

<DARREN SEED speaking>
<Westport's Director, Investor Relations>

Thank you, and good afternoon. Welcome to our first quarter conference call for fiscal 2010. It is being held to coincide with the disclosure of our financial statements earlier this afternoon. For those who haven't seen the release and financial statements yet, they can be found on Westport's website at www.westport.com.

Speaking on behalf of the company will be Westport's Chief Executive Officer, David Demers, the Chief Financial Officer, Elaine Wong, and the President and Chief Operating Officer, Mike Gallagher.

Attendance of this call is open to the public and to media, but for the sake of brevity, we are restricting questions to analysts and institutional investors.

You are reminded that certain statements may be made in this conference call, and our responses to various questions may constitute forward looking statements within the meaning of US and applicable Canadian Securities Law. And such forward looking statements are made based on our current expectations, and involve certain risks and uncertainties. Actual results may differ materially from those projections in the forward looking statements. Information contained in this conference call is subject to, and qualified in its entirety by information contained in the company's public filings, and except as required by applicable securities laws, we do not have any intention or obligation to update forward looking information after the conference call. You are cautioned not to place undue reliance on any forward-looking statements.

Now I will turn the call over to David Demers.

<DAVID DEMERS speaking>
<Westport's Chief Executive Officer>

Thanks, Darren, and good afternoon everyone. I'm just scrubbing my comments to see what is not a forward looking statement, so we could be in trouble here. As expected, and as you can see from the numbers, fiscal 2010 is off to a relatively quiet start; revenues about flat year-over-year for our first quarter. And, of course, our whole sector has seen catastrophic shrinkage in markets around the world since the economic collapse last fall. And even in June, the industry outlook for the rest of the year was very cautious, although there are some industry analysts who are expressing a little more bullish

outlook possibly by the end of 2009. Our fiscal '09 yearend call went through this in some detail though, so I won't reiterate what we said just a few weeks ago. But, I guess under these circumstances, about flat we think is a good result, probably as good as we can expect.

If you look at the business in more detail, which Elaine will do for us in a few minutes, there are some pretty interesting signals here. You can see that CWI in US dollars saw engine shipments in the US drop by about 40 percent year-over-year, but CWI clawed its way back up through strength in India and Europe, and 30 percent growth in the parts business.

Heavy-duty sales also increased year-over-year, although this is still a very small business for us, and with the volatility in foreign exchange, we ended up in relatively good shape for the quarter compared to the economy, and other people in this industry generally.

Sentiment about US economic recovery does seem to be significantly more optimistic over the past few weeks, and if the economy stabilizes and begins to revive, we would expect shipment rates in the US to bounce back quickly.

In the near-term, we've seen a lot of enthusiasm from fleets for the many stimulus and grant programs that have been announced by various levels of government over the past few months, so we may see the strong subsidy investment drive a substantial lump of new business at the same time as general economic recovery delivers a strong rebound in core traditional fleets.

We should begin to see order flow from the ports from US federal stimulus programs such as Clean Cities, and general emissions programs over the course of the summer and early fall.

Our international business continues to show strength, and we see a number of good prospects for continued growth there.

On balance then, we're cautiously optimistic about the short-term business prospects, although there's still a high level of uncertainty about the timing of orders from stimulus programs, and strong growth will only return after the economic signals are unequivocal.

In any case, as we said in our last call, we believe that fiscal 2010 will show good growth over fiscal 2009, despite the market turmoil. We're working hard to achieve our financial goals, and I think they're realistic from what we can see today.

Of course, I want to remind you that our current financial results are simply waypoints as we further build our company. Our goal is to help catalyze a broad global shift to natural gas and diesel fuel, which are going to opportunity several orders of magnitude bigger than our current business.

Looking past the current turbulence, we're seeing considerable interest in the potential impact of the US Nat Gas Act market incentives. Mike, I think, is going to touch on that in more detail. Of course, the rise in oil prices is reinforcing last year's anxiety about fuel price volatility, and the potential for an oil shock scenario. Either factor could create game changing conditions for us, and drive a sudden shift in market behaviour.

Before Elaine and Mike start into their discussions of the quarter and the operational results, I wanted to share some of the steps we're taking to position Westport for either this longer-term 10 times business expansion, or for a sudden game changing factor, such as an oil shock.

Most of you have heard me talk about our three strategic assumptions, so I'll use that as a framework to explain what we're seeing. First, we believe that the long-term driver for adoption of alternative fuels will be conventional fuel scarcity, and the corresponding high gasoline and diesel fuel prices. We believe that the dominant alternative fuel for transport will be natural gas, and biomethane, you know, other versions of natural gas.

As Boone Pickens has said all year, natural gas is cheap, it's clean, it's domestically available. This belief is seeing considerable support these days, with even general media, general business media picking up on the theme of limited oil supply, large new reserves of low-cost domestic natural gas, and natural gas being cleaner.

We're also seeing talk by natural gas producers and natural gas distribution companies about the opportunity they see in the transportation business for natural gas for their product.

So this is a global mood shift that is developing real momentum everywhere for natural gas, but particularly as a fuel for commercial fleets. That seems to be pretty well accepted now.

Of course, that's what we focus on is large fuel-use fleets operating from central depots; buses, refuse trucks, port drayage, regional trucking. These are all prime targets for us. The obstacles to other markets though, like long-haul trucking, and off-road applications aren't insurmountable either. We just think that our first focus has allowed us to get a toehold from these key markets and prove our case.

We believe that if we can deliver factory produced vehicles with state of the art performance, quality, emissions, and reliability at a competitive price to diesel, we will see widespread adoption in every application. We continue to be the only provider of natural gas engines in North America, and frankly, the only significant player worldwide that are really pursuing this opportunity.

We want to build on this leadership position by securing new alliances and partnerships in as many market segments as we can. Our business model relies on alliances and partnerships with companies that have existing production and distribution assets, and we will work with them to develop new alternative fuel products based on their current conventional fuel offerings, and using their current suppliers and partners.

Where we have to plug a gap in the value chain, of course, Westport will have to step up and do that. But we want to relinquish that cost and responsibility as soon as a reliable partner can be recruited for us.

The reason that we focus on partners is for their ability to rapidly and inexpensively scale up our business; buy those several orders of magnitude, and also to create partners out of potential competitors.

Now these three concepts aren't new. What does seem to be new though, is this emerging consensus from many different stakeholders that the time to shift away from petroleum is here, or it's coming very soon. And we're seeing many more people show up to talk to us about our view of the future.

Over the past year, we've seen wide acceptance that the logical solution for commercial vehicles like trucks and buses would be natural gas in all of the major markets around the world. We've been very busy despite the economic turbulence, and we continue to meet with new OEMs, new suppliers, with governments, energy producers to talk about views and to discuss strategy, and how this dramatic change in the energy markets might affect their business plans, and what we can do for them.

