

September 3, 2009
A

Trading Symbols - CNSX:
Frankfurt Stock Exchange: ØAE

Dear Aerocast Shareholder,

**Re: Management's Discussion & Analysis
Report for the Fiscal Year ended March 31, 2009**

OVERALL PERFORMANCE

Highlights

During the past year we have continued to build on our successes in growing our business and securing additional purchase orders. Some of the highlights include:

- Revenues for the fiscal year totalled \$1,437,777 compared to \$10,330 for the prior year;
- Gross margins before foundry expenses totalled \$488,235 compared to \$nil for the year before; and
- We signed agreements with two major aerospace companies to supply them with castings on a long-term basis.

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 has been established for the purpose of manufacturing complex aluminium and magnesium alloy castings primarily 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 (formerly the CNQ 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 audited consolidated financial statements for the year ended March 31, 2009 and the notes to the financials. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and were audited by our company's external auditors, BDO Dunwoody LLP. All amounts are in Canadian dollars unless otherwise stated.

Business Activities

In April 2008, we commenced production on our initial order of castings pursuant to two purchase orders received from Shimadzu Precision Instruments, Inc. ("Shimadzu"). We expect to produce castings for Shimadzu on an ongoing basis. We also received purchase orders from Hamilton Sundstrand, a subsidiary of United Technologies Corporation, to develop two types of castings that Hamilton Sundstrand intends to use in the manufacture of fueling systems for Boeing 747 aircraft. Pursuant to these purchaser orders, we developed new foundry tooling equipment for this customer totalling about US\$450,000. Once the tooling equipment has passed first article inspection, it will be used to produce castings on an on-going basis. Production of these castings was expected to have commenced during the fall of 2008 but has been delayed in order for us to accommodate our customer's request to commence work on other projects.

In May 2008, we received purchase orders to supply tooling equipment and castings from Hamilton Sundstrand, Shimadzu and from a machine shop on behalf of Honeywell Aerospace. These orders totalled about US\$214,000 for tooling equipment and about US\$25,000 for castings. The castings ordered on behalf of Honeywell Aerospace will be made using 224 aluminium alloy, which is a low silicon, high copper alloy that is poured by very few foundries. We expect that we will initially make a

limited number of sample castings from this alloy and once the sample castings have passed non-destructive testing, we expect to receive significant purchase orders for these castings.

In July 2008, we received purchase orders from Honeywell Aerospace and Hamilton Sundstrand to supply tooling equipment totalling about US\$320,000. We completed this equipment during the fall of 2008. We also received an initial US\$115,000 purchase order from Honeywell Aerospace for castings, which was expected to be delivered on an ongoing basis starting in January 2009, but has been delayed pending customer approval. We also received a purchase order from Honeywell Aerospace to supply tooling equipment totalling about US\$210,000.

In August 2008, we received a purchase order from Honeywell International to supply tooling equipment totalling about US\$239,000. We completed this equipment during 2008.

In November 2008 we announced that we added new equipment and have poured a number of test castings using magnesium alloys. Magnesium is approximately 30% lighter than aluminium and is easy to machine, which makes it desirable for use in the manufacture of aircraft components. However certain difficulties in working with magnesium, such as the facts that magnesium in the molten state will burn when exposed to air and can explode if it comes in contact with water, have significantly limited the number of foundries that produce magnesium castings. The demand for these castings, however, is very high and our customers have been very supportive of our addition of magnesium castings to our line of products.

In November 2008, we also announced that we received purchase orders from Hamilton Sundstrand to supply tooling equipment totalling about US\$290,000. We expect to deliver this equipment during the spring of 2009.

In December 2008, we announced that our company's 100% owned subsidiary Aerocast International Inc. had been added to Honeywell's list of approved suppliers for aerospace-quality casting parts.

In March 2009 we announced that our Company's shares were listed on the Frankfurt Stock Exchange Open Market and in April 2009 we announced the listing of our shares on the Berlin Stock Exchange Third Segment and on XETRA.

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.

