated revenue for the three months ended December 31, 2011 was $100.6 million, an increase of $61.1 million, or 154.7%, from $39.5 million for the three months ended December 31, 2010. This increase was driven by an increase in Westport LD revenue of $14.7 million as the Company began consolidating Emer on July 1, 2011 and AFV on October 23, 2011. CWI product revenue increased $25.3 million as unit sales increased from 1,036 units to 2,011 units primarily as the result of increased sales volume of ISL G engine sales in the Americas. CWI parts revenue increased by $1.4 million quarter over quarter due to an increase in the number of units in service and an expanded parts list. Westport HD revenues for the quarter ended December 31, 2011 increased by $19.7 million due to $9.8 million in service revenue recorded in the current quarter under our development agreements, an increase in product revenue of $9.3 as unit sales increased 170 units for the quarter ended December 31, 2011 compared to nil in the prior year period, and an increase in parts revenue of $0.6 million.

Our consolidated net loss for the three months ended December 31, 2011 was $14.5 million, or a loss of $0.30 per diluted share, compared to a net loss of $13.5 million, or a loss of $0.31 per diluted share, for the three months ended December 31, 2010. The $1.0 million increase in net loss relates primarily to an increase in Westport LD net loss of $6.1 million and corporate net loss of $2.0 million. This is partially offset by an increase in our 50% share of CWI net income of $3.8 million, a decrease in Westport HD loss of $3.3 million due to increase in service revenue of $9.8 million partially offset by increased operating expenses of $6.5.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 55,807	$ 55,807	$55,807	$ —	$ —	$ —
Unsecured subor dinated debentures (1)	35,398	44,077	2,246	41,831	—	—
Long-term payable (2)	9,330	9,859	—	9,859	—	—
Senior financing (3)	24,871	28,791	8,124	8,866	9,493	2,308
Senior revolving financing	11,360	14,386	12,191	1,033	1,033	129
Other bank financing	2,557	2,720	1,711	470	395	144
Other long-term debt	2,629	2,845	1,236	1,347	260	2
Operating lease commitments	—	10,568	4,122	5,073	1,373	—
Royalty payments (4)	—	23,735	1,327	2,655	19,753	—
	$141,952	$192,788	$86,764	$71,134	$32,307	$2,583

(1) Includes interest at 9%.

(2) Includes interest at 3.72%.

(3) Includes interest at 6-month Euribor plus 2.5%

(4) From fiscal 2011 to 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1,327 (CDN$1,350) or 0.33% of the Company's gross annual revenue from all sources, provided that gross revenue exceeds CDN$13,500 in any aforementioned fiscal year, up to a maximum of $27,718 (CDN$28,189). The Company has assumed the minimum required payments. CWI is also obligated pay annual royalties of 2.75% of engine revenue to Cummins up to a cumulative maximum of $10,400. The Company has a remaining obligation of $nil.

Contractual Commitments

Capital lease obligations related primarily to office equipment and machinery, have initial terms of three to five years and have interest rates ranging from 2.13% to 15.92%. Operating lease commitments represent our future minimum lease payments under leases related primarily to our operating premises and office equipment.

Short-term Debt

On July 1, 2011, we acquired 100% of Emer and assumed existing debt within Emer of $42.4 million. The senior financing agreement of $26.5 million bears interest at the 6-month Euribor plus 2.5% with quarterly principal and interest payments. The senior revolving facility of $12.1 million bears interest at the 6-month Euribor plus 2.50% and will be repaid through payments of $6.7 million and $5.4 million on March 31, 2016 and September 30, 2017, respectively. The revolving financing facility of $1.9 million is classified as a current liability.

Subordinated Debenture Notes

On July 3, 2011, our subordinated debenture notes matured, and we repaid the principal of CDN $15.0 million plus accrued interest.