Frankly, once we get past the current economic turbulence, we think momentum is developing very nicely. Although we can't get too far ahead of our realistic short-term markets, we have been rethinking our near and mid-term strategy, and we want to position ourselves for continued progress with all of this new momentum.

As a result we're shifting priorities, we've moved some of our leadership team to help focus resources on what we think are the best opportunities. As you've seen, our CWI joint venture announced Roe East's appointment as President in June. Roe will be based at Cummins' headquarters in Columbus Indiana, and his mission is clear to continue profitable growth for CWI around the world.

Mike Gallagher has taken on the role of CWI's Board Chair this year, and he's our lead for how we can help CWI with that growth mission.

Mel Ogmen, who was formerly our VP Operations in the heavy-duty business, and was responsible for achieving our supplier certification with PACCAR last year, has accepted a new role as head of our off-engine fuel systems business, which will include everything that goes on a Westport equipped vehicle that can assist between the fuel station and the engine on the vehicle; so tanks, pumps, and all that intervening equipment.

Mel has three missions, increased supply chain scalability, reduced cost and increased reliability and functionality of those fuel storage and delivery systems.

Brad Douville, who was formerly VP of Strategic Development with CWI, has accepted another new position as head of all of our engine development and fuel systems relationships. Like Mel, Brad's job is to reduce costs, increase performance and reliability, and make sure that we can scale up engine and fuel system production to meet any foreseeable demand.

Nick Sonntag, who was formerly in Beijing as President of Westport Asia, has moved to Vancouver to head up global market development in sales. Nick is responsible for market creation and development from strategy to new OEM relationships, to demand creation programs in our core markets.

Bruce Hodgins has taken on our heavy-duty product delivery mission, which is everything we need to do to ensure that we can get trucks successfully shipped, through our partners like Kenworth and Peterbilt to customers, and then keep our customers happy. We want to improve supply chain responsiveness, improve product quality, and reduce cost.

Elaine Wong, our CFO, as you've probably seen from the press release, has accepted a new role heading up what we're calling transformational, or strategic development. How are we going to manage our way from where we are to a 10 times growth?

We want to use the 10 times number to make it clear that this isn't just business as usual. There's going to be significant change in all of our business to achieve this level of growth.

We also continue to see interesting and potentially synergistic merger and acquisition opportunities, and although we don't have any transactions underway at this time, we've asked Elaine to bring some focus and discipline to this mission on a full time basis.

We have an external search underway for someone to take over Elaine's CFO responsibilities, but in the near-term, she'll be wearing two hats.

What all of this will help us do is position for rapid scale-up in a timely and responsive fashion, if and when the markets and the economy recovers, with products that are appropriately priced, and appropriately supported through our OEM partnerships.

Our goal, as I said, is for rapid penetration of these diesel markets around the world with natural gas as a viable solution.

So to wrap up my piece of this call, we believe we're on a very interesting path. We're well-positioned to see significant breakthroughs in new markets, and our current business remains healthy. We intend to use this period of economic turmoil to continue to strengthen our competitive position, of course, while we continue to be

prudent managers of our resources. And as we see the economy recovering, we expect strong growth in alternative fuel product sales, both as a result of government incentives, and because of the core economic advantages of natural gas over oil.

So with that, I'll turn the floor over to Elaine to take you through the financials.

<ELAINE WONG speaking>
<Westport's Chief Financial Officer>

Thanks, David, and good afternoon everyone. The press release, financial statements, and management's discussion and analysis provide a considerable amount of detail regarding our first quarter of fiscal 2010 ended June 30, 2009, and are posted on our website. This afternoon I will focus on revenues, margins, cash, and net loss.

For the first quarter ended June 30th, 2009, consolidated revenues were \$24.9 million compared to \$25.5 million in the previous fiscal year, a 2.4 percent decrease. That's effectively relatively flat year-over-year in the face of this economic climate.

CWI unit shipments were down from 1,077 units to 608 units, but CWI revenues were only down \$1.7 million with the Delhi Transport order from CIL, parts revenue, and foreign exchange offsetting the decline in the units shipped.

CWI parts revenue were up \$1.3 million to 5.4 million, from 4.1 million, and kits related revenue increased by \$3 million.

Foreign exchange contributed approximately 16 percent.

We also shipped 14 Westport heavy-duty units during the quarter compared to one unit shipped in the same quarter last year, resulting in an increase in non-CWI revenues of about \$1.5 million.

Consolidated gross margins decreased by \$1.9 million, as gross margin percentages decreased to 26 percent from 33 percent in the first quarter of last year, but were consistent with margins seen last quarter.

Our year-over-year reduction in gross margins, primarily because of the increase in warranty reserves, and a higher accrual rate taken on new ISL G units shipped in the period, relative to the same period in the prior year.

Our warranty accruals can, and do vary from quarter to quarter based on historical claims experience, and we've also seen our warranty balance increase with increased revenues.

As a reminder, the increase in accruals may seem on our balance sheet as warranty liability and is drawn down if and when related claims are made.

CWI management philosophy is to be proactive to maximize customer satisfaction and to continually improve engines in the field and on the production line.

Various improvements to the products have already been made, or are planned, and CWI expects to see these improvements manifest themselves in the field and the warranty experience over time.

Net loss for the three months ended June 30th, 2009 was \$9.2 million compared to a net loss of \$3.5 million in the three months ended June 30th, 2008. Excluding the net gain on the sale of Clean Energy shared in the previous quarter of the previous fiscal year, the difference is \$2.9 million year-over-year. Our share of CWI income included in the net loss decreased by \$900,000 (phon), which was mainly as a result of lower revenue, and a decline in gross margin as previously discussed.

Non-CWI operating expenses increased by \$1.2 million, with higher customer support costs, increased stock-based compensation expense, and higher general and administrative expenses.

Our cash and short-term investments balance at June 30th, 2009 was \$63.5 million, down from 82.6 million as at March 31st, 2009.

Cash used in the quarter was approximately \$19 million, with 7.1 million used for operations before working capital, and \$5 million used to pay down accounts payable from March 31st, which consisted primarily of CWI instalment taxes.

Other working capital consumed \$2.2 million, and we also advanced Cummins \$2.1 million in the period, and were also negatively impacted by foreign exchange of \$2.5 million.

Much of the cash used this quarter related to the timing of payments and receivables and we do not expect cash used to continue at this level. Cash used in the previous quarter for Q4 of fiscal '09 was \$6.2 million.

On a related note on organizational changes, I am pleased to be moving into a strategic development role here at Westport, focusing initially on mergers and acquisitions, and organizational effectiveness. After six years as CFO, the new role will allow me to more operationally hands-on in helping grow the business. The current economic conditions, while challenging, represents a strategic window to help position our operations for future growth, and to accelerate our path to profitability.

