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

FORM 40-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
x **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2010

Commission file number: 001-34152

Westport
INNOVATIONS INC.

WESTPORT INNOVATIONS INC.

(Exact Name of Registrant as Specified in its Charter)

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

Suite 101, 1750 West 75th Avenue
Vancouver, British Columbia, Canada V6P 6G2
(604) 718-2001
(Address and Telephone Number of Registrant's Principal Executive Offices)

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

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

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

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

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

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

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 March 31, 2010, 38,494,475 common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule. o Yes 82- _____ x No

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 o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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). o Yes o 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. and Westport products;
- the penetration of our existing markets and expansion of those markets;
- our ability to successfully launch our high-pressure direct-injection technology commercially;
- our ability to exploit and protect our intellectual property;
- our capital expenditure programs;
- commodity prices and the fuel price differential between natural gas and diesel;
- ongoing relationships between us and our business partners;
- our ability to continue to compete with our competitors and their technologies;
- the capital and operating costs of vehicles using our technologies relative to alternative technologies;
- continuing growth in the transportation sector and in the natural gas engine market;
- profit margins and production costs of engines incorporating our technologies;
- the further development of infrastructure supporting the application of natural gas as an alternative fuel;
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets;
- increasingly stringent environmental regulation in the future;
- ongoing availability of government incentives and mandates for our technology;
- our ability to attract and retain personnel;

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

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this annual report 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;
- future levels of government funding and incentives;
- competition from other technologies;
- the ability to provide the capital required for research, product development, operations and marketing; and
- those risks discussed under the heading "Risk Factors" in the Annual Information Form (“AIF”) of the Company filed as Exhibit 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.

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

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "SEC"), to prepare this annual report on Form 40-F in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company prepares its consolidated financial statements, which are filed as Exhibit 99.2 to this annual report on Form 40-F, in accordance with Canadian generally accepted accounting principles ("GAAP"), and the consolidated financial statements are subject to Canadian auditing and auditor independence standards. The consolidated financial statements are not comparable to financial statements of United States companies. 60;Significant measurement differences between Canadian GAAP and United States GAAP are described in Note 24 of the audited consolidated financial statements of the Company.

CURRENCY

Unless specifically stated otherwise, all dollar amounts in this annual report on Form 40-F are in Canadian dollars. The exchange rate of Canadian dollars into United States dollars, based upon the noon rate of exchange on March 31, 2010 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.0158.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended March 31, 2010 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 years ended March 31, 2010, 2009, and 2008, 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. For a reconciliation of material measurement differences between Canadian GAAP and United States GAAP, see Note 24 to the Company's audited consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis ("MD&A") is filed as Exhibit 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 fiscal year ended March 31, 2010, 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".

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 31, 2010, 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 Henry F. Bauermeister Jr., John A. Beaulieu, M.A. (Jill) Bodkin and Dezsö J. Horváth, all of whom, in the opinion of the directors, are independent (as determined under Rule 10A-3 of the Exchange Act and Nasdaq Rule 5605(a)(2)) and are financially literate. Please refer to the Company's AIF attached as Exhibit 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.< /div>

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

PRINCIPAL ACCOUNTING FEES AND SERVICES - INDEPENDENT AUDITORS

Information about the Company's principal accounting fees and services can be found under "External Auditors' Service Fees" of our AIF, 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 $427,500 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.

Except for amendment to the Code made in February of 2010, there have been no amendments, waivers or implicit waivers to the Code during the fiscal year ended March 31, 2010. 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 fiscal year ended March 31, 2010, 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 year ended March 31, 2010 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 33⅓% 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.

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 year ended March 31, 2010
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended March 31, 2010, 2009, and 2008 together with the report of the auditors thereon
99.3	Management's Discussion and Analysis for the year ended March 31, 2010
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 KMPG LLP

SIGNATURES

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

WESTPORT INNOVATIONS INC.

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

Date: June 2, 2010

Exhibit 99.1

Westport Innovations Inc.

ANNUAL INFORMATION FORM
for the year ended March 31, 2010

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

Effective date: May 25, 2010

Westport
INNOVATIONS INC.

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION	3
CURRENCY	6
CORPORATE STRUCTURE	6
OUR BUSINESS	7
OVERVIEW	7
GENERAL DEVELOPMENTS	9
STRATEGY	11
OPERATIONS	14
5.9-LITRE TO 8.9-LITRE ALTERNATIVE FUEL ENGINES	14
15-LITRE NATURAL GAS ENGINES & FUEL SYSTEMS	16
2.0-LITRE & 2.4-LITRE ALTERNATIVE FUEL ENGINES & FUEL SYSTEMS	19
TECHNOLOGY	20
INTELLECTUAL PROPERTY	23
COMPETITIVE CONDITIONS	24
GOVERNMENT FUNDING	24
HUMAN RESOURCES AND POLICIES	24
SOCIAL AND ENVIRONMENTAL POLICIES	25
SHARE CAPITAL	27
DIVIDEND POLICY	27
MARKET FOR COMMON SHARES	27
DESCRIPTION OF CAPITAL STRUCTURE	29
DESCRIPTION OF COMMON SHARES	29
PRIOR SECURITIES ISSUED	30
DIRECTORS AND EXECUTIVE OFFICERS	31
DIRECTOR BIOGRAPHIES	32
EXECUTIVE OFFICER BIOGRAPHIES	35
SHAREHOLDINGS OF DIRECTORS AND OFFICERS	36
CONFLICTS OF INTEREST	36
RISK FACTORS	36
AUDIT COMMITTEE MATTERS	49
MANDATE OF THE AUDIT COMMITTEE	49
NON-AUDIT SERVICES	50
EXTERNAL AUDITORS' SERVICE FEES	50
ADDITIONAL INFORMATION	51
LEGAL PROCEEDINGS	51
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	51
MATERIAL CONTRACTS	51
TRANSFER AGENT AND REGISTRAR	53
INTERESTS OF EXPERTS	53
ADDITIONAL INFORMATION	53
SCHEDULE "A"	54
AUDIT COMMITTEE CHARTER	54

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, 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, "Accelerate Commercialization of Our Juniper Engines and Pursue Additional 2.0- and 2.4-L Engine Markets", "Continue to Grow CWI Profitability", and "Focus on Geographic Expansion by Penetrating Key Markets in Asia, Europe and Australia", and additionally, under the heading, "5.9L to 8.9L ALTERNATIVE FUEL ENGINES");

- our ability to successfully launch our high-pressure direct-injection technology commercially (set out, for example, under the headings, "OVERVIEW", "15L NATURAL GAS ENGINES & FUEL SYSTEMS");

- 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 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" (where we state "with higher oil prices, alternative fuels such as natural gas become increasingly attractive"), "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 (set out, for example under the headings, "OVERVIEW", "GENERAL DEVELOPMENTS", and "STRATEGY", we make statements throughout these sections regarding such relationships);

- 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, "COMPETITIVE CONDITIONS", "RISK FACTORS", particularly, under the subheading, "We currently face, and will continue to face significant competition");

- the further development of infrastructure supporting the application of natural gas as an alternative fuel (set out, for example, under the headings, “OVERVIEW”, “STRATEGY” and, “15L NATURAL GAS ENGINES & FUEL SYSTEMS”);

- 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 currently benefit from government incentives to facilitate demand for our products and fund our research and development programs and these incentives may not be renewed or may be redirected”);

- our ability to attract and retain personnel (as set out under the heading, “HUMAN RESOURCES AND POLICIES” and under “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 out business”);

- demand for engines incorporating our technologies by the Ports of Los Angeles and Long Beach, California (the "San Pedro Bay Ports" or the "Ports") (as set out under the headings “GENERAL DEVELOPMENTS”, “STRATEGY” and under “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”;

- production capacity and methods for our liquefied natural gas ("LNG") system (as set out under the heading, “STRATEGY” for example under the subheading, “Achieve Automotive-Scale Production by Adding New Channel Partners”, and also under the heading “15L NATURAL GAS ENGINES & FUEL SYSTEMS” and the subheading, “Westport HD System Production”);

- increasing commercialization of our technologies and expansion of our product offerings (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, and where we refer to our announcement that Clark selected Juniper engines for certain forklifts, and where we refer to Volvo entering an agreement under which we become a Tier 1 Development Supplier for heavy-duty natural gas engines);

- 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 and manufactured fuels, including hydrogen, as fuels (as set out under the headings “OVERVIEW” (first paragraph) and, “STRATEGY” particularly under the subheading, “Expand Our Product Offering by Adapting Our Technology for Multiple Alternative Fuel Uses”); and

- our compliance with environmental regulations and regulatory policies (as set out under the heading “SOCIAL AND ENVIRONMENTAL POLICIES” and under “RISK FACTORS”, particularly, under the subheading, “We could become liable for environmental damages resulting from our research, development or manufacturing activities”).

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this AIF and in the documents incorporated by reference into this AIF and other unforeseen risks. Such risks, uncertainties, 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”, “Certain of our products may not achieve widespread adoption”);

- product development delays and delays in contractual commitments (as set, for example, out 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 subheadings, “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”);

- 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 currently benefit from government incentives to facilitate demand for our products and fund our research and development programs and these incentives may not be renewed or may be redirected”);

- 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”);

- 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” and “We could become liable for environmental damages resulting from our research, development or manufacturing activities”);

- 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 addit ional 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 Canadian dollars. **ON MARCH 31, 2010, THE BANK OF CANADA CLOSING RATE FOR ONE UNITED STATES DOLLAR WAS $1.0158 CANADIAN DOLLARS.**

CORPORATE STRUCTURE

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

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

We have one material subsidiary, Westport Power Inc. (“WPI”), which is 100% wholly-owned and incorporated pursuant to the Business Corporations Act (British Columbia). In addition, we own 100% of the voting securities of Westport Fuel Systems Inc., a Delaware corporation; 100% of the voting securities of Westport Innovations (Australia) Pty. Ltd., a Victoria, Australia corporation; and 100% of the voting securities of Westport Innovations (Hong Kong) Limited, a Hong Kong, China corporation. We, through WPI, hold 50% of the voting securities of Cummins Westport Inc. (“CWI”), a Delaware corporation; 50% of the voting securities of BTIC Westport Inc. (“BWI”), a Chinese corporation; and 49% of the voting securities of Juniper Engines Inc. (“Juniper”), a British Columbi a corporation.

OUR BUSINESS

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

OVERVIEW

We are engaged in the research, development and marketing of high performance, low-emission engine and fuel injection systems that utilize alternative gaseous fuels such as natural gas, propane or hydrogen. We develop technology and products that enable light, medium and heavy-duty diesel engines to run primarily on compressed natural gas ("CNG") or liquefied natural gas ("LNG") giving users a cleaner, more plentiful and generally less expensive alternative fuel when compared to diesel. Over the longer term, if alternative renewable energy sources such as biogas (biomethane) or manufactured fuels, including hydrogen, emerge as cost-competitive options, we expect our gaseous-fuelled engine technologies, system, and experience will position us to exploit new low-carbon fuels as they emerge. We work with strategic partners, who include some of the leading diesel engine and truck original equipment manufacturers ("OEMs"), to develop, manufacture, and distribute our engines, and we sell to a diverse group of leading truck and bus OEMs around the world. Our products are designed to offer environmental and economic benefits with strong operational performance. Over 25,000 natural gas and propane engines have been sold to date, operating in over 20 countries. We focus on 3 distinct categories or target markets for our products and services through Westport business units or joint ventures: CWI, which is focused on natural gas engine applications for urban fleets such as buses, refuse trucks and vocational vehicles ranging from 5.9L to 8.9L; Westport Heavy Duty or "Westport HD", which is focused on LNG systems for heavy-duty trucks ("Westport HD Systems") and the platform for the licensing of Westport HD System s; and Juniper, which is focused on 2.0L and 2.4L engines for industrial applications such as forklifts. Outside our core markets strategy, Westport's corporate development efforts focus on the creation of new alliances and joint ventures, market development projects, and monetization of our significant patent portfolio.

CWI is a 50:50 joint venture with Cummins Inc. ("Cummins"), one of the world's largest manufacturers of diesel engines CWI develops and produces 5.9L to 8.9L engines utilizing gaseous fuels. CWI's engines are offered globally by more than 60 OEMs of transit and shuttle buses, conventional trucks and tractors, refuse collection trucks, as well as specialty vehicles such as short haul port drayage trucks, material handling trucks, street sweepers, and vehicles for selected industrial applications. CWI's goal is to offer a superior combination of performance, emissions characteristics and life-cycle cost savings when compared with engines that operate on diesel fuel, gasoline or other alternatives. In 2007, CWI launched its newest engine, the ISL G, which was the first engine to m eet U.S. Environmental Protection Agency ("EPA") 2010 emission requirements. The revenue generated by CWI, as a percentage of consolidated revenue, for the fiscal years ended 2009 and 2010 is 90% and 92% respectively.

Outside of CWI, Westport is engaged in the development; design and marketing of natural gas enabling technology for the heavy-duty diesel engine and truck market. In 2007, we launched a direct injection LNG system for heavy-duty trucks offering class-leading emissions performance while maintaining diesel-equivalent horsepower, torque, and fuel efficiency. Under the Westport HD brand, our LNG fuel systems for heavy-duty trucks are sold through Westport Power Inc. We have a technology partnership with Cummins that enables us to develop natural gas enabling technology for Cummins heavy-duty truck engines. The Westport HD System, available to customers since early 2007, leverages the Cummins ISX 15L diesel engine (rebranded as the Westport HD GX engine) equipped with (i) our proprietary natural gas fuel injectors featuring our High Pressure Direc t Injection (“HPDI”) technology; (ii) our proprietary fuel pumps provided by Cryostar SAS ("Cryostar"), a division of The Linde Group; (iii) proprietary control units; and (iv) onboard LNG storage tanks designed and patented by us and manufactured by BWI, our 50:50 joint venture with Beijing Tianhai Industry Co. (“BTIC”), a Sino-Korean company located in Beijing. We also work with Clean Energy Fuels Corp., North America’s largest natural gas refuelling company and other fuel suppliers around the world to provide access points for LNG and CNG refuelling stations.

Westport HD, as a business unit, provides a licensing platform for the Company to design and develop new natural gas engines on a variety of engine platforms. On November 16, 2009, Westport entered into an agreement with Volvo Power Train, a subsidiary of Volvo AB, to become a Tier 1 Development Supplier for its heavy-duty natural gas engines and associated supply chain. We will supply our Westport HD Systems and work together with the Gothenburg, Sweden engine manufacturer to qualify appropriate suppliers consistent with Volvo volume and quality expectations. In addition to supply chain development, Westport will carry out product development work that will help enable the Volvo engine to operate on natural gas. The new natural gas engines are expected to meet future European emission requ irements.

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

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

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

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

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

GENERAL DEVELOPMENTS

On April 14, 2010, Westport announced that 790,614 warrants previously issued to Industry Canada, a department of the Government of Canada (under its former Technology Partnerships Canada (TPC) Program), had been exercised at a price of $10.65 per warrant generating $8.4 million in cash for the Company. Each warrant entitled the holder to one common share of Westport. As a result of the exercise of warrants, the total outstanding number of Westport common shares as at May 25, 2010 has increased to 39,409,436.

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) has selected Juniper Engines Inc. to supply 2.4L liquefied petroleum gas (LPG) engines for Clark's forklifts in the 1.5 to 3.3 tonne product range. Juniper's products will be 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, we announced the exercise of on 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 to become a Tier 1 Development Supplier for its heavy-duty natural gas engines and associated supply chain. We will supply our Westport HD Systems and work together with the Gothenburg, Sweden engine manufacturer to qualify appropriate suppliers consistent with Volvo volume and quality expectations. The new natural gas engines are expected to meet future European emission requirements. On July 14, 2008, we first announced that we had entered into a development agreement with a leading European engine manufacturer (Volvo) relating to our proprietary HPDI fuel system operating on a variety of alternative fuels such as natural gas and biogas.

On September 11, 2009, the South Coast Air Quality Management District ("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 administering the truck-funding program for the California Air Resources Board and the Ports. Funding for the program is provided by the Proposition 1B Program of the state of California and by the SCAQMD and 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 Systems.

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, we announced that the U.S. Department of Energy's (DOE) Clean Cities program to reduce petroleum consumption in the transportation sector has awarded $300 million funding for 25 cost-share projects across the United States that will 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.

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

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

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

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

On July 16, 2008, we announced that we had entered into a 30-year joint venture agreement with Weichai Power and Hong Kong Peterson to form Weichai Westport Inc. WWI is engaged in the research, development, design, manufacture, marketing, distribution, and sales of advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy-duty trucks, power generation, and shipping applications. Under the terms of the WWI joint venture agreement, our initial investment in WWI is expected to be approximately US$4.5 million (30 million RMB) and entitling Westport to a 35% equity interest in WWI. Weichai Power and Hong Kong Peterson hold 40% and 25% equity interests in WWI, respectively. The board of directors of WWI is composed of five directors. Westport and We ichai Power each appoint two members to the board of directors of WWI and Hong Kong Peterson appoints one. The Chair of the board of WWI rotates between Weichai Power and Westport after each three-year term, with Weichai Power appointing the first board Chair. As at the date of this AIF, our investment in the joint venture is still awaiting formal Chinese government approval.

On July 3, 2008, Westport announced the completion of the issuance of an aggregate of 15,000 debenture units for aggregate gross proceeds of $15 million. J.F. Mackie & Company Ltd. acted as the sole underwriter for this offering. Each debenture unit consists of $1,000 principal amount, 9% unsecured subordinated debentures maturing on July 3, 2011 and 180 common share purchase warrants. Each warrant entitles the holder to purchase one common share of Westport at an exercise price of $18.72 on or before July 3, 2010. During the 12 months ended March 31, 2010, we recognized $2.8 million in interest and amortization expense associated with this issuance and paid $1.4 million in interest.

STRATEGY

It is our belief that a growing number of customers value choices that offer environmental advantages over conventional products, and with higher oil prices, alternative fuels such as natural gas become increasingly attractive from a purely economic perspective. We further believe that natural gas provides the best near-term alternative fuel for transportation as the technology and infrastructure for wide scale adoption already exists. Our objective is to enhance and protect our position as a leading provider of technology for alternative fuel systems for displacing diesel with gaseous fuels such as natural gas, LPG, biomethane or hydrogen both domestically and globally. In order to achieve this goal, we have focused our efforts on the following business strategies:

Continue to Partner with Leading Global OEMs to Scale Westport HD

Westport HD Systems have been in development since 1999, and have undergone extensive testing and field trials in Canada, Australia, and California. In March 2007, Westport HD began commercial delivery of its systems for heavy-duty trucks. Since launching the product in North America and Australia, we have sold 289 Westport HD Systems as of March 31, 2010. We have committed partners in Cummins, Weichai, and Volvo for the development of heavy-duty engines that run on natural gas, which gives us access to every major target market for heavy-duty trucks in the world. We have also partnered with Kenworth Truck Company (U.S.), Kenworth Trucks (a division of PACCAR Australia), and Peterbilt Motors (U.S.), for line production of the Kenworth T800, the Kenworth Trucks T408SAR, K108, and T908, and t he Peterbilt 386, 387, and 367 trucks equipped with our LNG fuel system and 15L GX engine. In addition to these strong partnerships that have been established over the last several years, we are continuing discussions with additional leading truck OEMs and engine suppliers to integrate our products into existing truck and engine configurations. Outside of trucks, we believe there are a number of larger engine applications (16L or greater) that would benefit from utilizing our Westport HD Systems, such as heavy construction vehicles, marine engines, mining trucks, locomotives and large stationary power engines. We are currently in discussions with a number of leading engine providers and OEMs in these spaces and expect to broaden our product offering to these markets over time.

