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, 2011

Commission file number: 001-34152



WESTPORT INNOVATIONS INC.

(Exact Name of Registrant as Specified in its charter)

Alberta	**3537**	**N/A**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if applicable))

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

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

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

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

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

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

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

☒ Annual Information Form ☒ 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, 2011, 46,972,304 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. ☐ Yes 82- _____ ☒ 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. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☒ 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., Westport, and Juniper Engines Inc. products;
- the penetration of our existing markets and expansion of those markets;
- our ability to successfully launch new technology in light, medium, and heavy-duty market initiatives;
- our ability to expand, exploit and protect our intellectual property;
- our capital expenditure and engineering investment programs;
- the future desirability and use of natural gas as an alternative fuel;
- commodity prices and the fuel price differential between natural gas, diesel and other petroleum-based products;
- ongoing relationships between us and our business and joint venture partners;
- our ability to continue to compete with our competitors and their technologies;
- the capital and operating costs of vehicles using our technologies relative to alternative technologies;
- continuing growth in the transportation sector and in the natural gas engine market;
- profit margins and production costs of engines incorporating our technologies;
- the further development of infrastructure supporting the application of natural gas as an alternative fuel;
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets;
- increasingly stringent environmental and emissions regulations in the future;

- ongoing availability of government incentives and mandates for our technology;
- our ability to attract and retain personnel;
- production methods for our liquefied natural gas, or, LNG, compressed natural gas, or, CNG, and liquefied petroleum gas, or LPG, systems;
- increasing commercialization of our technologies;
- expansion of our product offerings;
- our adoption, timing, and ability to meet certain accounting and regulatory standards;
- the ability of our products to adapt to the use of biogas and manufactured fuels, including hydrogen, as fuels;
- our estimates and assumptions used in our accounting policies, and accruals, including warranty accruals, and financial condition;
- our compliance with environmental regulations; and
- our foreign subsidiary's past and potential future involvement with countries subject to Canadian and U.S. sanctions and embargoes.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this annual report on Form 40-F and in the documents incorporated by reference herein and other unforeseen risks, including, without limitation:

- market acceptance of our products;
- product development delays;
- delays in contractual commitments;
- changing environmental regulations;
- the ability to attract and retain business partners;
- the success of our business partners and original equipment manufacturers, or, OEMs, with whom we partner;
- future levels of government funding and incentives;
- competition from incumbent or new technologies;
- price differential between CNG, LNG and LPG relative to petroleum-based fuels;
- limitations on our ability to protect our intellectual property;
- potential claims or disputes in respect of our intellectual property;
- limitations in our ability to successfully integrate acquired businesses;

- limitations in the development of natural gas refueling infrastructure;
- the ability to provide the capital required for research, product development, operations and marketing; and
- those risks discussed under the heading "Risk Factors" in the Annual Information Form ("AIF") of the Company filed as Exhibit 99.1 to this annual report on Form 40-F.

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

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. 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 United States dollars.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended March 31, 2011 is filed as Exhibit 99.1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended March 31, 2011, 2010, and 2009, 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, 2011, included as Exhibit 99.3 to this Annual Report, under the heading "Disclosure Controls and Procedures and Internal Controls - Changes in Internal Control Over Financial Reporting".

REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

See Audited consolidated financial statements of the Company and notes thereto for the years ended March 31, 2011, 2010, and 2009 together with the report of the auditors thereon, included as Exhibit 99.2 to this Annual Report, under the heading "Report of Independent Registered Public Accounting Firm".

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 31, 2011, included as Exhibit 99.3 to this Annual Report, under the heading "Disclosure Controls and Procedures and Internal Controls - Changes in Internal Control Over Financial Reporting".

AUDIT COMMITTEE

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and Nasdaq Rule 5605(c)(2). The Company's Audit Committee is composed of M.A. (Jill) Bodkin, John A. Beaulieu, Gottfried Muench, Sarah Liao Sau Tung, and Dezsö J. Horváth, all of whom, in the opinion of the directors, are independent (as determined under Rule 10A-3 of the Exchange Act and Nasdaq Rule 5605(a)(2)) and are financially literate. Please refer to the Company's AIF attached as Exhibit 99.1 to this annual report for details in connection with each of these members and their qualifications.

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

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

The full text of the Audit Committee Charter is disclosed in the Company's AIF, attached hereto as Exhibit 99.1, and is incorporated by reference in this annual report on Form 40-F. The Audit Committee Charter is also available on the Company's website at www.westport.com.

Audit Committee Financial Expert

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

PRINCIPAL ACCOUNTING FEES AND SERVICES - INDEPENDENT AUDITORS

Information about the Company's principal accounting fees and services can be found under "External Auditors' Service Fees" of our AIF, attached hereto as Exhibit 99.1, which is incorporated by reference in this annual report on Form 40-F.

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

The Audit Committee nominates and engages the independent auditors to audit the consolidated financial statements and approves all audit, audit-related services, tax services and other services provided by the Company's external auditors. Any services provided by the Company's external auditors that are not specifically included within the scope of the audit must be pre-approved by the audit committee prior to any engagement. The Audit Committee pre-approved certain services of up to $50,000 per engagement or $312,500 in the aggregate. The Chairman of the Audit Committee is permitted to pre-approve work undertaken by the Company's external auditors between Audit Committee meetings.

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

The Company has adopted a Code of Conduct (the "Code") for all its directors, executive officers and employees. The Code is available on the Company's website at www.westport.com.

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

There have been no amendments, waivers or implicit waivers to the Code during the fiscal year ended March 31, 2011. Shareholders may submit a request online at the Company's website www.westport.com for a free printed copy of the Code.

CONTRACTUAL OBLIGATIONS

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

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended March 31, 2011 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NASDAQ CORPORATE GOVERNANCE

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

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

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

Rule 5615(e) requires that each listed company provide for a quorum for any meeting of the holders of the company's common stock that is not less than 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, 2011
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended March 31, 2011, 2010, and 2009 together with the report of the auditors thereon
99.3	Management's Discussion and Analysis for the year ended March 31, 2011
Certifications	
99.4	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
99.8	Consent of KPMG LLP

SIGNATURES

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

WESTPORT INNOVATIONS INC.

By:____/s/David R.Demers___

Name: David R. Demers
Title: Chief Executive Officer

Date: June 8, 2011

Exhibit 99.1

Westport Innovations Inc.

ANNUAL INFORMATION FORM
for the year ended March 31, 2011

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

Effective date: June 1, 2011



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FORWARD-LOOKING INFORMATION

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

- the future demand for Cummins Westport Inc. (" **CWI**") products and Westport products, including Juniper products and OMVL products, increasing penetration within our existing markets and expansion of those markets geographically, and continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the headings "OVERVIEW", "GENERAL DEVELOPMENTS", and within "STRATEGY" under the subheadings, "WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS", "Continue to Grow CWI Profitability", and "Focus on Geographic Expansion by Penetrating Key Markets in Asia, Europe and Australia", and additionally, mid-range to heavy-duty engines including those described under the heading, "CWI ALTERNATIVE FUEL ENGINES");

- our ability to 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, “WESTPORT HD NATURAL GAS ENGINES & LNG 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 are partly dependent on government incentives to facilitate demand for our products and fund our research and development programs and these incentives may not be renewed or may be redirected”);

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

- demand for engines incorporating our technologies (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”);

- the timing of commissioning of liquefied natural gas (" **LNG**") refuelling stations (as set out under the heading “General Developments” and “RISK FACTORS”, particularly under the subheading, “Our growth is dependent on natural gas refuelling infrastructure that may not take place”);

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

- 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” (second 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 out, for example, under “RISK FACTORS”, particularly, under the subheadings, “We are dependent on relationships with strategic partners”, “We are dependent on relationships with our suppliers” and, “Our limited production trials, commercial launch activities and field tests could encounter problems”);

- changing environmental regulations (as set out, for example, under “RISK FACTORS”, particularly, under the 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 are partly dependent on government incentives to facilitate demand for our products and fund our research and development programs and these incentives may not be renewed or may be redirected”);

- competition from other technologies (as set out, for example, under the heading, “RISK FACTORS”, particularly under the subheading, “We currently face, and will continue to face, significant competition”);

- 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 additional costs and expenses to us.

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

CURRENCY

Unless specifically stated otherwise, all dollar amounts set forth in this AIF are in U.S. dollars. **ON MARCH 31, 2011, THE BANK OF CANADA CLOSING RATE FOR ONE UNITED STATES DOLLAR WAS $0.9696 CANADIAN DOLLARS.**

CORPORATE STRUCTURE

In this AIF, references to “**Westport**”, “**the Company**”, “**we**”, “**us**” and “**our**” refers 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.

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

We have two material subsidiaries, Westport Power Inc. ("**WPI**"), which is 100% wholly-owned and incorporated pursuant to the Business Corporations Act (British Columbia), and Juniper Engines Inc. ("**Juniper**"), which is 100% wholly-owned by WPI, and incorporated pursuant to the Business Corporations Act (British Columbia). In addition, we own 100% of the voting securities of Westport Fuel Systems Inc., a Delaware corporation; 100% of the voting securities of Westport Innovations (Australia) Pty. Ltd., a Victoria, Australia corporation; 100% of the voting securities of Juniper Engines Inc. S.R.L., an Italian corporation; 100% of the voting securities of OMVL SpA ("**OMVL**"), an Italian corporation; 100% of the voting securities of OMVL Argentina S.R.L. an Argentine 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 35% of the voting securities of Weichai Westport Inc. ("**WWI**"), a Chinese 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 beginning on Page 3 of this AIF.

OVERVIEW

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Our technology and products enable light- (2.4 litre), medium- (5.9 to 8.9 litre), heavy-duty (11 to 16 litre) and high-horsepower (greater than 16 litre) petroleum-based fuel engines to use primarily natural gas, giving users a cleaner, and generally less expensive alternative fuel based on a more abundant natural resource. To date, we have sold over 30,000 natural gas and propane engines to customers in more than 19 countries. We currently have strategic relationships with three of the world's top four engine producers and supply or have strategic relationships with five of the world's top six truck producers.

Since our founding in 1995, we have focused on developing technology that allows us to produce more environmentally sustainable engines without compromising the performance, fuel economy, durability and reliability of diesel engines. We have invested over $250 million towards the research, development and commercialization of our proprietary technologies, which allow engines to operate on natural gas while preserving the key benefits of diesel engines. The substitution of natural gas for petroleum-based fuel drives a significant reduction in harmful combustion emissions, such as nitrogen oxides, particulate matter and greenhouse gas, in addition to providing a relatively inexpensive alternative fuel from a more plentiful natural resource. Our systems enable combustion engines to use gaseous fuels, such as natural gas, propane, biogas or hydrogen. Our research and development effort and investment have resulted in a substantial patent portfolio that serves as the foundation for our differentiated technology offerings and competitive advantage.

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

CWI, our 50:50 joint venture with Cummins, Inc., (“**Cummins**”), serves the medium- to heavy-duty engine markets. 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 drayage trucks, material handling trucks, street sweepers and vehicles for selected industrial applications. The fuel for CWI engines is typically carried on the vehicles as compressed natural gas, (“**CNG**”), or LNG. CWI engines are produced at Cummins' plants in the United States, China and India, allowing CWI to leverage Cummins' global manufacturing footprint without incurring additional capital costs. CWI also utilizes Cummins' supply chain, back office systems and distribution and sales networks.

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

Juniper Engines Inc., a wholly-owned subsidiary of Westport, is a natural gas and liquefied petroleum gas (“ **LPG**”) engine and fuel system provider for the OEM light-duty automotive and industrial market. Juniper also offers aftermarket conversion of engines from gasoline (petrol) to CNG and LPG. Juniper engines fully integrate multipoint injection, (“**MPI**”), technology, with Hyundai Motor Company's 2.4 litre industrial engine platform. The result is a high-performance, low-emissions solution that offers competitive advantages over incumbent products, including a compact engine package, higher torque and power, enhanced acceleration and transient response. In the first quarter of fiscal 2011, Juniper commenced production shipments to its OEM launch partner, Clark Material Handling Co., and delivered field trial engines in an oilfield application in Canada. In the non-mobile industrial market, Juniper engines were successfully tested in stationary oilfield applications and the Company is now formalizing customer relationships in power generation and agriculture. With our acquisition of OMVL, Juniper has entered the light-duty automotive market and is expected to significantly expand Westport’s global product portfolio by adding high-volume automotive components and systems. Juniper is leveraging its capabilities and assembly facilities in Italy and Argentina that today supply Europe, Asia, and the Americas. Continued strategic investments in new markets and OEM-class products and capabilities will allow Juniper to compete for leadership in the light-duty alternative fuels market.

We have formed additional joint ventures to capitalize on the growth of alternative fuel engines in geographic markets outside of North America. In July 2010, we established WWI, a joint venture between Westport (35% interest), Weichai Power Co. Ltd., (**"Weichai**") (40% interest) and Hong Kong Peterson (CNG) Equipment Ltd., (“**Hong Kong Peterson**”) (25% interest), to focus on the Chinese market. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts for use in automobiles, buses, heavy-duty trucks, marine applications and power generation. WWI occupies a 20,000m^2 site in China with an annual production capacity of 20,000 engines. The current engines are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally. WWI intends to utilize Westport's natural gas technology expertise and the distribution network of engine manufacturing leaders seeking to deliver best-in-class solutions in a rapidly developing market.

In 2009, Westport announced that Volvo has entered into an agreement with Westport as a Tier 1 Development Supplier for its heavy duty natural gas engines and associated supply chain. Westport will supply its HPDI technology and work together with the Gothenburg, Sweden engine manufacturer to qualify appropriate suppliers consistent with Volvo volume and quality expectations. In July 2010, Westport and Volvo signed a new development and commercialization agreement. The natural gas engine development program is expected to result in an engine that will meet future emission requirements and be commercialized according to a mutually agreed timeline.

We have also established BWI, a 50:50 joint venture between Westport and Beijing Tianhai Industry, (" **BTIC**"), to focus on tanks to support the Westport HD business. BWI combines our core competencies in LNG fuel systems with BTIC's global cryogenic tank manufacturing capabilities. The joint venture fills a need within the natural gas vehicle industry for more cost-effective, custom-engineered tanks for LNG.

GENERAL DEVELOPMENTS

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

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

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

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

On December 21, 2010, Westport announced that Vedder Transport Ltd. of Abbotsford, British Columbia had issued a purchase order for 50 Peterbilt 386 LNG trucks featuring Westport HD systems. Vedder Transport Ltd., a division of the Vedder Transportation Group, specializes in the transportation of Food Grade products in a bulk liquid or dry state and offers dedicated and irregular route, truck load and less than truck load freight services throughout Canada, and between Canada and the United States. The new trucks, powered by Westport HD, will be used on routes within Southern British Columbia primarily servicing the Bulk Food Grade Industry such as the British Columbia Dairy Producers and other liquid or dry state worldwide agricultural organizations. FortisBC (formerly called Terasen Gas), a subsidiary of Fortis Inc., the largest distributor of natural gas in British Columbia, will fuel the Vedder Transport natural gas fleet through a planned LNG refuelling station in Abbotsford, which is expected to be built in 2011.

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

On November 9, 2010, Westport filed a final prospectus supplement in Canada and the United States for an offering of Westport common shares totalling 6,050,000 common shares at a price of $17.50 per share, for gross proceeds of $105.9 million. On November 15, 2010, Westport announced the exercise in full of the underwriters' option to purchase an additional 907,500 common shares in connection with the offering. With the exercise of the option, under the offering, Westport issued a total of 6,957,500 common shares at a price of $17.50 per share, for gross proceeds of $121.8 million.

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

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

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

On July 3, 2010, Westport completed its previously announced investment in a joint venture with Weichai and Hong Kong Peterson to form WWI. The joint venture agreement is scheduled to expire in 2039. Under the joint venture agreement, Westport invested approximately $4.3 million, for a 35% equity interest in WWI. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts for use in automobiles, buses, heavy-duty trucks, marine applications and power generation. WWI intends to utilize Westport's natural gas technology expertise and the distribution network of engine manufacturing leaders seeking to deliver best-in-class solutions in a rapidly developing market. WWI continues to experience strong growth in its spark-ignited natural gas engine business.

On July 2, 2010, Westport announced that it had completed the acquisition of OMVL, including its 51% interest in Juniper, for $25.7 million. Westport paid cash of $17.1 million upon closing and will pay approximately $10.3 million on the third anniversary of the closing date. As a result of the transaction, Juniper, previously a joint venture between wholly-owned subsidiaries of Westport Innovations Inc. and SIT Group of Italy became a wholly-owned subsidiary of Westport. This acquisition completed Juniper's light-duty strategy to enter the mobile industrial, non-mobile industrial and automotive segments. Juniper is expanding Westport's global product portfolio by adding high-volume automotive components and systems. Juniper intends to grow the business through new OEM relationships and continued strong aftermarket sales, leveraging its capabilities and assembly facilities in Italy and Argentina that currently supply Europe, Asia and the Americas. Continued strategic investments in new markets and OEM-class products and capabilities will allow Juniper to compete for leadership in the light-duty alternative fuels market. On September 14, 2010, Westport filed a business acquisition report regarding the acquisition of OMVL pursuant to form 51-102F4 of National Instrument 51-102 *Continuous Disclosure Obligations*.

On April 14, 2010, Westport announced that 790,614 warrants previously issued to Industry Canada, a department of the Government of Canada (under its former 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.

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 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 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 HPDI technology 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 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. 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 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 new LNG configurations. 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 $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 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 was $4.3 million and entitling Westport to a 35% equity interest in WWI. Weichai 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 Weichai 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 and Westport after each three-year term, with Weichai appointing the first board Chair.

On July 3, 2008, Westport announced the completion of the issuance of an aggregate of 15,000 debenture units for aggregate gross proceeds of C$15 million. J.F. Mackie & Company Ltd. acted as the sole underwriter for this offering. Each debenture unit consists of C$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 C$18.72 on or before July 3, 2010. During the 12 months ended March 31, 2010, we recognized C$2.8 million in interest and amortization expense associated with this issuance and paid C$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 global provider of alternative fuel systems technology for diesel applications using gaseous fuels such as natural gas, LPG, biomethane or hydrogen. In order to achieve this goal, we focus our efforts on the following business strategies:

Continue to Grow CWI Profitably

CWI revenues grew 27% compounded annually from calendar year 2004 through calendar year 2010. We believe our growth resulted from providing a quality product to the natural gas market, providing a high level of 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 exploring alternative engine platforms, ways to expand its OEM relationships and new applications for its existing products. With its ability to leverage the combination of Cummins' manufacturing, distribution and back office processing and Westport's differentiated technology, CWI has a highly flexible and scalable business model.

While North America remains CWI's primary market, we believe there are significant growth opportunities in Europe, Southeast Asia and South America. 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 a significant market opportunity. We also anticipate increasing CWI penetration levels in both the bus fleet and refuse truck markets as they continue to take advantage of the economic benefits of natural gas. We anticipate continued demand for 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 will help improve CWI's operating profitability.

Continue to Partner with Leading Global OEMs to Scale Westport HD Systems Including High Horsepower Applications

Westport HD systems have been in development since 1999 and have undergone extensive testing and field trials in Canada, Australia and California, and in March 2007, the Company began commercial delivery of its systems for heavy-duty trucks. Since launching the product in North America and Australia, we have sold over 300 HD systems as of March 31, 2011. Through our relationships with Cummins, Weichai and Volvo, we have access to every major target market for heavy-duty trucks in the world. We have also partnered with Kenworth (a PACCAR Company), Kenworth Trucks (a division of PACCAR Australia), and Peterbilt for line production of the Kenworth T800, the Kenworth Trucks T408SAR, K108, and T908, and the Peterbilt 386, and 367 trucks equipped with our LNG fuel system and Westport HD 15L engine. In addition, we are continuing discussions with additional leading truck OEMs and engine suppliers to integrate our products into existing truck and engine configurations. By offering a complete systems solution, including development services, to our OEM partners, our goal is to create market demand by nurturing early customers and removing possible barriers to adoption by working directly with strategic partners.

