<u>Report for the Six Month Period ended September 30, 2009</u>

Dear Aerocast Shareholder,

Re: Management's Discussion & Analysis
<u>Report for the Six Month Period ended September 30, 2009</u>

OVERALL PERFORMANCE

Highlights

Since the beginning of the current fiscal year, which commenced on April 1, 2009, we have continued to build on our successes in growing our business. Some of the highlights include:

- Revenues for the six months ended September 30, 2009 totalled $860,592, of which $686,362 was generated during the three months ended September 30, 2009; and

- Gross profits before foundry and G&A expenses totalled $189,519 compared to a loss of $24,473 for the year before.

Overview

Our company consists of Aerocast Inc., a *Canada Business Corporations Act* corporation, and its 100% owned US subsidiary Aerocast International Inc. Our subsidiary is responsible for the operations of a Nogales, Mexico based foundry. This foundry manufactures complex aluminium and magnesium alloy castings for the aerospace industry. Our objective is to acquire additional equipment and materials and engage additional workers for the foundry which, once fully operational, is expected to have much lower labour rates than those of competing aerospace foundries. The common shares of Aerocast Inc. trade on the Canadian National Stock Exchange under the symbol 'A' and on the Open Market of the Frankfurt Stock Exchange under the symbol ØAE.

We invite you to read the following discussion in conjunction with our company's unaudited consolidated financial statements for the three month period ended September 30, 2009 and the notes to the financials. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have not been audited. All amounts are in Canadian dollars unless otherwise stated.

Business Activities

In April 2009 we entered into a financial advisory agreement with Fitzhenry and Green Capital Funding dated April 18, 2009 whereby Fitzhenry and Green agreed to provide financial advisory services to Aerocast for a monthly fee. In addition, we granted Fitzhenry and Green an option to acquire up to 800,000 shares at $0.10 per share whereby one-half of the option vests immediately and one-half of the option will vest upon Fitzhenry and Green LLC having facilitated a minimum $US 500,000 financing into Aerocast.

In April 2009 our wholly owned subsidiary Aerocast International Inc. entered into a long-term agreement with Hamilton Sundstrand Corporation to supply certain parts to Hamilton Sundstrand for a five year period.

In May 2009 we entered into financial advisory agreements with Carrie Howes and Marlies Studer who each agreed to provide financial advisory services to our company.

In June 2009 we entered into a consulting agreement with VS Venture Services GmbH of Wiesbaden, Germany, which has agreed to assist our company in liaising with representatives of ProMexico with a view to promoting Aerocast as a potential recipient of a loan, guarantee, subvention or other benefit from ProMexico. We also entered into consulting agreements with Global Communication Services GmbH of Cologne, Germany and with Investor Magazine Ltd. of Frankfurt, Germany.

In July 2009 we entered into a consulting agreement with a German contractor that has agreed to write and distribute four research reports on Aerocast and assist in institutional financings based on performance fee. We also entered into a consulting agreement with a German consultant that has agreed to write and distribute three research reports on Aerocast, provide a periodic text link on www.ad-hoc-news.de, develop and periodically update a fact sheet on Aerocast and post such fact sheet on www.ad-hoc-news.de, and assist in institutional financings based on performance fee.

In July 2009 our subsidiary Aerocast International Inc. entered into a multi-million dollar long-term agreement with Sikorsky Aircraft Corporation whereby Aerocast International agreed to furnish certain parts to Sikorsky for a ten year period.

In August 2009, we announced that our subsidiary, Aerocast International Inc., has received Nadcap certification for welding. Along with other customer approvals, Nadcap approval will allow us to fulfill welding requirements on aluminum and magnesium castings.

We currently have over 25 different casting part numbers in production and the quantity we produce of each part number ranges from about 10 to 165 per month, depending on customer requirements and our available production capacity. In a number of cases we have been currently producing less, sometimes significantly less, than the ideal quantities that our customers would like to order. This shortfall has cost us a lot in missed revenues.