Accelerate Commercialization of Our Juniper Engines and Pursue Additional 2.0L and 2.4L Engine Markets

Juniper has launched its 2.4L industrial engines and is developing its 2.0L engines. Demand has been very strong for these products in the North American forklift markets. On January 19, 2010, Westport announced that Clark Material Handling Asia Ltd. (Clark) selected Juniper Engines Inc. to supply 2.4L liquefied petroleum gas (LPG) engines for Clark's forklifts in the 1.5 to 3.3 tonne product range. Juniper's products 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. While Juniper's initial plan was to focus primarily on the industrial forklift market, there has been strong interest for Juniper's engines in a number of additional industrial engine markets globally. 60; Based on Juniper's conversations with potential customers in recent months, we expect the oilfield services, power generation, construction machinery, and agricultural machinery markets to present additional opportunities for potential sales. Furthermore, given the strong global automotive distribution platform of OMVL and its parent company, SIT La Precisa S.p.A. ("SIT"), Juniper is well positioned to pursue sales opportunities and scale its business in the automotive market. Pursuant to the Juniper shareholders' agreement, we have the ability to make additional investments in Juniper that could result in Westport owning a majority of the equity of the joint venture and taking on the responsibility for additional capital contributions. We may or may not make these investments in the future.

Continue to Grow CWI Profitably

Since 2004, CWI revenues, expressed in U.S. dollars to exclude foreign exchange distortions, have grown at 30% compounded annually from calendar year 2004 through calendar year 2008. We believe this is a result of providing a quality product for the natural gas market, providing superior customer service and an increasing number of customers around the world recognizing the advantages of natural gas as a transportation fuel. In addition to its existing engine offerings, CWI is currently expanding its range of engine platforms.

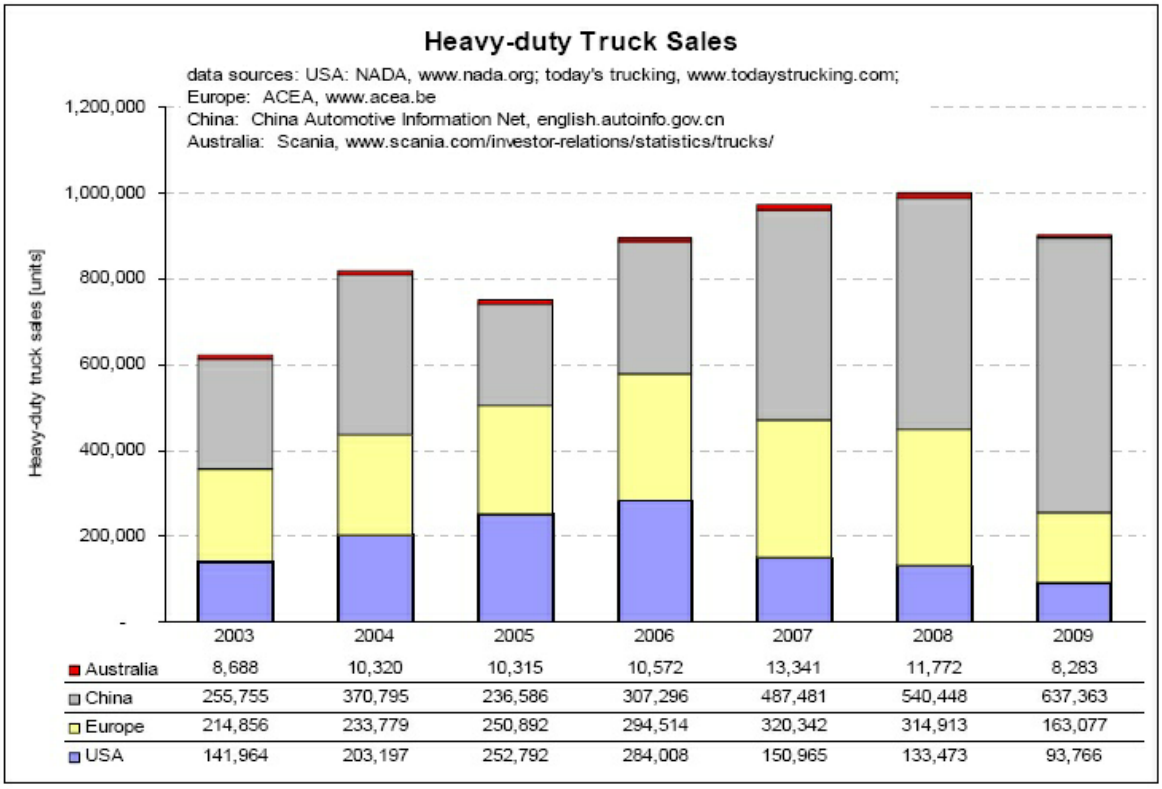
While North America is a key end market, we believe there are significant opportunities for geographic expansion into Russia and South America, both of which have significant natural gas resources. Additionally, China and India, both large markets for CWI currently, are expected to continue migrating to natural gas as a transportation fuel and thus offer significant long-term growth. We anticipate increasing CWI penetration levels in both the bus fleet and refuse truck markets as the economic benefits of natural gas increase, in addition to the development of biogas, such as landfill gas, as an alternative fuel for vehicle applications. Additionally, we believe CWI will undergo adoption in new markets such as container port delivery trucks and yard hostlers. We anticipate continued demand f or CWI engines given their performance and emissions characteristics and their life-cycle cost advantages. We expect CWI's operating leverage, mature technology and fixed cost fulfillment process to help improve CWI's operating profitability.

Achieve Automotive-Scale Production by Adding New Channel Partners

We plan to pursue partnerships with the largest tier-one automotive component suppliers, allowing us to benefit from economies of scale and high supply chain reliability, thus driving down our cost structure and further enhancing product quality. To date, we have been focused on developing a strong supply chain by continuing to partner 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. As an example, on April 12, 2010, Westport reached high volume scale production capability in a deal with one of the world's largest diesel injector manufacturers, Delphi Automotive Systems, LLC, to supply the proprietary Westport HD fuel injectors. Production is expected to begin in the second half of 2010. In another example, we formed BWI in July 2006 to market and sell more cost-effective, custom-engineered CNG and LNG tanks for the transportation market. By partnering with BTIC, we were able to create reliable, robust and affordable products to help us better serve the heavy-duty vehicle market. Additionally, in 2006, we completed a License and Supply Agreement with Cryostar for the development, manufacture, and supply of cryogenic LNG fuel pumps based on our cryogenic technology.

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

China is one of the world's largest markets for all types of vehicles, and its heavy-duty truck (>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. Assuming that current trends continue, within five to 10 years, China could be both the world's largest consumer and producer of motor vehicles.



	2003	2004	2005	2006	2007	2008	2009
Australia	8,688	10,320	10,315	10,572	13,341	11,772	8,283
China	255,755	370,795	236,586	307,296	487,481	540,448	637,363
Europe	214,856	233,779	250,892	294,514	320,342	314,913	163,077
USA	141,964	203,197	252,792	284,008	150,965	133,473	93,766

China is focused on moderating the impact of rapid urbanization and tremendous vehicle growth. In China, the demand for cleaner fuel with economic advantages over traditional fuels, such as natural gas, is increasing, with an estimated 400,000 natural gas vehicles already in China and over 1,000 filling stations to support those vehicles. CWI supplies customers in China with high-performance CNG bus engines. An additional focus for growth in Asia will be exports of our CWI engines through Chinese vehicle OEMs to other countries in Southeast Asia and South America. We also focus on promising markets in other parts of Asia, such as India. On October 15, 2008, CWI and Cummins India Limited (“CIL”) announced that the Delhi Transport Corporation had ordered 3,125 natural g as buses equipped with CWI's B Gas Plus engines. On March 24, 2010, Westport announced that CIL had received purchase orders for 460 natural gas engines to customers outside of Delhi.

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

Another region where we believe that 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. A significant market driver in Australia is the availability of low-cost feed gas for LNG production that could provide strong financial incentives for heavy-duty trucking fleets, mines and other high fuel use applications to operate with our LNG system-equipped engines. The high fuel requirements needed for long-haul 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 in many cases creates compelling payback scenarios to purchasers when they switch their fleets to run on natural gas.

Expand Our Product Offering by Adapting Our Technology for Multiple Alternative Fuel Uses

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

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

OPERATIONS

CWI designs, engineers and produces natural gas engines based on Cummins diesel engine platforms, primarily for the urban bus, refuse, and truck markets. Westport's heavy-duty business unit, Westport HD, provides engines and fuel systems that allow heavy-duty vehicles to run primarily on liquid natural gas (LNG) while maintaining diesel equivalent performance and efficiency. Westport's light-duty engine company, Juniper sells 2.4L and is developing 2.0L LPG and compressed natural gas (CNG) engine solutions for industrial applications such as forklifts.

5.9-LITRE TO 8.9-LITRE ALTERNATIVE FUEL ENGINES

CWI's existing engine products are based on Cummins diesel platforms, featuring spark-ignited technology designed for transit, shuttle, and school bus and truck applications. 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 believes its engines have a strong competitive advantage over other alternative fuel engines. CWI is already the leading supplier of natural gas engines to North American transit and city fleets, and the outlook for product markets is promising.

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

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

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

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

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

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

Under the restated and amended joint venture agreement signed in December 2003 (the “Amended JVA”), Cummins granted to CWI an exclusive, worldwide license to make, have made, use, market, or sell engine product and parts embodying, using or designed to practice any current and future intellectual property requested or required by CWI in order to pursue the business opportunities relating to automotive gaseous fuel versions of Cummins B, C and L diesel engines (and their derivatives) and any future CWI products for distribution approved by the CWI board of directors. Cummins has agreed to manufacture the engines for CWI’s business and to transfer them to CWI at cost. In consideration for these terms, CWI agreed to pay Cummins a technology access royalty fee equal to 1.5% of engine revenue in 2004, and equal to 2.75% of engine revenue thereafter, t o a cumulative maximum of US$10.4 million. As at March 31, 2010, $7.6 million of the technology access royalty has been paid. Profits and losses are shared equally between Westport and Cummins.

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

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

The board of directors of CWI is comprised of four representatives from each of Westport and Cummins. The current Chairman of CWI is J. Michael Gallagher, who is the Senior Adviser for Westport. The other Westport-appointed directors are David Demers (Chief Executive Officer), Elaine Wong (Executive Vice President, Strategic Development,) and Patric Ouellette (Vice President and Chief Technology Officer).The Cummins-appointed directors are Dave Crompton (Vice President & General Manager MidRange Engine Business), John Wall (Vice President Chief Technical Officer), Mike Miller (Executive Director - MidRange Finance) and Tracy Embree (Executive Director - On Highway Business).

15-LITRE NATURAL GAS ENGINES & FUEL SYSTEMS

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

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

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

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

We target geographical markets with the following characteristics:

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

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

Westport HD Systems involve new proprietary natural gas fuel injectors, fuel pumps, control units, and onboard LNG storage tanks. LNG fuel for the GX 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 th ey are pressure regulated, filtered, and distributed to the fuel injectors via fuel rails. The GX 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 (certification valid through December 2010). We are currently awaiting receipt of our 2010 U.S. certification for the GX engine product.

Current Engine Ratings

The Westport HD GX engine, based on Cummins ISX, for North America is offered in four ratings, 400 horsepower with 1,450 ft-lbs torque, or 450 horsepower with 1,650 ft-lbs torque, and "Smart-Torque" ratings at 400 horsepower and 450 horsepower, matching the diesel-fuelled base ISX engine. For 2010, the GX will be offered with an additional power rating of 475 hp. "Smart-Torque" ratings will no longer be offered in 2010.

In Australia, three engine ratings are being developed, GX 485 with peak power of 500 horsepower and 1,650 ft-lbs torque, GX 525 with peak power of 550 horsepower and 1,850 ft-lbs torque, and GX 550 with peak power of 578 horsepower and 1,850 ft-lbs torque. These engines have been certified to the Australian Design Rules ("ADR") emission levels for 2008 through 2010, called ADR 80/02. Development of the next emissions level (ADR 80/03) is currently underway.

Westport HD System Production

The Westport HD System includes (i) the GX 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. We have transitioned our production model for the Westport HD System from an "upfit" model to an OEM on-line production model and have begun this process by reaching an agreement with each of Kenworth (North America and Australia) and Peterbilt for assembly line production of LNG trucks powered by Westport HD Systems. For OEM supply, the Cummins ISX engine, purchased by PACCAR, will be manufactured at Cummins' manufacturing plant and then transported to our 21,000 square foot assembly centre in Delta, British Columbia, where it will be fit with our proprietary We stport HD System. The Delta facility will also be 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 as described in the illustration below.



2.0-LITRE & 2.4-LITRE ALTERNATIVE FUEL ENGINES & FUEL SYSTEMS

On October 26, 2007, we announced the formation of Juniper Engines Inc., with OMVL SpA. Juniper's engines, initially targeting the OEM forklift market and fuelled with LPG, are fully integrated, high performance, low-emission solutions. The first Juniper products were shipped in April 2010.

According to the Industrial Truck Association, approximately 62,000 industrial forklift trucks (Class 4 and Class 5 combined), primarily LPG-fuelled, were sold in North America in 2008.

Juniper's 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 transient response
- precise air-fuel ratio control resulting in optimized catalyst cost

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

Current Engine Ratings

The four cylinder Juniper 2.0L LPG engine is designed for a rated output of 42kW (56 hp) at 2,600 rpm and maximum torque of 160 Nm (118 ft lbs) at 1,800 rpm. The four cylinder 2.4L LPG product is designed for 52 kW (70 hp) at 2,650 rpm and maximum torque of 190 Nm (140 ft lbs) at 1,800 rpm. The 2.4L LPG engine is certified to EPA 2007 Tier II Off-road LSI Engine and CARB 2010 Off-road LSI Regulations.

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

The fuel system for the Juniper 2.0L and 2.4L engines is manufactured in OMVL's facility in Italy, and the base engines are manufactured in Hyundai Motor Company plants in South Korea. Final engine assembly and testing is performed in Busan, South Korea.

TECHNOLOGY

We have invested over $300 million in developing our technology, products, and test facilities, and building our intellectual property base.

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

Gaseous Fuel Injectors

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

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

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

We design and test our own natural gas direct injection fuel injectors. Westport reached high volume scale production capability in a deal with one of the world's largest diesel injector manufacturers, Delphi Automotive Systems, LLC, to supply Westport's proprietary HD fuel injectors. Production is expected to begin in the second half of 2010.

High Pressure Direct Injection

Engines with HPDI use small diesel pilot sprays and larger gas jets. 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. HPDI injectors are common-rail, diesel-actuated and electronically controlled. They can power engines at diesel-like efficiencies but can cut engine-out NOx emissions by 30-50%, PM emissions by 60-80%, and GHG emissions by 20-30% compared to the equivalent diesel engines. Our HPDI technology has been demonstrated on Cummins, MAN, Detroit Diesel, Volvo, and other heavy-duty engines and could be applied to any modern direct injection diesel engine, given sufficient development.

Hot Surface Ignition

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

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

Alternate Fuel Combustion

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

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

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

Cryogenics

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

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

Aftertreatment

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

Compressors

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

Lean Burn Spark Ignited

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

Stoichiometric Exhaust Gas Recirculation Spark Ignited

CWI's stoichiometric exhaust gas recirculation spark-ignited ("SESI") technology builds upon the LBSI approach 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 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.

Stoichiometric Multi-Point Injection Spark Ignited

Juniper has integrated the robust and cost effective multipoint injection (MPI) LPG and natural gas fuel system from OMVL onto industrial engines. The complete technology package relies on sequential multi-point manifold injection of the gaseous fuels and uses a stoichiometric closed loop control strategy with an automotive-like 3-way catalyst to meet strict emissions requirements. Currently, the 2.4L LPG product is certified to EPA 2007 Tier II Off-road LSI (Large Spark-Ignited) Engine and CARB 2010 Off-road LSI Regulations. A natural gas product certification is underway, and early testing is already complete.

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

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

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

As of March 31, 2010, we held 64 issued U.S. patents and one allowed U.S. patent, in addition to corresponding issued patents or pending patent applications in numerous other countries around the world. The expiration dates of issued U.S. patents in our portfolio range from November 2011 to June 2028 with 58 of these patents expiring after January 2020 if maintained for their full 20-year term. We also have a number of patent applications pending in the United States and under the international Patent Cooperation Treaty, which preserves for at least 30 months our right to file patents in all of the major industrial countries that are of interest to us. These issued and pending patents cover various aspects of our technology.

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

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

COMPETITIVE CONDITIONS

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

GOVERNMENT FUNDING

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

February 2008 - We were awarded US$2.25 million (subsequently amended to $1.75 million) in funding from the SCAQMD, of which US$500,000 will be contributed by the California Energy Commission (“CEC”) upon completion of CEC contract documentation, to support the development, demonstration, commercialization and certification of our heavy duty LNG fuel system for the Cummins ISX to meet the EPA 2010 NOx (0.2 g/bhp-hr NOx) emissions standard prior to 2010.

June 2007 - Westport was awarded $330,000 from the Canadian International Development Agency's Industrial Cooperation Program (CIDA-INC) for the transfer of technology, management training, and development to Westport’s joint venture in China, BTIC Westport. This funding agreement was completed December 31, 2008.

January 2007 - We were awarded AU$1.36 million from the Australian Government’s Alternative Fuels Conversion Program for a project to evaluate the use of LNG as a fuel for heavy-duty highway trucks in Australia.

February 2006 - CWI was awarded US$350,000 in funding from Utilization Technology Development for CWI’s previously announced ISL G engine product development program.

HUMAN RESOURCES AND POLICIES

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

As of May 25, 2010, Westport had a world wide total of 205 employees consisting mostly of engineers and technicians. Of that number, we had 186 full-time employees and 10 contract or part-time staff in our offices in Vancouver, Canada and throughout the United States, Australia, and Beijing. CWI had 53 full-time employees, including 42 employees and 2 contract staff seconded from Cummins and 9 employees seconded from Westport.

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

SOCIAL AND ENVIRONMENTAL POLICIES

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

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

- Westport will evaluate its environmental performance through regular auditing and assessment of its regulatory compliance and adherence to the above principles and will communicate the appropriate information to its Board of Directors, employees, shareholders, governmental agencies and the general public.

Our commitment to corporate responsibility is evident not only in the development of our products and technologies, but also in our ongoing efforts to enhance the social benefits derived from our business activities and minimize the environmental footprint of our operations. Every year, we review our operations, taking a hard and critical look at our environmental footprint and set targets for improvement. In September 2003, we completed a joint project with Terasen, a gas utility in Vancouver, which enables us to re-inject LNG used for our pump testing back to the pipeline. This is a significant environmental accomplishment and has resulted in the greenhouse gas emissions reductions of more than 20,300 tonnes CO2e.

We published our first sustainability report at the end of fiscal 2008 to highlight aspects of our safety, environment, and community engagement performance. Our third sustainability report, which will be published within our fiscal 2010 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 $380,000 to the United Way, and our campaigns have been recognized as leading efforts in the British Columbia high-tech sector.

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

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

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

In June 2009, 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. In November 2009, we were named to the Corporate Knights Cleantech 10™. Cleantech refers to clean technologies that enable us to make more with less and to minimize the negative impact of human activity on the environment and public health. It is much broader than “greentech” or “enviro-tech”, which focus primarily on regulatory driven pollution control and remediation. Cleantech Indices LLC determined the listing by applying a set of 18 screening criteria to all TSX companies that are part of a broader cleantech investment category. The cleantech criteria emphasized purity (percentage of revenues of income from cleantech business) and quality (strategy, management, financial strength, sector leadership). Other key criteria include growth, earnings, liquidity, capitalization, technology/intellectual property, and overall impact.