We believe there are a number of larger engine applications (16 litre or greater) that would benefit from utilizing our Westport HD technologies, such as heavy construction vehicles, marine engines, mining trucks, locomotives and large stationary power engines. These applications consume large amounts of fuel and often operate in regions where LNG offers a significant cost advantage over diesel, thereby providing favourable economics for natural gas use. Moreover, there is a concentrated target group of OEMs and customers. We have previously demonstrated our technology on high horsepower power generation applications and are currently in discussion 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 Market Penetration of Our Juniper Engines and Pursue Additional Light-Duty Engine Markets

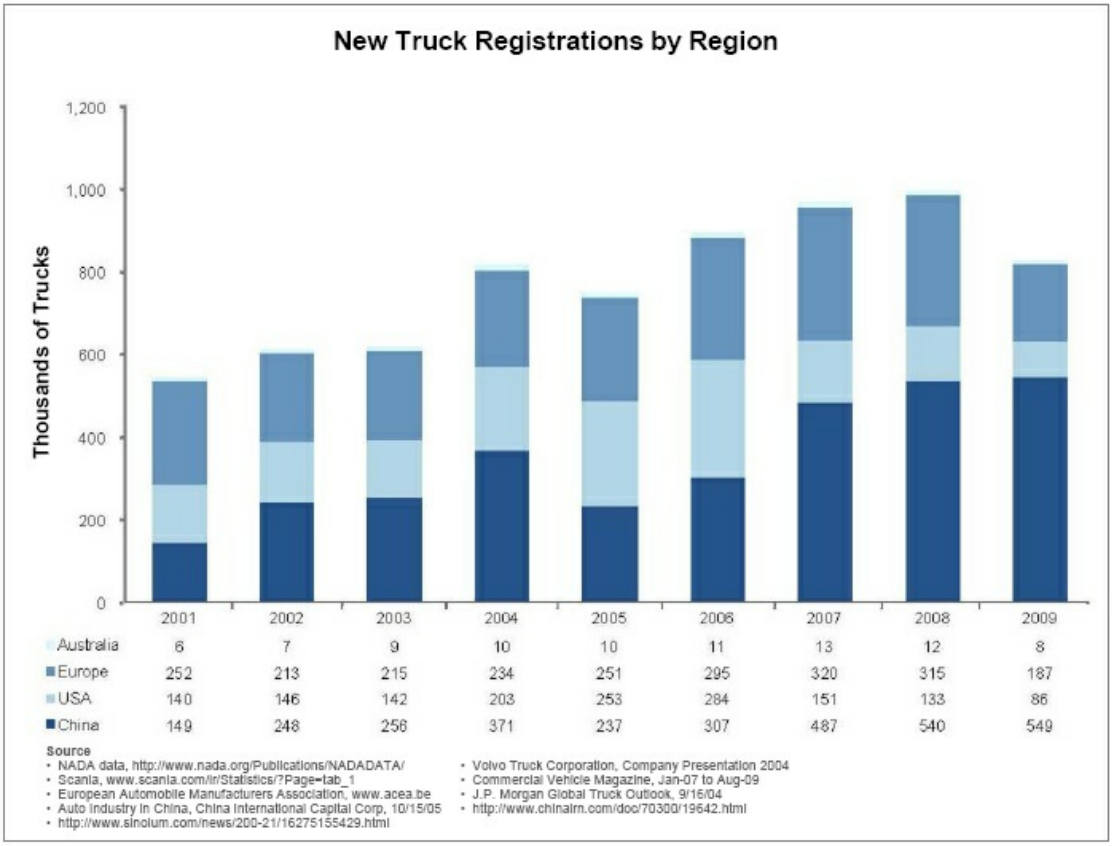
Juniper targets the high volume light-duty vehicle and engine segment globally. Until July 2010, Juniper was a 49:51 joint venture with OMVL focusing on entry into the industrial forklift market with products based on Hyundai Motor Company's 2.4 litre industrial engine platforms and OMVL's LPG multipoint injection technology. In July 2010, we acquired OMVL, making Juniper a wholly-owned subsidiary. The acquisition of OMVL strategically enhances the Westport portfolio by providing light-duty products and capabilities for the light commercial and passenger vehicle market. Juniper intends to grow its business through new OEM relationships and continued strong aftermarket sales, leveraging its capabilities and assembly facilities in Italy and Argentina that today supply Europe, Asia and the Americas. We will continue to pursue select strategic investments in new markets and develop OEM-class products and capabilities in order to allow Juniper to compete for leadership in the light-duty alternative fuels market, with North American fleet vehicles being a significant target market.

Achieve Automotive-Scale Production by Adding New Partners

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

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

We intend to focus our market development efforts in rapidly expanding regions. China is one of the world's largest markets for all types of vehicles, and its heavy-duty truck (greater than 16 tonnes) market is already approximately as large as those in Europe and North America. China's vehicle production has more than doubled in the past five years, whereas production in Germany, Japan and the United States is nearly flat or declining over the same period.



China is focused on moderating the impact of rapid urbanization and tremendous vehicle growth. The demand for cleaner fuel, such as natural gas, with economic advantages over traditional fuels is increasing, with an estimated 400,000 natural gas vehicles already in China and over 1,400 refuelling stations to support them. CWI supplies customers in China with high-performance CNG bus engines. WWI has experienced significant growth in China with over $46 million in revenue for calendar 2010 compared to $15 million in revenue for the same period in the previous year.

An additional focus for growth in Asia will be exports of our CWI engines through Chinese OEMs to other countries in Southeast Asia and South America. We also focus on promising markets in other parts of Asia, such as India. On October 15, 2008, CWI and Cummins India Limited, ("**CIL**"), announced that the Delhi Transport Corporation had ordered 3,125 natural gas buses equipped with CWI's B Gas Plus engines, all of which have been shipped to date. In March 2010, we announced that CIL 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 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 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 often creates advantageous payback scenarios to purchasers when they convert 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, biomethane or manufactured fuels, including hydrogen, hydrogen-natural gas blends, and dimethyl ether, emerge as cost-competitive options, we expect our gaseous-fuelled engine technologies, systems 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 continue to explore the adaptations of our technology with hydrogen and other alternative fuels. We have previously worked with Ford Motor Company and Bayerische Motoren Werke AG on hydrogen injection technologies and continue to explore such technologies with Argonne National Laboratory.

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 natural gas while maintaining diesel equivalent performance and efficiency. Westport's light-duty engine company, Juniper Engines Inc. is a natural gas and LPG engine and fuel system provider for the OEM light-duty automotive and industrial market. Juniper also offers aftermarket conversion of engines from gasoline (petrol) to CNG and LPG.

CWI 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 is already the leading supplier of natural gas engines to North American transit/shuttle/school buses and to city refuse collection fleets, and the outlook for conventional truck markets is promising.

CWI has four engines in commercial production today: ISL G, C Gas Plus, B Gas Plus, and ISB5.9 G.

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 U.S. Environmental Protection Agency, or, EPA, and California Air Resources Board (" **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, or, Environmentally Enhanced Vehicle, standard, expanding the engine availability to Europe and other markets around the world.

The 8.9 litre ISL G engine uses stoichiometric cooled-exhaust gas recirculation, (" **EGR**"), combustion, leveraging Cummins' proven cooled EGR diesel technology to create a high-performance natural gas engine. The use of cooled EGR in place of large amounts of excess air not only lowers combustion temperatures, it also allows the creation of an oxygen-free exhaust, which in turn allows for the use of a three-way catalyst, ("**TWC**"), on the exhaust. 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. With low-speed torque improved by over 30% compared to previous engines**.** With ratings from 250 to 320 horsepower, this high-performance, low-emissions engine has sufficient power and torque for large transit buses, refuse collection trucks and other tractor and truck applications. The ISL G has replaced the C Gas Plus and the L Gas Plus in North America.

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

The B Gas Plus engine is 5.9 litres in displacement and is suitable for shuttle bus, vocational and other truck applications that require less power and a smaller package size than the C Gas Plus or ISL G. Launched in October 2002, the B Gas Plus is an advanced version of the previous B5.9G natural gas engine, which Cummins had been producing since 1994. The B Gas Plus is 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 ISB5.9 G replaced the B5.9G/BGI natural gas engine in developing country markets. The ISB5.9 G is based on the B Gas Plus and was designed to be assembled locally in India to meet domestic production requirements in those markets. This minimizes import costs, which allows more competitive pricing with local manufacturers.

Field tests have begun for the 11.9 litre engine for future integration into trucks including but not limited to refuse and Class 8 delivery markets.

Under the restated and amended joint venture agreement signed in December 2003, (the " **Amended JVA**"), Cummins granted CWI an exclusive, worldwide license to make, have made, use, market, or sell engine product and parts embodying, using or designed to practice any current and future intellectual property requested or required by CWI in order to pursue the business opportunities relating to automotive gaseous fuel versions of Cummins B, C and L diesel engines (and their derivatives) and any future CWI products for distribution approved by the CWI board of directors. Cummins has agreed to manufacture the engines for CWI's business and to transfer them to CWI at cost. In consideration for these terms, CWI agreed to pay Cummins a technology access royalty fee equal to 1.5% of engine revenue in 2004, and equal to 2.75% of engine revenue thereafter, to a cumulative maximum of $10.4 million. As at March 31, 2011, $9.8 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 ir twelve months, at 125% of fair market value as determined by an independent valuation agent and with the obligation to continue to share profits for two years following the purchase. CWI currently designs and develops commercial mid-range engine products; CWI markets and sells to transit bus and urban truck OEMs around the world. These engines operate on natural gas, stored on the vehicle in either CNG or as LNG. CWI engines are manufactured today in two different locations: a Cummins engine plant in Rocky Mount, North Carolina, and by CIL in Pune, India. 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 each from 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).

WESTPORT HD NATURAL GAS ENGINES & LNG FUEL SYSTEMS

A key element of our strategy is to diversify our revenue base through the commercialization of our Westport HD systems, including LNG fuel system and Westport HD 15L engine with HPDI technology, for heavy-duty Class 8 trucks, in both on-road and off-road applications. Our immediate market focus is North America and Australia, particularly in regions 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, goods distribution centers and over-the-road ("**OTR**") line haul operations.

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

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

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

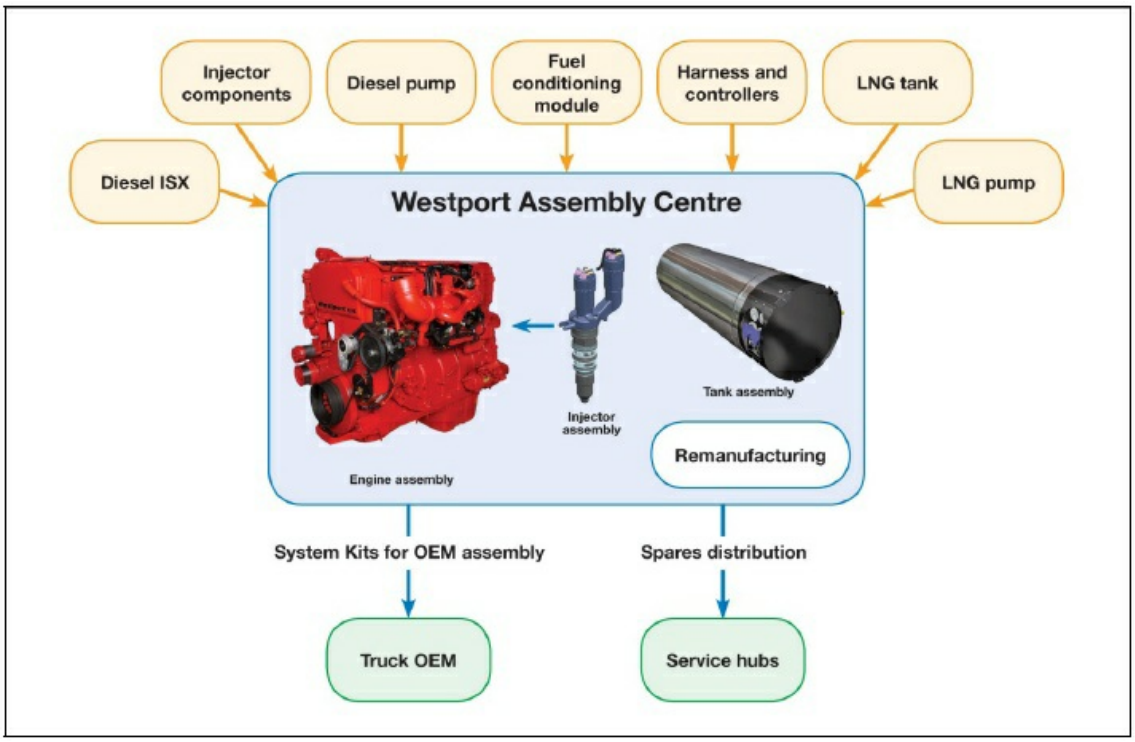
Current Engine Ratings

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

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

Westport HD System Production

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



JUNIPER ALTERNATIVE FUEL ENGINES & FUEL SYSTEMS

Juniper is Westport's light-duty, global business unit targeting the high volume light-duty vehicle and engine segments for industrial markets, such as forklifts, and the automotive market.

Juniper's engines, initially targeting the OEM forklift engine and oilfield engine, and fuelled with LPG or natural gas, are fully integrated, high performance, low-emission solutions. The first Juniper products were shipped in April 2010.

The market for alternatively-fuelled industrial forklift engines was estimated in 2008 at 62,000 engines per year (primarily LPG) in North America, according to the Industrial Truck Association. In the oilfield engine market, Cummins Western Canada estimates that there are over 10,000 alternatively fuelled engines (primarily natural gas) sold into the oilfield space each year.

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; and
- 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 engine and oilfield engine OEMs. Juniper's value proposition includes a complete 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.

Juniper, through the acquisition of OMVL, is providing light-duty products and capabilities for the light commercial and passenger vehicle market. Juniper intends to grow its business through new OEM relationships and continued strong aftermarket sales, leveraging its capabilities and assembly facilities in Italy and Argentina that today supply Europe, Asia and the Americas.

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

Current Engine Ratings

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

2.4 Litre Alternative Fuel Engine & Fuel System Production

The fuel system for the Juniper 2.4 litre engine is manufactured 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 $250 million towards the research, development and commercialization of our proprietary technologies, which allow engines to operate on natural gas while preserving the key benefits of gasoline or diesel engines.

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

Our technologies encompass fuel systems, combustion and control approaches, as well as exhaust emissions treatment for gaseous fuel engines that are either homogeneous charge spark ignited engines or direct injection engines.

High Pressure Direct Injection

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

High Pressure Gaseous Fuel Injectors

Our HPDI fuel injectors are designed to be incorporated into a diesel engine with no or limited head modifications and minimized changes to the engine hardware beyond replacing a diesel injector with our HPDI fuel injector. These injectors enable late-cycle, high pressure direct injection of natural gas, ensuring diffusion-type combustion. HPDI fuel injectors are common-rail, diesel-actuated and electronically controlled.

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

- the high volumetric flow rates required for a fuel much less dense than diesel;
- 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
- the sealing between gas and pilot fuel within the injectors.

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

Hot Surface Ignition (HSI)

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 showed no measurable particulates, up to 20% less greenhouse gas emissions (mainly carbon dioxide) than equivalent diesel engines, and 30% increased fuel efficiency over typical natural gas engines of this capacity.

Alternate Fuel Combustion

Our combustion technologies were conceived to manage the challenges unique to burning a port injected or 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 engine fuelling capability, minimize heat leak and external exposure of cryogenic parts.

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.

On-board Compressors

We have designed vehicle 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 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 simple, passive three way catalyst. SESI technology delivers ultra low emissions, below EPA 2010 levels, with increased thermal efficiency and higher low-speed torque compared with today's LBSI engines.

Stoichiometric Multi-Point Injection Spark Ignited

Juniper has integrated the robust and cost effective multipoint injection LPG and natural gas fuel system from OMVL on to 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 three way catalyst to meet strict emissions requirements. Both the LPG and CNG 2.4 litre engines are certified to EPA 2007 Tier II Off-road LSI Engine and CARB 2010 Off-road LSI Regulations.

INTELLECTUAL PROPERTY

The goal of our intellectual property strategy is to capture, protect, and utilize our intellectual property in coordination with our business and technology plans and to best enable the successful commercialization of our proprietary products. Our intellectual property strategy is designed to be adaptive to our target markets and the products intended for those markets, to support the commercial launch of new products, and to sustain a long-term competitive edge in the 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 property assets will enable us to remain competitive in our industry.

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

As of March 31, 2011, we held approximately 250 issued patents worldwide, including 66 issued U.S. patents, in addition to numerous pending patent applications around the world. More than 80 percent of these issued patents have more than 10 years of term remaining if maintained for their potential lifetime. We also have a number of patent applications pending in the United States and under the international Patent Cooperation Treaty, which preserves for at least 30 months our right to file corresponding patents in all of the major industrial countries that are of interest to us. These issued and pending patents cover various aspects of our technology.

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

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

COMPETITIVE CONDITIONS

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

GOVERNMENT FUNDING

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

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

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

February 2008 - Westport was awarded $2.25 million (subsequently amended to $1.75 million) in funding from the SCAQMD, of which $500,000 will be contributed by the 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.

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 June 1, 2011, Westport had a worldwide total of 381 employees consisting mostly of engineers and technicians. Of that number, we had 353 full-time employees and 27 contract or part-time staff in our offices in Vancouver, Canada, throughout the United States, Australia, Buenos Aires, China, France, and Italy. CWI had 60 full-time employees, including 50 employees and 1 contract staff seconded from Cummins and 9 employees seconded from Westport (Westport secondees included in the above total headcount).

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

SOCIAL AND ENVIRONMENTAL POLICIES

Westport is committed to the protection of the environment, the prevention of pollution and leading the industry in mitigating the adverse environmental impacts of fuel system research, development, testing and assembly. This Environmental Policy Statement outlines the standards to which our operations seek to achieve:

1. Westport will endeavour to ensure that its operations comply with all applicable environmental legislation, industry codes and standards and internal corporate policies.

2. Westport will monitor industry best practices and endeavour to adopt and implement those that contribute to the protection of the environment, the conservation of resources, the prevention of pollution and the minimization of waste.

3. Westport will continue to research, design, and develop alternative fuel engine technologies that preserve environmental health and safeguard employees, customers and the general public from injuries or health hazards.

4. Westport will determine, evaluate, and endeavour to mitigate the environmental impacts of our existing operations and will endeavour to conduct a thorough environmental assessment and risk analysis prior to the implementation of new projects.

5. Westport will abide by internally established standards to utilize energy and other resources efficiently in its operations, including emissions and waste management programs which exceed current legislative requirements.

6. Westport will be an environmentally responsible neighbour in the communities where we operate and will endeavour to act promptly and responsibly to correct incidents or conditions that endanger health, safety or the environment.

7. In conjunction with external response agencies, Westport will endeavour to respond to environmental emergencies promptly and effectively via a trained and coordinated on-site Emergency Response Team.

8. Westport will fully investigate all environmental incidents or unplanned releases and will communicate the findings as necessary to all affected parties.

9. Westport will train our employees on their individual responsibility to protect the environment, to adhere to this Policy Statement, and to cooperate with Westport efforts in this regard. On-site contractors and others acting on behalf of Westport are expected to abide by the same environmental code of conduct.

10. Westport will evaluate its environmental performance through regular auditing and assessment of its regulatory compliance and adherence to this policy. We will communicate the appropriate information to our stakeholders including our Board of Directors, employees, shareholders, governmental agencies and the general public.

11. Westport will strive to continuously improve our environmental management system and measure the environmental impacts of our operations. This policy will be implemented through a comprehensive plan with measurable goals/targets and a rigorous analysis of performance. A candid discussion of our environmental achievements and challenges will occur in our annual sustainability report published on our website.