The company is in great shape to take control of its own destiny in both revenue and cost management in its transition towards profitability.

I would like to take this opportunity to thank you, the shareholders, and the broader investment community for your support, and I look forward to continuing to help grow the company.

For further financial disclosure, please see our MD&A and financial statements as filed and posted on the company's website for more details.

Now over to Mike for our operating results and plans.

<MIKE GALLAGHER speaking>
<Westport's President and
Chief Operating Officer>

Thank you, Elaine, and good afternoon everyone. I'm going to focus on the progress and development at the San Pedro based ports, mainly the ports of LA and Long Beach and elsewhere, including the overall rollout of LNG trucks, using both our CWI, ISL G engines, and our Westport heavy-duty engines.

As you've heard from Elaine, and read in the news release, we did ship 14 new Westport heavy-duty systems this quarter for revenue of about \$1.5 million. This brings our total number of heavy-duty LNG trucks on the road since we launched the product a little over a year ago, to 196 units. These trucks continue to perform well, and receive high customer satisfaction reports, and they're generating a wealth of operating data and experience, which is providing the platform for further heavy-duty business expansion, both at the ports and California, but also nationally and globally.

Looking at the ports, we've now deployed in the past 12 months, about 300 LNG clean trucks powered by either the Westport GX, or the CWI ISL G. In fact, every single LNG truck operating at the ports is powered by one of these Westport engines.

Going forward, the Port of Long Beach last month completed its lottery of 100 clean trucks, and it went overwhelmingly LNG, as you may have heard. They have announced the awards now, and 96 of the new 100 are our LNG trucks, mostly Sterling trucks with ISL G engines. The trucks were selected in lottery draws from more than 1,200 applicants that had been approved for financing and submitted proposals.

As a result of this recent award alone, our natural gas truck population at the ports, featuring both Westport heavy-duty and CWI engines, will increase by a third in the next 90 days or so to approximately 400 trucks.

With the order visibility at the ports and elsewhere, I'm also pleased that Kenworth will be commissioning assembly line production of heavy-duty LNG trucks at their Kenmex facility in Mexicali. You may recall that Kenworth closed the Renton Washington facility earlier as part of their reaction to the downturn, so this move to Mexicali is very important.

In addition to this news, and since our last conference call just two months ago, the ports have also significantly reworked and accelerated their clean truck procurement plans, with an infusion of \$47 million in state monies from the California Air Resources Board. This is the so-called Prop 1B money that we've talked about previously. The ports have now elected to partner with both CARB and the AQMD, the South Coast Air Quality Regulator, to prepare, issue, and recently closed, just two weeks ago on July the 24th, a new RFP process, which has a stated goal of deploying up to 500 new LNG trucks by December 31.

AQMD is administering this procurement, and its governing board is expected to approve the selected fleets for grants in September.

A total of \$72 million will be allotted under this procurement for these deployments, and we now know that every single one of the LNG trucks submitted two weeks ago as part of the procurement, contained one of the Westport or CWI engines.

So assuming that the AQMD and ports achieve their stated procurement goals, and including those Long Beach roll-out numbers I just mentioned, our current port deployment of about 300 LNG trucks could increase significantly to roughly triple that number in the coming months.

These developments, which are leading to growing acceptance of LNG as an attractive fuel for trucking operations, highlight the importance of recent announcements from Freightliner and Mack Trucks to offer new LNG trucks with the ISL G engine. And on the Westport heavy-duty GX product side, we will transition to certification of 2010 engines this current fiscal year.

We have a large development team fully engaged, and working with both Cummins and Kenworth as we achieve various technical milestones along the way.

On the national and legislation front, as David mentioned, we are all watching closely the US Nat Gas Act. It is receiving broad support in both the House and the Senate. The Senate Bill 1408 was introduced a month ago on July the 8th, and proposes to double the existing federal investment tax credit for LNG trucks to a maximum of \$64,000, and further extend these credits another decade or so to December 31, 2019. The House Bill extends it even further by the way.

We believe this increased buy-down incentive would make our heavy-duty LNG trucks, and our medium range CWI powered vehicles price competitive with standard diesel trucks, and this, in turn, we think can create a large national market for our products based on the beachhead success we have had at the ports and throughout California.

The Nat Gas Act would be a game changer for Westport, as well as for our few infrastructure and OEM partners, and we will be watching Washington closely for progress on this bill after the August recess.

Before that time, we do expect to hear news of awards from other US federal initiatives, in particular, the DOE Clean Cities Funding Program. Talked about that at the last call as I recall.

This program has \$300 million to award to clean alt fuel initiatives, and we've participated in fleet and partner proposal submissions which total hundreds of natural gas trucks and buses. So we'll keep you informed as events transpire on that on that one also.

So you can see that we're working hard to build our business, and we have some specific events and possible legislation in the near-term that may have a significant and positive impact on our business.

Outside of the ports and the legislation news, I believe it is also worth mentioning, in closing, the real interest we are now seeing from national commercial fleets, who are investigating their transportation options and plans. With the recent fuel price volatility and sharp increase in oil and diesel prices, combined with the development of gas shale plays that have kept natural gas fuel prices at a significant discount, have positioned us to grow significantly beyond the ports in California with greater confidence.

Thank you for your interest in Westport, and I'll now pass the call back to the Operator who will open the call to your questions.

<Q&A SESSION>

Operator

Thank you. We will now take questions from the telephone lines. If you have a question, and you're using a speakerphone, please lift your handset before making your selection. If you have a question, please press star, one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star, one at this time if you have a question. There will be a brief pause while the participants register for questions. Thank you for your patience.

The first question is from David Woodburn from Think Equity. Please go ahead.

David Woodburn

Hi, thanks for taking the question. And I guess let me just start with a simple one. Elaine, can you talk a little bit about the R&D spending level that we saw in this past quarter? You know, it's lower than what we've seen in at least a year, and is this sort of a, just a catch up for what was spent in the last quarter, or do you think that, you know, we're seeing a new level of R&D for awhile?

Elaine Wong, Chief Financial Officer

Hi, David. I think with R&D, one of the things I'll caution you, I mean everything's volatile and sometimes it just depends on timing and where we're at in terms of our testing, and where we're at with our engineering programs and so on, so I'll put that caveat out that the quarters are volatile.

Having said that, I mean we have seen a couple things. We have completed a couple things, so our Kenworth integration and some of the other programs we were working on, I mean we're progressing along that, and so you're seeing some of that drop off. We have also redirected some of our engineering resources to more current product support, more customers facing initiatives and activities, and so R&D is down, but you can see sales and marketing was up, and some of that was just an offset of the resources.