SHARE CAPITAL

DIVIDEND POLICY

To date, we have not paid out any dividends on our common shares ("Common Shares"). The future payment of dividends will be dependent on our ability to pay, including factors such as cash on hand, sustainable 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**
April 2009	7.40	5.08	6.00	1,229,779
May 2009	6.69	5.25	6.34	1,625,944
June 2009	10.23	6.27	9.39	2,575,701
July 2009	10.93	8.77	9.70	1,522,710
August 2009	11.66	7.82	10.96	2,590,127
September 2009	14.49	10.70	13.60	2,132,695
October 2009	13.60	9.95	10.70	1,662,610
November 2009	13.45	10.37	12.75	1,431,944
December 2009	13.70	10.66	12.23	1,348,076
January 2010	15.45	12.00	13.31	2,602,512
February 2010	15.01	11.45	14.75	1,689,634
March 2010	17.64	14.20	16.71	1,732,914
April 2010	20.16	16.47	19.40	1,903,583
May 2010 to May 25	20.73	14.36	15.50	2,352,247

The outstanding Common Shares are 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**
April 2009	6.00	4.18	5.04	2,446,298
May 2009	6.00	4.47	5.83	2,520,207
June 2009	9.09	5.75	8.09	5,175,574
July 2009	9.90	7.62	8.97	3,726,433
August 2009	10.76	7.05	10.07	6,929,525
September 2009	13.32	9.67	12.70	7,613,045
October 2009	12.89	9.23	9.78	4,555,014
November 2009	12.74	9.77	12.21	4,943,099
December 2009	13.16	10.40	11.58	7,410,525
January 2010	14.67	11.45	12.40	10,796,098
February 2010	14.18	10.82	13.87	6,628,342
March 2010	17.32	13.78	16.49	8,485,344
April 2010	20.07	16.33	19.00	11,373,901
May 2010 to May 25	20.44	13.39	14.51	13,633,548

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares ("Preferred Shares") issuable in series with no par value. As at March 31, 2010, our issued share capital consisted of 38,494,475 Common Shares. Our Board may at any time issue any Preferred Shares in one or more series, each series to consist of such number of Preferred Shares as may be determined by the Board. The Board may determine at the time of issuance the designation, rights, privileges, restrictions, and conditions attaching to the Preferred Shares of each series.

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

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

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

DESCRIPTION OF COMMON SHARES

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

	March 31, 2010	
	Number	Weighted Average Exercise Price
		$
Shares Outstanding	38,494,475	N/A
Share Options		
- Outstanding	1,051,589	8.13
- Exercisable	550,471	8.44
Performance Share Units		
- Outstanding	1,194,913	N/A
- Exercisable	182,495	N/A
Warrants		
- Outstanding and Exercisable	1,608,160	14.68

PRIOR SECURITIES ISSUED

The following information summarizes the securities of Westport not listed or quoted on any exchange that are outstanding as at March 31, 2010. 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 2010 annual meeting of shareholders, available on SEDAR at www.sedar.com.

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

46,118 broker warrants were issued by us to the underwriters of the debenture unit offering, which closed on July 3, 2008, as partial consideration for the services provided by the underwriters in connection with the offering. Each broker warrant entitles the holder thereof to acquire one Common Share upon payment of the exercise price of $16.10 per broker warrant at any time prior to July 3, 2010. During April 2010, 42,023 broker warrants were exercised and 42,023 common shares were issued.

DIRECTORS AND EXECUTIVE OFFICERS

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

The following table sets forth the names and municipalities of residence of all of our directors and executive officers as of May 25, 2010, as well as the positions and offices held by such persons, their principal occupations, and number of Common Shares held as of May 25, 2010:

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 May 25, 2010
John A. Beaulieu (1)(2)(3)(5) *Vancouver, Washington*	Chairman and Director	Managing Partner of Cascadia Pacific Management LLP (a private venture fund company)	September 1997	11,750
Warren J. Baker (3)(4) *Avila Beach, California*	Director	President, California Polytechnic State University	September 2002	2,142
Henry F. Bauermeister Jr. (1)(2)(5) *Lee's Summit, Missouri*	Director	Corporate Director; From 1995 to 2005, President of Cummins Mid-America	October 2005	19,285
M.A. (Jill) Bodkin (1)(2) *Vancouver, BC*	Director	Chair and Chief Executive Officer of Golden Heron Enterprises; Director of Canadian Development for KCTS 9 Television	July 2008	4,748
David R. Demers (4)(6)(8) *West Vancouver, British Columbia*	Chief Executive Officer and Director	Chief Executive Officer of Westport	March 1995	126,521
J. Michael Gallagher (5)(6)(7) *Vancouver, British Columbia*	Director	Senior Adviser of Westport; Former President & Chief Operating Officer of Westport	July 2007	25,865
Dezsö J. Horváth (1)(2)(3)(4) *Toronto, Ontario*	Director	Dean and Tanna H. Schulich Chair in Strategic Management, Schulich School of Business, York University	September 2001	45,571
Sarah Liao Sau Tung (4) *Hong Kong, China*	Director	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 (2002-2007)	July 2008	Nil
Andrew Littlefair (4) *Newport Beach, California*	Director	President and Chief Executive Officer of Clean Energy Fuels Corp.	July 2007	11,000
Albert Maringer (4)(5) *Canmore, Alberta*	Director	President and Chief Executive Officer of Maringer Consulting Alberta Ltd. since June of 2007; President and Chief Executive Officer of Siemens Canada Limited (2000 to 2006)	July 2008	Nil
W. Chipman Johnston *Calgary, Alberta*	Corporate Secretary	Partner (formerly an associate) at Bennett Jones, LLP	N/A	3,426
William (Bill) E. Larkin *West Vancouver, British Columbia*	Chief Financial Officer	Chief Financial Officer of Westport; previously Chief Financial Officer of DDi Corp.; Chief Financial Officer of Fuel Systems Solutions, Inc.; Director of Financial Reporting at Standard Pacific Corp	N/A	Nil
Nicholas C. Sonntag (7) *Gibsons, British Columbia*	Executive Vice President, Corporate Development, WPI, and President, Westport Asia	Executive Vice President, Corporate Development of WPI and President of Westport Asia; previously President of CH2M HILL China Ltd. and President of CH2M HILL Canada Ltd.	N/A	Nil
Elaine A. Wong (6) *Vancouver, British Columbia*	Executive Vice President, Strategic Development	Executive Vice President, Strategic Development of Westport; former Chief Financial Officer of Westport	N/A	32,852

Notes:

(1) Member of the Audit Committee.
(2) Member of the Human Resources and Compensation Committee.
(3) Member of the Nominating and Corporate Governance Committee.
(4) Member of the Strategy Committee.
(5) Member of the OEM Committee.
(6) Member of the CWI board of directors.
(7) Member of the BWI board of directors.
(8) Member of the Juniper board of directors.

DIRECTOR BIOGRAPHIES

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

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

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

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

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

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

Dezsö J. Horváth, a Canadian citizen, of Toronto, Ontario, Canada, has been a member of Westport's board since September 2001. He is currently Chair of the Strategy Committee. He is the Dean and holds the Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario, where he has taught since 1977. He holds an electrical engineering degree, as well as degrees in management (MBA, Licentiate, PhD) from Swedish universities. After an early R&D career with the Swedish multinational ASEA (now ABB) in the electrical industry, he accepted senior academic appointments at Swedish and then Canadian universities. In addition to publishing books and articles on strategic management and international business, Dr. Horváth has been en gaged 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 (2003-), Samuel, Son & Co. Limited (2007-) and UBS Bank (Canada) (2009-). He is also a Director of The Toronto Leadership Centre (1998-) and the Canada-India Business Council (C-IBC) (2009-). As well, he on the International Advisory Council of the St. Petersburg University School of Management (1996-), Guanghua School of Management, Peking University (2007-), Fundação Dom Cabral (FDC), Brazil (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) (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. D r. Horváth was chosen as a Member of the Order of Canada in July 2008 for his academic leadership and sustained commitment to business education in Canada.

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

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

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

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. Prior to joining Westport, Mr. Larkin served as Chief Financial Officer of Fuel Systems Solutions, Inc. (FSYS) from May 2008 to May 2009, and 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. Most recently, 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 Southe rn California and is a Certified Public Accountant.

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, and President Westport Asia responsible for growing the company’s business and opportunities in Asia. He is also a Director of BWI. Prior to joining Westport, he served as President of CH2M HILL’s operations in Beijing, China, working on sustainable infrastructure and industrial development across China and Hong Kong. He has also held senior executive positions with CH2M HILL Canada, the Stockholm Environment Institute, the International Institute for Sustainable Development, and the U.N. Conference on Environment and Development. 60;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 in Engineering Physics and a Master of Science, Business Administration 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. Ms. Wong is also a Director of CWI. She also served from 2002 to 2009 as Westport's representative on the board of directors of Canadian Business for Social Responsibility, a non-profit, national membership organisation of Canadian companies who have made a commitment to operate in a socially, environmentally, and financially responsible manner. Prior to joining us, Ms. Wong was the Director of Corporate Performance for TELUS Enterprise Solutions, an information technology company with offices across Canada and in Asia, where she was involved in strategy, planning, mergers and acquisitions, and other corporate development projects. Ms. Wong has her Chartered Accountant (1993) and Certified Public Accountant (Illinois) (2001) designations, as well as a Bachelors of Commerce Degree with Honours (1990) from the University of British Columbia.

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

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of May 25, 2010, our directors and officers as a group beneficially owned, directly or indirectly 283,160 of our Common Shares, representing approximately 0.72% of the 39,409,436 Common Shares outstanding on May 25, 2010.

CONFLICTS OF INTEREST

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

RISK FACTORS

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

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 and power generators will be unlikely to buy products containing our fuel systems.

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.

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

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

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

The acceptance of natural gas-fuelled engines by customers depends in part on the price differential between natural gas and diesel fuel. Natural gas has generally been, and currently is, less expensive than diesel fuel in many jurisdictions. This price differential is affected by many factors, including changes in the resource base for natural gas compared with crude oil, pipeline transportation capacity for natural gas, refining capacity for crude oil and government excise and fuel tax policies. While this price differential increased in fiscal 2010, there can be no assurance that natural gas will remain less expensive than diesel fuel. 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 g reater resources than we do, may invest significant time and money in an effort to influence environmental regulations in ways that delay or repeal requirements for clean vehicle emissions. If these are discontinued or if current requirements are relaxed, this may have a material impact on our competitive position.

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

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

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

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

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

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

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

Certain intellectual property has been licensed to us 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 will vigorously defend our intellectual property.

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

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

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

We are dependent on relationships with strategic partners.

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

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

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

We are dependent on relationships with our suppliers.

While we have negotiated supply agreements with various manufacturers and have entered into strategic supply agreements with BTIC, a Sino-Korean company located in Beijing, China, and Cryostar, a division of The Linde Group, and 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 inventor y 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 our revenues are currently derived from the operations of CWI, which purchases all of its current and foreseeable engine products from Cummins-affiliated plants and distributors. Although the factories operate with modern technology and experienced management, there can be no assurance that the factory and distribution systems will always be able to perform on a timely and cost-effective basis. Any reduction in the manufacturing and distribution capabilities of Cummins-affiliated plants and distributors could have a material adverse effect on our business and financial results.

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

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

We may have difficulty managing the expansion of our operations.

To support the launch, and increase sales and service, of our 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 presen ted 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 ordi nary course of business, and we carry a limited amount of product liability insurance for this purpose. However, our current insurance policies may not provide sufficient or any coverage for such claims, and we cannot predict whether we will be able to maintain our insurance coverage on commercially acceptable terms.

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

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

We have foreign currency risk.

While a majority of our revenues, cost of sales, expenses and warranty balances are denominated in U.S. dollars, many of our operating expenses, other than cost of sales, are in Canadian dollars, and we report in Canadian dollars. Foreign exchange gains and losses are included in results from operations, except for foreign exchange gains and losses relating to the translation of CWI's consolidated balance sheets and statements of operations into Canadian dollars. As CWI is a self-sustaining foreign operation for accounting purposes, foreign exchange gains and losses relating to the translation of CWI balances are recorded within accumulated other comprehensive income (a separate component of shareholders' equity) until such time as our net investment in CWI is reduced. A large decline in t he value of the U.S. dollar relative to the Canadian dollar could negatively impact revenues, 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 2010, on average, the U.S. dollar declined 19% against the Canadian dollar.

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

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

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

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

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

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

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 implement ing 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 negl igent 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.

In the future, some of our foreign subsidiaries or joint ventures may sell our products to customers in countries that may be subject to sanctions and embargoes imposed by the U.S, 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 May 25, 2010, the 52-week trading price of our Common Shares ranged from a low of $6.20 to a high of $20.73. 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 (“PFIC”), U.S. holders may be subject to adverse U.S. federal income tax consequences.

Based in part on current operations and financial projections, we do not expect to be a PFIC for U.S. federal income tax purposes for our current taxable year or in the foreseeable future. However, we must make an annual determination as to whether we are a PFIC based on the types of income we earn and the types and value of our assets from time to time, all of which are subject to change. Therefore, we cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year. A non-U.S. corporation generally will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that pro duce 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 eligibl e to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the United States Securities and Exchange Commission, which are more detailed and extensive than the forms available to a foreign private issuer. We may also be required to prepare our financial statements in accordance with U.S. GAAP. In addition, we may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers.

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 Prospectus, 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 Prospectus or enforce judgments obtained in the United States courts against us, certain of our directors and off icers or the experts named in this Prospectus 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 Prospectus. 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 Prospectus 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. The charter is expected to be confirmed and approved by the Board of Directors on May 28, 2010 and is attached hereto as Schedule "A".

Composition of the Audit Committee

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

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

Reliance on Certain Exemptions

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

Audit Committee Oversight

At no time since the commencement of Westport's most recent completed financial year was a recommendation of the 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 o n non-audit services. Amounts outside of these services or authorized limits require explicit approval from the Audit Committee Chair.

EXTERNAL AUDITORS' SERVICE FEES

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

	Years ended March 31	
	2010	2009
Audit Fees	$ 366,594	$ 368,600
Audit Related Fees	$ 8,460	$ 7,350
Tax fees	$ 100,335	$ 66,847
All Other Fees	$ Nil	$ Nil
Total	$ 475,389	$ 442,797

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 2010 or 2009. Fees to be disclosed under this category would be for products and services other than those described under the headings audit fees, audit-related fees and tax fees above.

ADDITIONAL INFORMATION

LEGAL PROCEEDINGS

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

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

Mr. Littlefair, a member of our Board, is President, Chief Executive Officer and a director of Clean Energy Fuels Corp., a publicly traded company in which we maintain an ongoing business relationship. In addition, Mr. Demers served as a director of Clean Energy Fuels Corp. until April 4, 2008. Further, during the third quarter of the fiscal year ended March 31, 2008, we entered into a non-interest bearing, limited recourse loan of US$6.0 million with Clean Energy Finance, LLC. This loan allowed us to finance the establishment and maintenance of an inventory of approximately 75 liquefied natural gas fuel systems in anticipation of deliveries to customers of the San Pedro Bay Ports and is repayable only from the receipt of funds from the sale of these fuel systems. As at March 31, 2010, ther e was a balance of less than CDN$0.2 million remaining on the loan.

MATERIAL CONTRACTS

Debenture Units

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

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

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

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

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

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

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

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

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

Under the terms of that agreement, ITO was to contribute the lesser of $18.9 million and 30% of defined eligible costs to our research and development activities from November 15, 2001 until March 31, 2006, the scheduled project completion date. On September 30, 2006, we were to issue $4 million in warrants using the closing share price as at that date and Black-Scholes 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 $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 $28.2 million in royalties.

In 2007, the ITO agreed to extend the agreement by two years. Under the amended terms, subject to certain terms and conditions, for each fiscal year from 2009 to 2015 inclusive in which gross business revenues received by us are greater than $13.5 million, the royalty will be the greater of $1.35 million and 0.33% of such gross business revenues. If royalty repayments do not total $28.2 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 $10.65 to the Government of Canada. The fair value of these warrants was $4 million calculated based on a Black-Scholes option pricing model. As at March 31, 2010, royalties of $1.35 million were paid to ITO relating to the year ended March 31, 2009. An additional accrual of $1.35 million relating to ITO has also been recorded in the consolidated balance sheet as at March 31, 2010.

Amended and Restated Joint Venture Agreement

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

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, have audited our consolidated financial statements for the year ended March 31, 2010. 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 March 31, 2010, 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 fi nancially 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 no n-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of Management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.

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

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

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

2. Oversight of Risk Management Processes

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

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

3. Oversight of Internal Control

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

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

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

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

4. Oversight of Continuous Disclosure Reporting

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

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

In discharging its responsibilities, the Committee will review:

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

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

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

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

5. Related Companies Financial Results

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

6. Other Responsibilities

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

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

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

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

Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

WESTPORT INNOVATIONS INC.

Years ended March 31, 2010, 2009 and 2008

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Westport Innovations Inc. (the Company) as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2010 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2010, 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 May 27, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

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

Chartered Accountants

Vancouver, Canada
May 27, 2010

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.

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Westport Innovation Inc.'s (the Company) internal control over financial reporting as of March 31, 2010, 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 Disclosure Controls and Procedures and Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal controls 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 aut horizations 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.

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.

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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the Standards of Public Company Accounting Oversight Board (United States). Our report dated May 27, 2010 expressed an unqualified opinion on those consolidated financial statements.

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

Chartered Accountants

Vancouver, Canada
May 27, 2010

WESTPORT INNOVATIONS INC.

Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

March 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 71,594	$ 39,043
Short-term investments	34,257	43,576
Accounts receivable (note 5)	11,570	6,417
Loan receivable (note 19(a))	13,505	11,234
Inventories (note 4)	8,175	13,982
Prepaid expenses	1,307	1,387
Current portion of future income tax assets (note 18(b))	5,069	4,451
	145,477	120,090
Long-term investments (note 5)	-	1,935
Equipment, furniture and leasehold improvements (note 6)	6,209	7,712
Intellectual property (note 7)	287	430
Future income tax assets (note 18(b))	4,144	5,337
	$ 156,117	$ 135,504
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,902	$ 14,359
Deferred revenue	891	546
Demand installment loan (note 8)	3,295	4,642
Short-term debt (note 9)	163	1,614
Current portion of long-term debt (note 10)	139	17
Current portion of warranty liability	12,082	12,222
	30,472	33,400
Warranty liability	9,199	12,369
Long-term debt (note 10)	12,936	11,353
Other long-term liabilities (note 11)	5,271	4,821
Joint Venture Partners' share of net assets of joint ventures(note 19)	13,344	12,603
	71,222	74,546
Shareholders' equity:		
Share capital (note 13):		
Authorized:		
Unlimited common shares, no par value		
Unlimited preferred shares in series, no par value		
Issued:		
38,494,475 (2009 - 32,040,540) common shares	376,710	311,855
Other equity instruments (note 16)	12,293	12,319
Additional paid in capital	5,260	5,263
Accumulated deficit	(309,521)	(271,885)
Accumulated other comprehensive income	153	3,406
	84,895	60,958
Commitments and contingencies (notes 12 and 20)		
	$ 156,117	$ 135,504

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

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

WESTPORT INNOVATIONS INC.