Our commitment to corporate responsibility is evident not only in the development of our products and technologies, but also in our ongoing efforts to enhance the social benefits derived from our business activities and minimize the environmental footprint of our operations. Every year, we review our operations, taking a hard and critical look at our environmental footprint and set targets for improvement.

We published our first sustainability report at the end of fiscal 2008 to highlight aspects of our safety, environment, and community engagement performance. Our fourth sustainability report, which will be published within our fiscal 2011 annual report, has been self-declared to correspond to application Level B in the six-level grid of the Global Reporting Initiative G3 guidelines.

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

Our employees demonstrate an active desire to contribute to our community. We have supported the United Way of the Lower Mainland with a spirited and employee-driven workplace campaign since 2002. Since that time, our employees have donated more than $487,000 to the United Way, and our campaigns have been recognized as leading efforts in the British Columbia high-tech sector.

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

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

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

In November 2010, we were ranked first on Corporate Knights' Cleantech 10™ list for the second year in a row. The Cleantech 10™ and Next 10 represent Canada's best publicly and privately held companies in the Cleantech realm, and span a range of sectors from desalination to biofuels to solar technology. The Cleantech 10™ list was created by The Cleantech Index (www.cleantechindex.com), which underlies several Index-based funds and is the first and only index to cover cleantech companies across a broad array of industries. Corporate Knights sought out technology-driven growth companies that have big impacts on resource efficiency and the environment - not simply those re-branding themselves as 'green.' A set of 18 screening criteria were applied to all TSX companies that Cleantech Group LLC use for their broad Cleantech Index. A heavy emphasis was placed on purity (percentage of revenues or income from Cleantech business, and whether or not it's really 'clean') and quality (strategy, management, financial strength, sector leadership). Other key criteria included growth, earnings, liquidity, capitalization, technology/intellectual property, and overall impact. In June 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.

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 2010	20.16	16.47	19.40	1,903,583
May 2010	20.73	14.36	16.30	2,879,505
June 2010	20.05	14.13	16.75	7,916,940
July 2010	21.95	16.17	20.32	2,948,820
August 2010	19.69	16.52	16.93	2,389,438
September 2010	19.80	16.90	18.03	1,868,453
October 2010	19.27	17.25	18.54	1,467,776
November 2010	19.79	17.31	18.56	1,982,599
December 2010	20.80	18.06	18.35	4,196,046
January 2011	19.70	15.11	15.70	2,852,105
February 2011	18.49	14.14	17.86	3,182,298
March 2011	21.49	16.06	21.25	2,164,804
April 2011	26.77	21.57	23.93	3,005,359
May 2011	25.36	20.79	23.93	1,292,552

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 2010	20.07	16.33	19.00	11,373,901
May 2010	20.44	13.39	16.31	14,979,785
June 2010	19.51	13.50	15.69	21,177,689
July 2010	21.34	14.94	19.89	15,252,969
August 2010	20.40	15.51	15.96	13,288,742
September 2010	19.25	16.23	17.60	8,622,121
October 2010	18.99	16.80	18.12	7,581,005
November 2010	19.59	17.10	18.15	16,503,898
December 2010	20.62	17.93	18.52	10,023,490
January 2011	19.77	15.15	15.77	11,919,727
February 2011	19.00	14.25	18.37	18,268,175
March 2011	22.39	16.19	21.98	18,118,712
April 2011	27.90	22.40	25.30	28,261,200
May 2011	25.96	21.29	24.83	16,304,864

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, 2011, our issued share capital consisted of 46,972,304 Common Shares and no Preferred Shares. Our Board may at any time issue any Preferred Shares in one or more series, each series to consist of such number of Preferred Shares as may be determined by the Board. The Board may determine at the time of issuance the designation, rights, privileges, restrictions, and conditions attaching to the Preferred Shares of each series.

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

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

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

DESCRIPTION OF COMMON SHARES

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

	March 31, 2011	
	Number	Weighted Average Exercise Price
		$
Shares Outstanding	46,972,304	
Share Options		
- Outstanding	562,014	8.46
- Exercisable	455,206	7.75
Performance Share Units		
- Outstanding	1,377,237	N/A
- Exercisable	541,534	N/A

PRIOR SECURITIES ISSUED

No securities of Westport not listed or quoted on any exchange were issued during the year ended March 31, 2011, other than options and restricted share units. Additional information with respect to the issuance of options and restricted share units by Westport during the most recently completed financial year are contained in Westport's proxy circular in respect of its 2011 annual meeting of shareholders, available on SEDAR at www.sedar.com.

DIRECTORS AND EXECUTIVE OFFICERS

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

The following table sets forth the names and municipalities of residence of all of our directors and executive officers as of June 1, 2011, as well as the positions and offices held by such persons, their principal occupations, and number of Common Shares held as of June 1, 2011:

Name and Municipality of Residence	Position with the Corporation	Principal Occupation for last five years	Director of the Corporation Since	Number of Common Shares held as of June 1, 2011
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	16,177
Warren J. Baker (2)(3)(5) *Avila Beach, California*	Director	President, California Polytechnic State University	September 2002	9,327
M.A. (Jill) Bodkin (1)(2)(4)(5) *Vancouver, BC*	Director	Chair and Chief Executive Officer of Golden Heron Enterprises; Director of Canadian Development for KCTS 9 Television	July 2008	7,156
David R. Demers (2)(4)(5)(6)(8) *West Vancouver, British Columbia*	Chief Executive Officer and Director	Chief Executive Officer of Westport	March 1995	126,521
Dezsö J. Horváth (1)(2)(4)(5) *Toronto, Ontario*	Director	Dean and Tanna H. Schulich Chair in Strategic Management, Schulich School of Business, York University	September 2001	51,478
Sarah Liao Sau Tung (1)(4) *Hong Kong, China*	Director	Senior Advisor to the Vice Chancellor of the University of Hong Kong on Sustainability; Former Secretary for the Environment, Transport and Works of the Hong Kong Special Administrative Region and a member of the Executive Council of Hong Kong (2002 to 2007)	July 2008	4,357
Albert Maringer (2)(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	2,513
Gottfried (Guff) Muench (1)(4)(5) *West Vancouver, British Columbia*	Director	Previously held various senior positions within Cummins Inc., including Canadian General Sales Manager-Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company; owner and principal of Cummins British Columbia (1986); President of Cummins Westport Inc. (2001 to 2002)	July 2010	2,513
W. Chipman Johnston *Calgary, Alberta*	Corporate Secretary	Partner (formerly an associate) at Bennett Jones, LLP	N/A	Nil
William (Bill) E. Larkin (7) *Blaine, Washington*	Chief Financial Officer	Chief Financial Officer of Westport; previously Chief Financial Officer of DDi Corp. (from 2009 to 2010); Chief Financial Officer of Fuel Systems Solutions, Inc. (from 2008 to 2009); Corporate Controller of Fuel Systems Solutions, Inc. (from 2006 to 2008); and Director of Financial Reporting at Standard Pacific Corp (from 2003 to 2006)	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 (from 2002 to 2005); and President of CH2M HILL Canada Ltd (from 2000 to 2002)	N/A	18,934
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 (from 2003 to 2010)	N/A	38,630

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

Warren J. Baker, a US citizen, of Avila Beach, California, USA, joined Westport's board in September of 2002. He is currently Chair of the Nominating and Corporate Governance Committee. He is retired President Emeritus having served as President of California Polytechnic State University in San Luis Obispo, California from 1979 until August 1, 2010. Dr. Baker is a Fellow of the American Society of Civil Engineers, a Fellow in the Engineering Society of Detroit, a member of the board of directors of the California Council for Science and Technology, and a former member of the US Business-Higher Education Forum. Dr. Baker has served as a member of the US National Science Board appointed by President Reagan serving two terms from 1985 to 1994. He has served as Chair of the board of directors of the ASCE Civil Engineering Research Foundation. Dr. Baker is also a member of the board of directors of John Wiley & Sons, Inc. of Hoboken, New Jersey, a New York Stock Exchange listed global publisher of print and electronic products, specializing in scientific, technical, and medical books and journals. Dr. Baker also served on the board of directors of the Society of Manufacturing Engineers' Education Foundation, and is a member of the Board of Governors, US - Mexico Foundation Science Foundation.

M.A. (Jill) Bodkin, a Canadian citizen, of Vancouver, British Columbia, Canada has been a member of Westport's board since July 2008. She has been Chair and Chief Executive Officer of Golden Heron Enterprises since 1996. From 2007 through 2010, Ms. Bodkin was also Director for Canadian Development for KCTS 9 Television, the Seattle, Washington based Pacific Northwest PBS station. Ms. Bodkin is the President of Yaletown Venture Partners VCC, Vancouver, and is a member of the Board of Syracuse University's Maxwell School of Citizenship and Public Affairs. From 1987 to 1996, Ms. Bodkin was with Ernst & Young as a Corporate Finance Partner, advising on financing technology companies and capital projects in North America and Asia. After her early career in trade and finance in Ottawa, in 1981 Ms. Bodkin became British Columbia's first woman Deputy Minister, responsible for financial institutions, and, until 1987, Founding Chair of the British Columbia Securities Commission. Her mid-career graduate studies were in public finance at the Maxwell School, Syracuse University. Ms. Bodkin is a Governor and former Chair of the Vancouver Board of Trade, as well as a former member of the Boards of Directors of the Laurentian Bank of Canada and KCTS 9 Television, and President of the Board of Pacific Coast Public Television. She has served on the Oversight Council for the Canadian Institute of Chartered Accountants, Advisory Boards on investment and trade to Canadian and British Columbia Cabinet Ministers, and Boards of policy think tanks, including the Thailand Development Research Institute, the Institute for Research in Public Policy in Canada, and the Canada West Foundation.

David R. Demers, a Canadian citizen, of West Vancouver, British Columbia, Canada, is a founder of Westport and has been Chief Executive Officer and a 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 Primero Mining Corp.

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 engaged by major corporations and governments as a consultant in these fields. In addition to his membership on corporate boards in the past, Dr. Horváth is currently a Director of Inscape Corporation (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 is on the International Advisory Council of the St. Petersburg University School of Management (1996-), Guanghua School of Management, Peking University (2007-), Fundaçäo 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. Dr. Horváth was chosen as a Member of the Order of Canada in July 2008 for his academic leadership and sustained commitment to business education in Canada.

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

Albert 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 board of directors for The Conference Board of Canada in Ottawa and is currently the Co-Chair for the Centre for Foreign Owned Enterprises at the Conference Board of Canada. He has also served as a member of the board of directors of the Canadian Nuclear Association. Dr. Maringer was a member of the Board of Trustees, Calgary Zoo, Calgary, and is a director and Chairman Emerit with the German-Canadian Chamber of Commerce and Industry. Dr. Maringer is Member of the Board (Aufsichtsrat) of Guardus AG in Ulm/Germany, was Chairman of the board of Clinicare Inc., a healthcare information technology company in Calgary, Alberta, and an advisory board member of Skypower Corporation in Toronto, Ontario. He is a director of Utilicase, a privately held software company in Montreal. Dr. Maringer is a member of the advisory committee for the Center for German-European Studies at York University, Ontario, serves on the advisory council of the Schulich School of Business, Ontario, and is a Professor and holds a Chair of International Management, Friedrich-Schiller-Universität in Germany.

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

EXECUTIVE OFFICER BIOGRAPHIES

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

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

Nicholas C. Sonntag, a Canadian citizen, joined Westport in October 2006 as Executive Vice President, responsible for the growth and development of Westport’s emerging OEM global partnerships based out of Westport’s Lyon office. He is also President Westport Europe and Asia responsible for growing the company’s business and opportunities in Europe and Asia. He is also a Director of BWI and Westport’s JV with Weichai. Prior to joining Westport, Mr. Sonntag served as President of CH2M HILL’s operations in Greater China, working on sustainable infrastructure and industrial development across China and Hong Kong. Prior to his time in China he was President of CH2M HILL’s operations in Canada. Mr. Sonntag has held senior executive positions with the Stockholm Environment Institute, the International Institute for Sustainable Development, and the U.N. Conference on Environment and Development. His memberships and board positions include: Royal Roads School of Environment & Sustainability; Environmental Forum of the American Chamber of Commerce in Beijing; Environmental Management College of China; the International Center for Sustainable Cities; and China-U.S. Center for Sustainable Development. Mr. Sonntag obtained a Bachelor of Science 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 and is currently a director and Treasurer for the David Suzuki Foundation. 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 head of the firm's private equity practice group. Mr. Johnston holds a BA (Hon.), First Class from the University of Calgary and an LLB from Osgoode Hall Law School.

SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of June 1, 2011, our directors and officers as a group beneficially owned, directly or indirectly 277,606 of our Common Shares, representing approximately 0.59% of the 47,132,345 Common Shares outstanding on June 1, 2011.

CONFLICTS OF INTEREST

David Demers, a director and/or officer of Westport, serves on the board of CWI, our 50:50 joint venture with Cummins. Elaine Wong, an officer of Westport, is also a board member of CWI. Nicholas Sonntag, an officer of Westport, and Bill Larkin, an officer of Westport, are board members of BWI, our 50:50 joint venture with BTIC.

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, and liquidity results of operation or prospects. While we have attempted to identify the primary known risks that are material to our business, the risks and uncertainties described below may not be the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operation or prospects.

Risks Related to Our Business

We have incurred and continue to incur losses.

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

We may be unable to raise additional capital.

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

A sustained economic recession could negatively impact our business.

Global economic factors beyond our control such as a sustained and far reaching economic recession, more restrictive access to credit markets or other broad economic issues may negatively affect the natural gas vehicle market, and reduce demand for our products as partners and potential customers defer replacing older vehicles or expanding their fleets. Our bad debt expense may increase, and we may need to assist potential customers with obtaining financing or government incentives to help customers fund their purchases of our products.

Potential fluctuations in our financial results make financial forecasting difficult.

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

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

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

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

Certain of our products may not achieve widespread adoption.

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

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

Our business has benefited from the availability of governmental incentives, such as tax credits, to encourage the use of natural gas in trucks, buses and other vehicles. The Federal Tax credit for alternative fuelled vehicles expired on December 31, 2010. HR 4853 (Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010) was passed December 17, 2010 which extended the expiration of the $0.50 per gallon credit for alternative fuels including natural gas, and the natural gas fuelling infrastructure credit of up to $30,000 until December 31, 2011. This legislation also included a provision for 100% bonus depreciation for some capital assets acquired before January 1, 2012. Efforts are underway to pass a streamlined version of the NAT GAS Act, HR 1380 (New Alternative Transportation to Give Americans Solutions Act of 2011) which was introduced on April 6, 2011. This bill seeks to amend the IRS code to allow for tax credits for natural gas vehicles, fuel and fuelling infrastructure for a period of 5 years. The NAT GAS Act of 2011 allows for a greater number of natural gas technologies to qualify for credits including dual and bi-fuel vehicles. The bill also provides tax credits to vehicle manufacturers and funding for natural gas vehicle research and development. While the bill has been well received with over 180 co-sponsors, it has not been passed into law. The NAT GAS Act has been referred to 3 committees and has not yet been scheduled for debate or voting.

In the absence of federal legislation, individual states such as Texas with HB 2938/SB 20 and Pennsylvania with a series of bills included in the “Marcellus Works” legislation, have introduced bills to provide incentives to promote the use of natural gas fuelling infrastructure and vehicles.

We cannot predict whether or when any of these bills will become law, and therefore whether any of the existing incentives will be renewed or new incentives enacted. While we believe that, even in the absence of governmental incentives, there are sufficient financial, environmental and other reasons for customers to buy our engines, continued uncertainty over whether such governmental incentives will be available in the United States could cause United States customers to delay making a decision on whether to purchase our engines, which in turn could negatively impact our business for so long as such uncertainty persists.

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 income tax credits for fuel and infrastructure, and state grants such as those offered by the CARB, California Energy Commission, and the SCAQMD. If these and other similar incentive programs are discontinued or are no longer available to our customers and potential customers, it may have a material adverse effect on our sales.

In addition, we enter into agreements with government agencies to help fund our research and development programs. There can be no assurance that we will succeed in being awarded future funding from any 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 2011, 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 greater resources than we do, may invest significant time and money in an effort to influence environmental regulations in ways that delay or repeal requirements for clean vehicle emissions. If these are discontinued or if current requirements are relaxed, this may have a material impact on our competitive position.

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

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

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

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

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

- any of the rights we have under U.S. or foreign patents owned by us or other patents that third parties license to us will not be curtailed, for example, through invalidation, circumvention, challenge, being rendered unenforceable or by license to others:

- we were the first inventors of inventions covered by our issued patents or pending applications or that we were the first to file patent applications for such inventions;

- any of our pending or future patent applications will be issued with the breadth of claim coverage sought by us, or be issued at all;
- our competitors will not independently develop or patent technologies that are substantially equivalent or superior to our technologies;
- any of our trade secrets will not be learned independently by our competitors; or
- the steps we take to protect our intellectual property will be adequate. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries.

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

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

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

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

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

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

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

We are dependent on relationships with strategic partners.

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

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

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

We are dependent on relationships with our suppliers.

While we have negotiated supply agreements with various manufacturers and have entered into strategic supply agreements with BTIC, a Sino-Korean company located in Beijing, China, 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 inventory and locking in long-term pricing when possible. There are no guarantees, however, that we will be successful in securing alternative suppliers or that our inventory levels will be sufficient for our production requirements.

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

The majority of 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 presented by any rapid expansion could harm our business, prospects, results of operations or financial condition.

Warranty claims could diminish our margins.

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

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

We could become subject to product liability claims.

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

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

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

We have foreign currency risk.

While a majority of our revenues, cost of sales, expenses and warranty balances are denominated in U.S. dollars, many of our operating expenses, other than cost of sales, are in Canadian dollars and European Euros, and we report in U.S. dollars. Foreign exchange gains and losses are included in results from operations. A large decline in the value of the U.S. dollar relative to the Canadian dollar or Euro relative to the U.S. dollar could negatively impact margins and other financial results. We have not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations. In Fiscal 2011, on average, the U.S. dollar declined 6.8% 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 implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key personnel of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

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

We operate in many parts of the world that have experienced social unrest, political and economic instability and resulting governmental corruption. While we have policies in place to ensure adequate monitoring of our activities and compliance with Canadian, United States and local laws and regulations in the countries in which we operate, we also operate, and intend to operate in the future, through various joint venture arrangements. Our level of control over joint venture operations may be restricted or shared, and we may be unable to control the actions of joint venture partners or their employees. Despite our policies mandating compliance with Canadian, United States and local laws, we cannot assure you that our internal control policies and procedures always will protect us from reckless or negligent acts committed by our joint ventures or their employees or agents. Such employees or agents of the joint venture or joint venture partners may undertake actions that would result in a violation of law, including but not limited to, tax laws, customs laws, environmental laws, labour laws, permitting laws and regulations, industry laws or international anti-corruption and anti-bribery laws, including Canadian anti-corruption laws and the U.S. Foreign Corrupt Practices Act. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business and operations.

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

Some of our foreign subsidiaries, joint ventures or future acquisitions may sell our products to customers in countries that may be subject to sanctions and embargoes imposed by the U.S, 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 June 1, 2011, the 52-week trading price of our Common Shares on NASDAQ ranged from a low of $13.50 to a high of $27.90. See also "Price Range and Trading Volume of Common Shares".