David Woodburn

Okay, and then maybe for David, can you give us an update on the Juniper joint venture, and you know, is the full expense load of this effort already in, let's say, this quarter's numbers, and we just have to wait for sales to start, or will expenses grow further when revenues first kick in as well?

David Demers, Chief Executive Officer

Yes, I think it's a good lead in. Sorry for not touching on Juniper. Juniper's doing great. We're actually really excited by the response in the marketplace since we announced these engines in January. I think I said last time that, you know, we launched the program publicly in January. At the goods movement conference in Chicago, and clearly targeted at forklift manufacturers. And I think we'll be in a good position to give you a, you know, some insight as to where that's going. Response has been really good.

What has surprised us is the interest outside those core markets. You know, there's obviously lots of applications for alternative fuel, 2 and 2.4 litre engines, and we've had a lot of people come through to talk to us about using that engine, so we're actually feeling very bullish about, you know, a high performance, low cost,

well-engineered alternative fuel engine under the Juniper label.

So I think, you know, as we've said, we're going to be ready to start shipping that later in calendar 2009, so we should see some revenue from Juniper this fiscal year, but really it's 2010 calendar year that we are expecting to see, you know, material volumes emerge. So we'll, you know, be able to update you on, you know, what that actually looks like once we see some, you know, some public disclosure. We can't obviously say what's going on until those partners have gone public.

David Woodburn

Okay, good enough. Thank you.

Operator

Thank you. The next question is from Mr. Graham Mattison from Lazard Capital. Please go ahead.

Graham Mattison

Hi, good afternoon, everyone.

David Demers, Chief Executive Officer

Hi, Graham.

Graham Mattison

Question on the CWI sales. I mean obviously the quarter being a pretty weak spot in the economy here, but just from reading some of the press and other transactions, it seems like there's been some pretty positive announcements of, you know, buses converting over, garbage truck fleets. What's your outlook? Is there sort of a pent up demand, and this is outside of the potential stimulus funding, but what's the sort of outlook that you're seeing there? Have you seen a pick-up in inquiries?

**Michael Gallagher,
President and Chief Operating Officer**

Hey, Graham, Mike. I'll start, and then maybe Elaine and David can jump in as well. But it's hard to get too specific in terms of forecast going forward, but I think it's fair to say that we do see some kind of bottoming of the economic trough that's affected some of the CWI markets, and combined with the various stimulus proposals, both some at the transit levels, but also the DOE Clean Cities procurement I mentioned. We are seeing the opportunity for various moves on the CWI side, which, you know, we would hope would lead to stronger numbers and stronger growth over time.

And in fact as time goes on, we fully expect to grow CWI substantially. We don't see it anywhere near maturation in terms of volumes in the current business level.

Elaine Wong, Chief Financial Officer

Yes, that's, the only thing I'd add to that, Graham, is just, I mean, again, we don't give guidance, but one of the things I can say is the government stimulus package is sort of a double-edged sword in the sense that we are seeing customers who are waiting, that kind of thing. We just want to wait and see what government's going to do, and can I get a grant from them before I make any firm commitments. But that money does, as Mike pointed out, and David alluded to in his speech, is beginning to slow, and so we'd expect to see some of that demand kind of open up towards the latter half of this year hopefully.

David Demers, Chief Executive Officer

I think, I'll just wrap, actually that's kind of what I was alluding to in my comments, Graham, that we are seeing, you know, it's been very tough, the last nine months. I think people were in shock, and we saw a lot of people just stop or shrink even, and, you know, and trying to cancel existing orders, and programs. And then, as Elaine said, people started to get their head up, say the world hasn't ended, we'd better start thinking things through, wow, it looks like all this money's going to rain down from the sky from government, so let's not do anything until we see how much money we get. But as business picks back up, you know, there's going to be

a strong rebound effect, I think, in the US market, because it was so fast to shrink, they're going to have to recover and put trucks back on the road, put buses back on the road depending on how fast the economy moves.

So I think the, you know, we're pretty optimistic that we're going to see a fast rebound, with stimulus added on top of, you know, what I'd call core business. And then just a general flow of business. I think, you know, what we've been saying for years, penetration in the bus markets continues, penetration in refuse trucks is going really well, so I think all of those trends are going to layer on the growth. So we're, we're really bullish. Can I tell you it's going to be next quarter or, you know, Q1 of 2010, I don't really know, but certainly over the next 12 to 18 months we'd expect things to get back on a nice flow path.

Graham Mattison

All right, great. And then just a question on the heavy-duty side. Did you mention when the Kenworth Mexicali plant is going to start up?

**Michael Gallagher,
President and Chief Operating Officer**

I didn't give a date, but what I was suggesting, Graham, is that the orders that have come, that are coming out of this Long Beach lottery, which paperwork's not completely final, but it's a matter of days, I think, for a number of new GXs, is going to be, plus the visibility beyond that, has caused Kenworth to basically pull the trigger, and move Mexicali into go mode. So they're doing the engineering wrap-up right now waiting for paperwork to come from Kenworth corporate to start producing the first trucks. And, you know, I think I said in my remarks, trucks within the next 90 days, so that would be a good ballpark to look at kind of the ribbon cutting opportunity ceremony with the first trucks coming out of Mexicali.

Graham Mattison

And then just on that, I mean looking at the ports with their 500 trucks, LNG trucks, assuming, you know, half of that's going to be the heavy-duty side, is there a challenge, do you need to add overhead or other things to sort of get to that number to be able to deliver 250 trucks in the next...?

Elaine Wong, Chief Financial Officer

I mean 250 is well within our capacity limits for (inaudible) and Kenworth (inaudible).

**Michael Gallagher,
President and Chief Operating Officer**

Yes, so we built up the systems really last year to get ready for ports' needs, as you know, and we're ready. It's just a matter of procuring inventory, and assembling them into systems, and shipping them off to Kenworth.

Elaine Wong, Chief Financial Officer

Yes, and we've got inventory in our books already too. And so we've covered that...

Graham Mattison

So really, it's just a matter of waiting for the orders to come in for the ramp?

**Michael Gallagher,
President and Chief Operating Officer**

Yes. We're not, we don't need to do much before that. As I say, we'll get Kenmex up and running, which was a key step, and we are watching our inventory balances to make sure we've got kind of the right level in hand, balanced against expected timing of possible orders.

Graham Mattison

All right, great. I'll jump back in queue. Thank you very much.

Operator

Thank you. The next question is from Mr. Rob Brown from Craig Hallum. Please go ahead.

Rob Brown

Good afternoon. Could you just give some update on the timing of the Clean Cities? I think they're set to announce the awards in September, but how long would it take for you to see revenue in your estimation?