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

Years ended March 31, 2010, 2009 and 2008

	2010	2009	2008
Product revenue	$ 102,049	$ 102,755	$ 55,238
Parts revenue	28,663	19,082	16,298
	130,712	121,837	71,536
Cost of revenue and expenses:			
Cost of revenue	89,352	91,020	49,023
Research and development (notes 15(c) and 17)	28,411	30,982	23,026
General and administrative (note 15(c))	12,728	8,575	6,033
Sales and marketing (note 15(c))	18,102	15,071	10,550
Foreign exchange loss	348	682	1,287
Depreciation and amortization	2,128	1,978	1,550
Bank charges, interest and other	450	469	280
	151,519	148,777	91,749
Loss before undernoted	(20,807)	(26,940)	(20,213)
Loss from investment accounted for by the equity method	(1,078)	(1,021)	-
Interest on long-term debt and amortization of discount	(2,758)	(1,879)	(986)
Interest and other income	383	1,882	1,316
Gain on sale of long-term investments (note 5)	2,972	14,275	10,659
Loss before income taxes and Joint Venture Partners' share of income from joint ventures	(21,288)	(13,683)	(9,224)
Income tax recovery (expense) (note 18):			
Current	(10,236)	(3,276)	(218)
Future	1,341	(3,245)	4,691
	(8,895)	(6,521)	4,473
Loss before Joint Venture Partners' share of income from joint ventures	(30,183)	(20,204)	(4,751)
Joint Venture Partners' share of net income from joint ventures (note 19)	(7,453)	(4,221)	(5,564)
Loss for the year	$ (37,636)	$ (24,425)	$ (10,315)
Basic and diluted loss per share	$ (1.10)	$ (0.81)	$ (0.41)
Weighted average common shares outstanding - Basic and diluted	34,133,247	30,268,947	25,167,966

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars)

Years ended March 31, 2010, 2009 and 2008

	2010	2009	2008
Loss for the year	$ (37,636)	$ (24,425)	$ (10,315)
Other comprehensive income (loss)			
Unrealized gain on available for sale securities, net of tax of $nil (2009 - $323); (2008 -$181)	-	1,781	645
Reclassification of net realized gains on available for sale securities to net loss, net of tax of $77 (2009 - $2,454); (2008 - $1,345)	(540)	(12,119)	(6,799)
Cumulative translation adjustment	(2,494)	3,659	-
Reclassification of realized foreign exchange gain on payment of dividend by joint venture	(219)	(793)	-
	(3,253)	(7,472)	(6,154)
Comprehensive loss	$ (40,889)	$ (31,897)	$ (16,469)

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

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

Years ended March 31, 2010, 2009 and 2008

	Common shares	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other Comprehensive income	Shareholders' equity
Balance, April 1, 2007	21,624,594	232,830	12,352	5,301	(236,382)	17,032	31,133
Issue of common shares on exercise of stock options	232,024	1,967	-	(762)	-	-	1,205
Issue of common shares on exercise of performance share units	60,383	390	(390)	-	-	-	-
Issue of common shares on conversion of subordinated convertible notes and settlement of accrued interest	4,831,801	21,759	(7,569)	-	(763)	-	13,427
Issue of common shares on exercise of warrants	668,191	1,420	(1,420)	-	-	-	-
Share issuance costs	-	(164)	-	-	-	-	(164)
Stock-based compensation	-	-	106	558	-	-	664
Net loss for the year	-	-	-	-	(10,315)	-	(10,315)
Other comprehensive loss	-	-	-	-	-	(6,154)	(6,154)
Balance, March 31, 2008	27,416,993	258,202	3,079	5,097	(247,460)	10,878	29,796
Issue of common shares on exercise of stock options	104,669	939	-	(357)	-	-	582
Issue of common shares on exercise of performance share units	3,947	23	(23)	-	-	-	-
Issue of common shares on settlement of accrued interest	14,931	249	-	-	-	-	249
Issue of common shares on public offering (note 13)	4,500,000	57,348	-	-	-	-	57,348
Share issuance costs	-	(4,906)	-	-	-	-	(4,906)
Value of warrants issued with long-term debt	-	-	3,847	-	-	-	3,847
Value of warrants issued to settle obligation to issue warrants	-	-	4,000	-	-	-	4,000
Financing costs incurred	-	-	(307)	-	-	-	(307)
Stock-based compensation	-	-	1,723	523	-	-	2,246
Net loss for the year	-	-	-	-	(24,425)	-	(24,425)
Other comprehensive loss	-	-	-	-	-	(7,472)	(7,472)
Balance, March 31, 2009	32,040,540	311,855	12,319	5,263	(271,885)	3,406	60,958
Issue of common shares on exercise of stock options	389,580	3,998	-	(1,455)	-	-	2,543
Issue of common shares on exercise of performance share units	601,855	3,401	(3,401)	-	-	-	-
Issue of common shares on public offering (note 13)	5,462,500	60,840	-	-	-	-	60,840
Share issuance costs	-	(3,384)	-	-	-	-	(3,384)
Stock-based compensation	-	-	3,375	1,452	-	-	4,827
Net loss for the year	-	-	-	-	(37,636)	-	(37,636)
Other comprehensive loss	-	-	-	-	-	(3,253)	(3,253)
Balance, March 31, 2010	38,494,475	$ 376,710	$ 12,293	$ 5,260	$ (309,521)	$ 153	$ 84,895

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended March 31, 2010, 2009 and 2008

	2010	2009	2008
Cash flows from operating activities:			
Loss for the year	$ (37,636)	$ (24,425)	$ (10,315)
Items not involving cash:			
Depreciation and amortization	2,128	1,978	1,550
Stock-based compensation expense	4,827	2,246	664
Future income tax expense (recovery)	(1,341)	3,245	(4,691)
Change in deferred lease inducements	(74)	(321)	(251)
Gain on sale of long-term investments	(2,972)	(14,275)	(10,659)
Joint Venture Partners' share of net income from joint ventures	7,453	4,221	5,564
Loss from investment accounted forby the equity method	1,078	1,021	-
Accretion of long-term debt	1,409	866	690
Other	47	(181)	(146)
Changes in non-cash operating working capital:			
Accounts receivable	(6,046)	1,004	3,853
Inventories	5,807	(4,962)	(6,204)
Prepaid expenses	53	(354)	(250)
Accounts payable and accrued liabilities	346	5,545	2,343
Deferred revenue	1,680	2,948	(133)
Warranty liability	1,188	12,168	2,186
	(22,053)	(9,276)	(15,799)
Cash flows from investing activities:			
Purchase of equipment, furniture and leasehold improvements	(256)	(5,904)	(1,690)
Proceeds on disposition of equipment, furniture and leasehold improvements	-	-	609
Sale (purchase) of short-term investments, net	8,753	(27,024)	6,725
Disposition of long-term investments	3,811	19,379	17,977
Advances on loans receivable	(18,298)	(18,948)	(6,774)
Repayment on loans receivable	13,509	17,307	-
Investment in joint venture	-	(1,500)	-
Proceeds from joint venture partner	-	-	425
Leasehold inducement	-	325	-
	7,519	(16,365)	17,272
Cash flows from financing activities:			
Proceeds from demand installment loan	-	500	5,000
Payments on demand installment loan	(1,347)	(1,634)	(837)
Increase in short-term debt	-	170	5,995
Payments on short-term debt	(1,205)	(5,449)	-
Payments on bank loan and other long-term debt	(47)	(103)	(6,814)
Issuance of debenture notes	-	15,000	-
Finance costs incurred	-	(1,006)	-
Shares issued for cash	63,383	57,930	1,205
Share issuance costs	(3,384)	(4,906)	(164)
Dividends paid to joint venture partner	(4,218)	(9,259)	-
	53,182	51,243	4,385
Effect of foreign exchange on cash and cash equivalents	(6,097)	5,881	-
Increase in cash and cash equivalents	32,551	31,483	5,858
Cash and cash equivalents, beginning of year	39,043	7,560	1,702
Cash and cash equivalents, end of year	$ 71,594	$ 39,043	$ 7,560

WESTPORT INNOVATIONS INC.

Consolidated Statements of Cash Flows, Continued
(Expressed in thousands of Canadian dollars)

Years ended March 31, 2010, 2009 and 2008

	2010	2009	2008
Supplementary information:			
Interest paid	$ 1,588	$ 956	$ 473
Taxes paid	9,181	1,771	479
Non-cash transactions:			
Purchase of equipment, furniture and leasehold improvements by assumption of capital lease obligation	343	50	-
Shares issued on exercise of performance share units	3,401	23	390
Shares issued on conversion of debt	-	-	21,115
Shares issued for settlement of interest on convertible notes	-	249	644
Broker warrants issued with subordinated debt (note 10(b))	-	284	-
Shares issued on cashless exercise of warrants	-	-	1,420
Warrants issued on obligation to settle warrants (note 14)	-	4,000	-

See accompanying notes to consolidated financial statements.

1. Company organization and operations:

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

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

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

2. Significant accounting policies:

(a) Basis of presentation:

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

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

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

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

2. Significant accounting policies (continued):

(b) 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.

(c) Short-term investments:

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

(d) Accounts and loans receivable

Accounts receivable and loans receivable are measured at amortized cost. 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.

(e) Inventories:

The Company's inventory consists of the Company's fuel system products (finished goods), work-in-progress, purchased parts and assembled parts. Inventories are recorded at the lower of cost and net realizable value. Cost is determined based on the lower of weighted average cost and net realizable value. The cost of fuel system product inventories, assembled parts and work-in-progress 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 inven tory on hand obsolete.

(f) Equipment, furniture and leasehold improvements:

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

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

2. Significant accounting policies (continued):

(g) Long-term investments:

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

(h) Financial liabilities:

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

(i) Research and development costs:

Research costs are expensed as incurred and are recorded net of government funding received or receivable. Development costs are deferred only if they meet certain stringent criteria generally related to technical feasibility, market definition and financing availability for future development; otherwise, development costs are expensed as incurred. Related investment tax credits reduce research and development expenses in the same year in which the related expenditures are charged to earnings or loss, provided there is reasonable assurance the benefits will be realized. As at March 31, 2010 and 2009, no development costs had been deferred.

(j) Government assistance:

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

(k) Intellectual property:

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

2. Significant accounting policies (continued):

(l) Impairment of long-lived assets:

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

(m) Warranty liability:

Estimated warranty costs are recognized at the time the Company sells its products and are included in cost of revenue. The Company provides warranty coverage on products sold for a period of two years from the date the products are put into service by customers. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents the Company's best estimate of the costs to be incurred in the next twelve-month period. The Company uses historical failure rates and cost to repair defective products together with 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.

(n) 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.

2. Significant accounting policies (continued):

(o) 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.

(p) Income taxes:

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

(q) Stock-based compensation plans:

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

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

(r) Post-retirement benefits:

The Company has implemented a group registered retirement savings plan (“RRSP”) in which full-time employees of the Company are eligible to participate. Eligible employees may make contributions up to their personal eligible contribution 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 year ended March 31, 2010, the Company recognized $635 (2009 - $580; 2008 - $418) of expense associated with the RRSP.

2. Significant accounting policies (continued):

(s) Currency translation:

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

The functional currency of CWI is the United States dollar. The assets and liabilities of CWI are translated into Canadian dollars at the year-end exchange rate. Revenue and expenses are translated at the average quarterly exchange rate. The resulting translation gains and losses are included in accumulated other comprehensive income within shareholders' equity. Prior to April 1, 2008, CWI's functional currency was considered to be the Canadian dollar and foreign exchange gains and losses were recorded in the statement of operations.

(t) Use of estimates:

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

(u) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is computed similarly to basic loss per share, except the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of conversion options, stock options, warrants and performance share units, if dilutive. For stock options, warrants and performance units, the number of additional shares is calculated by assuming that outstanding stock options, warrants and performance share units were exercised at the beginning of the year or when granted and 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-co nverted 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.

3. Accounting changes:

(a) Adoption of new accounting standards:

Goodwill and Intangible Assets:

On April 1, 2009, the Company adopted CICA Handbook Section 3064, which replaces Section 3062,*Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition, and the recognition, measurement and presentation of intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company adopted this standard on April 1, 2009, and the adoption had no impact on the consolidated financial statements.

Financial instruments - presentation and disclosures:

In 2009, the Company adopted the amendments to CICA Section 3862,*Financial Instruments - Disclosures*. The amendments resulted in enhanced disclosures regarding the fair value measurement of financial instruments and are included in note 22. The adoption of these amendments had no impact on the Company's results from operations, financial position or cash flows.

(b) Future accounting changes:

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, The CICA issued Section 1582, *Business Combinations*, which replaces CICA 1581 and Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, which together replace Section 1600. Under Section 1582, the purchase price used in a business combination is based on the fair value of the shares exchanged at their market price on the date of exchange. Furthermore, acquisition costs will be expensed as incurred, which are currently capitalized as part of the purchase price. Contingent liabilities are also recognized at fair value at the date of acquisition and remeasured fair value at each ye ar through net income until settled. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire the business.

Any negative goodwill will be recognized immediately in net income, unlike the current requirement to eliminate it by reducing net non-monetary assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance standards for preparation of consolidated financial statements subsequent to a business combination. All three of the new CICA handbook sections are effective on January 1, 2011 with prospective application. The Company plans to early adopt these sections on April 1, 2010 and apply them to business combinations occurring subsequent to that date.

3. Accounting changes (continued):

(b) Future accounting changes (continued):

Basis of presentation:

Canada's Accounting Standards Board has ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board over a transitional period. Full adoption of IFRS is required for all publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The Company is currently planning to adopt accounting principles generally accepted in the United States of America ("US GAAP") as permitted by Canadian Securities regulatory authorities effective April 1, 2011 and adopt IFRS if and when IFRS and US GAAP converge. Material differences between Canadian GAAP, as applied by the Company, and US GAAP are disclosed in note 24.

4. Inventories:

	2010	2009
Purchased parts	$ 6,741	$ 10,088
Assembled parts	1,998	2,051
Work-in-process	794	638
Finished goods	522	1,317
Obsolescence provision	(1,880)	(112)
	$ 8,175	$ 13,982

During the year ended March 31, 2010, the Company recorded write-downs to net realizable value of approximately $1,768 (2009 - $146; 2008 - nil) for obsolescence and scrap. There were no reversals of write-downs recorded in any year presented.

During the year ended March 31, 2010, the Company recognized $72,504 (2009 - $66,755; 2008 - $43,252) related to inventoriable items in cost of sales.

5. Long-term investments:

	2010	2009
Clean Energy Fuels Corp. (a)	$ -	$ 1,416
Juniper Engines Inc. (b)	-	479
Other investments	-	40
	$ -	$ 1,935

(a) During the year ended March 31, 2010, the Company sold its remaining 184,311 shares (2009 - 1,178,760; 2008 - 746,275 shares) of Clean Energy Fuels Corporation ("CEFC"), an owner and operator of natural gas refueling facilities, for net proceeds of $3,682 (2009 - $19,379; 2008 - $11,236) resulting in a gain on sale of $2,884 (2009 - $14,275; 2008 - $8,005).

5. Long-term investments (continued):

(b) The Company has a 49% interest in Juniper Engines Inc. ("Juniper"), a jointly controlled company that designs, produces and sells alternative fuel engines in the sub-5 litre class for global applications.

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

During the year ended March 31, 2010, the Company recognized a loss of $1,078 (2009 - $1,021; 2008 - nil) as loss from investment accounted for by the equity method. Accumulated equity losses exceeded the Company's initial investment in Juniper by $599 as at March 31, 2010. The Company has continued to recognize its share of the losses of Juniper as it is the Company's intention to continue to finance Juniper for the foreseeable future. These losses have been funded on an ongoing basis as the Company has paid these costs on behalf of Juniper. The Company has $1,098 of accounts receivable due from Juniper related to milestone payments as set out in the joint venture agreement.

(c) The Company had a 0.2% interest in Wild River Resources Ltd. ("WRRL") at March 31, 2009 and 2008. During the year ended March 31, 2008, the Company disposed of substantially all of its interest in WRRL for proceeds of $6,741 resulting in a gain on disposal of $2,654. On July 2, 2009, Wild River Resources Ltd. ("WRRL") entered into an arrangement agreement with Crescent Point Energy Trust ("CPET") to exchange CPET trust units for WRRL common shares. As a result of the arrangement, WRRL and CPET formed Crescent Point Energy Corp. ("CPEC"), a publicly listed company on the Toronto Stock Exchange. The Company received 3,780 shares of CPEC in exchange for its 25,000 shares of WRRL. During the year ended March 31, 2010, the Company sold al l of its remaining 3,780 shares of CPEC for net proceeds of $129 resulting in a gain on sale of $88.

6. Equipment, furniture and leasehold improvements:

2010	Cost	Accumulated amortization	Net book value
Computer equipment and software	$ 6,982	$ 6,198	$ 784
Furniture and fixtures	1,562	1,167	395
Machinery and equipment	20,938	16,907	4,031
Leasehold improvements	9,564	8,565	999
	$ 39,046	$ 32,837	$ 6,209

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

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

As at March 31, 2010, equipment with a cost of $453 (2009 - $256) and a net book value of $399 (2009 - $31) is held under capital lease. During the year ended March 31, 2010, the Company wrote off leasehold improvements with a carrying value of $47.

7. Intellectual property:

	2010	2009
Cost	$ 4,321	$ 4,321
Accumulated amortization	(4,034)	(3,891)
	$ 287	$ 430

The intellectual property will be amortized over its expected remaining useful life of two years at an annual amortization rate of $143.

8. Demand installment loan:

The Company has a credit facility for maximum borrowings of $13,000. Borrowings may be drawn in the form of demand installment loans, bankers acceptances, lease financing, letters of credit, foreign exchange contracts, corporate credit cards and operating lines of credit. Outstanding amounts of the demand installment loans drawn under this credit facility bear interest at prime plus 0.25% for borrowings up to $5,000 with further rate reductions for amounts in excess of $5,000. The principal amount is repayable over a 60-month period or upon demand by the bank. At March 31, 2010, the outstanding amount payable of $3,295 (2009 - $4,642) is included in current liabilities as it is repayable on demand by the bank.

9. Short-term debt:

The Company entered into an agreement with Clean Energy Finance, LLC (“CEF”), a wholly owned subsidiary of CEFC, whereby CEF may advance the Company up to US$6,000 to produce approximately 75 LNG systems. The loan is non-interest bearing, unsecured and repayable on receipt of proceeds from the sale of these units. As at March 31, 2010, $163 remained outstanding.

10. Long-term debt:

	2010	2009
Capital lease obligations (a)	$ 348	$ 52
Subordinated debenture notes (b)	12,727	11,318
	13,075	11,370
Current portion	(139)	(17)
	$ 12,936	$ 11,353

10. Long-term debt (continued):

(a) The Company has capital lease obligations that have terms of two to five years at interest rates ranging from 2.13% to 6.17%. The capital lease obligations require the following minimum annual payments during the respective fiscal years:

2011	$ 139
2012	135
2013	84
2014	1
	359
Amount representing interest	(11)
	$ 348

(b) On July 3, 2008, the Company completed the sale and issue of 15,000 debenture units of the Company for total gross proceeds of $15,000. Each debenture unit consisted of one unsecured subordinated debenture note in the principal amount of $1 bearing interest at 9% per annum and 51 common share purchase warrants exercisable into common shares of the Company at any time for a period of two years from the date of issue at $18.73. The Company has the option to redeem the debentures at any time at 110% of the principal amount. Interest is payable semi-annually and the debentures mature on July 3, 2011. Of the $15,000 gross proceeds received, the Company assigned $11,436 to the debenture notes and $3,564 to the warrants based on each instrument's relative fair value. The amount ass igned to the debenture notes is being accreted to the principal amount using the effective interest rate of 23% over the term to maturity and the warrants are included in other equity instruments.

11. Other long-term liabilities:

	2010	2009
Deferred lease inducements (a)	$ 210	$ 284
Deferred revenue (b)	5,061	4,537
	$ 5,271	$ 4,821

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

11. Other long-term liabilities (continued):

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

12. Government assistance:

From time to time, the Company enters into agreements for financial assistance with government agencies. During the years ended March 31, 2010, 2009 and 2008, government assistance of $1,424, $2,021 and $3,658, respectively, was received or receivable by the Company, which has been recorded as a reduction of related research and development expenditures (note 17).

Included in the above amounts is funding of nil (2009 - nil; 2008 - $1,351) from Industry Canada's Industrial Technologies Office ("ITO") (formerly Technology Partnerships Canada) and $nil remains receivable from ITO at March 31, 2010 (2009 - $946; 2008 - $946). Under the terms of an agreement with ITO, from fiscal 2009 to fiscal 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1.35 million or 0.33% of the Company's annual revenue provided that gross revenue exceeds $13.5 million in any of the aforementioned fiscal years. The royalty payment period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $28.2 million. As at March 31, 2010, $2,700 (2009 - $1,350) in royalties have been paid or are paya ble of which $1,350 (2009-$1,350) remains accrued in accounts payable and accrued liabilities. In addition, the Company was required to provide ITO with common share purchase warrants having a value of $4,000 as at September 30, 2008 calculated based on the Black-Scholes option pricing model. These warrants were issued in October 2008. The warrants were exercised subsequent to year end (note 25).