One of the factors holding us back from higher production levels has been a shortage of raw materials on hand, such as the aluminum and magnesium alloys and sand for sand moulds that we need to make castings. The shortage was due to us having insufficient working capital to purchase and maintain adequate quantities of raw materials.

To address these issues, in October 2009 we closed an offering of units of our company's securities where each unit consists of one common share and one share purchase warrant exercisable for two years at $0.20 per share. A total of 4,505,453 units were issued at $0.20 per unit for gross proceeds totaling $901,090. In connection with this financing, we paid finder's fees totaling $66,454 cash and 50,750 finder's units, where each finder's unit consists of one common share and one common share purchase warrant exercisable at $0.20 per share for a two year period. At the same time we also settled debts totaling $301,036 via the issuance of 1,505,180 shares at a deemed price of $0.20 per share.

Using the additional working capital we purchased additional supplies of metal and sand and are now in the process of acquiring and installing equipment which will enable us to increase production capacity and reduce expenses.

In November 2009, we entered into a consulting agreement with QIS Capital, which has agreed to do the following: send an original overview and corporate summary of Aerocast to the QIS Capital investor/broker contacts and update this report at least each quarter after financial results have been issued or after any significant developments; send the corporate summary to QIS Capital's complete client base of investors, brokers, and analysts; distribute original and updated corporate profiles of Aerocast; feature Aerocast on a rotating basis within the "QIS Capital Feature Company Spotlight"; and complete a brief research report for Aerocast.

In November 2009 we announced that our wholly owned subsidiary, Aerocast International Inc., has received Nadcap certification for optical emission spectroscopy. Optical emission spectroscopy (OES) is a reference technique for direct analysis of solid metallic samples. We use OES to test metal samples prior to pouring castings. An unmatched combination of accuracy, high speed, precision, stability and reliability have made OES an indispensable tool for production of high quality metallurgical products. Nadcap (the National Aerospace and Defense Contractors Accreditation Program) is a global cooperative standards-setting program for aerospace engineering, defense and related industries.

Investment Conferences

In April 2009 we exhibited at the Invest conference in Stuttgart, Germany and our CEO gave a presentation at the SCF Small Cap Forum in Frankfurt, Germany. In September 2009 our CEO gave a presentation at the Vancouver Small Cap Conference. In October 2009 we exhibited at the Calgary Small Cap Conference at the Coast Plaza Hotel & Conference Centre Calgary.

Annual General Meeting

Our 2009 annual general meeting was held on September 30, 2009 at the Vancouver office of our transfer agent Computershare. At the AGM, shareholders approved the re-appointment of our auditors BDO Dunwoody LLP, elected a three member board of directors consisting of Robert Jamieson Sr., Robert Jamieson Jr. and Raynard von Hahn, and approved our 2009 stock option plan. Subsequent to the AGM, the directors re-appointed Robert Jamieson Sr. as President, Raynard von Hahn as CEO, Robert Jamieson Jr. as CFO, Secretary and Treasurer, and Kenneth Hromada as Executive Vice President, Sales & Engineering.

Trends

A report issued by the Aerospace Industries Association entitled *2008 Year End Review and 2009 Forecast* projects aerospace industry growth to be pushed up 4.8 percent from 2008. The forecast states that U.S. aerospace industry sales are estimated to reach US$204.4 billion in 2008, while the industry order backlog in 2008 is expected to be higher than ever at US$404.5 billion. The full report is available on the AIA website at www.aia-aerospace.org.

From our point of view, we see a continued high demand for the types of castings that we produce. It is our goal to be the industry's lowest cost-producer of high-end aluminium and magnesium castings and if we can reach this goal we believe that we'll be in a position to make profitable sales even if the general economy is weak.

The recent economic downturn is, however, making it more difficult for our company to obtain financing.

RESULTS OF OPERATIONS

Revenues for the three months ended September 30, 2009 totalled $686,362 compared to $15,079 for the same period the year before, while gross margins before expenses totalled $149,116 compared to a gross margin loss of $24,475 for prior year's quarter.