**Michael Gallagher,
President and Chief Operating Officer**

Yes, DOE Clean Cities, Rob, is, the information we've got is that they're going to announce awards in September, I think, as you mentioned. It'll take it them, so it'll become public, I think, sort of very shortly thereafter. We'll know where the orders are, if we've been successful, who hasn't, which technologies, hybrids, batteries, natural gas, etc. It will take a little while to convert the DOE news to firm orders to get the money flowing from DOE to those fleets, and get money flowing from those fleets to ourselves and CWI. But September, and they, frankly, haven't given a specific date in September, so September sometime, expect to start seeing some news flow on that.

David Demers, Chief Executive Officer

I think the, I'll just add my two bits on this. You know, part of the problem with any federal government program is that it does take awhile, and I think the DOE program, the last time I remembered, it said you had to take delivery of the vehicles within 12 months, so contract awards. So it could, it could take all the way through calendar 2010 for that stimulus money to start to get paid out. So we'll, as I said, we're not counting on it for our business. I see it as a layer up with some new customer that otherwise might not have happened. But it's not going to be, it's not going to all hit in a quarter, it's just going to be a, you know, a prevailing wind for some extended period of time where people are getting extra money from the federal government.

Rob Brown

Okay, good. Thank you. And I think you mentioned the 100, or 96 trucks in the lottery, mostly Sterling. Do you have a sense of how many heavy-duty are in that mix? Is it less than 10? Is there kind of a sense in numbers?

**Michael Gallagher,
President and Chief Operating Officer**

Well it's, I said there were mostly Sterling, ISL G's and the reason for that is that they had a bunch of Sterling still available from last year. They had 47 in a parking lot in Fontana, so they auctioned those off separately, and first, and then of the remaining 53, four were diesel, the rest were ISL Gs, and heavy-duty. Something on the order of a quarter; 20, 25 percent of that second batch would be heavy-duty.

Rob Brown

Okay, great. Thank you.

Operator

Thank you. The next question is from Mr. Laurence Alexander from Jefferies. Please go ahead.

Laurence Alexander

Good afternoon. I guess first question for Mike. Can you discuss progress being made bringing down the ASPs for the heavy-duty vehicles?

**Michael Gallagher,
President and Chief Operating Officer**

The selling price?

Laurence Alexander

Right.

**Michael Gallagher,
President and Chief Operating Officer**

Well we've, we've, pricing it pretty aggressively for the cost structure we've started with with the launch in our supply chain, which is being brought up from its infancy as we go. All we can say is, and I think we, you know, we've gone public previously that the, that price is in the 50 to 60K range currently. But all I can say is that we've got a tremendous amount of energy going toward reduced product cost. You know, selling price is a separate issue that I won't get into too much today, but we think if we can bring the cost down of the injectors, the pumps, the tanks, fuel conditioning modules, etc., that that can help us bring this product cost down, which, coupled with the incentives that are out there can move us closer to price competition with diesel.

I'm not in a position to make any real forecasts, Laurence, on, you know, how fast we'll get this number or that number, but I can just tell you we're working on it very hard, and it's our key priority at Westport right now.

Laurence Alexander

And as you, is price the only factor that's driving the mix between, you know, your heavy-duty engines and the CWI ISL Gs, or are you getting feedback that there's other issues that are driving customer preference?

**Michael Gallagher,
President and Chief Operating Officer**

It's, I mean it's price combined with incentive structures, right, so it's a sense of net price, after you look at the different situations. So there's two things going on, one, is they're two different sized engines, so if somebody can use a smaller engine, the ISL G, they're going to, because it's cheaper to start with, and then it's even cheaper on a net level after these incentives. So there's a group of people that could kind of go either way, but if they can go with a smaller engine they will.

In terms of performance, you know, and when you say other issues, frankly, you know, it's early, pretty early to be immodest, but frankly we're getting very, very good reports back from customers running the heavy-duty trucks, and you know, all other things being equal, they'd be quite happy to double up on those orders, and their operations of those vehicles.

So, yes, I would say it's coming down to the fact that smaller engines, smaller truck with a smaller price, and then when you look at the number of these incentive programs, they tend to be coming out with sort of the same incentive for any LNG truck, regardless of its price, so the net price on that, the CWI truck gets extremely attractive under some of these programs.

Laurence Alexander

And then...

**Michael Gallagher,
President and Chief Operating Officer**

I might just close by saying the Nat Gas Act, I think, should that pass, there may be some differential incentives favouring heavy-duty, because there's a cap in the proposed legislation at 80 percent of the price difference between the alt fuel truck and diesel. So you might start to see some differential incentives coming out of that.

David Demers, Chief Executive Officer

I think the, I'll take it on a bit too, Mike, because it's an issue that is obviously critical to our business model, but it's also very complex with a lot of moving pieces, and a lot of things that aren't really in our control. So we're trying to, trying to pull a lot of strings and make things happen in such a way as to get people really amazing lifecycle costs on their new trucks, and at the same time, hit our relatively modest expectations on bottom line contribution to Westport.

I think the issue with Long Beach was that there's a remarkable lease program they've put together. I assume you've been through this, but for the benefit of anybody that didn't look at it, I think a Long Beach program, ended up being \$7 a day to lease our natural gas CWI ...

**Michael Gallagher,
President and Chief Operating Officer**

... they had a lease grant incentive of, and I think Laurence probably knows, but \$137,000, which played into this lease of seven bucks a day.

David Demers, Chief Executive Officer

So it's effectively a free truck, but it's pretty much, everybody, that's why there were so many applications. When they looked, people looked at the numbers, they said, wow, you know, if I, if someone's going to hand me a Sterling, or a Freightliner truck for \$7 a day, I'll take as many of those as I can get.

The heavy-duty side is just, the numbers just didn't work out quite that well. They were still remarkable numbers, but because the program was constrained to 100 trucks, it, you know, it just got overwhelmed by people saying give me those free trucks.

Michael Gallagher, President and Chief Operating Officer

Yes, I know we had, and to Dave's point, we had several hundred trucks, heavy-duty, proposed on that lottery, and they only picked 100 out of the 1,200.

David Demers, Chief Executive Officer

So I guess the advice I'd give you is short-term, you know, probably for the next year at least, we are still going to see very distorted markets. These markets can't be looked at as something you can model going forward because it's so distorted by strange incentive programs, and unique deals, and strange pricing. So I know it's going to make it hard for you and your peers to model this intelligently, but it's all about trying to create a sustainable business model where people are

seeing the effect of capital investment to get into LNG about the same as diesel. We want it, you know, to be pretty close to diesel, and then they have cheaper fuel and cheaper operating costs. So if we're close, you know, very visible payback on the upfront cost, and then I've got cheaper fuel, we think we'll get high market penetration.