The Company is also obligated to pay royalties to the Government of Canada's Department of Natural Resources relating to funding received in prior years. The royalty to the Department of Natural Resources is 1% of future revenue from engines for power generators until the earlier of ten years from the project completion date (August 30, 2004) or when cumulative royalties total $1,000. As at March 31, 2010, there has been no revenue from the sales of engines for power generators; therefore, no royalty payments have been paid or are payable.

13. Share capital:

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

On December 17, 2009, the Company issued 5,462,500 common shares at a price of $11.13 (US $10.50) per share. Gross proceeds totaled $60,840 (US $57,356), and the Company incurred share issuance costs of $3,384.

14. Obligation to issue warrants:

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

15. Stock options and other stock-based plans:

(a) Share options:

The Company has an incentive share option plan for employees, directors, officers and consultants. 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 share option plan as of March 31, 2010, 2009 and 2008 and changes during the years then ended is presented as follows:

	2010		2009		2008	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	1,136,163	$ 7.32	1,235,799	$ 6.96	1,493,998	$ 6.68
Granted	406,262	10.79	39,280	13.73	71,428	9.31
Exercised	(389,635)	6.53	(104,669)	5.57	(232,024)	5.28
Cancelled/expired	(101,201)	15.87	(34,247)	7.66	(97,603)	8.22
Outstanding, end of year	1,051,589	$ 8.13	1,136,163	$ 7.32	1,235,799	$ 6.96
Options exercisable, end of year	550,471	$ 8.44	786,282	$ 7.53	833,296	$ 7.77

Range of exercise prices	Number outstanding, March 31, 2010	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable March 31, 2010	Weighted average exercise price
$ 3.22 to $ 3.96	20,935	4.0	$ 3.54	13,793	$ 3.33
4.13 to 4.87	81,009	3.9	4.46	61,012	4.40
5.25 to 5.99	436,475	3.1	5.30	161,115	5.32
6.13 to 9.14	140,017	3.0	8.46	137,160	8.49
10.33 to 11.55	302,216	4.2	11.11	131,454	11.11
13.79 to 29.23	70,937	4.8	17.74	45,937	18.42
$ 3.22 to $29.23	1,051,589	3.60	$ 8.13	550,471	$ 8.44

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

(a) Share options (continued):

During the year ended March 31, 2010, the Company recognized $1,452 (2009 - $523; 2008 - $558) in stock-based compensation related to stock options. The fair value of the options granted was determined using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield - nil% (2009 - nil%, 2008 - nil%); expected stock price volatility - 78.7% (2009 - 61.0%, 2008 - 56.1%); risk free interest rate - 1.60% (2009 - 2.74%, 2008 - 3.71%); expected life of options - 3.3 years (2009 - 4.0 years, 2008 - 4.0 years). The weighted average grant date fair value was $5.78 for options granted for the year ended March 31, 2010 (2009 - $6.65, 2008 - $4.38).

(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.

(c) Performance share units:

At the Company's 2006 annual general meeting, the Company's shareholders ratified and approved the Amended and Restated Unit Plan, originally approved in 2003, and reserved 2,142,857 common shares under this plan. Each performance share issued pursuant to the Amended and Restated Unit Plan is exercisable into one common share of the Company for no additional consideration. Any employee, contractor, director or executive officer of the Company who is selected by the Board of Directors of the Company is eligible to participate in the Amended and Restated Unit Plan. The Executive and Senior Management Total Compensation Program sets out provisions where the Units will be granted to the Company's executive management if performance milestones are achieved as determined at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors in consultation with the Company's management.

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

The value assigned to issued Units and the amounts accrued are recorded as other equity instruments. As Units are exercised and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital. During the year ended March 31, 2010, the Company recognized $3,375 (2009 - $1,723; 2008 - $106) of stock-based compensation associated with the 2001 PSU Plan and the Amended and Restated Unit Plan.

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

(c) Performance share units (continued):

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

	2010	2009	2008
Research and development	$ 637	$ 283	$ 87
General and administrative	3,430	1,457	465
Sales and marketing	760	506	112
	$ 4,827	$ 2,246	$ 664

A summary of the status of the PSU's issued under the Amended and Restated Unit Plan, as of March 31, 2010, 2009 and 2008, and changes during the years then ended is as follows:

	Units
Outstanding, March 31, 2007	589,474
Units exercised	(60,383)
Units granted	553,900
Outstanding, March 31, 2008	1,082,991
Units exercised	(3,947)
Units granted	667,815
Units cancelled	(16,889)
Outstanding, March 31, 2009	1,729,970
Units exercised	(601,855)
Units granted	105,084
Units cancelled	(38,286)
Outstanding, March 31, 2010	1,194,913

As at March 31, 2010, 182,495 PSUs are vested and exercisable.

16. Other equity instruments:

	2010	2009
Value assigned to Performance Share Units (note 15(c))	$ 4,752	$ 4,778
Value assigned to warrants (note 10(b) and 14)	7,541	7,541
	$ 12,293	$ 12,319

The value assigned to warrants represents 790,614 warrants issued to ITO with a fair value of $4,000 (note 14) and 771,428 warrants with an assigned value of $3,564 and 46,118 broker warrants with an assigned value of $284 issued as part of the debenture units net of transaction costs of $307 (note 10(b)).

17. Research and development expenses:

Research and development expenses are recorded net of program funding received or receivable. For the years ending March 31, 2010, 2009 and 2008, the following research and development expenses had been incurred and program funding received or receivable:

	2010	2009	2008
Research and development expenses	$ 29,835	$ 33,003	$ 26,684
Program funding (note 12)	(1,424)	(2,021)	(3,658)
Research and development	$ 28,411	$ 30,982	$ 23,026

18. Income taxes:

(a) The Company's income tax recovery differs from that calculated by applying the combined Canadian federal and provincial statutory income tax rates for manufacturing and processing companies of 29.6% (2009 - 30.8%; 2008 - 33.3%) as follows:

	2010	2009	2008
Loss before income taxes and Joint Venture Partners' share of income from joint ventures	$ 21,288	$ 13,683	$ 9,224
Expected income tax recovery	$ 6,301	$ 4,207	$ 3,075
Reduction (increase) in income taxes resulting from:			
Non-deductible interest on long-term debt and amortization of discount	(417)	(273)	(141)
Non-deductible stock-based compensation	(1,430)	(690)	(221)
Non-deductible expenses	(33)	(54)	(45)
Withholding taxes	(212)	(218)	-
Change in enacted rates	(1,037)	(2,341)	(1,508)
Foreign tax rate differences, foreign exchange and other adjustments	(998)	(1,279)	(426)
Change in valuation allowance	(11,069)	(5,873)	3,739
	$ (8,895)	$ (6,521)	$ 4,473

18. Income taxes (continued):

(b) The tax effects of the significant temporary differences that comprise tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	2010	2009
Future tax assets:		
Net operating loss carry forwards	$ 27,774	$ 16,220
Long-term investments	-	163
Intellectual property	1,605	1,685
Equipment, furniture and leasehold improvements	1,351	806
Financing and share issuance costs	1,811	1,526
Warranty liability	7,484	8,607
Deferred revenue	1,981	1,647
Capital lease obligations	87	13
Total gross future tax assets	42,093	30,667
Valuation allowance	(32,880)	(20,879)
Total future tax asset	$ 9,213	$ 9,788
Allocated as follows:		
Current future tax assets	$ 5,069	$ 4,451
Long-term future tax asset	4,144	5,337
Total future tax asset	$ 9,213	$ 9,788

In determining the valuation allowance, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent on the generation of income during the future periods in which those temporary differences become deductible. Since evidence does not exist that future income tax assets will be fully realized, a valuation allowance has been recorded.

Current tax expense for the year ended March 31, 2010 of $10,024 (2009 - $2,816, 2008 - $218) is payable outside of Canada, primarily in the United States and $212 (2009 - $460, 2008 - Nil) is payable within Canada. Future income tax recovery of $1,418 (2009 - expense of $1,114; 2008 - recovery of $5,855) relates to temporary differences in the United States and future tax expense of $77 (2009 - $2,131; 2008 - $1,164) relates to tax expense in Canada related to gains on sale of available for sale investments previously recognized in AOCI.

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

2014	$ 2,703
2015	2,508
2026	2,354
2027	10,993
2028	19,885
2029	25,026
2030	39,093
	$ 102,562

The Company has non-capital loss carry forwards in the United States available to offset future taxable income. Of theses losses, $299 expire in 2028 and $1,425 expire in 2029.

19. Investment in Joint Ventures:

	2010	2009
Cummins Westport Inc. (a)	$ 12,973	$ 12,124
BTIC Westport Inc. (b)	371	479
	$ 13,344	$ 12,603

(a) Cummins Westport Inc.:

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

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. Cummi ns 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 US$10.4 million. As at March 31, 2010, CWI has paid royalties totaling US$7.6 million.

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

CWI has provided a loan to Cummins under a demand loan agreement. The loan receivable bears interest monthly at a rate equal to the Bank of Canada prime corporate paper one-month rate in effect on the last day of each month. As at March 31, 2010, this rate was 0.36%. All outstanding interest is payable in United States dollars on or before December 15, 2010. Interest begins accruing on the date in which monies are advanced under the loan agreement. The loan is uncollateralized and is renewed annually.

19. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

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

	2010	2009
Current assets:		
Cash and cash equivalents	$ 3,226	$ 17,061
Short-term investments	12,905	-
Accounts receivable	2,661	2,101
Loan receivable	13,505	11,234
Prepaid expenses	70	162
Current portion of future income tax asset	5,069	4,451
	37,436	35,009
Future income tax asset	4,144	5,337
Equipment, furniture and leasehold improvements	372	467
	$ 41,952	$ 40,813

	2010	2009
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,690	$ 2,171
Deferred revenue	643	360
Current portion of warranty liability	11,623	11,656
	16,956	14,187
Long-term liabilities:		
Warranty liability	7,860	10,976
Deferred revenue	3,779	3,141
	11,639	14,117
	$ 28,595	$ 28,304

19. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

	2010	2009	2008
Product revenue	$ 94,627	$ 90,916	$ 50,999
Parts revenue	25,636	18,990	16,298
	120,263	109,906	67,297
Cost of revenue and expenses:			
Cost of revenue	78,882	81,301	45,490
Research and development	8,433	9,841	7,562
General and administrative	1,125	1,351	1,041
Sales and marketing	8,355	5,679	6,447
Foreign exchange	(399)	454	383
Bank charges, interest and other	272	178	47
	96,668	98,804	60,970
Income before undernoted	23,595	11,102	6,327
Interest and investment income	133	903	793
Effect of foreign currency translation	-	-	(1,135)
Income before income taxes	23,728	12,005	5,985
Income tax recovery (expense):			
Current	(10,024)	(3,059)	(208)
Future	1,418	(1,114)	5,855
	(8,606)	(4,173)	5,647
Income for the year	15,122	7,832	11,632
Joint Venture Partner's share of net income from joint venture	(7,561)	(3,916)	(5,816)
Company's share of income	$ 7,561	$ 3,916	$ 5,816

(b) BTIC Westport Inc.:

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

The consolidated financial statements include 100% of the assets, liabilities, revenue and expenses of BWI since the Company has determined that BWI is a variable interest entity and that the Company is the primary beneficiary. Accordingly, the Company consolidates BWI and BTIC's share of BWI's income and losses is included in "Joint venture partners' share of income from joint ventures". For the year ended March 31, 2010, the BTIC's share of net loss from BWI was $108 (2009 - net income of $305), (2008 - net loss of $252).

20. Commitments and contingencies:

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

2011	$ 1,404
2012	1,313
2013	866
2014	642
2015	156
	$ 4,381

For the year ended March 31, 2010, the Company incurred operating lease expense of $1,586 (2009 - $1,295; 2008 - $876).

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

(c) On July 16, 2008, the Company announced that it had entered into a joint venture agreement with Weichai Power Co., Ltd. ("Weichai Power"), China's largest heavy duty engine manufacturer and Hong Kong Peterson (CNG) Equipment Limited ("Hong Kong Peterson") to form a new entity, Weichai Westport Inc. ("WWI"). WWI will research, develop, design, manufacture, market, distribute and sell advanced, alternative fuel engines (and relevant parts and kits) for use in automobiles, heavy duty trucks, power generation and shipping applications. Under the terms of the 30-year joint venture agreement, the Company's initial investment to acquire a 35% share of the joint venture is expected to be approximately $4,464 (RMB30,000). Weichai Power and Hong Kong Peterson will hold a 40% and 25% interest, respectively, in WWI. The joint venture is currently awaiting approval by the Chinese government, and the Company's investment will be paid when such approval is received.

21. Segmented information:

The Company currently operates in one operating segment, which involves the research and development and the related commercialization of engines and fuel systems operating on gaseous fuels. The majority of the Company's equipment, furniture and leasehold improvements are located in Canada. For the year ended March 31, 2010, 67% (2009 - 84%; 2008 - 66%) of the Company's revenue was from sales in the Americas, 14% (2009 - 4%; 2008 - 18%) from sales in Asia, and 19% (2009 - 12%; 2008 - 16%) from sales elsewhere.

22. Financial instruments:

(a) Financial risk management:

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

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has sustained losses and negative cash flows from operations since inception. At March 31, 2010, the Company has $105,851 of cash, cash equivalents and short-term investments.

22. Financial instruments (continued):

(b) Liquidity risk (continued):

The following are the contractual maturities of financial obligations as at March 31, 2010:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 13,902	$ 13,902	$ 13,902	$ -	$ -	$ -
Demand installment loan [1][2]	3,295	3,403	1,385	1,993	25	-
Short-term debt [3]	163	-	-	-	-	-
Subordinated debenture notes [4]	12,727	17,025	1,350	15,675	-	-
Other long-term debt	348	359	139	219	1	-
Operating lease commitments	-	4,381	1,404	2,179	798	-
Royalty payments [5]	1,350	29,685	3,856	3,040	2,700	20,089
Investment in Joint Venture [6]	-	4,464	4,464	-	-	-
	$ 31,785	$ 73,219	$ 26,500	$ 23,106	$ 3,524	$ 20,089

(1) Includes interest at the interest rate in effect on March 31, 2010.
(2) Demand installment loan is repayable over five years unless the bank demands early payment.
(3) Short-term debt is repayable only from the sale of certain LNG systems. The Company has assumed these systems will be sold within one year.
(4) Includes interest at 9%.
(5) From fiscal 2010 to 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $1,350 or 0.33% of the Company's gross annual revenue from all sources, provided that gross revenue exceeds $13,500 in any aforementioned fiscal year, up to a maximum of $28,189. The Company has assumed the minimum required payments. CWI is also obligated pay annual royalties of 2.75% of engine revenue to Cummins up to a cumulative maximum of $10,564. The Company has a remaining obligation of $2,846.
(6) See note 20.

The Company expects to be able to meet its future financial obligations with its current source of funds. However, there are uncertainties related to the timing of the Company's cash inflows and outflows, 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.

(c) Credit risk:

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

22. Financial instruments (continued):

(c) Credit risk (continued):

The Company is also exposed to credit risk with respect to uncertainties as to timing and amount of collectability of accounts receivable and loan receivable. As at March 31, 2010, 57% (2009 - 31%) of accounts receivable relates to customer receivables, 11% (2009 - 46%) relates to government grants receivable and 32% (2009 - 23%) relates to amounts due from partners and indirect and value added taxes receivable. The loan receivable is due from Cummins Inc., a large U.S. based engine manufacturer and the Company's joint venture partner. In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced wi th 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 and loan receivable of $130,926 at March 31, 2010 represents the Company's maximum credit exposure.

(d) Foreign currency risk:

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

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by transacting with third parties in U.S. dollars and Canadian dollars to the maximum extent possible and practical. The Company attempts to 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.

22. Financial instruments (continued):

(d) Foreign currency risk (continued):

The U.S. dollar carrying amount of financial instruments subject to exposure to foreign currency risk in the consolidated balance sheet at March 31, 2010 is as follows:

	U.S. dollars
Cash and cash equivalents	$ 16,644
Accounts receivable	4,335
Accounts payable	1,084
Short-term debt	160

If foreign exchange rates on March 31, 2010 had changed by 25 basis points, with all other variables held constant, net loss for the year ended March 31, 2010 would have changed by $49. The Company's exposure to currencies other than U.S. dollars is not material.

(e) Interest rate risk:

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

If interest rates for the year ended March 31, 2010 had changed by 50 basis points, with all other variables held constant, net loss for the year ended March 31, 2010 would have changed by $4.

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

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

The carrying value reported in the balance sheets for the subordinated debenture notes (note 10(b)) is recorded at amortized cost using the effective interest rate method, and the gross proceeds have been allocated between debt and equity based on the relative fair values of the subordinated debenture notes and the warrants on the issue date. As at March 31, 2010, the fair value of the subordinated debenture notes is higher than its carrying value by $2,005 based on market interest rates.

22. Financial instruments (continued):

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

The Company categorizes its fair value measurements 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 March 31, 2010, only cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

23. Management of capital:

As at March 31, 2010, the Company's capital is composed of share capital, its $13,000 line of credit with a Schedule 1 Canadian bank, and $15,000 in debenture units, the primary terms of which are described in note 10(b).

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

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

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

There were no changes to the Company's approach to capital management during the year ended March 31, 2010.

24. Reconciliation to United States generally accepted accounting standards:

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

(a) Convertible notes:

On June 12, 2006, the Company agreed to issue up to $22,092 in five year secured, subordinated convertible notes with a coupon rate of 8%. At the time of issuance of the notes, the holder of the notes also received warrants to acquire, at an exercise price equal to the conversion price of the accompanying notes, common shares of the Company equal to 25% of the number of common shares into which the notes were convertible. The subordinated convertible notes were converted to common shares during fiscal 2008.

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

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

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

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

Effective April 1, 2007, the Company began amortizing debt issuance costs and debt discounts using the effective interest method under Canadian GAAP and classified debt issuance costs as reductions of the carrying value of the debt to which it relates. Prior to April 1, 2007, debt issuance costs were classified as deferred charges and debt issuance costs and debt discounts were amortized on a straight-line basis. Adoption of these standards resulted in an adjustment to opening accumulated deficit of $113 for Canadian GAAP purposes.

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

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

Under US GAAP, debt issuance costs are presented as deferred charges, and debt issuance costs and debt discounts are amortized using the effective interest method for all years presented. In addition, the difference between transaction costs allocated to the debt and debt discounts for Canadian GAAP purposes compared to US GAAP as described in note 24(a) resulted in a difference in interest expense for US GAAP purposes. Accordingly, the adjustment to opening accumulated deficit of $113 for Canadian GAAP purposes would not be recorded under US GAAP, and interest expense for the year ended March 31, 2008 was reduced by $147. In addition, unamortized financing costs of $537 (2009 - $763) relating to the issuance of debenture units, which are deducted against the liability, would be presented as an as set.

(c) Investments:

Under Canadian GAAP and US GAAP, mark to market adjustments on available for sale securities result in future income tax expense or recovery and, for the Company, a corresponding change in the valuation allowance against related future tax assets. The tax expense or recovery is included in accumulated other comprehensive income (“AOCI”) until the shares are sold at which time the tax expense or recovery will be included in net loss. For Canadian GAAP, the corresponding change in the future income tax valuation allowance is recognized in net loss for the period but under US GAAP, the change in valuation allowance would be recognized in other comprehensive income. Accordingly, for US GAAP purposes, future income tax expense for the year ended March 31, 2010 of $77 (2009 -$2,362); (2008 -$1,164) recogniz ed under Canadian GAAP would not be recognized.

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

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

Under Canadian GAAP, acquired in-process research and development costs are capitalized and amortized to earnings. For US GAAP purposes, such in-process research and development costs are expensed immediately if there is no alternative use for the related research and development. Accordingly, amortization of in-process research and development recorded under Canadian GAAP for the years ended March 31, 2010, 2009 and 2008 of $143, $144 and $145, respectively, would not be recognized under U.S. GAAP. As at March 31, 2010, the carrying value of intellectual property would be reduced by $287 (2009 - $430) with a corresponding increase in accumulated deficit.