On September 23, 2011, we raised CDN $36.0 million through the issuance of debentures. The debentures are unsecured and subordinated to senior indebtedness, mature on September 22, 2014 and bear interest at 9% per

annum, payable in cash semi-annually in arrears on March 15th and September 15th of each year during the term, commencing on March 15, 2012. We paid to Macquarie a cash commission equal to 3.85% of the gross proceeds of the offering.

Capital contribution

On October 13, 2011, the Company, along with Weichai Power Co. Ltd. and Hong Kong Peterson (CNG) Equipment Ltd., contributed additional capital into WWI. The Company contributed $1.0 million (RMB 6.3 million).

Royalty Payments

Royalty payments include annual royalties payable to ITO as outlined in "Government Funding" below as well as a technology access royalty fee payable from CWI to Cummins, which is equal to 2.75% of engine revenue, to a cumulative maximum of $10.4 million. As of December 31, 2011, the cumulative maximum of $10.4 million has been paid.

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 $2.8 million in government funding during the nine months ended December 31, 2011 compared with $1.7 million for the twelve months ended March 31, 2011 and $1.3 million for the twelve months ended March 31, 2010. 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 CDN.	Annual royalties equal to the greater of $1,350,000 CDN or 0.33% of annual gross revenues from all sources, provided that gross revenues exceed $13.5 million CDN.	Fiscal 2010 to fiscal 2015, inclusive; royalty period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $28.2 million CDN.
DEPARTMENT OF NATURAL RESOURCES CANADA	Funded $1.0 million CDN 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 $1.0 million CDN.

As at December 31, 2011, royalties of $1.3 million (CDN $1.4 million) relating to ITO were paid and an additional $1.0 million (CDN $1.0 million) was accrued during the year.

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 discussed in our Annual Information Form, 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 discussed in our Annual Information Form 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 December 31, 2011 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 U.S. dollars)	Nine Months ended December 31 2011	Twelve Months ended March 31 2011	March 31 2010
Cash flow from operations			
Net loss for the year	$ (32,836)	$(34,498)	$(27,618)
Items not involving cash:			
Depreciation and amortization	6,280	3,455	1,828
Stock-based compensation expense	6,179	4,923	4,530
Future income tax expense (recovery)	(3,963)	761	(1,222)
Change in deferred lease inducements	(47)	(58)	(95)
Gain on disposition of long-term investments	—	—	(2,827)
(Income) loss from investment accounted for by the equity method	(1,500)	(842)	983
Accretion of long-term debt	1,016	1,992	1,298
Other	654	(344)	—
Cash flows from operations before changes in non-cash operating working capital	$ (24,217)	$(24,611)	$(23,123)

Exhibit 99.4

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 control 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: February 29, 2012

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

Exhibit 99.5

CERTIFICATION

I, William Larkin, 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 control 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: February 29, 2012

By: /s/ William Larkin
Name: William Larkin
Title: Chief Financial Officer

Exhibit 99.6

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 December 31, 2011 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.

February 29, 2012

/s/ David R. Demers
David R. Demers
Chief Executive Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 99.7

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 December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Larkin, 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.

February 29, 2012

/s/ William Larkin

William Larkin
Chief Financial Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

EXHIBIT 99.8



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Chartered Accountants
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Canada

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Consent of Independent Registered Public Accounting Firm

To the Board of Directors of Westport Innovations Inc.:

We consent to the inclusion in this annual report on Form 40-F of:

- our Independent Auditors' Report of Registered Public Accounting Firm dated February 28, 2012 on the consolidated balance sheets of Westport Innovations Inc. ("the Company") as at December 31, 2011 and March 31, 2011, and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the nine-month period ended December 31, 2011 and for the years ended March 31, 2011 and March 31, 2010
- our Report of Independent Registered Public Accounting Firm dated February 28, 2012 on the Company's internal control over financial reporting as of December 31, 2011

each of which is incorporated by reference in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2011.

We also consent to the incorporation by reference of such reports in the registration statements (No. 333-168847) on Form S-8 and (No. 333-178714) on Form F-10 of the Company

/s/ KPMG LLP

Chartered Accountants

February 28, 2012 Vancouver, Canada

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.