So that's what we're trying to put together. Now how we deliver that to the customers is challenging. Mike alluded to this, we are out at the ports now talking to national fleets. We are out looking at long-haul fleets. There's a lot of different issues with those guys than the emissions motivated, you know, very, you know, kind of unique circumstances at the ports. But we're getting some real, really encouraging signs. I think we can put together offerings that make a lot of sense for these guys, but it has to end up being, it has to end up being a good economic deal for them. And right now, there are lots of levers to pull and lots of things that we need to put together.

Overall, I think we're very encouraged by the opportunity. The main thing we wanted to do at the ports was prove that LNG trucks can do the job. I think if you visited there and talked to customers, I'd be very surprised if you had anybody telling you that they aren't very happy with LNG as a fuel. The trucks are performing well. They're getting good fuel economy, and good reliability, and good performance. And then the fuel is cheaper, and the trucks are greener. So all of that stuff, I think is the solid foundation we need to penetrate the wider markets.

Laurence Alexander

And lastly, I guess for Mike, you know, can you give us an update on where you are for meeting the 2010 EPA standards, and how, and if you have enough of a backlog to stay busy if there's a delay meeting those?

Michael Gallagher, President and Chief Operating Officer

You know, the programs that I mentioned, got a team of engineers going. We expect to submit all our work to formal certification testing before the end of this year, and receive certifications early in the New Year. Backlog, hard to say yet. We're, kind of like the

inventory question. We're tracking backlog as it comes in, and we're watching the overlap between the '09 and 2010 products.

Laurence Alexander

Thank you.

Operator

Thank you. The next question is from Mr. Michael Willemse from CIBC World Markets. Please go ahead

Michael Willemse

Great. Thank you. First of all, just wondering with the BTIC venture, have you gotten approval from the Chinese government to go ahead with that?

**Michael Gallagher,
President and Chief Operating Officer**

Oh, yes, we've had that for a couple years.

Elaine Wong, Chief Financial Officer

BTIC is the tank venture from China. You're probably referring to Weichai. Is that right?

Michael Willemse

Weichai, sorry. Weichai.

Elaine Wong, Chief Financial Officer

The Weichai joint venture, we're still awaiting the government approvals from the Chinese government.

Michael Willemse

Any sense on timing?

Elaine Wong, Chief Financial Officer

It's hard to say. I mean I can tell you BTIC took us a year to get the approval, and that was a pure start-up, and so, I mean things move as they move in China unfortunately.

Michael Willemse

Okay. Just on the, Elaine, on your move to more strategic initiatives. So when you look at the shelf prospectus that was filed, I'm just wondering do you see something happening, you know, in the next six months, 12 months, or is this more like, you know, something maybe in the next two years?

Elaine Wong, Chief Financial Officer

Yes, as David said, we're not, we don't have anything with, in mind right now. What we want to do is really just kind of step back and take a look at what's out there and how things look, just strategically with where we're going. So it's hard to kind of, you know, answer that question. I mean if something interesting comes up in the near-term, we'll take a look at it. If nothing interesting comes up, we won't.

The shelf is good for 24 months. I mean I think it's just a prudent thing to do, and most companies are doing that today, and it's just there for, you know, in case we need it kind of thing down the road, but there's no plans to use it.

Michael Willemse

Just on kind of where strategic initiatives might take you. You know, Westport's, you know, got a pretty good diverse product mix now, you know, medium, heavy-duty engines, the Juniper. Where else would you be, would Westport be looking at?

Elaine Wong, Chief Financial Officer

Yes, I think we'd be looking at things that accelerate our market penetration. So, you know, we'll look up and down the vertical, so if there's something in our supply chain where by acquiring it we can increase capacity or

get our costs down, we'll look at that. Or same thing with up market. I mean anything that helps us get closer to the customer, or to accelerate, you know, sales, we'll take a look at that as well.

And the other thing we'd look at is, you know, adjacent markets, so anything that's, where we can apply our technology and sell more products, so whether that's bigger engines, or smaller engines, or different applications, we'll take a look at that as well.

Michael Willemse

Okay.

Elaine Wong, Chief Financial Officer

And just, like I said, I should probably add one comment on Weichai. Darren's reminded me and I probably skipped over it a little bit too quick. One of the things, I can't remember if David mentioned this in his opening remarks, but Patric Ouellette, our CTO, we have moved him to China, and he's spearheading our engineering efforts from China, and he's working there with Weichai and helping them develop the HPDI on their engines.

Michael Willemse

Okay. Just going back to the ports and the AQMD projects. In the press release it states, or the MD&A states that you expect to ship 500, or that the, each program expects to ship about 500 trucks in total. Is that including the 96 that have already been awarded?

**Michael Gallagher,
President and Chief Operating Officer**

No.

Michael Willemse

So this would be another 500?

**Michael Gallagher,
President and Chief Operating Officer**

It's on top of the 96. It's the AQMD goal to ship 500 additional LNGs.

Michael Willemse

Okay, and then one last question. With the Daimler and Freightliner, any sense on when they'd start selling trucks with the LNG?

**Michael Gallagher,
President and Chief Operating Officer**

They're offering them now.

Michael Willemse

Oh, okay.

David Demers, Chief Executive Officer

How many would you like?

Michael Willemse

Yes. I'll give them a call.

David Demers, Chief Executive Officer

They're very pretty; available in the colour of your choice too. We've got photos.

Michael Willemse

Oh, great. Thank you.

Operator

Thank you. The next question is from Mr. Rupert Merer from NBF. Please go ahead.

Rupert Merer

Good afternoon.

**Michael Gallagher,
President and Chief Operating Officer**

Hey, Rupert.

Rupert Merer

Just wanted to revisit the cash burn quickly. It looks like we had about 19 million of cash in the short-term investments spent in the last quarter. Can you tell us again what we might expect on a go forward basis for...?

Elaine Wong, Chief Financial Officer

Yes, definitely not 19 million per quarter, Rupert, let's just start with that. It was an unusual quarter. A lot of that was just timing. I mean with yearend there's always the extra things that get accrued at yearend. One of them was the CWI tax instalments. We also had, you know, yearend bonuses and restructuring costs that got paid in the quarter as well. So it's, just a lot that's timing. So let's start with that.

I think going forward, what you'd expect to see is our cash burn kind of decrease back to more traditional levels, and maybe even a little bit lower. As Mike's alluded to, I mean there are opportunities with increasing revenues and some other things that we're hoping to see in the latter part of this year, so definitely expect that cash burn number to come down.

I will point out, again, just the last quarter it was, you know, \$6 million, and so you can see the difference, or you can see it just bounce around depending on working capital.

Rupert Merer

Okay. And maybe one more kick at the heavy-duty can here. Any activity outside the ports in the US with customers like Wal-Mart you can update us on, or with the Australian market? And in general, if you're looking at a cost reduction on heavy-duty, how important is the success of Weichai for driving down the costs?