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

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

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE MATTERS

MANDATE OF THE AUDIT COMMITTEE

The mandate (the **"Mandate"**) of the Audit Committee as prescribed by the Board of Directors is set out in the Audit Committee Charter. The charter is expected to be confirmed and approved by the Board of Directors on May 30, 2011 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
M.A. (Jill) Bodkin	Yes	Yes	Ms. Bodkin has been Chair and Chief Executive Officer of Golden Heron Enterprises since 1996. From 1987 to 1996, Ms. Bodkin was with Ernst & Young as a Corporate Finance Partner, advising on financing technology companies and capital projects in North America and Asia. After her early career in trade and finance in Ottawa, in 1981 Ms. Bodkin became British Columbia's first woman Deputy Minister, responsible for financial institutions, and, until 1987, Founding Chair of the British Columbia Securities Commission. Ms. Bodkin is a Governor and former Chair of the Vancouver Board of Trade, as well as a former member of the boards of directors of the Laurentian Bank of Canada and KCTS 9 Television. Ms. Bodkin has served on the member of the Oversight Council for the Canadian Institute of Chartered Accountants and has held numerous other positions on public and private boards of directors.
John A. Beaulieu	Yes	Yes	Mr. Beaulieu holds a Bachelor of Commerce degree and a Masters of Business Administration degree, both from Santa Clara University of California. As a co-founder of Cascadia Pacific Management, LLP, a venture capital fund, Mr. Beaulieu has significant experience in the analysis and evaluation of financial results. He has been actively involved in finding, financing, and growing more than 70 emerging technology-based companies since 1986. In addition, during Mr. Beaulieu's business career he has held general management positions with a number of companies, including President of Steelcraft Corp, Evans Products Company and Ford Motor Company.
Dezsö J. Horváth	Yes	Yes	Dr. Horváth obtained his Masters of Business Administration and a PhD in Policy and Organisational Behaviour from the University of Umea, Sweden. Dr. Horváth holds the Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario, where he has taught since 1977. Through his academic background and responsibilities as the Dean of the Schulich School of Business, Dr. Horváth has acquired significant financial experience relating to accounting and financial issues. Dr. Horváth is and has been a member of a number of boards in both the public and private sector.
Sarah Liao Sau Tung	Yes	Yes	Ms. Liao is currently the Senior Advisor to the Vice Chancellor of the University of Hong Kong on Sustainability, a member of the Chinese Council for International Cooperation on Environment and Development under the State Council and a member of the Board of Trustees of Environmental Defense Fund. She is 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 to 2007). Ms. Liao 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.
Gottfried (Guff) Muench	Yes	Yes	Mr. Muench obtained a Masters of Business Administration degree (1981) from the University of Western Ontario, and from 1981 to 2010, Mr. Muench held various senior positions within Cummins Inc., including Canadian General Sales Manager-Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company in Columbus, Indiana. In 1986, Mr. Muench became the owner and principal of Cummins British Columbia, now Cummins Western Canada, the Cummins distributor for western Canada which now serves customers in eight different provinces and territories. From 2001 to 2002, Mr. Muench also served as the first President of Cummins Westport Inc.

Reliance on Certain Exemptions

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

Audit Committee Oversight

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

Pre-Approval of Policies and Procedures

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

NON-AUDIT SERVICES

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

EXTERNAL AUDITORS' SERVICE FEES

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

	Years ended March 31 (Cdn $)	
	2011	2010
Audit Fees	$338,502	$366,594
Audit Related Fees	$12,600	$8,460
Tax fees	$55,300	$100,335
All Other Fees	$Nil	$Nil
Total	$406,402	$475,389

Audit Fees

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

Audit-Related Fees

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

Tax Fees

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

All Other Fees

There were no fees paid to KPMG LLP that would be considered “Other Fees” in 2011 or 2010. Fees to be disclosed under this category would be for products and services other than those described under the headings audit fees, audit-related fees and tax fees above.

ADDITIONAL INFORMATION

LEGAL AND REGULATORY PROCEEDINGS

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

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

Mr. Littlefair, who served as a member of our Board until June 2010, 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, 2011, there was no balance remaining on the loan.

MATERIAL CONTRACTS

Debenture Units

On July 3, 2008, we issued 15,000 debenture units for total gross proceeds of C$15 million. Each debenture unit consists of an unsecured subordinated debenture in the principal amount of C$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 C$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 C$16.10 per share for a period of two years from the date of issue.

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

(i) 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 C$18.9 million from TPC (now renamed the "Industrial Technologies Office" (the "**ITO**")) to support the development of high-performance, low-emissions engines. At the time, TPC was a Government of Canada initiative established to invest strategically in Canadian research, development and innovation.

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

In 2007, the ITO agreed to extend the agreement by two years. Under the amended terms, subject to certain terms and conditions, for each fiscal year from 2009 to 2015 inclusive in which gross business revenues received by us are greater than C$13.5 million, the royalty will be the greater of C$1.35 million and 0.33% of such gross business revenues. If royalty repayments do not total C$28.2 million by March 31, 2015, the repayment period will be extended until that amount is reached or until March 31, 2018, whichever is earlier.

In October 2008 as required by the terms of the funding agreement with the ITO, we issued 790,614 warrants with a strike price of C$10.65 to the Government of Canada. The fair value of these warrants was C$4 million calculated based on a Black-Scholes option pricing model. As at March 31, 2011, royalties of C$1.35 million were paid to ITO relating to the year ended March 31, 2010. An additional accrual of C$1.35 million relating to ITO has also been recorded in the consolidated balance sheet as at March 31, 2011.

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, has audited our consolidated financial statements for the year ended March 31, 2011. As at the date hereof, KPMG LLP has confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and the professional and regulatory requirements in the U.S.

ADDITIONAL INFORMATION

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

Additional financial information is contained in our consolidated financial statements and Management's Discussion & Analysis for the year ended March 31, 2011, which are incorporated herein by reference and form an integral part of this AIF.

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

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

Purpose

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

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

Authority

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

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

Composition

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

Meetings

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

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

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

The Committee is charged with the following specific responsibilities:

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

   The Audit Committee is responsible for recommending to the Board:

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

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

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

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

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

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

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

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

2. Oversight of Risk Management Processes

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

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

3. Oversight of Internal Control

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

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

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

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

4. Oversight of Continuous Disclosure Reporting

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

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

In discharging its responsibilities, the Committee will review:

- all critical accounting policies and practices used or to be used by Westport, and changes in the selection and application of accounting principles.

- significant financial reporting issues that have arisen in connection with the preparation of such audited financial statements;

- analyses prepared by Management, and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and

- the effect of emerging regulatory and accounting initiatives.

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

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

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

5. Related Companies Financial Results

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

6. Other Responsibilities

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

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

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

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

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

WESTPORT INNOVATIONS INC.

Years ended March 31, 2011, 2010 and 2009

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Westport Innovations Inc.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

Opinion

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

Other Matters

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, 2011 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 8, 2011 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP (Signed)

Chartered Accountants

June 8, 2011

Vancouver, Canada

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011 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 audit on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Our report dated June 8, 2011 expressed an unmodified opinion on those consolidated financial statements.

KPMG LLP (Signed)

Chartered Accountants

June 8, 2011
Vancouver, Canada

WESTPORT INNOVATIONS INC.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars)

March 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 148,462	$ 70,480
Short-term investments	31,841	33,725
Accounts receivable	15,934	11,390
Loan receivable (note 19(a))	14,200	13,295
Inventories (note 5)	16,805	8,048
Prepaid expenses	1,786	1,286
Current portion of future income tax assets (note 18(b))	6,084	4,990
	235,112	143,214
Long-term investments (note 6)	5,622	-
Other assets (note 7)	1,852	-
Equipment, furniture and leasehold improvements (note 8)	12,083	6,113
Intangible assets (note 9)	7,001	283
Future income tax assets (note 18(b))	3,514	4,080
Goodwill	8,202	-
	$ 273,386	$ 153,690
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 24,765	$ 13,687
Deferred revenue	2,041	878
Demand installment loan (note 10)	-	3,244
Short-term debt	208	160
Current portion of long-term debt (note 11)	15,080	136
Current portion of warranty liability	12,151	11,894
	54,245	29,999
Warranty liability	5,884	9,056
Long-term debt (note 11)	10,012	12,735
Other long-term liabilities (note 12)	7,096	5,189
	77,237	56,979
Shareholders' equity:		
Share capital (note 14):		
Authorized:		
Unlimited common shares, no par value		
Unlimited preferred shares in series, no par value		
Issued:		
46,972,304 (2010 - 38,494,475) common shares	430,659	293,660
Other equity instruments (note 16)	4,205	9,825
Additional paid in capital	5,378	4,235
Accumulated deficit	(284,655)	(242,372)
Accumulated other comprehensive income	25,641	18,227
	181,228	83,575
Joint venture partners' share of net assets of joint ventures (note 19)	14,921	13,136
	196,149	96,711
Commitments and contingencies (notes 13 and 20)		
Subsequent event (note 25)		
	$ 273,386	$ 153,690

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Jill Bodkin " Director "John A. Beaulieu" Director

WESTPORT INNOVATIONS INC.

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

Years ended March 31, 2011, 2010 and 2009

	2011	2010	2009
Product revenue	$ 110,475	$ 94,803	$ 92,504
Parts revenue	29,459	26,850	16,707
Service revenue	8,128	-	-
	148,062	121,653	109,211
Cost of revenue and expenses:			
Cost of product and parts revenue	90,982	82,979	81,337
Research and development (notes 15(c) and 17)	34,663	26,213	26,168
General and administrative (note 15(c))	16,211	11,839	7,526
Sales and marketing (note 15(c))	21,660	16,741	14,628
Foreign exchange loss	3,877	379	659
Depreciation and amortization	3,596	1,957	1,749
Bank charges, interest and other	665	419	407
	171,654	140,527	132,474
Loss before undernoted	(23,592)	(18,874)	(23,263)
Income (loss) from investment accounted for by the equity method (note 6)	842	(983)	(910)
Interest on long-term debt and amortization of discount	(3,323)	(2,539)	(1,624)
Interest and other income	1,222	392	1,504
Gain on sale of long-term investments	-	2,827	13,859
Loss before income taxes	(24,851)	(19,177)	(10,434)
Income tax recovery (expense) (note 18):			
Current	(8,886)	(9,663)	(2,682)
Future	(761)	1,222	(3,385)
	(9,647)	(8,441)	(6,067)
Net loss for the year	(34,498)	(27,618)	(16,501)
Net income (loss) attributed to:			
Joint venture partners (note 19)	7,785	7,071	3,909
The Company	(42,283)	(34,689)	(20,410)
Loss per share attributable to the Company:			
Basic and diluted	$ (1.00)	$ (1.02)	$ (0.67)
Weighted average common shares outstanding:			
Basic and diluted	42,305,889	34,133,247	30,268,947

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

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

Years ended March 31, 2011, 2010 and 2009

	2011	2010	2009
Loss for the year	$ (34,498)	$ (27,618)	$ (16,501)
Other comprehensive income (loss):			
Unrealized gain on available for sale securities, net of tax of nil (2010 - $251; 2009 -$359)	-	1,757	1,812
Reclassification of net realized gains on available for sale securities to net loss, net of tax of nil (2010 - $300; 2009 - $2,287)	-	(2,101)	(11,555)
Cumulative translation adjustment	7,414	14,431	(15,604)
	7,414	14,087	(25,347)
Comprehensive loss	$ (27,084)	$ (13,531)	$ (41,848)
Comprehensive income (loss) attributable to:			
Joint venture partners	$ 7,785	$ 7,071	$ 3,909
The Company	(34,869)	(20,602)	(45,757)

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

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

Years ended March 31, 2011, 2010 and 2009

	Common shares	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Joint venture partners' share of net assets of joint ventures	Total shareholders' equity
Balance, March 31, 2008	27,416,993	181,287	1,428	4,098	(187,273)	29,487	13,656	42,683
Issue of common shares on exercise of stock options	104,669	1,781	-	(342)	-	-	-	1,439
Issue of common shares on exercise of performance share units	3,947	18	(18)	-	-	-	-	-
Issue of common shares on settlement of accrued interest	14,931	221	-	-	-	-	-	221
Issue of common shares on public offering	4,500,000	54,000	-	-	-	-	-	54,000
Share issuance costs	-	(4,635)	-	-	-	-	-	(4,635)
Value of warrants issued with long-term debt	-	-	3,838	-	-	-	-	3,838
Value of warrants issued to settle obligation to issue warrants	-	-	3,397	-	-	-	-	3,397
Financing costs incurred	-	-	(290)	-	-	-	-	(290)
Stock-based compensation	-	-	1,493	481	-	-	-	1,974
Net loss for the year	-	-	-	-	(20,410)	-	-	(20,410)
Joint venture partners' share of net income from joint ventures	-	-	-	-	-	-	3,909	3,909
Dividends paid by joint ventures	-	-	-	-	-	-	(7,500)	(7,500)
Other comprehensive loss	-	-	-	-	-	(25,347)	-	(25,347)
Balance, March 31, 2009	32,040,540	232,672	9,848	4,237	(207,683)	4,140	10,065	53,279
Issue of common shares on exercise of stock options	389,580	3,634	-	(1,365)	-	-	-	2,269
Issue of common shares on exercise of performance share units	601,855	3,190	(3,190)	-	-	-	-	-
Issue of common shares on public offering	5,462,500	57,356	-	-	-	-	-	57,356
Share issuance costs	-	(3,192)	-	-	-	-	-	(3,192)
Stock-based compensation	-	-	3,167	1,363	-	-	-	4,530
Net loss for the year	-	-	-	-	(34,689)	-	-	(34,689)
Joint venture partners' share of net income from joint ventures	-	-	-	-	-	-	7,071	7,071
Dividends paid by joint ventures	-	-	-	-	-	-	(4,000)	(4,000)
Other comprehensive income	-	-	-	-	-	14,087	-	14,087
Balance, March 31, 2010	38,494,475	293,660	9,825	4,235	(242,372)	18,227	13,136	96,711
Issue of common shares on exercise of stock options	472,414	5,115	-	(1,817)	-	-	-	3,298
Issue of common shares on exercise of performance share units	241,825	3,239	(3,239)	-	-	-	-	-
Issue of common shares on exercise of warrants	858,221	13,853	(4,344)	-	-	-	-	9,509

Cancellation of common shares	(52,131)	(895)	-	-	-	-	-	(895)
Reclassification of fair value of expired warrants	-	-	(2,413)	2,413	-	-	-	-
Stock-based compensation	-	-	4,376	547	-	-	-	4,923
Issue of common shares on public offering	6,957,500	121,756	-	-	-	-	-	121,756
Share issuance costs	-	(6,069)	-	-	-	-	-	(6,069)
Net loss for the year	-	-	-	-	(42,283)	-	-	(42,283)
Joint venture partners' share of net income from joint ventures	-	-	-	-	-	-	7,785	7,785
Dividends paid by joint ventures	-	-	-	-	-	-	(6,000)	(6,000)
Other comprehensive income	-	-	-	-	-	7,414	-	7,414
Balance, March 31, 2011	46,972,304	$ 430,659	$ 4,205	$ 5,378	$ (284,655)	$ 25,641	$ 14,921	$ 196,149

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
Years ended March 31, 2011, 2010 and 2009

	2011	2010	2009
Cash flows from operating activities:			
Loss for the year	$ (34,498)	$ (27,618)	$ (16,501)
Items not involving cash:			
Depreciation and amortization	3,596	1,957	1,749
Stock-based compensation expense	4,923	4,530	1,974
Future income tax expense (recovery)	761	(1,222)	3,385
Change in deferred lease inducements	(58)	(95)	(241)
Gain on disposition of long-term investments	-	(2,827)	(13,859)
Loss (income) from investment accounted for by the equity method	(842)	983	910
Accretion of long-term debt	1,992	1,298	363
Other	(344)	-	(172)
Changes in non-cash operating working capital:			
Accounts receivable	5,523	(5,667)	899
Inventories	(1,927)	5,523	(4,402)
Prepaid expenses	(488)	54	(289)
Accounts payable and accrued liabilities	(2,831)	645	4,713
Deferred revenue	3,058	1,526	2,878
Warranty liability	(2,844)	1,495	10,758
	(23,979)	(19,418)	(7,835)
Cash flows from investing activities:			
Purchase of property and equipment	(3,613)	(204)	(5,282)
Sale (purchase) of short-term investments, net	3,376	7,584	(25,175)
Proceeds from disposition of long-term investments	-	3,744	17,189
Advances on loan receivable	(20,942)	(17,099)	(16,300)
Repayment on loan receivable	18,185	12,721	14,014
Purchase of subsidiaries, net of acquired cash (note 4)	(13,016)	-	(1,461)
Investment in equity interest (note 6)	(4,316)	-	-
	(20,326)	6,746	(17,015)
Cash flows from financing activities:			
Proceeds from demand installment loan	-	-	443
Payments on demand installment loan	(3,206)	(1,245)	(1,449)
Increase in short-term debt	-	-	160
Payments on short-term debt	-	(1,120)	(4,720)
Payments on bank loan and other long-term debt	(117)	(42)	964
Issuance of debenture notes	-	-	13,687
Finance costs incurred	-	-	(600)
Shares issued for cash	134,563	59,625	55,439
Share issuance costs	(6,069)	(3,192)	(4,635)
Dividends paid to joint venture partner	(6,000)	(4,000)	(7,500)
	119,171	50,026	51,789
Effect of foreign exchange on cash and cash equivalents	3,116	2,171	(3,348)
Increase in cash and cash equivalents	77,982	39,525	23,591
Cash and cash equivalents, beginning of year	70,480	30,955	7,364
Cash and cash equivalents, end of year	$ 148,462	$ 70,480	$ 30,955

WESTPORT INNOVATIONS INC.

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

Years ended March 31, 2011, 2010 and 2009

	2011	2010	2009
Supplementary information:			
Interest paid	$ 1,729	$ 1,437	$ 811
Taxes paid	11,394	8,454	1,460
Non-cash transactions:			
Purchase of equipment, furniture and leasehold improvements by assumption of capital lease obligation	-	343	-
Shares issued on exercise of performance share units	2,344	3,190	18
Cancellation of performance share units	895	-	-
Shares issued for settlement of interest on convertible notes	-	-	221
Broker warrants issued with subordinated debt (note 11(a) and 16)	-	-	266
Shares issued on obligation to settle warrants (note 16)	-	-	3,397

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 focused on developing technology to enable more environmentally sustainable engines without compromising the performance, fuel economy, durability, and reliability of diesel engines. The substitution of natural gas for petroleum-based fuel drives a significant reduction in harmful combustion emissions, such as nitrogen oxides, particulate matter, and greenhouse gas, in addition to providing an abundant, relatively inexpensive alternative fuel. Our systems can be used to enable combustion engines to use gaseous fuels, such as natural gas, propane, or hydrogen.

The Company 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.

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

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, Juniper/OMVL, 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.

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

Effective April 1, 2010, the Company changed the reporting currency for its consolidated financial statement presentation from the Canadian dollar to the United States dollar. The functional currency of the Company's operations continues to be the Canadian dollar except for CWI, which continues to use the U.S. dollar as its functional currency, and OMVL (note 4), which uses the Euro as its functional currency. The Company translates its consolidated Canadian dollar and Euro functional currency financial statements into the reporting currency using the current rate method. All assets and liabilities are translated using the period end exchange rates. Shareholders' equity balances are translated using a weighted average of historical exchange rates. Revenues and expenses are translated using the monthly average rate for the period. All comparative amounts have been restated on a retroactive basis to give effect to the change in reporting currency. Except as otherwise noted, all amounts in these financial statements are presented in U.S. dollars. The year-end exchange rate of the Canadian dollar as at March 31, 2011 was $1.03 (March 31, 2010 - $0.98), and the average exchange rate for the fiscal year was $0.98 (2010 - $0.92, 2009 - $0.89). The period end exchange rate of the Euro was 1.42 (July 2, 2010 - 1.26), and the average exchange rate for the Euro was 1.34 for the period from July 2, 2010 to March 31, 2011.

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.

(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 statement 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.

2. Significant accounting policies (continued):

(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 inventory on hand obsolete.

(f) Equipment, furniture and leasehold improvements:

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

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

(g) Long-term investments:

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

(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 debt and equity components, the proceeds received are allocated between the debt and equity components based on their relative fair values.