ISO 9000 and AS 9100 Certifications

In June 2008 we announced that BSI Management Systems ("BSI"), an independent quality systems auditor, had completed their assessment of our company's quality management system. In July 2008 BSI issued a certificate of registration certifying that our 100% owned subsidiary operates a quality management system which complies with the requirements of AS 9100 REV B and ISO 9001:2000. ISO 9000 and AS 9100 are internationally recognized sets of standards that set out the quality system requirements (including policies, processes and procedures) required for the planning and execution of an organization's core business areas. AS 9100 standards are management systems that are specific to the aerospace industry. Aerospace contractors will generally not issue any purchase orders (other than development purchase orders) to a company until it has obtained ISO 9000 and AS 9100 certifications.

BSI Management Systems is a division of BSI Group, which is the world's largest certification body. BSI Group's principal activity is the production of standards and the supply of standards-related services. BSI Group audits and provides certification to companies worldwide who implement management systems standards.

Management Appointees

In September 2008, we announced the appointment of Carol Ernst and Galen Luth to our management team.

Carol Ernst has been appointed as our company's production control manager. Carol is the main customer contact for purchase orders and information requests, and is responsible for scheduling the production of parts at our company's foundry and tracking inventory. Carol Ernst will be primarily responsible for maintaining daily contact with customers and giving regular status updates on their open orders. Carol has 28 years aerospace foundry experience and was previously employed at another aerospace foundry in a similar capacity.

Galen Luth has been appointed as our company's tooling manager. Galen's responsibilities are to oversee dimensional inspection of patterns, fabrication of pattern equipment and target fixtures, production of gating and rigging, and the reworking and refurbishing of tools. Galen has 15 years experience in foundries and pattern shops and has worked with all different types of metals.

In addition to these managers, we have added a supervisor to our Nogales facility and additional plant workers to bring our total Nogales staff to 12 people. At our Mesa office, we added additional staff, which brings our total Mesa staff to 18 personnel.

Annual General Meeting

Our 2008 annual general meeting was held on September 30, 2008. At the AGM our shareholders appointed BDO Dunwoody LLP, Chartered Accountants, as our company's auditor and approved our stock option plan. In addition, our shareholders elected a three member board of directors consisting of Robert Jamieson Sr., Raynard von Hahn, and Robert Jamieson Jr. Subsequent to the AGM, these 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.

Investment Conferences

During the fall of 2008 we exhibited at two investment conferences: the Calgary Small Cap Conference held on September 26-27, 2008 and the Vancouver Small Cap Conference held on November 7- 8, 2008.

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.

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 raise equity financing.

Our increase in sales revenues from \$10,330 to \$1,437,777 occurred as a result of significant increases in the production and sales of tooling equipment and castings, which in turn caused us to incur significant expenses for personnel, supplies and materials, quality control and consulting fees. These outlays significantly worsened our cash position, which decreased from \$1,025,218 to \$492,274. Similarly, our accounts payable increased significantly from \$249,274 to \$987,816. Customer deposits also increased from \$229,171 to \$865,766.

SELECTED ANNUAL INFORMATION

The following financial data are selected information for our company for the three most recently completed financial years:

	Year ended March 31,		
	2009	2008	2007
	\$	\$	\$
Total revenues	1,437,777	10,330	-
Net loss	(1,952,452)	(800,915)	(258,597)
Basic and diluted loss per share	(0.13)	(0.08)	(0.03)
Total assets	1,056,508	1,166,658	343,012

RESULTS OF OPERATIONS

The net loss for the three months ended March 31, 2009 was \$490,731 (\$0.03 per share), compared to a net loss of \$154,597 (\$0.01 per share) for the three months ended March 31, 2008. The increased loss of \$336,134 is mainly attributable to the following:

- Foundry expenses increased by \$596,562 from \$704,128 to \$1,300,690 as our company increased business activities in the fourth quarter compared to the prior year's fourth quarter when we were in the early stages of implementing our business plan. Our company has received several purchase orders this fiscal year, which increased our foundry expenses. The most significant component of the increase is salaries and benefits (\$572,752) as our company had no employees in the prior year's fourth quarter. Other significant increases were due to more activity in engineering and development and quality control.
- General and administrative expenses increased by \$182,426 from \$957,571 to \$1,139,997. Salaries and benefits (\$276,935) offset by the decrease in management fees paid represented the most significant component of the increase as our company had no employees in the prior year's fourth quarter. Other significant increases were in office and miscellaneous due to increased business activities and foreign exchange loss.
- The net loss for the current quarter includes a gross margin of \$488,235 compared to no revenue or gross margin in the comparable period.