The net loss for the three months ended September 30, 2009 was $492,529 ($0.03 per share), compared to a net loss of $409,684 ($0.03 per share) for the three months ended September 30, 2008. The increased loss of $82,845 is mainly attributable to the following:

a) Foundry expenses increased by $77,380 from $231,867 to $309,247 as our production of castings increased compared to the prior year's quarter. The most significant component of the increase is for supplies and materials (from $16,659 to $148,572), which was offset by decreases in salaries and benefits (from $65,697 to $26,588).
b) General and administrative expenses increased by $177,118 from $153,342 to $330,460. Consulting fees recorded the biggest increase (from $224 to $102,037) followed by increased salaries and benefits (from $93,249 to $190,049). These amounts were offset by the decrease in travel costs (from $30,871 to $9,845) and an increase in foreign exchange gain (from $47,615 to $105,785).

Our sales revenues increased from $19,400 for the six months ended September 30, 2008, to $860,592 for the six months ended September 30, 2009 as a result of significant increases in the production and sales of castings as well as revenue recognition for the sales of tooling equipment. Gross margins before expenses increased from a loss of $24,473 to a gain of $189,519.

The net loss for the six months ended September 30, 2009 was $1,121,176 ($0.07 per share), compared to a net loss of $941,359 ($0.06 per share) for the six months ended September 30, 2008. The increased loss of $179,817 is mainly attributable to the following:

a) Foundry expenses increased by $251,458 from $382,738 to $634,196 due to increased production of castings. The most significant components in the increase were for supplies and materials, which increased from $35,990 to $250,962, and for office and miscellaneous expenses, which increased from $24,138 to $73,350. These were offset somewhat by a decrease in salaries and benefits from $129,451 to $99,573.
b) General and administrative expenses increased by $140,413 from $534,148 to $674,561. The most significant components of the increase were salaries and benefits (from $148,159 to $420,966) and consulting fees (from $9,269 to $180,520). These were offset by a decrease in

stock-based compensation (from $251,948 to $33,154) and an increase in the foreign exchange gain (from $42,427 to $202,367).

Our accounts payable and accrued liabilities increased from $987,816 as at March 31, 2009 to $1,253,379 as at September 30, 2009. Customer deposits decreased from $865,766 to $483,661 as tooling equipment was completed and invoiced.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of our company's financial results for the eight most recently completed quarters:

	September 30, 2009 $	June 30, 2009 $	March 31, 2009 $	December 31, 2008 $
Total revenues	686,362	174,230	616,246	802,131
Net loss	(492,529)	(628,647)	(480,731)	(530,362)
Net loss per share – basic and diluted	(0.03)	(0.04)	(0.03)	(0.04)

	September 30, 2008 $	June 30, 2008 $	March 31, 2008 $	December 31, 2007 $
Total revenues	15,079	4,321	10,330	-
Net loss	(409,684)	(531,675)	(257,091)	(234,214)
Net loss per share – basic and diluted	(0.03)	(0.04)	(0.03)	(0.02)

There is no material seasonality to our company's business. The loss for the quarter ended September 30, 2009 includes increased expenses for supplies and materials ($148,572 compared to $16,659 for the prior year's quarter), consulting fees ($102,037 compared to $224 for the prior year's quarter) and salaries and benefits ($190,049 compared to $93,249 for the prior year's quarter).

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2009, our company had cash of $294,244 compared to $112,158 as at June 30, 2009. As at September 30, 2009, our company had a working capital deficiency of $1,326,888 compared to working capital deficiency of $1,422,361 as at June 30, 2009. While we are receiving funds from sales contracts, we will also require additional equity or debt financing in the next twelve months to ensure ongoing operations.

Quarter ended September 30, 2009 compared to the quarter ended September 30, 2008:

Operating activities

For the quarter ended September 30, 2009, our company used cash of $326,071 in operating activities compared to $(1,357) for the quarter ended September 30, 2008.