2. Significant accounting policies (continued):

(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, 2011 and 2010, 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) Intangible assets:

Intangible assets consist primarily of the cost of intellectual property, trademarks, technology, customer contracts and non-compete agreements. The intangible assets are amortized over their estimated useful lives.

(l) Impairment of long-lived assets:

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

2. Significant accounting policies (continued):

(m) Goodwill impairment:

Goodwill is not amortized and instead is tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at January 31.

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

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

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

(n) 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.

2. Significant accounting policies (continued):

(o) 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.

(p) Revenue recognition:

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

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

(q) Income taxes:

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

2. Significant accounting policies (continued):

(r) Stock-based compensation plans:

The Company has stock option plans, which are described in note 15(a). The Company accounts for stock-based compensation related to stock options granted to employees and directors at their fair value on the date of grant. Compensation expense, net of estimated forfeitures, is recognized in results from operations over the vesting period. The Company has an employee share purchase plan, which is described in note 15(b). The Company matches the employees' contribution and recognizes this cost as an expense in the period it is incurred.

The Company also issues share units under its stock option plans as described in note 15(c). The Company grants both restricted share units ("RSUs") and performance share units ("PSUs"). The Company accounts for stock-based compensation related to RSUs and PSUs (the "Units") at their fair value on the date of grant and compensation expense, net of estimated forfeitures, is recognized in the period earned, which generally is the period over which the Units vest. Certain Units vest based on both a service condition and a market condition which is determined by the performance of the Company's share price on the Toronto Stock Exchange. The impact of market conditions, if any, on the compensation expense is determined at the time of grant with no adjustment to the compensation expense for actual result of the market condition.

(s) 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, 2011, the Company recognized $661 (2010 - $635; 2009 - $514) of expense associated with the RRSP.

(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 are the determination of the fair value of assets and liabilities acquired in business combinations, the determination of future cash flows and discount rates for impairment of long-lived assets, valuation of inventories, determination of fair value of options, RSUs and PSUs, 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.

2. Significant accounting policies (continued):

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

3. Accounting changes:

(a) Adoption of new accounting standards:

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued handbook sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling interests.*

These sections replace the former handbook sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*, and establish a new section for accounting for a non-controlling interest in a subsidiary. Handbook section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Handbook sections 1601 and 1602 apply to interim and annual consolidated financial statements for periods beginning on or after January 1, 2011. The new sections address accounting for business combinations using the purchase method and the classification and recognition of non-controlling interests. The Company early adopted these handbook sections effective April 1, 2010. As a result, the acquisition of OMVL and Juniper Engines Inc. ("Juniper") (note 4) was recorded under the provisions of these sections. The Company previously held 49% of Juniper and as a result of the acquisition, no longer records its previous 49% interest in Juniper under the equity method of accounting from July 2, 2010. As a result of adopting section 1602, the Company also reclassified joint venture partners' share of net assets in joint ventures from liabilities to shareholders' equity on the consolidated balance sheet and changed the presentation of net income attributable to the Company and joint venture partners in the statements of operations, comprehensive loss, shareholders' equity, and cash flows.

3. Accounting changes (continued):

(b) Future accounting changes:

As at January 1, 2011, Canadian GAAP as used by publicly accountable enterprises has been replaced by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Full adoption of IFRS is required for all publicly accountable enterprises for fiscal years beginning on or after this date. Therefore, the fiscal year ended March 31, 2011 is the last year the Company's financial statements are prepared in accordance with Canadian GAAP. Starting April 1, 2011, the Company will adopt accounting principles generally accepted in the United States of America ("U.S. GAAP") as permitted by Canadian regulatory authorities. The Company will adopt IFRS if and when IFRS and U.S. GAAP converge.

4. Business combinations:

On July 2, 2010, the Company acquired, through its wholly owned subsidiary, Juniper Engines Italy S.r.l., 100% of the outstanding shares of OMVL, including its 51% interest in Juniper, from Società Italiana Tecnomeccanica La Precisa S.p.A and Sit International B.V. (collectively the "Sellers"). The fair value of the consideration for the acquisition was $25,711. Westport paid cash of $17,146 on closing, and is required to pay $10,778 (€7,600 euro) on the third anniversary of the closing date. The obligation to the Sellers payable on July 2, 2013 was recognized as a liability on the acquisition date and recorded at fair value. The amount is non-interest bearing and the fair value was determined using a credit adjusted risk free rate of 3.72% to discount future cash flows. The long-term payable to the Sellers is recorded in long-term debt on the consolidated balance sheet (note 11).

The Company also entered into an "on first demand" bank guarantee in favour of the Sellers with Banca Intesa S.p.A, covering the Company's future payment obligation payable on July 2, 2013. The bank guarantee is subject to a cross guarantee with the Bank of Montreal with whom the Company has a credit facility (note 10).

OMVL is based in Pernumia, Italy and designs, manufactures and markets complete fuelling systems for new vehicles and the aftermarket conversion of engines from gasoline to compressed natural gas and liquefied petroleum gas. OMVL has production and distribution capabilities in Europe, Asia, South America, and Australia.

The Company previously held the other 49% of Juniper, which was accounted for as a long-term investment using the equity method. After the transaction, Juniper became a wholly owned subsidiary of the Company. As a result of this transaction, the Company remeasured its 49% interest in the net assets and liabilities of Juniper held prior to the transaction at fair value and recognized a gain of $184, which is recorded in other income. For the period from April 1, 2010 to July 2, 2010, the Company recognized a loss of $155 (2010 - $983, 2009 - $910) from investment accounted for by the equity method.

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

4. Business combinations (continued):

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

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

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

The Company recognized goodwill associated with the transactions of $7,573. The goodwill includes the value of the assembled work force and expected synergies including access to markets and supply chain integration. Goodwill as at March 31, 2011 was $8,202 reflecting the effect of changes in foreign exchange rates. Goodwill is not deductible for tax purposes.

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

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

5. Inventories:

	2011	2010
Purchased parts	$ 10,494	$ 6,636
Assembled parts	2,705	1,967
Work-in-process	3,453	782
Finished goods	1,349	514
Obsolescence provision	(1,196)	(1,851)
	$ 16,805	$ 8,048

During the year ended March 31, 2011, the Company recorded a write-down to net realizable value of approximately nil (2010 - $1,793; 2009 - $132) for obsolescence and scrap. There were no reversals of write-downs recorded in any year presented.

6. Long-term investments:

	2011	2010
Weichai Westport Inc.	$ 5,622	$ -

On July 3, 2010, the Company invested $4.3 million under an agreement with Weichai Power Co. Ltd. and Hong Kong Peterson (CNG) Equipment Ltd. to form Weichai Westport Inc. ("WWI"). The Company has a 35% equity interest in WWI.

From July 3, 2010 to March 31, 2011, the Company recognized income of $997 (2010 - nil), as income from investment accounted for by the equity method.

7. Other assets

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

Under the Agreement, the Company agreed to loan up to $1,800. The Company will also receive up to 1,427,179 warrants representing 20% of the current outstanding shares to purchase common shares at $0.10 per share for a period of five years.

As at March 31, 2011, the Company loaned the full $1,800 under the Agreement and received 1,427,179 warrants. The loan bears interest at 12.5%, payable at the maturity date of October 15, 2012. As at March 31, 2011, the Company had accrued $52 in interest income. Recoverability of the loan will depend on the future success of the counterparty's operations and cash flows. The Company has determined that the fair value of the warrants is nominal, given that the counterparty's development activities are at an early stage.

8. Equipment, furniture and leasehold improvements:

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

2010	Cost	Accumulated amortization	Net book value
Computer equipment and software	$ 6,874	$ 6,101	$ 773
Furniture and fixtures	1,538	1,149	389
Machinery and equipment	20,612	16,644	3,968
Leasehold improvements	9,415	8,432	983
	$ 38,439	$ 32,326	$ 6,113

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

As at March 31, 2011, equipment with a cost of $443 (2010 - $446) and a net book value of $354 (2010 - $393) is held under capital lease.

9. Intangible assets:

2011	Cost	Accumulated amortization	Net book value
Intellectual property	$ 4,493	$ 4,345	$ 148
Trademarks	3,267	125	3,142
Technology	2,059	190	1,869
Customer contracts	1,970	159	1,811
Non-compete agreement	37	6	31
	$ 11,826	$ 4,825	$ 7,001

2010	Cost	Accumulated amortization	Net book value
Intellectual property	$ 4,254	$ 3,971	$ 283

The expected amortization of intangible assets for fiscal year 2012 is $501 and for fiscal year 2013 to 2016 is $357 per year.

10. Demand installment loan:

The Company has a credit facility for maximum borrowings of CDN$20,000 governed by a margin requirement limiting such borrowings to a calculated amount based on cash and investments held with the creditor. Borrowings may be drawn in the form of direct borrowings, letters of credit, foreign exchange forward contracts, and overdraft loans. Outstanding amounts on direct borrowings and overdraft loans drawn under this credit facility bear interest at the prime rate, and letters of credit bear interest at 1% per annum. On June 10, 2010, the Company settled its outstanding demand installment loan. As at March 31, 2011, no amounts are outstanding as a demand installment loan (March 31, 2010 - $3,244).

On July 2, 2010, the Company issued a letter of credit for $10,705 (CDN$11,400) as security for the long-term payable to the Sellers (note 4).

11. Long-term debt:

	2011	2010
Subordinated debenture notes (a)	$ 14,948	$ 12,529
Long-term payable (b)	9,919	-
Capital lease obligation (c)	225	342
	25,092	12,871
Current portion	(15,080)	(136)
	$ 10,012	$ 12,735

11. Long-term debt (continued):

(a) On July 3, 2008, the Company completed the sale and issue of 15,000 debenture units of the Company for total gross proceeds of $14,090 (CDN$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 CDN$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 $14,090 gross proceeds received, the Company assigned $10,742 to the debenture notes and $3,572 to the warrants based on each instruments' relative fair value. The amount assigned 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.

(b) On July 2, 2010, the Company acquired OMVL for $25,711. A portion of the purchase price amounting to $10,778 (€7,600 euro) is payable on the third anniversary of the closing date. The difference between the carrying value of this liability and the principal amount is accreted to the principal amount using the effective interest rate of 3.72% over the term to maturity. The amount payable to the Sellers will be paid in full on maturity and is not subject to any interest payments. The amount outstanding is denominated in euro, exposing the Company to foreign exchange changes. The amount is guaranteed to the Sellers by Banca Intesa S.p.A with a cross guarantee from the Bank of Montreal.

(c) The Company has capital lease obligations that have initial terms of three 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:

2012	$ 132
2013	96
2014	1
	229
Amount representing interest	(4)
	$ 225

12. Other long-term liabilities:

	2011	2010
Deferred lease inducements (a)	$ 164	$ 207
Deferred revenue (b)	6,932	4,982
	$ 7,096	$ 5,189

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

(b) The Company receives cash in advance of revenue recognition criteria being met, including 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.

13. Government assistance:

From time to time, the Company enters into agreements for financial assistance with government agencies. During the years ended March 31, 2011, 2010 and 2009, government assistance of $1,675, $1,474 and $2,463, respectively, was received or receivable by the Company, which has been recorded as a reduction of related research and development expenditures (note 17).

Under the terms of an agreement with Industry Canada's Industrial Technologies Office ("ITO"), from fiscal 2009 to fiscal 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of $13,900 (CDN $13,500) or 0.33% of the Company's annual revenue provided that gross revenue exceeds $13,900 (CDN $13,500) in any of the aforementioned fiscal years. The royalty payment period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $29,100 (CDN $28,200). As at March 31, 2011, $1,392 (2010 - $1,329) in royalties have been paid or are payable of which $1,392 (2010 - $1,329) remains accrued in accounts payable and accrued liabilities.

The Company is also obligated to pay royalties to the Government of Canada's Department of Natural Resources equal to 1% of future revenue from engines for power generators until the earlier of ten years from the project completion date (August 30, 2004) or when cumulative royalties total $1,031 (CDN$1,000). As at March 31, 2011, there has been no revenue from the sales of engines for power generators; therefore, no royalty payments have been paid or are payable.

14. 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 $12.00 per share. Gross proceeds totaled $54,000 and the Company also incurred share issuance costs of $4,635.

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

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

15. Stock options and other stock-based plans:

At the Company's 2010 annual general meeting, the Company's shareholders ratified and approved the Westport Omnibus Plan, and reserved 2,226,645 common shares under this plan. Under the Westport Omnibus plan, stock options, RSUs and PSUs may be granted and are exercisable into common shares of the Company for no additional consideration. Any employee, contractor, director, or executive officer of the Company is eligible to participate in the Westport Omnibus Plan. The Executive and Senior Management Compensation Program sets out provisions where the RSUs and PSUs (together the "Units") will be granted to the Company's executive management if performance milestones are achieved as determined at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors 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 and conditions for each Unit granted pursuant to the Westport Omnibus Plan are at the discretion of the Board of Directors and may include time based, share price or other performance targets.

(a) Share options:

The Company grants incentive share options to 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.

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

(a) Share options (continued):

A summary of the status of the Company's share option plan as of March 31, 2011, 2010 and 2009 and changes during the years then ended are presented as follows:

	2011		2010		2009	
	Number of shares	Weighted average exercise price (CDN $)	Number of shares	Weighted average exercise price (CDN $)	Number of shares	Weighted average exercise price (CDN $)
Outstanding, beginning of year	1,051,589	$ 8.13	1,136,163	$ 7.32	1,235,799	$ 6.96
Granted	-	-	406,262	10.79	39,280	13.73
Exercised	(472,414)	7.19	(389,580)	6.53	(104,669)	5.57
Cancelled/expired	(17,161)	23.24	(101,256)	15.87	(34,247)	7.66
Outstanding, end of year	562,014	$ 8.46	1,051,589	$ 8.13	1,136,163	$ 7.32
Options exercisable, end of year	455,206	$ 7.75	550,471	$ 8.44	786,282	$ 7.53

Stock options are available for issuance under the Westport Omnibus Plan and were previously granted under the Company's Stock Option Plan. During the year ended March 31, 2011, the Company recognized $547 (2010 - $1,363; 2009 - $481) in stock-based compensation related to stock options. The fair value of the options granted was determined using the Black-Scholes simulation with the following weighted average assumptions: expected dividend yield - nil% (2010 - nil%, 2009 - nil%); expected stock price volatility - nil% (2010 - 78.7%, 2009 - 61.0%); risk free interest rate - nil% (2010 - 1.60%, 2009 - 2.74%); expected life of options - nil years (2010 - 3.3 years, 2009 - 4.0 years). The weighted average grant date fair value was $nil for options granted for the year ended March 31, 2011 (2010 - $5.60, 2009 - $6.45).

Range of exercise prices (CDN $)	Number outstanding, March 31, 2011	Weighted average remaining contractual life	Weighted average exercise price (CDN $)	Number exercisable March 31, 2011	Weighted average exercise price (CDN $)
$ 3.22 to $ 3.96	16,068	2.9	$ 3.62	8,926	$ 3.34
4.13 to 4.87	63,279	3.0	4.44	63,279	4.44
5.25 to 5.99	168,190	2.0	5.31	168,190	5.31
6.13 to 9.14	63,058	2.1	8.01	63,058	8.01
10.33 to 11.11	200,709	3.8	11.07	117,710	11.04
14.90 to 16.50	50,710	4.7	15.69	34,043	15.29
$ 3.22 to $16.50	562,014	3.02	$ 8.46	455,206	$ 7.75

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

(b) Employee share purchase plan:

The Company has an employee share purchase plan ("ESPP") in which full-time employees of the Company are eligible to participate. Eligible employees may make contributions to the ESPP of up to 10% of their regular base pay. The Company contributes up to a maximum combined total of 5% of the employee's regular base pay to the employee's RRSP and/or ESPP. Shares contributed to the ESPP are purchased by the Company on a semi-monthly basis in the open market. Shares purchased on behalf of the employee with the employee's contribution vest with the employee immediately. Shares purchased with the Company's contribution vest on December 31st of each year, so long as the employee is still employed with the Company. The ESPP was cancelled on March 31, 2011.

(c) Share units:

The value assigned to issued Units and the amounts accrued are recorded as other equity instruments. As Units are exercised and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital. During the year ended March 31, 2011, the Company recognized $4,376 (2010 - $3,167; 2009 - $1,493) of stock-based compensation associated with the Westport Omnibus Plan and the former Amended and Restated Unit Plan.

Of the Units granted during the year ended March 31, 2011, 166,420 Units were subject to market as well as service conditions. The fair value of these Units was determined using a Monte-Carlo simulation using the following weighted average assumptions: expected dividend yield - nil%; expected stock price volatility - 83.48%; and risk free interest rate - 1.52%. The valuation model determined the grant date fair value based on assumptions about the likelihood of the Company achieving different payout factors as driven by the market conditions. Payout factors are determined based upon the absolute stock price two years after the grant date and the stock price relative to a Synthetic Clean Tech index of comparative companies two years after the grant date. One-half of these Units vest after two years and the remainder after three years from the date of the grant. The impact of market conditions, if any, on compensation expense for these units is determined at the time of the grant with no adjustment to the compensation expense for the actual results of the market condition.

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

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

(c) Share units (continued):

A summary of the status of the Units issued under the Westport Omnibus Plan and the former Amended and Restated Unit Plan, as of March 31, 2011, 2010 and 2009, and changes during the years then ended are as follows:

	Units
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
Units exercised	(241,825)
Units granted	424,149
Outstanding, March 31, 2011	1,377,237

As at March 31, 2011, 541,534 Units are vested and exercisable.

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

	2011	2010	2009
Research and development	$ 627	$ 598	$ 248
General and administrative	2,958	3,217	1,283
Sales and marketing	1,338	715	443
	$ 4,923	$ 4,530	$ 1,974

16. Other equity instruments:

	2011	2010
Value assigned to Share Units (note 15(c))	$ 4,205	$ 3,068
Value assigned to warrants	-	6,757
	$ 4,205	$ 9,825

On April 14, 2010, 790,614 warrants issued to ITO with a fair value of $3,209 (CDN$ 4,000) were exercised. 771,428 warrants with an assigned value of $3,572 and 46,118 broker warrants with an assigned value of $266 were issued as part of the debenture units net of transaction costs of $290 (note 11(a)). On July 3, 2010, all unexercised warrants and broker warrants expired.

17. Research and development expenses:

Research and development expenses are recorded net of program funding received or receivable. For the years ending March 31, 2011, 2010 and 2009, the following research and development expenses had been incurred and program funding received or receivable:

	2011	2010	2009
Research and development expenses	$ 36,338	$ 27,546	$ 28,024
Program funding (note 13)	(1,675)	(1,333)	(1,856)
Research and development	$ 34,663	$ 26,213	$ 26,168

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 28.0% (2010 - 29.6%; 2009 - 30.8%) as follows:

	2011	2010	2009
Loss before income taxes	$ 24,851	$ 19,177	$ 10,434
Expected income tax recovery	$ 6,958	$ 5,676	$ 3,214
Reduction (increase) in income taxes resulting from:			
Non-deductible interest on long-term debt and amortization of discount	(558)	(384)	(112)
Non-deductible stock-based compensation	(1,379)	(1,341)	(608)
Non-deductible expenses	(42)	(33)	(54)
Withholding taxes	(303)	(194)	(193)
Change in enacted rates	24	(951)	(2,076)
Foreign tax rate differences, foreign exchange and other adjustments	(3,324)	(1,206)	(1,414)
Change in valuation allowance	(11,023)	(10,008)	(4,824)
	$ (9,647)	$ (8,441)	$ (6,067)

18. Income taxes (continued):

(b) The tax effects of the significant temporary differences that comprise tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	2011	2010
Future tax assets:		
Net operating loss carry forwards	$ 41,115	$ 27,342
Intangible assets	982	1,580
Equipment, furniture and leasehold improvements	1,181	1,330
Financing and share issuance costs	2,472	1,783
Warranty liability	6,686	7,368
Deferred revenue	3,092	1,950
Provisions	1,756	-
Other	379	85
Total gross future tax assets	57,663	41,438
Valuation allowance	(48,065)	(32,368)
Total future tax asset	$ 9,598	$ 9,070
Allocated as follows:		
Current future tax assets	$ 6,084	$ 4,990
Long-term future tax asset	3,514	4,080
Total future tax asset	$ 9,598	$ 9,070

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, 2011 was $8,886 (2010 - $9,663, 2009 - $2,682) of which $8,954 is payable in the United States (2010 - $9,462, 2009 - $2,505), $372 is recoverable in Italy (2010 - nil, 2009 - nil) and $304 (2010 - $201, 2009 - $374) is payable in Canada. Future income tax expense of $272 (2010 - recovery of $1,312; 2009 -$1,370) relates to temporary differences in the United States. Future tax expense of $32 (2010 -$90; 2009 -$2,015) relates to temporary differences in Canada. Future tax expense of $457 (2010 - $nil, 2009 - $nil) relates to temporary differences in Italy.