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

(e) Joint venture partners' share of net assets of joint ventures:

Under Canadian GAAP, Joint Venture Partners' share of net assets of joint ventures is recorded as a liability before shareholders' equity. For US GAAP purposes, the Joint Venture partners' share of net assets of joint ventures is recorded as a component of shareholders' equity. As at March 31, 2010, total liabilities under Canadian GAAP would be reduced by $13,344 (2009 - $12,603) with a corresponding increase to shareholders' equity. The allocation of net income to the parent company and Joint Venture Partners is presented in the consolidated statement of operations. During the year ended March 31, 2010 under US GAAP, other comprehensive loss was $5,605 (2009 - $5,382; 2008 - $7,318), respectively. The Joint Venture Partners' share of other com prehensive loss was $2,494 (income of $3,659; 2008 - $nil), and the parent company share of other comprehensive loss was $3,111 (2009 - $9,041 2008 - $7,318) for the year ended March 31, 2010. There were no changes in the Company's interests in its joint ventures during the year ended March 31, 2010 and 2009. A reconciliation of the Joint Venture Partners' share of net assets in joint ventures is as follows:

Balance, March 31, 2007	$ 7,719
Joint Venture Partners' share of net income from joint ventures	5,564
Initial Investment in BWI	425
Unrealized foreign exchange on available for sale investment held by CWI	275
Balance, March 31, 2008	13,983
Joint Venture Partners' share of net income from joint ventures	4,221
Joint Venture Partners' share of other comprehensive income	3,658
Dividends paid by Joint Ventures	(9,259)
Balance, March 31, 2009	12,603
Joint Venture Partners' share of net income from joint ventures	7,453
Joint Venture Partners' share of other comprehensive loss	(2,494)
Dividends paid by Joint Ventures	(4,218)
Balance, December 31, 2009	$ 13,344

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

(f) Cumulative translation adjustment:

In 2010, CWI paid a dividend to its joint venture partners of $8,436 (2009 - $18,518; 2008 - $Nil). The transaction between CWI and the Company resulted in a reduction in the Company's net investment in CWI. For Canadian GAAP purposes, the Company recognized a foreign exchange gain on the reduction of the net investment and reduced AOCI by a corresponding amount. Under U.S. GAAP, foreign exchange gains or losses arising from a net investment in a foreign operation are recognized in other comprehensive income until the investment is sold. Accordingly, for U.S. GAAP purposes, a foreign exchange gain of $219 (2009 - $793) recognized in net loss for Canadian GAAP is not recognized under U.S. GAAP.

(g) Stock-based compensation:

As described in note 15, the Company has granted stock options to certain directors, consultants and employees. On adoption of standards requiring stock options to be recognized at fair value, the Company recognized a cumulative adjustment to accumulated deficit for stock-based compensation related to stock options granted to employees on or after April 1, 2002.

For US GAAP purposes, the Company changed its accounting policy for recognizing stock-based compensation from the intrinsic value method on April 1, 2004 but recognized stock based compensation expense prospectively.

Accordingly, on adoption of the fair value method for US GAAP purposes, adjustments to accumulated deficit of $2,493, share capital of $68, and additional paid in capital of $2,425 recognized for Canadian GAAP purposes are not recognized for US GAAP purposes. In addition, for US GAAP purposes in years prior to April 1, 2002, the Company recognized stock-based compensation of $2,376 relating to stock options issued to non-employees prior to April 1, 2002.

Additional information about the PSUs issued under the PSU Plans are as follows:

	Units	Weighted average grant date fair value
Unvested, March 31, 2008	528,570	6.69
Units granted	667,815	9.01
Units vested	(47,087)	8.09
Units cancelled	(16,888)	8.29
Unvested, March 31, 2009	1,132,410	8.61
Units granted	105,084	9.10
Units vested	(186,790)	10.89
Units cancelled	(38,286)	10.91
Unvested, March 31, 2010	1,012,418	$ 8.16

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

(g) Stock-based compensation (continued):

The aggregate intrinsic value of the Company's stock option awards and PSUs at March 31, 2010 are as follows:

	2010	2009
Stock options		
Outstanding	$ 9,165	$ 3,259
Exercisable	4,696	1,313
PSUs:		
Outstanding	$ 19,966	$ 1,302
Exercisable	3,049	813

The total intrinsic value of options and PSUs exercised for the year ended March 31, 2010 was $9,433. As at March 31, 2010, $6,586 of compensation cost relating to share-based payment awards has yet to be recognized in results from operations and will be recognized over a weighted average period of four years.

(h) Income taxes:

Under both Canadian and US GAAP, future income tax assets and liabilities are measured using the income tax rates and income tax laws that, at the balance sheet date, are expected to apply when the assets are realized or the liabilities are settled. In Canada, announcements of changes in income tax rates and tax laws by the government can have the effect of being substantially enacted at the balance sheet date even though they are not yet proclaimed into law. When persuasive evidence exists that the government is able and committed to enacting proposed changes in the foreseeable future, the substantively enacted rate is used to measure the future tax assets and liabilities. Under US GAAP, only the income tax rates and income tax laws enacted at the balance sheet date are used to measure the future inco me tax assets and liabilities. For the years ended March 31, 2010, 2009, and 2008, enacted rates for US GAAP purposes were equal to rates used for Canadian GAAP purposes.

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

(h) Income taxes (continued):

Income tax recovery (expense) consists of:

	Net income (loss) before taxes and Joint Venture Partners' share of net income from joint ventures	Income tax recovery (expense) Current	Deferred	Total
Year ended March 31, 2010:				
Canada	(42,766)	(212)	(77)	(289)
United States	22,075	(10,024)	1,418	(8,606)
Germany	(32)	-	-	-
China	(681)	-	-	-
Australia	116	-	-	-
	(21,288)	(10,236)	1,341	(8,895)
Year ended March 31, 2009:				
Canada	(32,739)	(460)	(2,131)	(2,591)
United States	18,958	(3,059)	(1,114)	(4,173)
Germany	(48)	243	-	243
China	(268)	-	-	-
Australia	414	-	-	-
	(13,683)	(3,276)	(3,245)	(6,521)
Year ended March 31, 2008:				
Canada	$ (14,760)	$ -	$ (1,164)	$ (1,164)
United States	5,862	(218)	5,855	5,637
Germany	(14)	-	-	-
China	(312)	-	-	-
	$ (9,224)	$ (218)	$ 4,691	$ 4,473

For US GAAP purposes, 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.

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

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

(h) Income taxes (continued):

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

Canada	Fiscal year 2004 to 2010
United States	Fiscal year 2005 to 2010
Germany	Fiscal year 2003 to 2010
China	Fiscal year 2007 to 2010

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

(i) Effect of US GAAP differences:

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

	2010	2009
Total assets, Canadian GAAP	$ 156,117	$ 135,504
Differences in accounting for:		
Intellectual property (d)	(287)	(430)
Unamortized financing costs (b)	537	763
Total assets, US GAAP	$ 156,367	$ 135,837
Total liabilities, Canadian GAAP	$ 71,222	$ 74,546
Differences in accounting for:		
Joint venture partners' share of net assets of joint ventures (f)	(13,344)	(12,603)
Unamortized financing costs (b)	537	763
Total liabilities, US GAAP	$ 58,415	$ 62,706
Shareholders' equity, Canadian GAAP	$ 84,895	$ 60,958
Difference in accounting for:		
Joint venture partners' share of net assets of joint ventures (e)	13,344	12,603
Intellectual property (b)	(287)	(430)
Shareholders' equity, US GAAP	$ 97,952	$ 73,131

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

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

	2010	2009	2008
Net loss for the year, Canadian GAAP	$ (37,636)	$ (24,425)	$ (10,315)
Difference in amortization of discount on convertible notes and debt issuance costs (a)(b)	-	-	147
Difference in accounting for inducement fee and unamortized discount on conversion of convertible notes (a)	-	-	(4,424)
Difference is accounting for reclassification of cumulative translation adjustment on dividend paid by joint venture (f)	(219)	(793)	-
Tax recovery on realized and unrealized gain on available for sale securities (c)	77	2,362	1,164
Amortization of intellectual property (d)	143	144	145
Net loss for the year, US GAAP	(37,635)	(22,712)	(13,283)
Other comprehensive loss, Canadian GAAP	(3,253)	(7,472)	(6,154)
Difference in accounting for reclassification of cumulative translation adjustment on dividend paid by joint venture (f)	219	793	-
Tax expense on realized and unrealized gain on available for sale securities (c)	(77)	(2,362)	(1,164)
Other comprehensive loss, US GAAP	(3,111)	(9,041)	(7,318)
Comprehensive loss, US GAAP	$ (40,746)	$ (31,753)	$ (20,601)
Basic and diluted loss per share, US GAAP	$ (1.10)	$ (0.75)	$ (0.53)

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

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

(*i*) Accounts receivable:

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

	2010	2009
Customer trade receivable	$ 7,109	$ 2,002
Government funding receivable	1,290	2,968
Due from Joint Venture Partner	1,020	-
Other receivables	2,283	1,511
Allowance for doubtful accounts	(132)	(64)
	$ 11,570	$ 6,417

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

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

(*ii*) Accounts payable and accrued liabilities:

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

	2010	2009
Trade accounts payable	$ 7,718	$ 8,802
Accrued payroll	3,037	2,670
Accrued interest	403	403
Income taxes payable	2,604	2,236
Other	140	248
	$ 13,902	$ 14,359

(*iii*) Warranty liability:

A continuity of the warranty liability is as follows:

	2010	2009	2008
Balance, beginning of year	$ 24,591	$ 9,157	$ 6,971
Warranty claims	(15,357)	(9,254)	(2,333)
Warranty accruals	18,791	17,105	6,534
Change in warranty estimates	(2,246)	4,317	(1,292)
Impact of foreign exchange	(4,498)	3,266	(723)
Balance, end of year	$ 21,281	$ 24,591	$ 9,157

(*iv*) Cost of revenue:

Cost of revenue related to product revenue for the year ended March 31, 2010 was $71,463 (2009 - $78,290; 2008 - $37,157) and cost of revenue related to parts revenue was $17,889 (2009 - $12,730; 2008 - $11,866).

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

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

(*v*) Other disclosures:

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

From time to time, the Company performs research and development for unrelated parties. The Company receives revenue for such research and development activities from these parties based on contractual arrangements. These arrangements generally require the Company to perform certain specific activities, and revenue is received as the activities are performed. Revenue received is not repayable, irrespective of the outcome of the activities. There were no material research and development arrangements in progress as at March 31, 2010 or 2009. During the year ended March 31, 2010, the Company earned revenue of $195 (2009 - $793; 2008 - $1,172) related to such activities. Costs expensed related to these activities were $10 (2009 - $442; 2008 - $721).

(k) Adoption of new accounting procedures:

On July 1, 2009, the Accounting Standards Codification ("ASC") became the Financial Accounting Standards Board's ("FASB") officially recognized source of authoritative GAAP, superseding existing FASB, the American Institute of Certified Accountants, the Emerging Issues Task Force and related literature. Rules and interpretive releases of the SEC under the authority of federal securities law are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The change to the ASC affects the way companies refer to GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Section and Paragraph structure. This standard was effective prospectively for reporting periods ended after September 15, 2009 and, accordingly, the Company adopted it during the third quarter of fiscal 2010. The adoption of this standard did not have an effect on the Company's consolidated financial position, results of operations or cash flows.

On April 1, 2009, the Company adopted a new US accounting standard for business combinations. The standards broaden the scope of a business combination to all transactions in which an entity obtains control over another entity. The new standard provides further guidance on the recognition of identifiable assets and liabilities and the measurement of goodwill. The new standard did not affect the consolidated financial statements on adoption.

On April 1, 2009, the Company adopted a new US accounting standard for non-controlling interests. The new standard clarifies the definition of a non-controlling interest, requires non-controlling interests to be presented as part of equity on the balance sheet, changes the way the consolidated income statement is presented, establishes a single method of accounting for a change in a parent's ownership interest in a subsidiary and provides for further disclosures in the consolidated financial statements. On adoption, the Company reclassified the amount for Joint Venture Partners' share of net assets of joint ventures to equity. The Company has also disclosed additional details on the joint venture partners' share of other comprehensive income as required under the new standard.

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

(k) Adoption of new accounting procedures (continued):

On April 1, 2009, the Company adopted new US disclosure standards related to disclosures about derivative instruments and hedging activities. The new standard requires enhanced disclosures about an entity's derivative and hedging activities but did not impact the Company's financial disclosure or presentation.

On April 1, 2009, the Company adopted a new US accounting standard for accounting for convertible debt instruments, which changed the accounting treatment for convertible debt securities that may settle fully or partly in cash. The new standard requires bifurcation of convertible debt securities into a debt component that is initially recorded at fair value and an equity component that represents the difference between initial proceeds from the issuance of the instrument and the fair value allocated to the debt component. The debt component is then subsequently accreted to par value over its expected life. The new standard must be retroactively applied to all periods presented, even if the instrument has matured, converted or has been otherwi se extinguished as of the effective date of the standard. The new standard did not have a material effect on the consolidated financial statements at the date of adoption.

On April 1, 2009, the Company adopted new US interpretive guidance related to determining whether an instrument (or an embedded feature) is indexed to an entity's own stock. The guidance requires an entity to use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. The guidance did not have a material impact on the consolidated financial statements.

The following new US accounting standards were effective for interim periods ending on or after June 15, 2009. These pronouncements did not have a material impact on the consolidated financial statements.

A new US accounting standard related to recognition and presentation of other-than-temporary impairments require entities to separate an other-than-temporary impairment of a debt security into two components when there are credit related losses associated with the impaired debt security for which management asserts that it does not have the intent to sell the security, and it is more likely than not that it will not be required to sell the security to recovery its cost base. The amount of the other-than-temporary impairment from credit losses is recognized in net income and the amount of other-than-temporary impairment related to other factors is recorded in other comprehensive income.

A new US accounting standard related to determining fair value when volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly, amends existing accounting standards to provide additional guidance on estimating fair value when there has not been a significant decrease in the volume and level of activity for the asset or liability in relation to the normal market activity. In addition, the new standard provides additional guidance on situations that may indicate that a transaction for the asset or liability is not orderly.

A new disclosure standard related to interim disclosures about fair value of financial instruments requires disclosures about fair value of financial instruments in interim financial statements.

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

(k) Adoption of new accounting procedures (continued):

In May 2009, the FASB issued a new US accounting standard establishing general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, ASC 855 sets forth the period after the consolidated balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its consolidated financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company has determined that the standard did not have any impact on its consolidated financial statements.

(l) New accounting pronouncements:

In June 2008, the FASB issued a new US accounting standard related to variable interest entities which amends accounting standards for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, this new accounting standard requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise's involvement in a variable interest entity. We are required to adopt this new standard on April 1, 2010. The Company is currently in the process of assessing the impact that the standard may have on our financial statements.

In October 2009 the FASB issued a new accounting standard on 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 prospectively for revenue arrangements entered into or materially modified in years beginning on or after June 15, 2010. We are assessing the potential impact that the adoption of the new stand ard may have on our financial statements.

25. Subsequent events

On April 14, 2010, 790,614 warrants previously issued to Industry Canada, a department of the Government of Canada, were exercised at a price of $10.65 per warrant generating $8.4 million in cash for the Company.



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 March 31, 2010. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The effect of significant differences between Canadian GAAP and U.S. GAAP has been disclosed in Note 24 to our audited consolidated financial statements for the year ended March 31, 2010. The Company's reporting currency is the Canadian dollar. This MD&A is dated May 27, 2010.

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 Canadian 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 uncertai nties 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

Westport is engaged in the research, development and marketing of high performance, low-emission engines and fuel injection systems that utilize alternative gaseous fuels such as natural gas, propane or hydrogen. We develop technology and products that enable light, medium and heavy-duty diesel engines to run primarily on compressed natural gas ("CNG") or liquefied natural gas ("LNG"), giving users an alternative fuel to diesel.

We work with strategic partners, which include some of the leading diesel engine and truck original equipment manufactures ("OEMs"), to develop, manufacture and distribute our engines, and we sell to a diverse group of leading truck and bus OEMs around the world. Our products are designed to provide environmental and economic benefits combined with strong operational performance. We currently have one operating segment, which involves the research, development, and related commercialization of engines and fuel systems, operating on gaseous fuels, for the on-road commercial vehicle sector. Within that operating segment, we focus on three distinct target markets for our products and services: Cummins Westport Inc. ("CWI") is focused on natural gas engine applications f or urban fleets ranging from 5.9L to 8.9L; Westport Heavy Duty ("Westport HD") is focused on LNG systems for heavy-duty trucks and the platform for the licensing of our Westport HD-related technology; and Juniper Engines Inc. ("Juniper") is focused on 2.0L and 2.4L engines for industrial applications such as forklifts. Outside our core markets strategy, Westport's corporate development efforts focus on the creation of new alliances and joint ventures, market development projects, and monetization of our significant patent portfolio.

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

CWI

CWI is a 50:50 joint venture between Westport and Cummins Inc. ("Cummins"), one of the world's largest manufacturers of diesel engines. CWI develops and produces 5.9L to 8.9L engines utilizing gaseous fuels. CWI's engines are offered globally by more than 60 OEMS of transit and shuttle buses, conventional trucks and tractors, and refuse collection trucks, as well as specialty vehicles such as short-haul port trucks, material handling trucks, street sweeping trucks and other vehicles selected for industrial applications. Geographically, CWI's revenues are derived primarily from North America with developing markets in Asia, Europe, India and South America. CWI engines are produced at Cummins' plants in the United States, China and India.

For the years ended March 31, 2010 and 2009, after taking into account Cummins' 50% share, CWI contributed pre-tax income of $11.9 million and $6.0 million, respectively, to Westport. CWI's assets, liabilities, revenue and expenses are disclosed separately in Note 19(a) of our consolidated financial statements.

WESTPORT HEAVY DUTY ("WESTPORT HD")

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

Westport HD also provides a licensing platform for the Company to design and develop new natural gas engines on a variety of engine platforms. On November 16, 2009, Westport entered into an agreement with Volvo Power Train, a subsidiary of Volvo AB, to become a Tier 1 Development Supplier for its heavy-duty natural gas engines and associated supply chain. We will supply our Westport HD-related technology and work together with the Gothenburg, Sweden engine manufacturer to qualify appropriate suppliers consistent with Volvo volume and quality expectations. In addition to supply chain development, Westport will carry out product development work that will help enable the Volvo engine to operate on natural gas. The new natural gas engines are expected to meet future European emission requirements.

In July 2008, we entered into a 30-year joint venture agreement with Weichai Power Co. Ltd. ("Weichai Power") and Hong Kong Peterson (CNG) Equipment Ltd. ("Hong Kong Peterson") to form Weichai Westport Inc. ("WWI"). WWI will research, develop, design, manufacture, market, distribute and sell advanced, alternative fuel engines (and relevant parts and kits) for use in heavy-duty trucks, power generation and shipping applications. Under the terms of the WWI joint venture agreement, our initial investment is expected to be approximately $4.5 million (30 million RMB), equaling a 35% equity interest in WWI. Weichai Power and Hong Kong Peterson will hold 40% and 25% equity interests in WWI, respectively. On May 25, 2010 WWI received its temporary business license from the Chi nese Government. Registration will be completed after Westport makes its investment, which is expected to occur during the first quarter of Fiscal 2011.

Juniper

Juniper's engines, initially targeting the OEM forklift market and fuelled with LPG, will be fully integrated, high performance, low-emission solutions. The first Juniper products are based on the Hyundai Motor Company's 2.0L and 2.4L industrial engine platforms and OMVL SpA's ("OMVL") LPG multipoint injection technology. Juniper is the manufacturer of record, and the products are designed to meet U.S. Environmental Protection Agency ("EPA") and California Air Resources Board ("CARB") standards for 2010. We hold a 49% interest in Juniper, a joint venture with OMVL, an Italian company that designs, manufactures and markets complete fuelling systems for new vehicles and for the aftermarket conversion of engines from gasoline to CNG and LNG.