The net loss for the year ended March 31, 2009 was \$1,952,452 (\$0.13 per share), compared to a net loss of \$800,915 (\$0.08 per share) for the year ended March 31, 2008. The increased loss of \$1,151,537 is mainly attributable to the following:

- a) The net loss for the current period includes a gross margin of \$488,235 compared to no gross margin in the comparable period.
- b) Foundry expenses increased by \$1,046,473 from \$254,217 to \$1,300,690 as our company increased its business activities in the current fiscal year compared to prior fiscal year when it was in the early stages of implementing its business plan. The most significant component in the increase is salaries and benefits (\$572,752) as our company had no employees in the comparative period. There were also significant increases in rent and utilities, engineering, supplies and materials, shelter, and quality control expenses since our Mexican based foundry has been processing the many purchase orders received during the current period.
- c) General and administrative expenses increased by \$600,272 from \$539,725 to \$1,139,997. The most significant components of the increase were salaries and benefits (\$276,935) and stock-based compensation (\$290,515). There were no employees nor were any stock options granted in the comparative period.

Our company's final prospectus dated February 22, 2008 stated that the net proceeds of the minimum offering together with our company's estimated working capital as at January 31, 2008, would be expended as set out in the following table under the heading "Minimum Offering": The amounts actually spent are set out under the heading "Amount Spent".

	Description	Minimum Offering	Amount Spent
1.	To pay the estimated remaining costs of the Offering including Agent's corporate finance fee and expenses, legal, audit and printing expenses	\$90,000	\$81,000 Our company spent \$9,000 less than budgeted. These amounts were all incurred prior to the current period.
2.	Estimated accounting, audit, administrative, exchange listing, filing and legal fees (6 months)	\$60,000	\$12,656 Our company spent \$47,344 less than budgeted for the six month period ended September 30, 2008. Our company spent an additional \$4,856 during the three months ended December 31, 2008 and an additional \$78,014 during the three months ended March 31, 2009.
3.	Estimated costs of foundry and other equipment costs including solution heat treat oven, aging oven, spectrometer, tensile tester, ultrasonic test equipment, hardness tester, medium-capacity air compressor, shipping foam and gun, computers, mold handler, basic sand reclaimer, target drills, cafeteria equipment, furniture, medical supplies	\$215,000	\$254,751 Our company spent \$39,751 more than budgeted because increased production levels required more equipment to increase capacity.
4.	Estimated costs of additional equipment including magnesium furnace, de-gasser, work station crane, core blowers, bobcat, high efficiency sand reclaimer, additional aluminum furnace, dry sand conveyors, additional dry sand mixer, burnout oven, high-capacity sand blast finisher, high-capacity air compressor, foundry software, zyglo dye penetrant system, x-ray equipment, gassing chamber, scrubber, jib crane, fork lift, finishing room furniture, band saw, knock out tools, targeting dept. equipment, computer numerical control mill, manual mill, lathe, and miscellaneous equipment.	\$0	\$0

5.	Estimated rent for Mexican foundry (6 months)	\$50,000	\$51,761 Our company spent \$51,761 in rent during the six months ended September 30, 2008, which is \$1,761 more than \$50,000.
6.	Estimated utilities for Mexican foundry (6 months)	\$25,000	\$11,085 Our company spent \$13,915 less than the \$25,000 budgeted for the six months ended September 30, 2008 because our company only produced very limited volumes of castings during this time period.
			During the year ended March 31, 2009, our company spent a total of \$149,458 on rent and utilities for the Mexican foundry.
7.	Estimated costs of materials for Mexican foundry (6 months)	\$30,000	\$35,990 Our company spent \$5,990 more than the \$30,000 budgeted for the six months ended September 30, 2008 because our company's suppliers require minimum purchases which in some cases are greater than our company's current requirements. During the year ended March 31, 2009, our company spent a total of \$188,177 on supplies and materials.
8.	Estimated costs of additional materials for Mexican foundry (6 months)	\$0	\$0
9.	Estimated wages for initial complement of Mexican management, labour and maintenance workers (6 months)	\$55,000	\$129,451 Our company spent \$74,451 more than the \$55,000 budgeted for the six months ended September 30, 2008 as we allocated a portion of our company's management expenses, which had previously budgeted under general and administrative expenses, as foundry expenses.
10.	Estimated wages additional Mexican management, labour and maintenance workers (6 months)	\$0	\$0
11.	Estimated rent and utilities for Mesa, AZ office (6 months)	\$5,000	\$20,436 Our company spent \$15,436 more than the \$5,000 budgeted for the six months ended September 30, 2008 as a result of using more space and utilities in the shared facilities. During the year ended March 31, 2009,