18. Income taxes (continued):

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

2014	$ 2,787
2015	2,587
2026	2,428
2027	14,100
2028	20,508
2029	27,577
2030	43,523
2031	44,087
	$157,597

The Company has non-capital loss carry forwards in the United States available to offset future taxable income of $914 which expire in 2029. The Company also has non-capital loss carry forwards in Italy available to offset future taxable income. Of these losses, $1,253 expire in 2015 and $1,020 expire in 2016.

19. Investment in Joint Ventures:

	2011	2010
Cummins Westport Inc. (a)	$ 14,770	$ 12,771
BTIC Westport Inc. (b)	151	365
	$ 14,921	$ 13,136

(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 provides personnel, financing and key technologies for the venture, while Cummins provides 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. Cummins has agreed to manufacture engines for CWI's business and transfer the engines to CWI at cost.

19. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

In consideration for this service, CWI agreed to pay Cummins a technology royalty access fee equal to 2.75% to a cumulative maximum of $10,400. As at March 31, 2011, CWI has paid royalties totaling $9,800.

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. The Company continues to consolidate CWI.

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, 2011, this rate was 1.07%. All outstanding interest is payable in United States dollars on or before December 15, 2011. Interest begins accruing on the date in which monies are advanced under the loan agreement. The loan is uncollateralized and is renewed annually.

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:

	2011	2010
Current assets:		
Cash and cash equivalents	$ 2,291	$ 3,176
Short-term investments	14,010	12,704
Accounts receivable	1,016	2,620
Loan receivable	14,200	13,295
Prepaid expenses	100	70
Current portion of future income tax asset	5,288	4,990
	36,905	36,855
Future income tax asset	3,511	4,080
Equipment, furniture and leasehold improvements	765	350
	$ 41,181	$ 41,285

	2011	2010
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,658	$ 4,617
Deferred revenue	1,797	633
Current portion of warranty liability	11,997	11,443
	15,452	16,693
Long-term liabilities:		
Warranty liability	4,724	7,738
Deferred revenue	5,453	3,720
	10,177	11,458
	$ 25,629	$ 28,151

19. Investment in Joint Ventures (continued):

(a) Cummins Westport Inc. (continued):

	2011	2010	2009
Product revenue	$ 84,612	$ 87,811	$ 82,475
Parts revenue	26,675	24,007	16,625
	111,287	111,818	99,100
Cost of revenue and expenses:			
Cost of revenue	66,989	73,059	73,048
Research and development	10,043	7,740	7,327
General and administrative	1,181	1,031	1,243
Sales and marketing	7,675	7,719	6,393
Foreign exchange	160	(345)	408
Bank charges, interest and other	299	254	156
	86,347	89,458	88,575
Income before undernoted	24,940	22,360	10,525
Interest and investment income	284	120	810
Income before income taxes	25,224	22,480	11,335
Income tax recovery (expense):			
Current	(8,954)	(9,461)	(2,513)
Future	(272)	1,311	(1,344)
	(9,226)	(8,150)	(3,857)
Income for the year	15,998	14,330	7,478
Income attributable to Joint Venture Partner	(7,999)	(7,165)	(3,739)
Income attributable to the Company	$ 7,999	$ 7,165	$ 3,739

(b) BTIC Westport Inc.:

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

The consolidated financial statements include 100% of the assets, liabilities, revenue, and expenses of BWI since the Company has determined that BWI is a variable interest entity and that the Company is the primary beneficiary. Accordingly, the Company consolidates BWI. For the year ended March 31, 2011, the net loss from BWI attributable to BTIC was $214 (2010 - $94, 2009 - net income of $170).

20. Commitments and contingencies:

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

2012	$ 1,563
2013	1,220
2014	930
2015	217
2016	27
	$ 3,957

For the year ended March 31, 2011, the Company incurred operating lease expense of $1,599 (2010 - $1,459; 2009 - $1,152).

21. Segmented information:

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

- CWI which serves the medium- to heavy-duty engine markets. The fuel for CWI engines is typically carried on vehicles as compressed natural gas or liquefied natural gas;
- Juniper which designs, produces and sells high-performance alternative fuel engines primarily for the sub-5-litre class initially targeting the global CNG and liquefied petroleum gas industrial and light-duty automotive market; and
- Other which includes Westport HD and other corporate costs. Westport HD includes the heavy-duty engine markets and currently offers a 15-litre LNG engine for the heavy-duty trucking market. Westport HD is our proprietary development platform, engaged in the engineering, design and marketing of natural-gas enabling technology for the heavy-duty diesel engine and truck market.

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

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

21. Segmented information (continued):

	2011	2010	2009
Revenue			
CWI	$ 111,287	$ 111,818	$ 99,100
Juniper	23,713	-	-
Other	13,062	9,835	10,111
	$ 148,062	$ 121,653	$ 109,211
Net operating income (loss)			
CWI	$ 25,399	$ 22,360	$ 11,089
Juniper	(2,476)	-	-
Other	(38,377)	(38,479)	(31,537)
	(15,454)	(16,119)	(20,448)
Depreciation and amortization			
CWI	(80)	(60)	(38)
Juniper	(1,305)	-	-
Other	(2,211)	(1,897)	(1,711)
	(3,596)	(1,957)	(1,749)
Income before undernoted	(19,050)	(18,076)	(22,197)
Other income (expense), net	(5,801)	(1,101)	11,763
Income before income taxes	$ (24,851)	$ (19,177)	$ (10,434)
Capital expenditures			
CWI	$ 442	$ 53	$ 250
Juniper	211	-	-
Other	2,960	151	5,131
	$ 3,613	$ 204	$ 5,282

For the year ended March 31, 2011, 60% (2010 - 67%; 2009 - 84%) of the Company's revenue was from sales in the Americas, 15% (2010 - 14%; 2009 - 4%) from sales in Asia, and 25% (2010 - 19%; 2009 - 12%) from sales elsewhere.

As at March 31, 2011 total goodwill of $8,202 (2010 - nil) was allocated to the Juniper segment. As at March 31, 2011 total long-term investments of $5,622 (2010 - nil) was allocated to the Other segment. Total assets are allocated as follows:

	2011	2010
CWI	$ 41,181	$ 41,285
Juniper	35,168	-
Other	197,037	112,405
	$ 273,386	$ 153,690

21. Segmented information (continued):

Capital assets and goodwill information by geographic area:

	2011	2010
Italy	$ 12,755	$ -
Canada	6,701	5,648
United States	787	400
China	42	65
	$ 20,285	$ 6,113

22. Financial instruments:

(a) Financial risk management:

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

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has sustained losses and negative cash flows from operations since inception. At March 31, 2011, the Company has $180,303 of cash, cash equivalents, and short-term investments.

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

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 24,765	$ 24,765	$ 24,765	$ -	$ -	$ -
Short-term debt (1)	208	208	208	-	-	-
Subordinated debenture notes (2)	14,948	15,818	15,818	-	-	-
Other long-term debt (3)	10,144	11,002	133	10,869	-	
Operating lease commitments	-	3,957	1,563	2,150	244	-
Royalty payments(4)	1,392	26,815	1,392	2,785	22,638	-
	$ 51,457	$ 82,565	$ 43,879	$ 15,804	$ 22,882	$ -

(1) Loan repayable to Centrobanca-L46 in May 2011 and carries a fixed interest rate of 1.012%.
(2) Includes interest at 9%.
(3) See note 11.
(4) From fiscal 2011 to 2015, inclusive, the Company is obligated to pay annual royalties equal to the greater of CDN$1,350 or 0.33% of the Company's gross annual revenue from all sources, provided that gross revenue exceeds CDN$13,500 in any aforementioned fiscal year, up to a maximum of CDN$28,189. The Company has assumed the minimum required payments. CWI is also obligated pay annual royalties of 2.75% of engine revenue to Cummins up to a cumulative maximum of $10,400. The Company has a remaining obligation of $527.

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.

22. Financial instruments (continued):

(c) Credit risk:

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short-term investments, accounts receivable and loan receivable. The Company manages credit risk associated with cash and cash equivalents and short-term investments by regularly consulting with its current bank and investment advisors and investing primarily in liquid short-term paper issued by Schedule 1 Canadian banks, R1 rated companies and governments. The Company monitors its portfolio, and its policy is to diversify its investments to manage this potential risk.

The Company is also exposed to credit risk with respect to uncertainties as to timing and amount of collectability of accounts receivable and loans receivable. As at March 31, 2011, 85% (2010 - 60%) of accounts receivable relates to customer receivables, 8% (2010 - 11%) relates to government grants receivable and 7% (2010 - 29%) relates to amounts due from partners and indirect and value added taxes receivable. The loan receivable in current assets is due from Cummins Inc., a large U.S. based engine manufacturer and the Company's joint venture partner. The Company is also exposed to credit risk on an amount receivable from a private energy company (note 7). In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 days to 90 days. The Company reviews its customer receivable accounts and regularly recognizes an allowance for doubtful receivables as soon as the account is determined not to be fully collectible. Estimates for allowance for doubtful debts are determined by a customer-by-customer evaluation of collectability at each balance sheet reporting date, taking into consideration past due amounts and any available relevant information on the customers' liquidity and financial position.

The carrying amount of cash and cash equivalents, short-term investments, accounts receivable, loan receivable and other assets of $212,289 at March 31, 2011 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.") and the Euro ("Euro"). Cash and cash equivalents, short-term investments, accounts receivable, accounts payable, short-term debt, and long-term debt that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies.

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

22. Financial instruments (continued):

(d) Foreign currency risk (continued):

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

	U.S. dollars
Cash and cash equivalents	$ 109,872
Short-term investments	25,841
Accounts receivable	1,704
Other assets	1,852
Accounts payable	1,254

	Euros
Cash and cash equivalents	201
Long-term debt	6,998

If foreign exchange rates on March 31, 2011 had changed by 25 basis points, with all other variables held constant, net loss for the year ended March 31, 2011 would have changed by $345 and $17 for US dollar denominated and Euro denominated financial instruments, respectively. The Company's exposure to currencies other than U.S. dollars and Euros is not material.

(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. 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. The company's interest bearing indebtedness have fixed rates of interest. Accordingly, the Company is not exposed to interest rate risk as its liabilities.

If interest rates for the year ended March 31, 2011 had changed by 50 basis points, with all other variables held constant, net loss for the year ended March 31, 2011 would have changed by $12.

(f) Fair value of financial instruments:

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

The Company's short-term investments are recorded at fair value. The long-term investment represents our interest in the Weichai Westport Inc. joint venture, which is accounted for using the equity method.

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

22. Financial instruments (continued):

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

Other assets consist of a note purchased by a private energy company (note 7). It is recorded at the outstanding principal amount plus accrued interest. Given that the company is private, there is a lack of observable market data. However, the Company believes that the carrying value of the note approximates its fair value as the interest rate of 12.5% represents a market-based rate that would be demanded for a note with similar terms and conditions.

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

The carrying value reported in the balance sheet for the subordinated debenture notes (note 11(a)) 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, 2011, the fair value of the subordinated debenture notes is higher than its carrying value by $842 based on a market interest rate of 14.00%.
The carrying value reported in the balance sheet for other long-term debt is also recorded at amortized cost using the effective interest rate method. It is being accreted to the gross proceeds of Euro 7.6 million that is payable to OMVL on July 2, 2013 at the effective interest rate of 3.65%. As at March 31, 2011, the fair value of the long-term debt is higher than its carrying value by $2,706 based on a market interest rate of 2.35%.

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

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

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

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

23. Management of capital:

As at March 31, 2011, the Company's capital is composed of share capital, its $20,627 (CDN $20,000) line of credit with a Schedule 1 Canadian bank, $14,090 (CDN$15,000) in debenture units, the primary terms of which are described in note 11(a) and $10,778 (€7,600 euro) long term debt payable as described in note 11(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, 2011.

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) Debt issuance costs and the effective interest method:

Under Canadian GAAP, debt issuance costs are amortized using the using the effective interest method under Canadian GAAP and are classified as reductions of the carrying value of the debt to which it relates. Under US GAAP, debt issuance costs are presented as deferred charges and are amortized using the effective interest method. Accordingly, unamortized financing costs of $130 (2010 - $529) relating to the issuance of debenture units, which are deducted against the liability, would be presented as an asset.

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

(b) 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 and 2009 of $49 and $1,928, respectively, recognized 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.

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

Under Canadian GAAP, acquired in-process research and development costs are capitalized and amortized. 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, 2011, 2010 and 2009 of $141, $129 and $128, respectively, would not be recognized under U.S. GAAP. As at March 31, 2011, the carrying value of intellectual property would be reduced by $142 (2010 - $283) with a corresponding increase in accumulated deficit.

(d) 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 $1,857, share capital of $51 and additional paid in capital of $1,806 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 $1,569 relating to stock options issued to non-employees prior to April 1, 2002.

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

(d) Stock-based compensation (continued):

Additional information about the share units issued under the Westport Omnibus Plan and former amended Share Unit Plan are as follows:

	Units	Weighted average grant date fair value (CDN $)
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
Units granted	424,149	22.78
Units vested	(548,733)	7.58
Units cancelled	(52,131)	13.64
Unvested, March 31, 2011	835,703	$ 15.62

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

	2011	2010
Stock options		
Outstanding	$ 7,187	$ 9,165
Exercisable	6,143	4,696
Share units		
Outstanding	$ 29,266	$ 19,966
Exercisable	11,508	3,049

The total intrinsic value of options and share units exercised for the year ended March 31, 2011 was $9,741 (CDN$9,445). As at March 31, 2011, $11,568 (CDN$11,216) 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.

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

(e) Income taxes:

Under both Canadian and US GAAP, future income tax assets and liabilities are measured using the income tax rates and income tax laws that, at the balance sheet date, are expected to apply when the assets are realized or the liabilities are settled. In Canada, announcements of changes in income tax rates and tax laws by the government can have the effect of being substantially enacted at the balance sheet date even though they are not yet proclaimed into law. When persuasive evidence exists that the government is able and committed to enacting proposed changes in the foreseeable future, the substantively enacted rate is used to measure the future tax assets and liabilities. Under US GAAP, only the income tax rates and income tax laws enacted at the balance sheet date are used to measure the future income tax assets and liabilities. For the years ended March 31, 2011, 2010, and 2009, enacted rates for US GAAP purposes were equal to rates used for Canadian GAAP purposes.

Income tax recovery (expense) consists of:

		Income tax recovery (expense)		
	Net income (loss) before taxes and Joint Venture Partners' share of net income from joint ventures	Current	Deferred	Total
Year ended March 31, 2011:				
Canada	$ (46,103)	$ (304)	$ (32)	$ (336)
United States	21,633	(8,954)	(272)	(9,226)
Italy	1,015	372	(457)	(85)
Other	(1,396)	-	-	-
	$ (24,851)	$ (8,886)	$ (761)	$ (9,647)
Year ended March 31, 2010:				
Canada	(39,426)	(201)	(90)	(291)
United States	20,774	(9,462)	1,312	(8,150)
Other	(525)	-	-	-
	$ (19,177)	$ (9,663)	$ 1,222	$ (8,441)
Year ended March 31, 2009:				
Canada	$ (28,259)	$ (374)	$ (2,015)	$ (2,389)
United States	17,451	(2,505)	(1,370)	(3,875)
Other	374	197	-	197
	$ (10,434)	$ (2,682)	$ (3,385)	$ (6,067)

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.

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

(e) Income taxes (continued):

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 by other tax authorities in jurisdictions 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.

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

Canada	Fiscal year 2004 to 2011
United States	Fiscal year 2005 to 2011
Germany	Fiscal year 2003 to 2011
China	Fiscal year 2007 to 2011
Italy	Fiscal year 2006 to 2011

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.

(f) 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:

	2011	2010
Total assets, Canadian GAAP	$273,386	$153,690
Differences in accounting for:		
Intellectual property (c)	(142)	(283)
Unamortized financing costs (a)	130	529
Total assets, US GAAP	$273,374	$153,936
Total liabilities, Canadian GAAP	$ 77,237	$ 56,979
Differences in accounting for:		
Unamortized financing costs (a)	130	529
Total liabilities, US GAAP	$ 77,367	$ 57,508
Shareholders' equity, Canadian GAAP	$196,149	$ 96,711
Difference in accounting for:		
Intellectual property (c)	(142)	(283)
Shareholders' equity, US GAAP	$196,007	$ 96,428

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

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

	2011	2010	2009
Net loss attributable to the Company, Canadian GAAP	$ (42,283)	$ (34,689)	$ (20,410)
Tax recovery on realized and unrealized gain on available for sale securities (b)	-	49	1,928
Amortization of intellectual property (c)	141	129	128
Net loss attributable to the Company, US GAAP	(42,142)	(34,511)	(18,354)
Other comprehensive income (loss) attributed to the Company, Canadian GAAP	7,414	14,087	(25,347)
Tax expense on realized and unrealized gain on available for sale securities (b)	-	(49)	(1,928)
Other comprehensive income (loss) attributed to the Company, US GAAP	7,414	14,038	(27,275)
Comprehensive loss attributed to the Company , US GAAP	$ (34,728)	$ (20,473)	$ (45,629)
Basic and diluted loss per share, US GAAP	$ (1.00)	$ (1.01)	$ (0.61)

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.

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

(*i*) Accounts receivable:

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

	2011	2010
Customer trade receivable	$ 14,289	$ 6,998
Government funding receivable	1,281	1,270
Due from joint venture partner and other receivables	1,075	3,252
Allowance for doubtful accounts	(711)	(130)
	$ 15,934	$ 11,390

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

(g) 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:

	2011	2010
Trade accounts payable	$ 18,270	$ 7,598
Accrued payroll	4,852	2,990
Accrued interest	416	397
Income taxes payable	1,087	2,564
Other	140	138
	$ 24,765	$ 13,687

(*iii*) Warranty liability:

A continuity of the warranty liability is as follows:

	2011	2010	2009
Balance, beginning of year	$ 20,950	$ 19,496	$ 8,920
Warranty claims	(14,143)	(14,164)	(8,039)
Warranty accruals	14,034	17,718	14,962
Change in warranty estimates	(2,735)	(2,059)	3,835
Impact of foreign exchange	(71)	(41)	(182)
Balance, end of year	$ 18,035	$ 20,950	$ 19,496

(*iv*) Cost of revenue:

Cost of revenue related to product revenue for the year ended March 31, 2011 was $72,448 (2010 - $66,277; 2009 - $70,129) and cost of revenue related to parts revenue was $18,534 (2010 - $16,702; 2009 - $11,208).

(v) Deferred revenue that will not be amortized in one year is included in other long-term liabilities on the balance sheet for Canadian GAAP purposes and disclosed in note 12. Under US GAAP, this amount would be presented separately on the balance sheet.