Clark Material Handling Asia Ltd. ("Clark") has selected Juniper to supply 2.4L liquefied petroleum gas engines for Clark's forklifts in the 1.5 to 3.3 tonne product range. Juniper's 2.4L engine recently achieved emissions certification by the U.S. Environmental Protection Agency for U.S. customers, and Juniper commenced shipments to Clark during the first quarter of fiscal year 2011. Juniper's products are assembled in Korea and delivered to Clark's Korean facility to be installed on forklifts for sale in North America and other export markets.

Our initial contribution to Juniper on April 1, 2008 was $1.5 million. At March 31, 2010, our investment in Juniper including accounts receivable and advances is $1.2 million. For the year ended March 31, 2010, we recorded a loss on our investment in Juniper of $1.1 million (2009 - $1.0 million).

SELECTED ANNUAL FINANCIAL INFORMATION

Selected Statements of Operations Data			
	Fiscal years ended March 31		
	2010	**2009**	**2008**
(expressed in thousands of Canadian dollars, except for per share amounts, shares outstanding and units shipped)			
Units shipped	3,921	4,038	2,720
Total revenue	$ 130,712	$ 121,837	$ 71,536
Gross margin	$ 41,360	$ 30,817	$ 22,513
GM %	*32%*	*25%*	*31%*
Net loss	$ (37,636)	$ (24,425)	$ (10,315)
Net loss per share – basic and diluted (1)	$ (1.10)	$ (0.81)	$ (0.41)
Weighted average shares outstanding	34,133,247	30,268,947	25,167,966
Cash and short-term investments	$ 105,851	$ 82,619	$ 22,762
Total assets	$ 156,117	$ 135,504	$ 78,940
Long-term financial liabilities (2)	$ 27,406	$ 28,543	$ 5,762
Cash used in operations before changes in non-cash working capital	$ (25,081)	$ (25,625)	$ (17,594)
CWI net income for the year	$ 15,122	$ 7,832	$ 11,632
JV Partner's share of CWI income	$ 7,561	$ 3,916	$ 5,816

(1) Fully diluted loss per share is not materially different as the effect of conversion of stock options, warrants and performance share units would be anti-dilutive.
(2) Excluding current portions of warranty liability and long-term debt obligations and Joint Venture Partners' share of net assets of joint ventures.

OVERVIEW OF FISCAL 2010 RESULTS

OPERATING RESULTS

For the year ended March 31, 2010, consolidated revenues increased $8.9 million, or 7.3%, to $130.7 million from $121.8 million for the year ended March 31, 2009. The Company shipped 3,921 units in fiscal year 2010 compared to 4,038 units shipped in fiscal year 2009. The increase in revenues was primarily due to a 9.5% increase in CWI revenues to $120.3 million for the year ended March 31, 2010 compared to $109.9 million for the year ended March 31, 2009. CWI unit sales decreased from 3,907 in fiscal year 2009 to 3,807 units in fiscal year 2010; however, CWI product revenue increased $3.7 million, or 4.1%, to $94.6 million primarily due to product mix. Parts revenue increased $6.6 million, or 34.7%, to $25.6 million in fiscal year 2010 due to an increase in units in service. Non-CWI revenues decreased 12 .6% from $11.9 million in fiscal year 2009 on 131 LNG units shipped to $10.4 million in fiscal year 2010 on 114 LNG units shipped. LNG system shipments were primarily to customers associated with the Ports of Los Angeles and Long Beach. The foreign exchange impact on revenues from translating revenues from U.S. dollars to Canadian dollars resulted in a reduction in fiscal year 2010 revenues of approximately $4.4 million, or 3.4%.

Our consolidated net loss for the year ended March 31, 2010 was $37.6 million, or $1.10 per share, compared to $24.4 million, or $0.81 per share, for the year ended March 31, 2009. CWI's net income increased $7.3 million from $7.8 million in fiscal 2009 to $15.1 million in fiscal 2010. The increase was driven primarily by higher product and parts revenue and an increase in gross margin percentage as a result of more favourable warranty experience compared with the prior year. During fiscal year 2010, our share of CWI's net income increased by $3.6 million to $7.6 million.

Non-CWI net loss increased $16.9 million, or 59.7%, from $28.3 million for the year ended March 31, 2009 to $45.2 million for the year ended March 31, 2010. The non-CWI net loss included net gains on sales of Clean Energy shares of $11.9 million in fiscal year 2009 compared with $2.9 million in fiscal year 2010. Excluding these net gains, the non-CWI loss for fiscal year 2009 was $40.2 million compared with $48.1 million in fiscal year 2010, which represents an increase of $7.9 million, or 19.7%. Non-CWI operating expenses (research and development, general and administrative, and sales and marketing) were $3.6 million higher in fiscal year 2010 compared with fiscal year 2009 primarily due to a $2.6 million increase in stock based compensation and an increase in current product support costs and outside service and profession al fees. The remaining increase in non-CWI net loss arose from:

- a $2.2 million reduction in gross margin as a result of lower selling price and an increase in inventory obsolescence provisions,
- an increase in interest expense and accretion of $0.9 million as the Company held $15 million debenture units with JF Mackie for an entire year in fiscal year 2010 versus only 9 months in fiscal year 2009, and
- a decrease of $0.7 million in net investment income due to lower interest yield on cash and cash equivalents and an increase in foreign exchange losses of $0.5 million from a weaker U.S. dollar negatively impacting our U.S. dollar cash balance and net accounts receivable balance.

Capital Management

In December 2009, we issued 5,462,500 common shares at a price of US$10.50 per share for gross proceeds of US$57.4 million ($60.8 million Canadian). The net proceeds of US$54.2 million (net of share issuance costs of US$3.2 million) will be used for the development of a new OEM engine platform for our Westport HD system, support of working capital requirements including funding inventory and developing and seeking alternate suppliers, and for general corporate purposes including market creation activities, potential acquisitions of businesses, technologies or other assets, debt repayments, general and administrative expenses, supply chain development, and capital expenditures including facilities and equipment.

Cash, cash equivalents and Investments

As of March 31, 2010, our cash, cash equivalents and short-term investments balance was $105.9 million compared to $82.6 million at March 31, 2009. For the year ended March 31, 2010, we raised approximately US$54.2 million in net proceeds from our public offering discussed above, $2.5 million from the exercise of stock options, and $3.8 million from the sale of shares of Clean Energy and Wild River Resources Inc. For the year ended March 31, 2010, cash used in operations and capital expenditures was $22.0 million and $0.3 million, respectively. During the year ended March 31, 2010, we advanced Cummins $4.8 million, net of loan repayments, paid $1.2 million against our limited recourse loan from Clean Energy, and paid down our demand installment loan by $1.3 million. During the third quarter, C WI also paid out $4.2 million in dividends to Cummins.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. The Company's accounting policies are described in Note 2 of the annual consolidated 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 estimates and assumptions in determining their reported amounts, include our accounting of CWI as a variable interest entity, the valuation of long-term investments, equipment, furniture and leasehold improvements, intellectual property, revenue recognition, inventory, stock based compensation and warranty. The application o f these and other accounting policies are described in Note 2 of our fiscal 2010 annual consolidated financial statements. Actual amounts may vary significantly from estimates used.

VARIABLE INTEREST ENTITY ACCOUNTING

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

WARRANTY LIABILITY

Estimated warranty costs are recognized at the time we sell our products and included in cost of 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, including the ISL G, which was launched in mid-2007, and our Westport HD systems, of which approximately 289 units have been shipped as of March 31, 2010, historical data may not necessarily reflect actual costs to be incurre d, 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 "Cost of Revenue" and "Gross Margin" sections unde r "Results of Operation."

Revenue Recognition

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

Inventories

Inventories consist of fuel systems, component parts, work-in-progress, and finished goods associated with our Westport HD 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. 0;Unforeseen changes in these factors could result in the recognition of additional inventory provisions.

Long-term Investments

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

Equipment, Furniture, and Leasehold Improvements and Intellectual Property

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

STOCK-BASED COMPENSATION

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

ADOPTION OF NEW ACCOUNTING STANDARDS

Goodwill **A**nd **I**ntangible **A**ssets:

On April 1, 2009, we adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Other Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and the recognition, measurement and presentation of intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets whether separately acquired or internally developed. 60; We adopted this standard on April 1, 2009, but the adoption had no impact on the consolidated financial statements.

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In January 2009, The CICA issued section 1582, Business Combinations, which replaces CICA 1581 and section 1601 "Consolidated Financial Statements", and section 1602, "Non-controlling Interests", which together replace Section 1600. Under Section 1582, the purchase price used in a business combination is based on the fair value of the shares exchanged at their market price on the date of exchange. Furthermore, virtually all acquisition costs will be expensed as incurred which are currently capitalized as part of the purchase price. Contingent liabilities are also recognized at fair value at the date of acquisition and remeasured fair value at each year through net income until settled. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire the business.< /div>

In addition, any negative goodwill will be recognized immediately in net income, unlike the current requirement to eliminate it by reducing net assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance standards for preparation of consolidated financial statements subsequent to a business combination. All three of the new CICA handbook sections are effective on January 1, 2011 with prospective application. We plan to early adopt these sections on April 1, 2010 and apply them to business combinations occurring subsequent to that date.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

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

We have determined that adopting U.S. GAAP at this time rather than IFRS would be more relevant to our investor base and less disruptive and less costly as we currently prepare a U.S. GAAP reconciliation in the notes to our consolidated financial statements and our systems are set-up to capture US GAAP information. Management expects to transition to US GAAP for our fiscal year starting April 1, 2011, as permitted by Canadian securities regulatory authorities. We will continue to monitor developments in IFRS standards, and our intent will be to transition to IFRS if and when adopted in the United States.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis 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, 2010, our disclosure controls and procedures were effe ctive 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 Canadian GAAP. No changes were made in our internal control over financial reporting during the year ended March 31, 2010, 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 pr ovide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada 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"). Based on this evaluation, Management has determined that internal control over financial reporting was effective as of March 31, 2010. 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 March 31, 2010.

FINANCIAL OVERVIEW

RESULTS FROM OPERATIONS

Revenue

(expressed in thousands of Canadian dollars except for units)

	Fiscal years ended March 31		
	2010	**2009**	**2008**
Engine shipments (units)	3,807	3,907	2,684
HPDI Fuel Systems (units	114	131	36
Total Unit shipments	3,921	4,038	2,720
Product revenue	102,049	102,755	55,238
Parts revenue	28,663	19,082	16,298
	130,712	121,837	71,536

Product Revenue by Geographic Region

(as a percentage of revenue)

	Fiscal years ended March 31		
	2010	**2009**	**2008**
Americas	67%	84%	66%
Asia	14%	4%	18%
Rest of the world	19%	12%	16%

Product revenue for the year ended March 31, 2010 was $102.0 million, down $0.8 million, or 1%, from $102.8 million in the prior fiscal year, on total CWI and LNG product shipments of 3,921 units compared to 4,038 units in the prior year. On a U.S. dollar basis, the decline was $3.5 million, or 3.4%. CWI product revenue increased $3.7 million, or 4.1%, in fiscal year 2010 to $94.6 million compared to $90.9 million in fiscal year 2009. CWI product shipments decreased from 3,907 units in fiscal 2009 to 3,807 units in fiscal 2010. The primary driver for the increase in CWI product revenue was sales mix as a greater proportion of ISL G units were shipped relative to the prior year, and this product generally sells for a higher price than B Gas and C Gas units. 0; During fiscal year 2010, the Canadian dollar strengthened against the U.S. dollar by an average of 3% during the year, resulting in lower growth in Canadian dollar terms by $2.7 million. Kit revenues, which are included in product revenue, decreased by $1.3 million, or 20.6%, in fiscal year 2010 to $5.0 million from $6.3 million in fiscal year 2009 because of timing of shipments relating to customers in India. This was offset by an increase in CWI engine margin primarily on shipments of B Gas engines by a manufacturer located in India, which increased by approximately $4.0 million compared with fiscal 2009.

For the year ended March 31, 2010, non-CWI product revenues decreased by $4.4 million, or 37.8%, from $11.8 million, with 114 HD units shipped in the year, to $7.4 million and 131 units shipped in the prior year. The revenue decline is due to a reduction in the average selling price, a change in sales mix from an upfit model to a sale of fuel systems directly to the OEM, as well as lower sales volumes. Non-CWI revenues were also impacted by the relative strengthening of the Canadian dollar against the U.S. dollar.

For the year ended March 31, 2009, product revenue was $102.8 million, up $47.6 million, or 86%, from $55.2 million in the prior fiscal year, on total CWI and LNG product shipments of 4,038 units compared to 2,720 units in the prior year. CWI product revenue was up 78% to $90.9 million in fiscal year 2009 compared to $51.0 million in fiscal 2008. CWI product sales increased from 2,684 units in fiscal 2008 to 3,907 units in fiscal 2009. In U.S. dollar terms, CWI product revenue increased by US$32.2 million. The U.S. dollar strengthened against the Canadian dollar by an average of 9.2% during fiscal 2009, resulting in higher growth in Canadian dollar terms. Kit revenues, which are included in product revenue, increased to $6.3 million from $1.4 million, primarily driven by an order from a customer in India . Non-CWI revenues grew from $4.2 million to $11.8 million with 131 LNG units in fiscal 2009 compared to 36 in fiscal year 2008. In fiscal 2009, non-CWI revenue included $11.0 million of product revenue associated with sales of heavy duty LNG systems in North America and Australia as well as $0.8 million in other revenues related primarily to testing services.

Parts revenue

Parts revenue increased in fiscal 2010 by $9.6 million, or 50%, from $19.1 million to $28.7 million in fiscal year 2009. CWI parts revenue increased from $19.0 million in fiscal year 2009 to $25.6 million in fiscal year 2010. The increase is due to higher sales volumes. Parts revenue is a function of engine population, repair and maintenance experience, the age of the population and product reliability. Non-CWI parts revenue increased from $0.1 million in fiscal year 2009 to $3.0 million in fiscal year 2010 primarily from sales of spark ignited tanks generated by BWI of $1.8 million. Westport HD also sold $1.1 million in parts as a result of a higher population of HD units.

For the years ended March 31, 2009 and 2008 part revenue was $19.1 million and $16.3 million, respectively. The 17.1% increase was attributable primarily to foreign exchange.

Cost of revenue

Cost of revenue for the year ended March 31, 2010 was $89.4 million compared to $91.0 million in the prior year. CWI cost of revenue decreased from $81.3 million in fiscal year 2009 to $78.9 million in fiscal year 2010 as a result of a favourable warranty adjustment of $2.0 million in fiscal year 2010 compared with an unfavourable adjustment of $4.3 million in the prior year. CWI also negotiated lower selling expenses on certain parts. Non-CWI cost of revenue increased from $9.7 million to $10.5 million despite a decrease in sales revenue. Cost of revenue included a charge for inventory obsolescence and campaign accruals of $1.8 million and $0.2, respectively in fiscal year 2010 compared with $0.1 million and $Nil, respectively in the prior year.

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

Gross margin

Gross margin was $41.4 million in fiscal 2010 compared with $30.8 million in the previous year, and gross margin percentage was 31.6% in fiscal year 2010 compared with 25.3% in the prior year. CWI gross margin increased from $28.6 million in fiscal year 2009 to $41.4 million in fiscal year 2010, and the gross margin percentage increased from 26.0% in fiscal year 2009 to 34.4% in fiscal year 2010. The increase in gross margin percentage was primarily the result of the favourable adjustment to warranty reserves in fiscal 2010 of $2.0 million compared to the unfavourable adjustment of $4.3 million in the previous year. The warranty reserve in fiscal 2009 increased to reflect ISL G claims experience during that year. The accrual rate on new ISL G engine shipments was also increased in response to fiscal 2009 claims experience. During fiscal 2010, the Company realized more favourable claims experience in the third and fourth quarters, which resulted in a positive warranty reserve adjustment and a reduction in the accrual rate on new builds. The remaining difference relates primarily to changes in business mix and a higher parts margin in fiscal 2010 relative to 2009.

Non-CWI gross margin was slightly below breakeven level in fiscal 2010 compared with $2.2 million in fiscal 2009 and gross margin percentage was -0.2% for fiscal year 2010 compared with 18.5% in the prior year. The decrease in gross margin percentage was driven by changes in the inventory obsolescence provision and campaign charges of $1.8 million and $0.2 million, respectively. We adjusted the inventory provision in fiscal year 2010 as a result of a lower proposed selling price on HD systems in fiscal 2011, which is not sufficient to recover costs on older key components. We also wrote down and scrapped certain components associated with our previous upfit model. During fiscal 2010, we moved to a model where we shipped fuel systems directly to OEMs.

For the years ended March 31, 2009 and 2008, gross margins were $30.8 million and $22.5 million, respectively. Gross margin percentages were 25.3% and 31.5% for those years. CWI gross margin and gross margin percentage were $28.6 million and 26.0% in fiscal 2009 compared with $21.8 million and 32.4% in fiscal year 2008. Gross margin percentage declined primarily because of higher warranty reserves recorded and a higher accrual rate recorded on new ISL G units shipped in the year. To reflect warranty claims experience in the year, CWI increased warranty reserves by $4.3 million, which negatively impacted the margin percentage by 4%. The remaining change in the CWI margin is attributable to product and geographic sales mix as well as an increase in kit revenue, which generated a lower margin. No n-CWI gross margin and gross margin percentages were $2.2 million and 18.5% in fiscal 2009 compared to $0.7 million and 16.7% in fiscal 2008. Gross margins fluctuate with foreign exchange, product mix and volumes.

Research and development

Research and development expenses, net of program funding, decreased $2.6 million, or 8.4%, to $28.4 million in fiscal year 2010 from $31.0 million in fiscal year 2009. CWI research and development expense decreased $1.4 million due to an increase in government funding of $0.2 million and a reallocation of personnel to sales and marketing activities of $1.2 million. Non-CWI research and development expenses decreased by $1.2 million ir the year ended March 31, 2010. The reduction is primarily attributed to shifts in program costs including a reduction in OEM integration costs and implementation of cost reduction initiatives, partially offset by lower government funding and higher stock based compensation. Research and d evelopment costs fluctuate with funding levels and stage of the development program.

Research and development expenses, net of program funding, increased $8.0 million, or 34.8%, in fiscal year 2009 to $31.0 million from $23.0 million in fiscal 2008. CWI's net research and development expenses increased by $2.2 million during fiscal 2009. The increase related to $1.1 million of technology royalty fees to Cummins as the result of higher revenues and $1.1 million of increases in costs related to product development and product support. During fiscal 2009, non-CWI net research and development expenses increased by $5.7 million. Government and partner funding decreased by $1.4 million with Industrial Technologies Officer ("ITO") contributions fully recognized in the prior year and we also accrued $1.4 million in royalty payme nts to ITO as per our funding agreement in the 2009 fiscal year. We also incurred $3.0 million in increased current product engineering expenses and production and other costs associated with the Westport Assembly Centre. In addition, we incurred $2.3 million in costs associated with new product development such as research and testing associated with meeting 2010 emissions standards for our HPDI units and work associated with our European OEM and next generation fuel systems. This was offset by completion of the 2007 LNG North America and Australia product development program during fiscal 2009 reducing costs by $2.4 million compared with fiscal 2008.

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

	Fiscal years ended March 31		
	2010	**2009**	**2008**
Research and development expenses	29,835	33,003	26,684
Program funding	(1,424)	(2,021)	(3,658)
Research and development, net	28,411	30,982	23,026

General and administrative

General and administrative expenses for the year ended March 31, 2010 increased $4.1 million, or 47.7%, to $12.7 million from $8.6 million in fiscal year 2009. CWI general and administrative expenses decreased in fiscal year 2010 by $0.2 million due to a one-time payment of compensation related expenses in the prior year. Non-CWI general and administrative expenses increased by $4.3 million primarily from an increase in stock-based compensation of $2.0 as a result of one-time grants and accelerated vesting of certain performance share unit awards. In addition, the Company incurred additional professional fees of $1.0 million relating to strategic development activities and an increase of $1.3 million relating to larger allocations of information technology development, rent and office support costs to research and development expenses in the previous year, and public company related expenses.