Investing activities

For the quarter ended September 30, 2009, our company acquired property and equipment costing $nil compared to $119,418 for the quarter ended September 30, 2008.

Financing activities

For the quarter ended September 30, 2009, proceeds from share subscriptions were $509,134, compared to $100,500 for the quarter ended September 30, 2008.

Capital Management

Our company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of our company consists of cash, and equity comprised of issued capital, contributed surplus and deficit.

Our company manages its capital structure and makes adjustments to it in light of economic conditions. Our company, upon approval from our Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

Our company is not subject to externally imposed capital requirements and our company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2009.

OFF-BALANCE SHEET ARRANGEMENTS

Our company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended September 30, 2009 and 2008, our company incurred the following related party transactions:

(a) Rent and utilities of $24,397 (2008 - $17,903) and consulting fees of $4,871 (2008 - $nil) were incurred to a company with common directors.

(b) As at September 30, 2009, the amounts of $5,200 and $2,141 (US$2,000) (March 31, 2009 - $4,000) due from a company with common directors are non-interest bearing, unsecured, and due on demand.

(c) As at September 30, 2009, the amount of $16,061 (US$15,000) (March 31, 2009 - $nil) is due to a company controlled by the President of our company.

(d) As at September 30, 2009, included in accounts payable and accrued liabilities is $41,249 (March 31, 2009 - $41,249) owed to the President of our company.

(e) As at September 30, 2009, included in accounts payable and accrued liabilities is $24,307 (March 31, 2009 - $8,246) owed to the Chief Executive Officer of our company.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties.

FOURTH QUARTER

n/a.

PROPOSED TRANSACTIONS

None

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates related to the determination of the useful life and impairment of Equipment, assumptions used in determining stock-based compensation and future income tax asset valuation allowances. Actual results could differ from the estimates.

Inventory

Inventory consists of finished goods, raw materials and work in progress and is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out cost method.

Property and Equipment

Our Company amortizes the cost of equipment over their estimated useful lives at the following annual rates:

Computer equipment	30%	declining balance basis
Foundry equipment	30%	declining balance basis
Furniture and equipment	20%	declining balance basis
Leasehold improvements	20%	declining balance basis

Long-lived Assets

Our company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Revenue Recognition

Revenue is derived from the sale of tooling equipment for the casting of aerospace parts and from the sale of castings manufactured. Our company recognizes revenue when title has passed, which is generally upon completion of tooling equipment or shipment of castings, persuasive evidence of an arrangement exists, customer specified test and acceptance criteria have been met, no significant obligation remains and collection is considered probable. Deposits received from customers are included in current liabilities until the related contract is complete.

Stock-based Compensation

Our company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if our company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Future Changes in Accounting Policies

In June 2009, the AcSB further amended CICA Handbook Section 3862, "Financial Instruments – Disclosures" to include additional disclosures about fair value measurements of financial instruments and to enhance risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for fiscal years ending after September 30, 2009, but early adoption is permitted. The adoption of this section is not expected to have a material effect on our company's financial statements.

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" which replace CICA Handbook Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for our company's business combinations with acquisition dates on or after April 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for our company's interim and annual consolidated financial statements for its fiscal year beginning April 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently.

In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by our company for the year ended March 31, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on our company's financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Classification of Financial Instruments

Our company has classified its financial instruments as follows:

	September 30, 2009 $	March 31, 2009 $
Financial assets:		
Held for trading, measured at fair value:		
Cash	294,244	492,274
Loans and receivables, measured at amortized cost:		
Accounts receivable	45,291	8,606
Due from related party	7,341	4,000
	52,632	12,606
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	1,253,379	987,816
Due to related party	16,061	–
Customer deposits	483,661	865,766
	1,753,101	1,853,582

Fair Values

The fair values of financial instruments, which include cash, accounts receivable, due from related party, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term maturity of these instruments. Unless otherwise noted, it is our opinion that our company is not exposed to significant interest, currency or credit risks from its financial instruments.