**Michael Gallagher,
President and Chief Operating Officer**

I'll start on the heavy-duty I guess. The, outside the ports, so a couple of things, elsewhere in Southern California we've got some opportunities, particularly enhanced by some incentive monies available to us separately from AQMD, their so-called MSRC Fund; the Mobile Source Reduction Fund, and we're seeing a lot of interest in that. And Dave and I both have talked a little bit about growing national fleet interest. We don't have a lot of news yet, Rupert, but we're just seeing growing interest, growing communications.

Wal-Mart is nearing completion on its six month demonstration project with us on the four trucks in Southern California. That's gone very well, and we get very good reports from their drivers on the performance and reliability of those trucks, so I'll just kind of leave it at that, I think. Anybody want to jump in either on the national fleet or on the Weichai cost side?

David Demers, Chief Executive Officer

I think his question of, you were a little fuzzy, Rupert, but as I heard the question, it was is cost reduction important to Weichai, and our other OEMs, and...

Rupert Merer

Or will Weichai help to drive costs down...?

David Demers, Chief Executive Officer

Will Weichai help to drive them down? I think it's a bit of, you know, this is always a recursive process. You know, keep going around and around and around, and you keep grinding stuff off. I think our first step is just

getting to higher volume automotive oriented suppliers. Our first product, as you know, you've been around long enough, Rupert, you know that the first products are from prototype suppliers that are high cost, high quality custom built, you know, Swiss watches, literally, you know, now we're getting it to, you know, factory production in much bigger, broader automotive suppliers, and actually prices are going to come down a lot for our input cost.

Are we going to do this in China? Well we're going to work with the suppliers that our customers want. So if we're working with Kenworth, in a, we're going to be working with a group of suppliers that are qualified to be PACCAR suppliers, and when we're working in Europe it's likely going to be a slightly different set, and in China it may be a third set. So there's going to be some overlaps, and there's going to be some differences, but I think in principle, what we want to do is get the price of those components down to look a lot like diesel.

You'll never get an LNG tank to be the price of diesel tank, but if you look overall on the vehicle systems these days, there is some room for savings on LNG, and there's some places where we're just going to have more expense. So our job with these new teams that I talked about, is to really deep dive on what can be done on design, supply chain, and volume commitments to get our costs down, and then we can set the price, and service levels the way we want.

Just the factor that we didn't touch on, but I'll remind you of it, I think we've talked to you about it, Rupert, is that as we reduced components costs, that obviously reduces our warranty and parts costs as well, so there's a real benefit to us to get our supply chain to a much more efficient level, and we've been working really hard on that.

Rupert Merer

Okay, thanks. That makes sense.

Operator

Thank you. The next question is from Mr. Eric Stein from Northland Securities. Please go ahead.

Eric Stein

Hello. Thanks for taking the call.

Elaine Wong, Chief Financial Officer

Hi, Eric

Eric Stein

First, just wanted to just get an update on Cummins, India, and the kit sales, and can you just give us the amount in the quarter?

Elaine Wong, Chief Financial Officer

Yes, the amount in the quarter, I think we said was about \$3 million in kits; kits and kit related revenue. The reason it's kit and kit related because there's also a license fee that's included in that number.

Eric Stein

Okay. And is that, if memory serves, that's expected to go on for another two quarters?

Elaine Wong, Chief Financial Officer

Yes, it's, they're hoping to take deliveries by, having to take full delivery by April 2010, so it'll go on until then.

Eric Stein

Okay. And then I'll just quick turn to the ports, although most of this has been covered. You alluded to this next, the AQMD funding, and that you kind of expect it to be more of a 50/50 split. Is that based on conversations, or maybe the structure or the funding, you know, that might be a little different than what Long Beach was?

**Michael Gallagher,
President and Chief Operating Officer**

Yes, Eric, I can comment. It wasn't us that mentioned the split. One of the earlier questioners hypothesized that it might be a 50/50 split, but there's no telling, frankly, what the split's going to be yet. AQMD's got lots of proposals in, but they're going through a process of evaluating them, ranking them all. They're going to rank the first 940, both LNG and diesel, and then we'll see what the mix is both for diesel versus LNG, and then within LNG, between CWI and Westport heavy-duty.

Eric Stein

Okay, so, but it's fair to say, along with your comments that a lot of this is dependent on the economy? I mean an improvement in economic conditions would certainly help that mix?

**Michael Gallagher,
President and Chief Operating Officer**

This particular procurement, you know, the incentive structure was set up, all the bidders knew about it. It was a \$50,000 grant if you want a new diesel truck, and a \$100,000 grant if you want a new LNG truck. So that's played into all these fleet calculations already. For any further, the procurement results will be independent of anything going on in the economy, but just dependent on how the fleets reacted to that incentive structure.

David Demers, Chief Executive Officer

Yes. I think I'd just remind you again that Port drayage applications at the port in LA is pretty unique trucking application. They've, it really depends on who you are and what you're hauling, and whether or not you've got to get out of the LA basin or not. So these are slightly, you know, they are unique circumstances where each individual fleet is going to decide whether or not they're going to be able to get by with a small truck or a big truck.

We're just happy that no matter what they pick it's going to be one of ours. Frankly, if we're going to cover the whole trucking universe, as you know, people expect a much broader range of engine choices. We're going to have to fill in our range between small and large with some, you know, medium size small engines, and then some larger medium size engines, and then some larger large engines. So there's a product bookend scenario we've got today, but we've got to fill it in too.

So over time, I think we'll have a product for everybody, but today people are stuck getting a small truck or a big truck, and they're struggling to see what they can shoehorn into their business.

Eric Stein

Okay, that's very helpful. Thanks a lot.

Operator

Thank you. The next question is from Mr. John Roy (phon) from Janney Montgomery. Please go ahead.

John Roy

Thank you. Can you guys hear me?

**Michael Gallagher,
President and Chief Operating Officer**

Yes.

John Roy

Great. So I know one key issue that comes up again and again is the Natural Gas Act, and I know you're expecting to come back from the August recess with something. Can you give us any idea what you see might be the next, I don't know, milestone that we might see as a committee vote, and what would the timing might be on that. I know that they're running up against the end of the year for the fuel subsidies?

David Demers, Chief Executive Officer

I think your guess is as good as ours, frankly. You know, everybody subscribes to Twitter days, and everybody comments, you know, on every move that every Senator or Congressman makes. You know, we've had, you know, all kinds of rumours, positive and negative, but as far as I can tell, they're rumours. I don't think anybody has really spoken definitively what their plans are. The last rumour we heard was that there was a plan to introduce the bill as a separate bill, which would allow us to fast track through and get done. Then they have to reconcile between the House and the Senate bills because they are quite different bills. You know, both great...

**Michael Gallagher,
President and Chief Operating Officer**

Both great...