(h) Adoption of new accounting procedures:

Variable interest entities:
In June 2009, the FASB issued a new standard ASC No. 810-10, *Consolidation*, 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. Under the new standard, the Company's accounting treatment of its variable interests remains unchanged. The Company is performing regular reassessments of whether it is the primary beneficiary of its variable interest entities.

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

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

Improvements to financial reporting by enterprises involved with variable interest entities

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* , which amends ASC 810, *Consolidation*. The amendments provide guidance and clarification of how to determine when a reporting entity should include the assets, liabilities, non-controlling interests, and results of activities of a variable interest entity in its consolidated financial statements. The Company adopted this ASU effective April 1, 2010. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

Subsequent events:

In February 2010, the FASB issued a new standard ASU No. 2010-09, *Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements*, to address implementation issues related to subsequent events. This update eliminated the requirement for SEC filers to disclose the date through which it has evaluated subsequent events, clarified the period through which conduit bond obligors must evaluate subsequent events and refined the scope of the disclosure requirements for reissued financial statements. These amendments are effective upon issuance of the update. The adoption of this update did not have an effect on the Company's consolidated financial position, results of operations, cash flows, or note disclosures.

Revenue recognition:

In April 2010, the FASB issued ASU 2010-17, *Revenue Recognition - Milestone Method (Topic 605)* . This ASU stemmed from Emerging Issues Tax Force ("EITF") Issue 08-9, *Milestone Method of Revenue Recognition* . The Task Force concluded that the milestone method is a valid application of the proportional performance model when applied to research or development arrangements. Accordingly, the ASU states that the use of the milestone method is an accounting policy election. The Company early adopted this ASU effective July 1, 2010 and records service revenue under this method in its consolidated financial statements.

(i) New accounting pronouncements:

Fair value measurements and disclosures:

In January 2010 the FASB issued ASU No. 2010-06, *Fair Value Measures and Disclosures,* to require more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in level 3 fair value measurements and transfers between Level 1, 2, and 3. This update is effective for fiscal years beginning after December 31, 2010. We are assessing the potential impact that the update may have on our financial statements.

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

(i) New accounting pronouncements (continued):

Intangibles - Goodwill and Other:

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles - Goodwill and Other*, which modifies step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform step 2 of the impairment test if it is more likely than not that a goodwill impairment exists. This updated is effective for fiscal years beginning on or after December 15, 2010. The Company has determined that the update will not have any impact on its consolidated financial statements.

Business Combinations:

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations*, on the disclosure of supplementary pro forma information for business combinations. A public entity (acquirer) that presents comparative financial statements should disclose revenue and earnings of the combined entity as though the business combination that had occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. This update is effective prospectively for acquisition dates on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We are assessing the potential impact that the update may have on our financial statements.

Multiple-Deliverable Revenue Arrangements:

In October 2009, the FASB issued ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements*. The new guidance provides a more flexible alternative to identify and allocate consideration among multiple elements in a bundled arrangement when vendor-specific objective evidence or third-party evidence of selling price is not available. The new guidance requires the use of the relative selling price method and eliminates the residual method to allocation arrangement consideration. Additional expanded qualitative and quantitative disclosures are also required. The guidance is effective 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 update may have on our financial statements.

25. Subsequent event:

On June 8, 2011, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Emer S.p.A. ("Emer") of Brescia, Italy, for consideration of approximately €80.0 million ($117.2 million) through a combination of stock, cash, and assumption of debt. The Company will pay €27.0 million ($39.6 million) in a combination of cash and the issuance of common shares on the closing date. Common shares will be issued on the closing date in a range of 50% to 100% of this payment amount with the remainder settled in cash. The Company will also assume approximately €53.0 million ($77.6 million) in existing net debt within Emer. The closing of the transaction is expected on or about July 1, 2011 and is subject to a number of closing conditions, including regulatory approval from the Toronto Stock Exchange, approval from Emer's banking syndicate, Emer obtaining the shares of minority shareholders and receipt of Emer's 2010 audited financial statements. As a result, the Company will commence consolidating 100% of the assets, liabilities, revenues, and expenses of Emer on the transaction close date.



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, 2011. 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, 2011. The Company's reporting currency is the United States dollar. This MD&A is dated June 8, 2011.

Effective April 1, 2010, the Company changed its reporting currency from the Canadian dollar to the United States dollar ("U.S. dollar"). All prior year amounts have been translated into U.S. dollars.

On May 30, 2011, The Board of Directors approved a fiscal year-end change from March 31 to December 31, to align the year ends of all the consolidated operating companies to the calendar year.

Additional information relating to Westport, including our Annual Information Form ("AIF") and Form 40-F, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. All financial information is reported in U.S. dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the beliefs of management and reflects our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Act of 1934, as amended. Such statements include but are not limited to statements regarding the demand for our products, our investments, cash and capital requirements, the intentions of partners and potential customers, the performance of our products, our future market opportunities, our estimates and assumptions used in our accounting policies, our accruals, including warranty accruals, our financial condition, and timing of when we will adopt or meet certain accounting and regulatory standards. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward looking statements. These risks include risks related to revenue growth, operating results, industry and products, general economy, conditions of the

capital and debt markets, government or accounting policies and regulations, technology innovations, as well as other factors discussed below and elsewhere in this report, including the risk factors contained in the Company's most recent Annual Information Form filed on SEDAR at www.sedar.com. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based or that may affect the likelihood that actual results will differ from those set forth in the forward looking statements except as required by National Instrument 51-102.

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

BUSINESS OVERVIEW

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Our technology and products enable light- (2.4- litre), medium- (5.9- to 8.9- litre), heavy-duty (11- to 16- litre) and high horsepower (>16L) petroleum-based fuel engines to use primarily natural gas, giving users a cleaner, more plentiful and generally less expensive alternative fuel.

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

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

- Cummins Westport Inc. ("CWI"), our 50:50 joint venture with Cummins, Inc., serves the medium- to heavy-duty engine markets. 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 drayage trucks, material handling trucks, street sweepers and vehicles for selected industrial applications. The fuel for CWI engines is typically carried on the vehicles as compressed natural gas ("CNG") or liquefied natural gas ("LNG"). CWI engines are produced at Cummins plants in the United States, China and India, allowing CWI to leverage Cummins' global manufacturing footprint without incurring additional capital costs. CWI also utilizes Cummins' supply chain, back office systems and distribution and sales networks.

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

- Juniper Engines Inc. ("Juniper"), a wholly owned subsidiary of Westport, designs, produces and sells high-performance alternative fuel engines primarily in the sub-5-litre class initially targeting the global CNG and liquefied petroleum gas ("LPG") industrial and light-duty automotive market with sales and engineering support in North America, Europe and Asia. For industrial applications, Juniper's engines fully integrate multipoint injection technology with Hyundai Motor Company's 2.4-litre industrial engine platform. The result is a high-performance, low-emissions solution that offers competitive advantages over incumbent products, including a compact engine package, higher torque and power, and enhanced acceleration and transient response. In the first quarter of fiscal 2011, Juniper commenced production shipments to its OEM launch partner, Clark Material Handling Co. Juniper also delivered field trial engines in an oilfield application in Canada, targeting the non-mobile industrial market that also includes power generation and agriculture. With the recent acquisition of OMVL S.p.A ("OMVL"), Juniper entered the light-duty automotive market. OMVL brings multipoint injection fuel systems, high-volume manufacturing and engineering capabilities that will enable Juniper to grow through new OEM relationships and continued aftermarket sales.

We have entered into agreements to capitalize on the growth of alternative fuel engines in other geographic markets. In July 2010, we formally invested and received a 35% interest in Weichai Westport Inc. ("WWI"), an agreement with Westport, Weichai Power Co. Ltd. and Hong Kong Peterson (CNG) Equipment Ltd., to focus on the Chinese market. WWI intends to research, develop, design, manufacture, market, distribute and sell advanced, alternative fuel engines (and relevant parts and kits) for use in automotive, heavy duty trucking, power generation and shipping applications. WWI utilizes Westport's natural gas technology expertise and the distribution network of engine manufacturing leaders seeking to deliver best-in-class solutions in a rapidly developing market. In July 2008, we commenced operations of BTIC Westport ("BWI"), a joint venture between Westport and Beijing Tianhai Industry, to focus on tanks to support the Westport HD business. BWI combines our core competencies in LNG fuel systems with BTIC's global cryogenic tank manufacturing capabilities. The 50:50 joint venture fills a need within the natural gas vehicle industry for more cost-effective, custom-engineered tanks for LNG.

On July 2, 2010, we acquired 100% of the outstanding shares of OMVL and OMVL's 51% share of Juniper for consideration of $25.7 million. We paid $17.1 million on closing, and we expect to pay approximately $10.8 million on the third anniversary of the closing date. As a result of the transaction, Juniper, previously a joint venture between wholly owned subsidiaries of Westport and SIT Group of Italy, is now wholly owned by Westport. We commenced consolidating 100% of the assets, liabilities, revenues and expenses of Juniper and OMVL effective July 2, 2010.

On July 8, 2010, Westport and Volvo Powertrain ("VPT"), a subsidiary of Volvo AB, signed a new agreement defining Westport's responsibility to develop a range of biogas and natural gas-fuelled engine products for Volvo. Westport will also work directly with the Volvo AB brands to help identify market development opportunities for natural gas vehicles and assist in the infrastructure build-out of biogas and natural gas where needed. Westport originally entered into an agreement with Volvo in November 2009 describing Westport as a Tier 1 Development Supplier for its heavy-duty natural gas engines and associated supply chain. This new agreement is an evolved and expanded relationship, in which the Company performs engine research and development contract services and is paid by VPT as milestones under the agreement are achieved. The Company completed the first milestone in September 2010 and a second milestone during the current quarter and recorded related revenue of $3.1 million during the three months ended March 31, 2011 and $7.1 million for the year ended March 31, 2011.

On March 10, 2011, the Company entered into an agreement with Volvo Truck Corporation ("VTC"), a subsidiary of Volvo AB, to perform LNG tank module research and development contract services. The Company completed the first milestone in this agreement and recognized $1.0 million during the three months ended March 31, 2011.

SELECTED ANNUAL FINANCIAL INFORMATION

Selected Statements of Operations Data			
	Fiscal years ended March 31		
	2011	**2010**	**2009**
(expressed in thousands of United States dollars, except for per share amounts, shares outstanding and units shipped)			
Units shipped	3,656	3,921	4,038
Total revenue	148,062	121,653	109,211
Gross margin	57,080	38,674	27,874
GM %	*39%*	*32%*	*26%*
Net loss attributed to the Company	(42,283)	(34,689)	(20,410)
Net loss per share - basic and diluted [(1)]	(1.00)	(1.02)	(0.67)
Weighted average shares outstanding	42,305,889	34,133,247	30,268,947
Cash and short-term investments	180,303	104,205	65,503
Total assets	273,386	153,690	107,432
Long-term financial liabilities [(2)]	10,012	12,735	9,001
Cash used in operations before changes in non-cash working capital [(3)]	(24,470)	(22,994)	(22,392)
CWI income for the year after taxes	15,998	14,330	7,478
CWI income attibutable to the Company	7,999	7,165	3,739

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

OVERVIEW OF FISCAL 2011 RESULTS

Operating Results

For the year ended March 31, 2011, our consolidated revenues increased $26.4 million, or 21.7%, to $148.1 million from $121.7 million for the year ended March 31, 2010. The increase relates to Juniper revenue of $23.7 million as the Company began consolidating Juniper and OMVL from July 2, 2010, VPT service fee revenue of $8.1 million and an increase in CWI parts revenue of $2.7 million. These increases were partially offset by a $3.2 million decrease in CWI product revenue and a decrease in Westport HD revenue of $4.9 million.

Our consolidated net loss for the year ended March 31, 2011 was $42.3 million, or $1.00 per share, compared to $34.7 million, or $1.02 per share, for the year ended March 31, 2010. The $7.6 million increase in net loss was primarily due to a net loss in Juniper of $5.2 million, and an increase in the Westport HD net loss of $4.1 million, which was partially offset by an increase in CWI net income of $1.7 million.

Capital Management

In November 2010, we issued 6,957,500 common shares at a price of $17.50 per share for gross proceeds of $121.8 million. The net proceeds of $115.7 million (net of share issuance costs of $6.1 million) will be used to further our business objectives of developing technology and relationships in new and adjacent market opportunities with OEM's focused on light-duty industrial and automotive, heavy-duty and high horsepower applications.

Cash, cash equivalents and Investments

As of March 31, 2011, our cash, cash equivalents and short-term investments balance was $180.3 million compared to $104.2 million at March 31, 2010. For the year ended March 31, 2011, cash used in operations was $24.0 million with $24.5 million used for operating purposes and a $0.5 million surplus for working capital. We also paid cash of $13.0 million (net of cash acquired) for our acquisitions of OMVL and the remaining 51% of Juniper, invested $4.3 million in WWI, purchased $3.6 million of property and equipment and advanced loans, net of repayment, of $2.8 million. We issued shares through a public share offering resulting in cash inflow of $115.7 million (net of share issuance costs). The exercise of warrants originally issued to Industrial Technologies Canada and JF Mackie resulted in a $9.5 million cash inflow and the exercise of stock options resulted in an additional $3.3 million in cash. We also repaid our demand installment loan of $3.2 million and CWI paid a dividend to our joint venture partner of $6.0 million. We were impacted by foreign exchange on Canadian dollar and Euro denominated cash, cash equivalents and short-term investments and unrealized foreign exchange impacts on certain foreign currency denominated balances resulting in a $4.5 million impact on our cash, cash equivalents and short-term investment balance.

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 and BWI as a variable interest entities, equipment, furniture and leasehold improvements, intangible assets, goodwill, revenue recognition, inventories, stock based compensation and warranty liability. The application of these and other accounting policies are described in Note 2 of our fiscal 2011 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 and BWI as VIEs and determined that we are the primary beneficiary in both cases. Accordingly, we consolidate CWI and BWI, reflecting 100% of their assets, liabilities, revenues and expenses in our consolidated financial statements and present the 50% interest held by our joint venture partners, Cummins and BTIC, as "Net income attributed to joint venture partners."

Warranty Liability

Estimated warranty costs are recognized at the time we sell our products and included in cost of revenue. We use historical failure rates and costs to repair product defects during the warranty period, together with information on known products to estimate the warranty liability. The ultimate amount payable and the timing will depend on actual failure rates and the actual cost to repair. We review our warranty provision quarterly and record adjustments to our assumptions based on the latest information available at that time. Since a number of our products are new in the market, historical data may not necessarily reflect actual costs to be incurred, and this exposes the Company to potentially significant fluctuations in liabilities. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. We generally record warranty expense for new products upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. Adjustments to the warranty provision are recorded in cost of revenue. During the year, we decreased our warranty provision to reflect new claims experience information received on CWI products. These changes in estimates are discussed further in the "Gross Margin" section under "Results from Operations."

Revenue Recognition

Our primary source of revenue is from the sale of CWI spark ignited engines, kits, LNG systems and parts and Juniper CNG and LPG fuel systems for OEMs in the light-duty automotive and industrial markets. Product revenue is recognized when the products are shipped, 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.

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

Inventories

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

Equipment, Furniture, and Leasehold Improvements and Intangible Assets

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

Stock-based Compensation

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

Goodwill

We do not amortize goodwill but instead test it annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at January 31.

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

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

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Effective January 1, 2011, Canadian GAAP, as used by publicly accountable enterprises, has been replaced with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

We have determined that adopting U.S. GAAP at this time rather than IFRS would be more relevant to our investor base, less disruptive and less costly as we currently prepare a U.S. GAAP reconciliation in the notes to our consolidated financial statements and our systems are set-up to capture U.S. GAAP information. Management expects to transition to U.S. GAAP 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 CONTROLS - CHANGES IN 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, 2011, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosure.

We have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. No changes were made in our internal control over financial reporting during the year ended March 31, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The CEO and CFO, together with other members of management, are responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is designed under our supervision, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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, 2011. KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of March 31, 2011.

FINANCIAL OVERVIEW

RESULTS FROM OPERATIONS
Year Ended March 31, 2011 Compared to Year Ended March 31, 2010

Product Revenue by Geographic Region
(as a percentage of revenue)

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

Product revenue for the year ended March 31, 2011 increased $15.7 million, or 16.6%, to $110.5 million from $94.8 million in the prior fiscal year. CWI product revenue decreased from $87.8 million to $84.6 million as a result of lower shipments of engines, 3,629 units in fiscal year 2011 compared to 3,807 units in fiscal year 2010, and the mix of engines sold. CWI also recorded kit revenue of $2.6 million and natural gas engine margin of $0.7 million in fiscal year 2011 compared to $4.5 million and $4.1 million, respectively, in fiscal year 2010, as we completed deliveries to a customer in India. Westport HD product revenue for the year ended March 31, 2011 decreased to $2.2 million with 27 systems delivered compared to $7.0 million with 114 systems delivered in the prior fiscal year. There have been announced purchase orders for over 483 HD trucks featuring Westport's HD technology. The delivery time for these orders depends on customer fleet turnover requirements and truck OEM resources. Included in Westport HD product revenue for fiscal year 2011 was other HD revenue of $0.8 million, which was generated from contract services and the sale of used demo trucks during fiscal year 2011 compared to nil in fiscal year 2010. Juniper contributed $23.7 million in revenue for the year ended March 31, 2011. The Company commenced consolidating Juniper effective July 2, 2010.

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

Service revenue for the year ended March 31, 2011 was $8.1 million. The Company signed Engine Development Agreements ("the Agreement(s)") with VPT on July 8, 2010 and VTC on March 10, 2011. The Agreements require VPT and VTC to pay the Company a fixed amount over a three year period for performing engine and tank module development services. The Company achieved two milestones under the VPT Agreement in September 2010 and March 2011 for the completion of certain proof of concept work and achieved the first milestone under the VTC agreement in March 2011. As a result, we recorded revenue on the achievement of these milestones. All costs associated with VPT and VTC development are recorded as research and development expenses in the period incurred in the consolidated statement of operations.

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

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

Research and development expenses, net of program funding, for the year ended March 31, 2011 increased $8.5 million to $34.7 million compared with $26.2 million for the prior fiscal year. CWI's net research and development expenses increased $2.3 million from $7.7 million to $10.0 million during the year ended March 31, 2011. The increase in CWI research and development expense related primarily to the timing of materials spending on product development. Westport HD research and development expenses increased $2.5 million to $21.0 million during the year ended March 31, 2011, primarily as a result of higher material costs associated with product development, higher salary related expense due to an increase in headcount and a reduction in government funding. These increases were offset by lower costs associated with certification efforts on Westport's 2010 certification program that was achieved in July 2010. Juniper research and development expenses were $3.7 million for fiscal year 2011 and related to efforts to expand product offerings to light-duty automotive OEMs.

Research and Development Expenses
(expressed in thousands of U.S. dollars)

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

General and administrative expenses for the year ended March 31, 2011, increased $4.4 million to $16.2 million compared with $11.8 million in the prior fiscal year primarily due to an increase in Westport HD administrative costs of $2.1 million offset by a decrease in stock-based compensation of $0.3 million. CWI general and administrative expenses increased $0.2 million in the current fiscal year primarily due to a one time salary benefit payment. The remaining increase related to Juniper general and administrative expenses of $2.4 million.

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

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

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

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

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

Interest on long-term debt and amortization of discount of $2.5 million for the year ended March 31, 2010 related to interest and accretion on the subordinated debenture notes and interest on our demand installment loan.