Credit Risk

Financial instruments that potentially subject our company to a concentration of credit risk consist primarily of cash and accounts receivable. Our company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Our company performs ongoing credit evaluations, does not require collateral and establishes an allowance for doubtful accounts based on the age of the receivable and the specific identification of receivables our company considers at risk.

Concentrations

During the six-month period ended September 30, 2009, our company derived 94% of its revenue from one customer.

Foreign Exchange Rate Risk

Our company's activities are conducted in U.S. dollars within the United States. Financial results are translated into Canadian dollars for financial reporting purposes.

Our company is exposed to foreign exchange risk on its U.S. dollar denominated accounts payable, customer deposits, accounts receivable and cash. Our company had no forward exchange contracts to manage its foreign currency risk.

Interest Rate Risk

Our company is not exposed to any significant interest rate risk.

Liquidity Risk

Our company's exposure to liquidity risk is dependent on purchasing commitments and obligations and the raising of funds to meet commitments and sustain operations. Our company has commenced operations but is still reliant on external fundraising to support its operations. Our company manages liquidity risk by continuously monitoring actual and projected cash flows. The majority of our company's accounts payable and accrued liabilities have maturities of less than three months.

GENERAL AND ADMINISTRATIVE EXPENSES

During the six-month period ended September 30, 2009, our company incurred $674,561 in general and administrative expenses compared to general and administrative expenses of $534,148 for the six-month period ended September 30, 2008. The material components of general and administrative expenses are as follows:

	Six Month Period Ended September 30, 2009 $	Six Month Period Ended September 30, 2008 $
Amortization	6,800	3,929
Automotive	11,985	11,086
Consulting	180,520	9,629
Foreign exchange loss (gain)	(202,367)	(42,427)
Management fees	20,379	2,500
Office and miscellaneous	59,218	53,505
Professional fees	33,058	12,656
Promotion and marketing	7,438	4,492
Rent and utilities	46,186	20,436
Salaries and benefits	420,966	148,159
Stock-based compensation	33,154	251,948
Transfer agent and filing fees	15,144	12,549
Travel	42,080	46,046

DISCLOSURE OF OUTSTANDING SHARE DATA

	Number of common shares	Amount $
Balance, March 31, 2009	15,516,319	1,937,999
Issued for consulting services rendered	50,000	11,000
Issued for consulting services rendered	80,000	24,000
Issued for consulting services rendered	50,000	10,250
Issued for consulting services rendered	30,000	9,000
Issued for consulting services rendered	171,900	37,035
Private placement of units	4,556,203	
Shares for debt settlements	1,505,180	
Issued for consulting services rendered	50,000	
Balance, November 27, 2009	22,009,602	

Share Purchase Warrants

As at November 27, 2009, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
335,000	0.40	March 1, 2010
317,070	0.40	March 15, 2010
4,556,203	0.20	October 20, 2011
5,208,273		

Stock Options

As at November 27, 2009, the following stock options were outstanding:

Number of options outstanding	Exercise price $	Expiry date
100,000	0.30	September 19, 2010
100,000	0.30	November 24, 2010
800,000	0.10	April 18, 2011
50,000	0.30	May 11, 2011
50,000	0.22	June 2, 2011
40,000	0.30	June 18, 2011
30,000	0.30	June 25, 2011
25,000	0.30	July 4, 2011
25,000	0.30	July 24, 2011
50,000	0.30	November 2, 2011
1,200,000	0.30	April 18, 2013
200,000	0.30	September 19, 2013
500,000	0.05	March 2, 2014
3,170,000		

ADDITIONAL INFORMATION

Additional information relating to our company is on SEDAR at www.sedar.com. In addition, we invite you to visit our company's website at www.aerocastinc.com.

Sincerely,

Aerocast Inc.

"Robert L. Jamieson" *"Raynard von Hahn"*

Bob Jamieson, President Raynard von Hahn, CEO