David Demers, Chief Executive Officer

But they're different, so they need to reconcile. So everybody's aware of this yearend deadline. They don't want to see a gap after the yearend where there's, where the subsidies have expired and there's no replacement. So I think everyone's aware of the timing. There's a few other things on the mind of Senators and Congress. I see there's a new Supreme Court Justice today, so that's behind us. You know we'll get some work done, but your guess is as good as ours as to when this is actually going to happen.

**Michael Gallagher,
President and Chief Operating Officer**

In terms of milestones, Dave alluded to one that I'm watching, and it's, that's really, you know, just what sort of bill the Nat Gas Act gets attached to or not. So if it goes independent, as Dave mentioned, things could move pretty quickly, failing that, it could get attached as a rider to the Energy and Climate Bill, or to a Transportation Bill, or some broader Energy Bill, that's going to be a key milestone in terms of dictating the legislative process. I think if it went separate on its own, we'd all be very happy.

John Roy

Right. Thanks, guys.

Operator

Thank you. The next question is from Mr. Jason Zandberg from PI Financial. Please go ahead.

Jason Zandberg

Hi. I wanted to ask a question on your R&D expenditure. You're spending about 30 million annually. Just wanted to get a couple of comments, one, just on the pace of investment going forward. Do you expect that to stay steady or decline? I see it's come down a little bit this quarter, but not sure if that's the trend. And also just generally, what's the, what's the focus of that expenditure? I imagine a good portion of that, or not a good portion but a portion of that is on the certification program, but can you give any more sort of areas of focus for your R&D spend?

Elaine Wong, Chief Financial Officer

Yes, Jason, just a couple of quick comments around R&D. One is keep in mind, when you say 30 million, about a third of that is Cummins Westport and two thirds is Westport. And so you're looking at a consolidated number. The other thing I'd say is sort of, quarters are lumpy and so you can't tell from one quarter what the trend is going to be. Where most of our R&D spending is going to date is on product development, you know, truck integration programs, etc., and those, the major programs we have, I mean CWI has some product development programs that they're working on. As Mike mentioned in his remarks, 2010 is definitely our biggest engineering program right now. And so those are, our main R&D expenditures are going there right now.

Over time, as you'd expect, I mean, you know, as Mike also said during this call, we expect 2010 to be completed early next year, and we would expect to see R&D to kind of decrease at that time as we finish off that program.

Jason Zandberg

Okay, that's great.

Elaine Wong, Chief Financial Officer

Thanks, Jason

Operator

Thank you. The next question is from Mr. Robert Wallace from Raymond James. Please go ahead.

Robert Wallace

Hi, guys. Congratulations, Elaine. Congratulation, Michael, and I take it you've still got your job, David. Pretty well everything's been asked, but one thing I wanted to ask was on the currency. What is your go-forward policy on hedging/not hedging?

Elaine Wong, Chief Financial Officer

Well we're, we don't hedge, as you know. We don't have a formal policy for hedging, and in a lot of things we're naturally hedged, so Cummins Westport is almost completely hedged. I mean their revenues, cost of sales, two thirds of their expenses are all US dollars, and so we're fairly naturally hedged there.

On the Westport side, in terms of our balance sheet, again, you'll see, even though we had some major currency movements in the quarter, our foreign exchange loss was relatively small in the quarter. Again, we've got some US dollar cash, but we also hold US dollar liabilities as well. So we try to hedge it that way. It's, most of it's just kind of a natural hedge given, you know, our revenues again in US dollars. But, you know, at least half of the cost of sales on the Westport side are also USD.

Robert Wallace

But when you sell in another jurisdiction, is it usually, is it denominated in US dollars?

Elaine Wong, Chief Financial Officer

On Cummins Westport side it's almost always still denominated in US dollars. On the Westport side, you know, the majority of our sales are still in North America, and in Australia. You know, we'll look at the pricing of the USD even if we're billing it in Australian dollars, but we do try to match the, you know, our currency with where our cost of sales are so that we can get a hedge there.

Robert Wallace

So, and the warranty...?

Elaine Wong, Chief Financial Officer

Warranty liability is US dollar denominated.

Robert Wallace

US dollars, but it would be, and basically that would be for your currency that you have now in US dollars? But the warranty cost on HPDI versus CWI are significantly different?

Elaine Wong, Chief Financial Officer

We don't really talk about it at that level of detail, I guess. Not sure if Mike is going to want me to go there.

**Michael Gallagher,
President and Chief Operating Officer**

We're just going to, just kind of...

Robert Wallace

Well I mean because the price of the units are quite different, so I mean it's a rhetorical question, I guess.

**Michael Gallagher,
President and Chief Operating Officer**

Well you might be surprised, Bob, at how close the warranty numbers are, given that heavy-duty's a much more expensive products, as you said.

David Demers, Chief Executive Officer

Yes, I think we are, I think what we're talking about is currency. Everything is US dollars anyway. Most of our components are built outside Canada, as you know, Bob, so we have Euro exposure, there's Chinese currency exposure, US dollar exposure, and as Elaine said, we have stopped trying to speculate on where the currency is going to go because it's, we're never right. Fortunately, not many people seem to be right either on these projections. So the currencies are going to be volatile, but we think we've got enough natural hedging that we can just deal with it.

Certainly the warranty liability, the fact that we have to restate that in Canadian dollars is a paper transaction.

Robert Wallace

That's what I thought. It's also the fact that you get back as the warranties are not used, correct?

David Demers, Chief Executive Officer

Yes, and we get back parts revenue in US dollars when we do it anyway, so it's somewhat irrelevant, and it's a bit of an accounting fiction to be restating that.

Elaine Wong, Chief Financial Officer

Like all Canadian exporters, we prefer to see a strong US dollar because ultimately that helps the revenue number and your bottom line. But overall, like I said, we're fairly well hedged right now.

Robert Wallace

But is it basically just on the fact that it..., you know, on the sale price? The, more on China, which the other gentleman asked about the Weichai, is that the tanks are, or is it that a joint venture, correct? I mean everything you've done so far is joint venture?

**Michael Gallagher,
President and Chief Operating Officer**

Yes.

Robert Wallace

So that with the filing that you have on the shelf, I take it, Elaine, that you'll be off with a large purse making joint ventures all around the world, is that correct?

David Demers, Chief Executive Officer

Nice try, Bob.

Robert Wallace

Tell me where. No, okay, that's... again, a silly question. Congratulations.

David Demers, Chief Executive Officer

Bob, we really can't comment.

Robert Wallace

I know. I know that. Thank you very much.

Michael Gallagher, President and Chief Operating Officer

Thanks, Bob.

Operator

Thank you. There are no further questions registered at this time. I would now like to turn the meeting back over to Mr. Seed.

Darren Seed, Director, Investor Relations

Thank you, everybody. We'll look forward to seeing you on the next conference call, probably some time in November.