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

Sales and marketing

During fiscal year 2010 sales and marketing expenses increased $3.0 million, or 19.9%, to $18.1 million from $15.1 million in the prior year. CWI sales and marketing expenses increased from $5.7 million in fiscal 2009 to $8.4 million in fiscal 2010 while non-CWI sales and marketing expenses increased from $9.4 million in fiscal 2009 to $9.8 million in fiscal 2010. The increase in CWI sales and marketing expense is primarily due to a $1.4 million increase in policy expense associated with customer support on out of warranty engines. There was also a reallocation of personnel as a result of increased field service and customer support activities from research and development expense to sales and marketing expense of $1.2 million. Non-CWI sales and marketing expense increased by $0.4 million primarily due t o a higher stock based compensation charge and an increase in current product support costs.

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

Foreign exchange gains and losses primarily reflect the realized net gains and losses on foreign currency transactions and the net unrealized gains and losses on our non-CWI net U.S. dollar denominated assets and liabilities that are mainly composed of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. CWI also has foreign exchange exposure on its Canadian dollar denominated transactions and cash balances. For the year ended March 31, 2010, we recognized a foreign exchange loss of $0.3 million with the significant foreign currency volatility during the year. This compares to foreign exchange losses of $0.7 million in fiscal 2009 and $1.3 million in fiscal 200 8.

Depreciation and amortization for the years ended March 31, 2010, 2009 and 2008 were $2.1 million, $2.0 million and $1.6 million, respectively. Between 2009 and 2010, the increase in depreciation and amortization of $0.1 million related primarily to depreciation of research equipment and leasehold improvements owned for a full year. Between 2008 and 2009, we amortized leasehold improvements and equipment related to our new production facility, which was completed during the 2009 fiscal year.

Interest on long-term debt and amortization of discount of $2.8 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. In fiscal 2009, there was $1.9 million in interest and amortization of discount related mainly to the subordinated debenture notes. As the notes were issued on July 3, 2008, expense was recorded for only a portion of the year. Interest on the debentures was recorded at 9% per annum. Canadia n GAAP also required us to separately allocate the proceeds of the debenture units between the debt component and the warrants. Accordingly, the value of the debt ($11.4 million) and the value of the warrants ($3.6 million) were calculated based on each instrument's relative share value. The amount of the long-term debt is being accreted to its face value using the effective interest rate method.

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

Interest and other income for the years ended March 31, 2010 and 2009 was $0.4 million and $1.9 million, respectively. Amounts include interest income on cash and short-term investments as well as gains from the sale of short-term investments and equipment. The decrease of $1.5 million related to a lower average cash balance in our cash and short-term investments as well as a lower interest yield as a result of lower interest rates in both Canada and the United States. For the years ended March 31, 2009 and 2008, interest and other income was $1.9 million and $1.3 million, respectively. The increase of $0.6 million from 2008 to 2009 related to a higher average balance in our cash and short-term investments subsequent to the financing associated with our NASDAQ listing in July 2008 partially offset by lower interest yields particularly in the third and fourth quarters of fiscal 2009.

Gain on sale of long-term investments in fiscal 2010 relates 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 for net proceeds of $3.8 million resulting in a gain on sale of $2.9 million. As at March 31, 2010, the Company no longer owns 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 2009, we recorded realized gains of $14.3 million related to the sale of Clean Energy shares. In 2008 the realized gain of $10.7 million related to the sale of Clean Energy shares ($8.0 million) as well as a disposition of a substantial portion of our interest in Wild River for a net gain on sale of $2.7 million.

Income tax expense for the year ended March 31, 2010 was $8.9 million, which compares to an expense of $6.5 million for the year ended March 31, 2009. Current income tax expense representing cash taxes payable was $10.2 million in fiscal 2010 compared with $3.3 million in fiscal 2009, and we recorded a future income tax recovery of $1.3 million, which compares to an expense of $3.3 million in the prior 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 2010 and fiscal year 2009 as the provision relating to CWI was $8.6 million and $4.2 million, respectively.& #160; CWI has an effective tax rate of approximately 36% representing federal and state tax liabilities. During the year ended March 31, 2009, CWI utilized its remaining tax losses carried forward from previous years of $14.7 million U.S. dollars. These losses carried forward had previously been recognized as future tax assets and the majority of the losses were utilized in the first and second quarters of fiscal year 2009. The portion of the future tax asset relating to losses carried forward was drawn down to offset current tax expense. The draw down of the future tax asset for utilized losses was offset by an increase in the warranty liability, which resulted in future tax deductions for CWI. Non-CWI entities are primarily in a loss positions or have losses carried forward which offset taxable income. During fiscal years 2010 and 2009, we paid withholding tax on dividends of $0.2 million and $0.5 million, respectively. During fiscal ye ars 2010 and 2009, there was also future income tax expense related to the sale of our Clean Energy shares of $0.1 million and $2.2 million, respectively, as a result of reversing a future tax credit arising on available for sale investments.

For the year ended March 31, 2009, income tax expense was $6.5 million, and for the year ended March 31, 2008, we had income tax recoveries of $4.5 million. Current income tax expense, representing cash taxes payable in the year, was $3.3 million and $0.2 for fiscal years 2009 and 2008, respectively. Future income tax expense in fiscal 2009 was $3.2 million while in fiscal 2008 an income tax recovery of $4.7 million was recorded. As a result of utilizing all of the tax losses carried forward during the third quarter of fiscal year 2009, CWI incurred current tax expense of $3.0 million in its third and fourth quarter taxable income. In the year ended March 31, 2008, CWI recognized future income tax recoveries of $5.9 million arising from the recognition of future income tax assets associated with its loss carry-forw ards.

The remaining increase in future income tax expense relates to the sale of our Clean Energy shares of $2.2 million and $1.3 million, respectively, in fiscal years 2009 and 2008 resulted from reversing the future tax credit arising on available for sale investments in prior periods.

Joint Venture Partners' share of income from joint ventures of $7.5 million in fiscal year 2010 reflects Cummins' 50% share of CWI's net income and also includes BTIC's 50% share of BWI's net income in the period. In fiscal year 2010, Cummins' share of CWI net income was $7.6 million and BTIC's share of BWI was a loss of $0.1 million.

In fiscal year 2009, the joint venture partners' share of income from joint ventures of $4.2 million reflected Cummins' 50% share of CWI's net income after tax and also included BTIC's 50% share of BWI's net income in the period. In fiscal year 2009, Cummins' share of CWI net income was $3.9 million and BTIC's share of BWI net income was $0.3 million. For the year ended March 31, 2008, $5.6 million reflects Cummins' 50% share of CWI's net income after tax and also includes BTIC's 50% share of BWI's net loss in the period, or $0.3 million.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

As at March 31, 2010, our cash, cash equivalents and short-term investment position was $105.9 million, an increase of $23.2 million from March 31, 2009. 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 year ended March 31, 2010, our cash used in operations was $22.1 million. Cash used in operations before changes in non-cash working capital, a non-GAAP measure, was $25.1 million. Changes in non-cash working capital for the year contributed $3.0 million. The $3.0 million change in working capital for the year ended March 31, 2010 was impacted positively by cash inflows from a reduction in inventory balances of $5.8 million, increases in warranty liability of $1.2 million, increases in deferred revenue of $1.7 million, and increases in accounts payable and accrued liabilities of $0.3 million. This was offset by changes in accounts receivable of $6.0 million. Cash used in investing activities included $0.3 million invested in equipment, furniture and leasehold improvements. We also incr eased our net advances to Cummins by $4.8 million, and CWI paid Cummins a dividend of $4.2 million. We expect Cummins will continue to borrow funds from CWI's excess cash each quarter. We also repaid $1.2 million against our non-recourse loan with Clean Energy and $1.3 million against our demand installment loan.

During the year ended March 31, 2010, we funded our operations from the sale of our Clean Energy shares and our stake in Wild River amounting to proceeds of $3.8 million, and through our public offering resulting in cash of $57.4 million, net of $3.4 million of share issuance costs.

Foreign exchange negatively impacted cash and cash equivalents by $6.1 million as the relative value of the Canadian dollar increased relative to the U.S. dollar by 19% over the fiscal year.

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.

Our $13 million credit facility with our bank has been drawn down by our demand installment loan of $3.3 million and is subject to and limited by financial covenants, which may prevent us from drawing against the full amount of the line. As at March 31, 2010, we had access to the full amount of the line. During the year, our interest rate payable on our credit facility was prime plus 0.25% for borrowings up to $5 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 fundin g. If such additional funding is not available to us, if expected orders do not materialize or are delayed, or if we have significant overspending in our programs, we may be required to delay, reduce or eliminate certain research and development activities, reduce or cancel inventory orders, and possibly forego new program, acquisition or investment opportunities. Any of those circumstances could potentially result in a delay of the commercialization of our products in development and could have an adverse effect on our business, results of operations, liquidity and financial condition.

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

SHARES OUTSTANDING

For the years ended March 31, 2010, 2009 and 2008, the weighted average number of shares used in calculating the loss per share was 34,133,247, 30,268,947, and 25,167,966, respectively. During the year ended March 31, 2010, we granted 406,262 stock options and 105,084 performance share units relating to our long-term incentive programs. As part of the debenture units issued on July 3, 2008, we also issued 771,428 warrants with a strike price of $18.73 and 46,118 broker warrants with a strike price of $16.10. We also issued 790,614 warrants with a strike price of $10.65 to the Government of Canada, as required under our funding agreement. The warrants issued to the Government of Canada were exercised on April 14, 2010 for net proceeds of $8.4 million. The shares, share options and performance share units outstanding and exercisable as at the following dates are shown below:

	March 31, 2010		May 27, 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Shares outstanding	38,494,575		39,409,436	
Share Options				
- Outstanding	1,051,589	8.13	962,101	7.90
- Exercisable	550,471	8.44	460,983	8.02
Performance Share Units				
- Outstanding	1,194,913	N/A	1,194,913	N/A
- Exercisable	182,495	N/A	182,495	N/A
Warrants				
- Outstanding and exercisable	1,608,160	14.68	771,378	18.72

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF FOURTH QUARTER 2010

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	**30-Jun-08**	**30-Sep-08**	**31-Dec-08**	**31-Mar-09**	**30-Jun-09**	**30-Sep-09**	**31-Dec-09**	**31-Mar-10**
Units shipped	1,078	1,460	824	676	622	1,053	1,202	1,044
Average foreign exchange rate (C$:US$)	$ 1.01	$ 1.04	$ 1.21	$ 1.25	$ 1.16	$ 1.10	$ 1.06	$ 1.02
(expressed in thousands of Canadian dollars except per share)								
Product revenue	$ 21,428	$ 34,332	$ 25,448	$ 21,547	$ 19,329	$ 23,991	$ 30,158	$ 28,571
Parts revenue	$ 4,081	$ 4,680	$ 5,606	$ 4,715	$ 5,614	$ 7,680	$ 8,239	$ 7,130
Total revenue	$ 25,509	$ 39,012	$ 31,054	$ 26,262	$ 24,943	$ 31,671	$ 38,397	$ 35,701
Gross margin	$ 8,339	$ 9,226	$ 6,321	$ 6,930	$ 6,396	$ 7,992	$ 15,083	$ 11,889
	33%	*24%*	*20%*	*26%*	*26%*	*25%*	*39%*	*34%*
Net income (loss) for the period	$ (3,463)	$ 676	$ (8,928)	$ (12,710)	$ (9,189)	$ (8,984)	$ (7,279)	$ (12,184)
Earnings (loss) per share:								
Basic	$ (0.13)	$ 0.02	$ (0.28)	$ (0.43)	$ (0.29)	$ (0.28)	$ (0.21)	$ (0.32)
Diluted	$ (0.13)	$ 0.02	$ (0.28)	$ (0.43)	$ (0.29)	$ (0.28)	$ (0.21)	$ (0.32)
Cash from (used in) operations before change in non-cash operating working capital	$ (2,548)	$ (3,947)	$ (8,288)	$ (10,842)	$ (7,132)	$ (6,869)	$ (2,369)	$ (8,711)
Company's 100% share of CWI net income	$ 3,234	$ 2,800	$ 258	$ 1,540	$ 1,312	$ 2,092	$ 5,878	$ 5,840
Joint Venture Partner's share of CWI net income	1,617	1,400	$ 129	$ 770	$ 656	$ 1,046	$ 2,939	$ 2,920

THREE MONTHS ENDED MARCH 31, 2010 AND 2009

Our total consolidated revenue for the three months ended March 31, 2010 was $35.7 million, an increase of $9.4 million, or 35.7%, from $26.3 million in the same period in fiscal year 2009. On a U.S. dollar basis, consolidated revenue increased by 63.8% as the Canadian dollar strengthened against the U.S. dollar by approximately 16% for the period. CWI product revenue was up $4.6 million as unit sales increased from 671 units to 998 units primarily as the result of increased volume of ISL G sales. CWI parts revenue also increased by $1.7 million quarter over quarter due to an increase in units in service and price increases on certain parts. Non-CWI revenues increased by $3.1 million with 46 HD systems shipped in the fourth quarter of fiscal 2010 compared with 5 in the comparative quarter. Wes tport HD sales included 14 units shipped to Australia and 32 within North America.

Net loss for the three months ended March 31, 2010 was $12.2 million compared to net loss of $12.7 million in the three months ended March 31, 2009. Our share of CWI net income increased $2.1 million from $0.8 million to $2.9 million primarily because of increased revenues and a higher gross margin percentage. CWI gross margin increased by $5.4 million on higher revenues, and gross margin percentages increased from 28.8% in the fourth quarter of fiscal 2009 to 40.3% in fiscal 2010 as the result of more favourable warranty experience and an increase in parts margin as a result of CWI negotiating lower selling expenses on certain parts. CWI operating expenses (research and development, sales and marketing and general and administrative expenses) decreased by $0.6 million because of government funding of $0.2 million received in the fourth quarter of 2010 from the Gas Technology Institute as well as a reduction in materials spending of $0.3 million and policy expenditures of $0.1 million compared with the fourth quarter of fiscal 2009. CWI's income tax expense increased by $1.7 million due to higher margins and lower operating expenses.

Non-CWI net loss increased $1.6 million from $13.5 million to $15.1 million. Non-CWI Gross margins decreased $0.6 million in the fourth quarter of fiscal 2010 compared with fiscal 2009 on higher sales volume offset by an inventory write-down of $1.6 million for obsolescence and scrap. Non-CWI operating expenses increased by $2.9 million compared with the fourth quarter of fiscal 2009. The increase relates to general and administrative expenses rising from $2.3 million to $4.9 million quarter over quarter. We incurred a one time cost on settling contractual obligations to our former President and Chief Operating Officer which resulted in a charge of $1.8 million. We also incurred $0.7 in additional professional fees and outside services costs. The increase in other operating expenses compared with the fourth quarter of fiscal 2009 related to an increase in current product support costs offset by one-time integration costs incurred in the fourth quarter of the prior fiscal year.

We also recognized a gain on sale of Clean Energy shares of $2.9 million in the current quarter compared with a gain on sale of $0.4 million in the fourth quarter of fiscal 2009. The remaining change relates primarily to higher foreign exchange losses in the current quarter compared to the fourth quarter of the prior year.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	3-5 years	> 5 years
Accounts payable and accrued liabilities	13,902	13,902	13,902	-	-	-
Demand instalment loan	3,295	3,403	1,385	1,993	25	-
Short term debt	163	-	-	-	-	-
Subordinated debenture notes	12,727	17,025	1,350	15,675	-	-
Other long-term debt	348	359	139	219	1	-
Operating lease commitments	-	4,381	1,404	2,179	798	-
Royalty payments	1,350	29,685	3,856	3,040	2,700	20,089
Investment in Joint Venture	-	4,464	4,464	-	-	-
	31,785	73,219	26,500	23,106	3,524	20,089

Contractual Commitments

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

Demand Installment Loan

As of March 31, 2010, we had $3.3 million in a demand installment loan outstanding, down $1.3 million from $4.6 million as at March 31, 2009. The loan is drawn against our line of credit and bears interest at prime plus 0.25% for amounts under $5.0 million with further rate reductions applying above $5.0 million.

Short-term debt

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

Subordinated Debenture Notes

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

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 $10.6 million (US$10.4 million). As of March 31, 2010, US$7.6 million has been paid and US$2.8 million remains outstanding.

Investment in Joint venture

The investment in joint venture relates to our commitment to a 30-year joint venture agreement with Weichai Power and Hong Kong Peterson to form WWI. Under the terms of the WWI joint venture agreement, our initial investment is expected to be approximately $4.5 million (30 million RMB), equaling a 35% equity interest in WWI.

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 $1.4 million in government funding in 2010 compared with $2.0 million in fiscal 2009 and $3.7 million in fiscal 2008. Under certain repayment terms, we are obligated to repay royalties as follows:

AGREEMENT	DESCRIPTION	ROYALTIES	TERM
INDUSTRIAL TECHNOLOGIES OFFICE (FORMERLY TECHNOLOGY PARTNERSHIPS CANADA)	Fund 30% of the eligible costs of, among other research projects, the adaptation of Westport's technology to diesel engines, up to $18.9 million.	Annual royalties equal to the greater of $1,350,000 or 0.33% of annual gross revenues from all sources, provided that gross revenues exceed $13.5 million.	Fiscal 2010 to fiscal 2015, inclusive; royalty period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $28,189,000.
DEPARTMENT OF NATURAL RESOURCES CANADA	Funded $1 million for demonstration of a low emissions natural gas power generator in Grande Prairie, Alberta.	1% of revenues from future sales of natural gas engines for power generators.	Earlier of 10 years from project completion date (August 30, 2004), or when cumulative royalties total $1 million.

As at March 31, 2010, royalties of $1.4 million relating to ITO were paid and an additional $1.4 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 adv ersely affect our business, financial condition, liquidity, results of operation or prospects. A full discussion of the risks impacting our business is contained in the Annual Information Form for the year ended March 31, 2010 under the heading "Risks" and is available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

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

Cash flows from operations before changes in non-cash working capital
(expressed in thousands of Canadian dollars)

	2010	2009	2008
Cash flows from operations:			
Loss for the year	$ (37,636)	$ (24,425)	$ (10,315)
Items not involving cash:			
Depreciation and amortization	2,128	1,978	1,550
Stock-based compensation expense	4,827	2,246	664
Future income tax recovery	(1,341)	3,245	(4,691)
Change in deferred lease inducements	(74)	(321)	(251)
Gain on sale of long term investments	(2,972)	(14,275)	(10,659)
Joint Venture Partner's share of income from joint venture	7,453	4,221	5,564
Loss from investment accounted for by the equity method	1,078	1,021	-
Interest on long-term debt, amortization of discount and other	1,409	866	690
Other	47	(181)	(146)
Cash flows from operations before changes in non-cash operating working capital	$ (25,081)	$ (25,625)	$ (17,594)

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: June 1, 2010

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: June 1, 2010

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 March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Demers, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

June 1, 2010

/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 March 31, 2010 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.

June 1, 2010

/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.



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

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 auditors' report dated May 27, 2010 on the consolidated balance sheets of Westport Innovations Inc. ("the Company") as at March 31, 2010 and 2009, and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2010

- our Report of Independent Registered Public Accounting Firm dated May 27, 2010 on the Company's internal control over financial reporting as of March 31, 2010

each of which is incorporated by reference in this annual report on Form 40-F of the Company for the fiscal year ended March 31, 2010.

We also consent to the incorporation by reference in the registration statements (No. 333-165812) on Form S-8 and (No. 333-160709) on Form F-10 of the Company of our report dated May 27, 2010 with respect to the consolidated balance sheets of the Company as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three year period ended March 31, 2010 and our report dated May 27, 2010 with respect to the effectiveness of internal control over financial reporting as of March 31, 2010, included herein.

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

Chartered Accountants

Vancouver, Canada
May 27, 2010

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