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

Income tax expense for the year ended March 31, 2011 was $9.6 million, which compares to an expense of $8.4 million for the year ended March 31, 2010. Current income tax expense representing cash taxes payable was $8.9 million in fiscal year 2011 compared with $9.7 million in fiscal year 2010, and we recorded a future income tax expense of $0.8 million, which compares to a recovery of $1.2 million in the prior fiscal year. Future income tax recoveries and expenses arise on the recognition of temporary differences between the carrying amounts and the tax bases of our assets and liabilities. CWI represents the majority of the tax provision in both fiscal year 2011 and 2010 as the provision relating to CWI was $9.2 million and $8.2 million, respectively. CWI has an effective tax rate of approximately 36% representing federal and state tax liabilities. Also, included in fiscal year 2011 is tax expense for OMVL of $0.1 million. Westport HD entities are primarily in a loss position or have losses carried forward that offset taxable income. During fiscal years 2011 and 2010, we paid withholding tax on dividends of $0.3 million and $0.1 million, respectively. During fiscal year 2010, there was also future income tax expense related to the sale of our Clean Energy shares of $0.1 million as a result of reversing a future tax credit arising on available for sale investments.

Year Ended March 31, 2010 Compared to Year Ended March 31, 2009

Product Revenue by Geographic Region
(as a percentage of revenue)

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

Product revenue for the year ended March 31, 2010, was $94.8 million, up $2.3 million, or 2.5%, from $92.5 million in the prior fiscal year. CWI product revenue increased $5.3 million, or 6.4%, in fiscal year 2010 to $87.8 million compared to $82.5 million in fiscal year 2009. CWI product shipments decreased from 3,907 units in fiscal 2009 to 3,807 units in fiscal year 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 fiscal year, and this product generally sold for a higher price than B Gas and C Gas units. Kit revenues, which are included in product revenue, decreased by $0.8 million, or 15.1%, in fiscal year 2010 to $4.5 million from $5.3 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 $3.3 million compared with fiscal year 2009. For the year ended March 31, 2010, Westport HD product revenues decreased by $3.0 million, or 30.0%, to $7.0 million, with 114 HD units shipped in the fiscal year 2010, from $10.0 million and 131 units shipped in fiscal year 2009. The revenue decline was 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.

Parts revenue increased in fiscal year 2010 by $10.2 million, or 61.1%, to $26.9 million from $16.7 million in fiscal year 2009. CWI parts revenue increased from $16.7 million in fiscal year 2009 to $24.0 million in fiscal year 2010. The increase is due to higher sales volumes. Westport HD parts revenue increased from $0.1 million in fiscal year 2009 to $2.9 million in fiscal year 2010 primarily from sales of spark ignited tanks generated by BWI of $1.9 million and also sold $1.0 million in service and after market parts as a result of a higher population of HD units.

Gross margin for the years ended March 31, 2010 and 2009 were $38.7 million and $27.9 million, respectively and gross margin percentages were 31.8% and 25.5%, respectively. CWI gross margin and gross margin percentage was $38.8 million and 34.7% in fiscal year 2010 compared to $26.1 million and 26.3% in fiscal year 2009. The increase in gross margin percentage was primarily the result of the favourable adjustment to warranty reserves in fiscal year 2010 of $2.0 million compared to an unfavourable adjustment of $4.5 million in the previous fiscal year. The warranty reserve in fiscal year 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 year 2009 claims experience. During fiscal year 2010, the Company realized more favourable claims experience, which resulted in a positive warranty reserve adjustment and a reduction in the accrual rate on new engine sales. The remaining difference related primarily to changes in business mix and a higher parts margin in fiscal year 2010 relative to fiscal year 2009. Westport HD gross margin was slightly below breakeven level in fiscal year 2010 compared with $1.8 million in fiscal year 2009 and gross margin percentage was -0.9% for fiscal year 2010 compared with 18.0% in the fiscal year 2009. The decrease in gross margin percentage was driven by changes in the inventory obsolescence provision and campaign charges of $1.7 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 Westport HD systems in fiscal year 2011, which was not sufficient to recover costs on older key components. We also wrote down and scrapped certain components associated with our previous upfit model.

Research and development expenses, net of program funding, remained flat at $26.2 million in fiscal years 2010 and 2009. CWI research and development expense increased $0.4 million due to an increase in material spending on new product development. Westport HD research and development expenses decreased by $0.4 million in the year ended March 31, 2010. The reduction was 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 charges. Research and development costs fluctuate with funding levels and stage of development programs.

Research and Development Expenses
(expressed in thousands of U.S. dollars)

	Fiscal years ended March 31	
	2010	2009
Research and development expenses	$ 27,546	$ 28,024
Program funding	(1,333)	(1,856)
Research and development, net	$ 26,213	$ 26,168

General and administrative expenses for the year ended March 31, 2010 increased $4.3 million to $11.8 million from $7.5 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 fiscal year. Westport HD general and administrative expenses increased by $4.5 million primarily from an increase in stock-based compensation of $1.9 million as a result of one-time grants and accelerated vesting of certain performance share unit awards. In addition, the Company incurred professional fees of $0.8 million relating to strategic development activities and an increase of $1.8 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.

Sales and marketing expenses for the year ended March 31, 2010 increased $2.1 million to $16.7 million from $14.6 million in the prior fiscal year. CWI sales and marketing expenses increased from $6.4 million in fiscal year 2009 to $7.7 million in fiscal year 2010 while Westport HD sales and marketing expenses increased from $8.2 million in fiscal year 2009 to $9.0 million in fiscal year 2010. The increase in CWI sales and marketing expense was primarily due to a $1.4 million increase in policy expense associated with customer support on out of warranty engines. Westport HD sales and marketing expense increased by $0.8 million primarily due to a higher stock-based compensation and an increase in product support costs.

Foreign exchange gains and losses reflected net realized gains and losses on foreign currency transactions and the net unrealized gains and losses on our non-CWI net U.S. dollar denominated monetary assets and liabilities that are mainly comprised of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. For the year ended March 31, 2010, we recognized a net foreign exchange loss of $0.4 million with the increase in the Canadian dollar relative to the U.S. dollar. This compares to foreign exchange losses $0.7 million in fiscal year 2009.

Depreciation and amortization for the years ended March 31, 2010 and 2009 were $2.0 million and $1.7 million, respectively. The increase in depreciation and amortization of $0.3 million related primarily to depreciation of research equipment and leasehold improvements owned for a full year.

Income/(loss) from investment accounted for by the equity method for the year ended March 31, 2010 and 2009 were losses of $1.0 million and $0.9 million, respectively, relating to our investment in Juniper.

Interest on long-term debt and amortization of discount for the year ended March 31, 2010 of $2.5 million related to interest and accretion on the subordinated debenture notes and interest on our demand installment loan. In fiscal year 2009, there was $1.6 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 that fiscal year. Interest on the debentures was recorded at 9% per annum.

Gain on sale of long-term investments in fiscal year 2010 related to the sale of Clean Energy shares and the sale of our remaining interest in Wild River Resources Ltd. ("Wild River"). The Company sold 184,311 shares of Clean Energy in fiscal year 2010 resulting in a gain on sale of $2.7 million. As at March 31, 2010, the Company no longer owned any shares in Clean Energy. We also sold our interest in Wild River for net proceeds of $0.1 million resulting in a gain of $0.1 million in fiscal year 2010. In fiscal year 2009, we recorded realized gains of $13.9 million related to the sale of Clean Energy shares

Income tax expense for the year ended March 31, 2010 was $8.4 million, and for the year ended March 31, 2009, we had income tax expense of $6.1 million. Current income tax expense, representing cash taxes payable in the year, was $9.7 million and $2.7 million for fiscal years 2010 and 2009, respectively. Future income tax recovery in fiscal year 2010 was $1.2 million while in fiscal year 2009 a future income tax expense of $3.4 million was recorded. CWI represented the majority of the tax provision in both fiscal year 2010 and 2009 as the provision relating to CWI was $8.2 million and $3.9 million, respectively.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

As at March 31, 2011, our cash, cash equivalents and short-term investment position was $180.3 million, an increase of $76.1 million from $104.2 million at March 31, 2010. 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 year ended March 31, 2011, our cash used in operations was $24.0 million. Cash used in operations before changes in non-cash working capital, a non-GAAP measure, was $24.5 million. Changes in non-cash working capital resulted in a surplus of $0.5 million. The $0.5 million change in working capital was impacted by cash outflows from the settlement of accounts payable and accrued liabilities of $2.8 million and inflows from the collection of accounts receivable of $5.5 million. Inventory increased $1.9 million, prepaid expenses increased $0.5 million and warranty liability decreased $2.9 million. This was offset by increases in deferred revenue of $3.1 million. Cash used in investing activities included cash paid to acquire Juniper and OMVL of $13.0 million (net of cash acquired), our investment in WWI of $4.3 million and the purchase of fixed assets of $3.6 million and loan advances, net of repayment, of $2.8 million offset by net proceeds from the sale of short-term investments of $3.4 million. Cash provided by financing activities included $115.7 million, net of share issuance costs, raised in a public share offering and $12.7 million in shares issued for warrant and stock option exercises offset by repayment of our demand instalment loan of $3.2 million. CWI also paid $6.0 million in dividends to each parent company with Cummins share reflected as a reduction of the joint venture partner's share of net assets of joint venture.

Foreign exchange resulted in an adjustment to cash and cash equivalents of $3.1 million as a large portion of our cash balances are maintained in Canadian dollars and Euros, and we also are exposed to unrealized foreign exchange gains and losses on our foreign currency denominated assets and liabilities, which result in an adjustment when reconciling from net loss to cash and cash equivalents.

Our plan is to use our current cash, cash equivalents and short-term investments, our share of CWI profits and borrowings under our credit facility to fund our committed milestones and obligations for our current programs. We will also continue to seek third party and government funding on commercially acceptable terms to offset costs of our investments; however, there are no guarantees that we will be successful in obtaining third party funding on acceptable terms or at all.

During the first quarter of fiscal 2011, we terminated our existing credit facility and entered into a new credit facility for maximum borrowings of $20.0 million Canadian dollars governed by a margin requirement limiting such borrowings to a calculated amount based on cash and investments held at the creditor. Borrowings may be drawn in the form of direct borrowings, letters of credit, foreign exchange forward contracts and overdraft loans. Outstanding amounts on direct borrowings and overdraft loans drawn under this credit facility bear interest at the prime rate. Letters of credit drawn under this credit facility bear interest at 1% per annum. The Company issued a letter of credit for $10.8 million on July 2, 2010.

During the third quarter of fiscal 2011, we issued 6,957,500 common shares at a price of $17.50 per share, for gross proceeds of $121.8 million. The net proceeds of $115.7 million (net of share issuance costs of $6.1 million) will be used for developing technology and relationships in new and adjacent market opportunities in light-duty industrial and automotive applications, heavy-duty industrial and automotive applications, high horsepower applications, and for general corporate purposes.

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

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

SHARES OUTSTANDING

For the years ended March 31, 2011, 2010 and 2009, the weighted average number of shares used in calculating the loss per share was 42,305,889, 34,133,247, and 30,268,947, respectively. During the year ended March 31, 2011, we granted nil stock options and 424,149 share units relating to our long-term incentive programs. As part of the debenture units issued on July 3, 2008, we issued 771,428 warrants with a strike price of CDN $18.73 and 46,118 broker warrants with a strike price of CDN $16.10. During fiscal year 2010, 24,100 warrants and 43,507 broker warrants were exercised for proceeds of CDN $0.5 million and CDN $0.7 million, respectively. We also issued 790,614 warrants with a strike price of CDN $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 CDN $8.4 million. On July 3, 2010, all unexercised warrants and broker warrants expired. The shares, share options and performance share units outstanding and exercisable as at the following dates are shown below:

	March 31 , 2011		June 8, 2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
				$
Shares outstanding	46,972,304		47,132,345	
Share Options				
- Outstanding	562,014	8.46	478,823	8.52
- Exercisable	455,206	7.75	372,015	7.67
Share Units				
- Outstanding	1,377,237	N/A	1,500,522	N/A
- Exercisable	541,534	N/A	457,895	N/A

(weighted average exercise prices are presented in Canadian dollars)

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF FOURTH QUARTER 2011

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

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

Selected Quarterly Operations Data (unaudited)								
Three months ended	**30-Jun-09**	**30-Sep-09**	**31-Dec-09**	**31-Mar-10**	**30-Jun-10**	**30-Sep-10**	**31-Dec-10**	**31-Mar-11**
Units shipped	622	1,053	1,202	1,044	730	1,115	1,036	775
(expressed in thousands of United States dollars except for per share amounts)								
Product revenue	$ 16,801	$ 21,942	$ 28,557	$ 27,503	$ 18,870	$ 34,189	$ 30,976	$ 26,440
Parts revenue	$ 4,980	$ 7,099	$ 7,814	$ 6,957	$ 6,621	$ 6,663	$ 8,553	$ 7,622
Engineering Service Revenue	$ -	$ -	$ -	$ -	$ -	$ 4,052	$ -	$ 4,076
Total revenue	$ 21,781	$ 29,041	$ 36,371	$ 34,460	$ 25,491	$ 44,904	$ 39,529	$ 38,138
Cost of sales	$ 16,206	$ 21,710	$ 22,080	$ 22,983	$ 16,738	$ 27,082	$ 26,663	$ 20,499
Gross margin	$ 5,575	$ 7,331	$ 14,291	$ 11,477	$ 8,753	$ 17,822	$ 12,866	$ 17,639
Gorss margin percentage	*26%*	*25%*	*39%*	*33%*	*34%*	*40%*	*33%*	*46%*
Net loss for the period attributable to the Company	$ (7,871)	$ (8,193)	$ (6,891)	$ (11,734)	$ (8,086)	$ (6,251)	$ (13,530)	$ (14,416)
Loss per share:								
Basic	$ (0.25)	$ (0.25)	$ (0.20)	$ (0.32)	$ (0.21)	$ (0.16)	$ (0.31)	$ (0.31)
Diluted	$ (0.25)	$ (0.25)	$ (0.20)	$ (0.32)	$ (0.21)	$ (0.16)	$ (0.31)	$ (0.31)
Company's 100% share of CWI net income	$ 1,172	$ 1,922	$ 5,570	$ 5,666	$ 3,034	$ 5,280	$ 3,160	$ 4,524
CWI net income attributable to the Company	$ 586	$ 961	$ 2,785	$ 2,833	$ 1,517	$ 2,640	$ 1,580	$ 2,262

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

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

Our consolidated revenue for the three months ended March 31, 2011 was $38.1 million, an increase of $3.6 million, or 10.4%, from $34.5 million in the same period in fiscal year 2010. The increase relates primarily to Juniper revenue of $7.4 million as the Company began consolidating Juniper and OMVL from July 2, 2010. CWI product revenue was down $6.3 million as unit sales decreased from 998 units to 773 units primarily as the result of decreased volume of ISL G engine sales. CWI parts revenue increased by $0.5 million quarter over quarter due to an increase in units in service and price increases on certain parts. Westport HD revenues for the quarter ended March 31, 2011 increased by $2.0 million due to $4.1 million in VPT service revenue recorded in the current quarter and an increase in parts revenue of $0.1 million offset with a decrease in product revenue of $2.2 million due to 2 HD systems being shipped in the fourth quarter of fiscal 2011 compared with 46 in the comparative quarter.

Our consolidated net loss for the three months ended March 31, 2011 was $14.4 million, or a loss of $0.31 per diluted share, compared to a net loss of $11.7 million, or a loss of $0.32 per diluted share, for the three months ended March 31, 2010. The $2.7 million increase in net loss relates primarily to:

- A decrease in our 50% share of CWI net income of $0.6 million due to lower revenue and increased research and development expenses incurred relating primarily to product development,
- An increase in Westport HD operating costs of $2.1 million, unfavorable foreign exchange loss of $1.5 million and a reduction in interest income of $0.3 million, offset by VPT service revenue of $4.1 million recorded in Westport HD, and;
- Juniper net loss of $2.3 million driven by efforts to expand product offerings to light duty automotive OEM's.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	3-5 years	> 5 years
Accounts payable and accrued liabilities	$ 24,765	$ 24,765	$ 24,765	$ -	$ -	$ -
Short term debt	208	208	208	-	-	-
Subordinated debenture notes	14,948	15,818	15,818	-	-	-
Other long-term debt	10,144	11,002	133	10,869	-	-
Operating lease commitments	-	3,957	1,563	2,150	244	-
Royalty payments	1,392	26,815	1,392	2,785	22,638	-
	$ 51,457	$ 82,565	$ 43,879	$ 15,804	$ 22,882	$ -

CONTRACTUAL COMMITMENTS

Capital lease obligations related primarily to office equipment and machinery, have initial terms of three to five years and have interest rates ranging from 2.13% to 6.17%. Operating lease commitments represent our future minimum lease payments under leases related primarily to our operating premises and office equipment.

SHORT-TERM DEBT

The short-term debt is related to OMVL's loan with Centrobanca - L46, which has expiration date of May 2011 at an interest rate of 1.012%

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 $10.4 million. As of March 31, 2011, $9.8 million has been paid and $0.6 million remains outstanding.

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 $1.7 million in government funding in fiscal year 2011 compared with $1.3 million in fiscal year 2010 and $1.8 million in fiscal 2009. Under certain repayment terms, we are obligated to repay royalties as follows:

AGREEMENT	DESCRIPTION	ROYALTIES	TERM
INDUSTRIAL TECHNOLOGIES OFFICE (FORMERLY TECHNOLOGY PARTNERSHIPS CANADA)	Fund 30% of the eligible costs of, among other research projects, the adaptation of Westport's technology to diesel engines, up to $18.9 million CDN.	Annual royalties equal to the greater of $1,350,000 CDN or 0.33% of annual gross revenues from all sources, provided that gross revenues exceed $13.5 million CDN.	Fiscal 2010 to fiscal 2015, inclusive; royalty period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $28.2 million CDN.
DEPARTMENT OF NATURAL RESOURCES CANADA	Funded $1.0 million CDN for demonstration of a low emissions natural gas power generator in Grande Prairie, Alberta.	1% of revenues from future sales of natural gas engines for power generators.	Earlier of 10 years from project completion date (August 30, 2004), or when cumulative royalties total $1.0 million CDN.

As at March 31, 2011, royalties of $1.4 million (CDN $1.4 million) relating to ITO were paid and an additional $1.4 million (CDN $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 adversely affect our business, financial condition, liquidity, results of operation or prospects. A full discussion of the risks impacting our business is contained in the Annual Information Form for the year ended March 31, 2011 under the heading "Risks" and is available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

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

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

(expressed in thousands of U.S. dollars)

	2011	2010	2009
Cash flow from operations			
Net loss for the year	$ (34,498)	$ (27,618)	$ (16,501)
Items not involving cash:			
Depreciation and amortization	3,596	1,957	1,749
Stock-based compensation expense	4,923	4,530	1,974
Future income tax expense (recovery)	761	(1,222)	3,385
Change in deferred lease inducements	(58)	(95)	(241)
Gain on disposition of long-term investments	-	(2,827)	(13,859)
(Income) loss from investment accounted for by the equity method	(842)	983	910
Accretion of long-term debt	1,992	1,298	363
Other	(344)	-	(172)
Cash flows from operations before changes in non-cash operating working capital	$ (24,470)	$ (22,994)	$ (22,392)

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 8, 2011

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 8, 2011

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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Demers, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

June 8, 2011 /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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Larkin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

June 8, 2011 /s/ William Larkin

William Larkin
Chief Financial Officer

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

Exhibit 99.8



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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Westport Innovations Inc.:

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

- our Independent Auditors' Report of Registered Public Accounting Firm dated June 8, 2011 on the consolidated balance sheets of Westport Innovations Inc. ("the Company") as at March 31, 2011 and 2010, 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, 2011

- our Report of Independent Registered Public Accounting Firm dated June 8, 2011 on the Company's internal control over financial reporting as of March 31, 2011

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

We also consent to the incorporation by reference in the registration statements (No. 333-168847) on Form S-8 and (No. 333-160709) on Form F-10 of the Company of our report dated June 8, 2011 with respect to the consolidated balance sheets of the Company as at March 31, 2011 and 2010 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, 2011 and our report dated June 8, 2011 with respect to the effectiveness of internal control over financial reporting as of March 31, 2011, included herein.

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

Chartered Accountants

Vancouver, Canada
June 8, 2011