			our company spent \$56,608 on rent and utilities.
12.	Estimated travel costs (6 months)	\$10,000	\$15,175 Our company spent \$5,175 more than the \$10,000 budgeted for this period as a result of numerous meetings with customers and suppliers. Our company spent \$87,859 on travel during the year ended March 31, 2009.
13.	Estimated Mesa & Vancouver executive management and consultant salaries & benefits (6 months)	\$145,000	\$148,159 Our company spent \$3,159 more than the \$145,000 budgeted for this period. During the third and fourth quarters we hired additional management personnel and our salaries and benefits totalled \$276,935 for the year ended March 31, 2009.
14.	Estimated costs for website, investor relations and marketing	\$140,000	\$4,492 Our company spent \$65,508 less than the \$70,000 budgeted for the six months ended September 30, 2008 because our company has not yet engaged an investor relations firm to disseminate information about our company. Our company spent \$5,611 on promotion and marketing during the year ended March 31, 2009.
15.	To provide general working capital to fund ongoing operations and expansion	\$164,000	\$224,044
	Total:	\$989,000	\$989,000

SUMMARY OF QUARTERLY RESULTS

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

	March 31, 2009 \$	December 31, 2008 \$	September 30, 2008 \$	June 30, 2008 \$
Total revenues	616,246	802,131	15,079	4,321
Net loss	(480,731)	(530,362)	(409,684)	(531,675)
Net loss per share – basic and diluted	(0.03)	(0.04)	(0.03)	(0.04)
	March 31, 2008 \$	December 31, 2007 \$	September 30, 2007 \$	June 30, 2007 \$
Total revenues	10,330	-	-	-
Net loss	(257,091)	(234,214)	(185,120)	(124,490)

Net loss per share – basic and diluted	(0.03)	(0.02)	(0.02)	(0.01)
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Our company commenced very limited production of castings during the fourth quarter ended March 31, 2008 and continued producing limited amounts of castings during the year ended March 31, 2009. During the fourth quarter ended March 31, 2009, we completed the qualification process for a substantial amount of tooling equipment and we invoiced customers for that equipment.

There is no material seasonality to our company's business. The loss for the quarter ended March 31, 2009 includes increased expenses for foundry personnel and technical staff as a result of additional hirings, increases in the costs of supplies and materials as a result of increased production and stock based compensation expenses attributed to grants of stock options. Our company's foundry and general administrative expenses are expected to increase on a go-forward basis as our company's operations expand. This will be offset by gross margin on revenue recognized in the future. The loss for the quarter ended December 31, 2008 includes a foreign exchange loss of \$51,295 but reflects the increased business activities of our company. The loss for the quarter ended September 30, 2008, aside from the foreign exchange gain of \$47,615 and negative gross profit of \$24,475, is getting more representative of the amount of expenses incurred on a quarterly basis. The loss for the quarter ended June 30, 2008 includes \$237,180 for stock-based compensation as a result of stock options granted during the quarter. The loss for the quarter ended March 31, 2008 includes costs incurred in completing our company's initial public offering such as audit and accounting fees and a large foreign exchange loss due to the fluctuation of the US dollar versus the Canadian dollar. Also our company incurred more expenses as it began implementing its business plan following the filing of its final prospectus.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2009, our company had cash of \$492,274 compared to \$1,025,218 as at March 31, 2008. As at March 31, 2009, our company had a working capital deficiency of \$1,055,825 compared to working capital of \$562,160 as at March 31, 2008. We believe we will have sufficient funds to ensure ongoing operations from sales contracts but we may require additional debt/equity financing in the next twelve months.

Quarter ended March 31, 2009 compared to the quarter ended March 31, 2008:

Operating activities

For the quarter ended March 31, 2009, our company used cash of \$895,367 in operating activities compared to \$648,821 for the quarter ended March 31, 2008.

Investing activities

For the quarter ended March 31, 2009, our company used cash of \$167,170 compared to \$119,235 for the quarter ended March 31, 2008 to purchase property and equipment.

Financing activities

For the quarter ended March 31, 2009, our company received cash of \$117,650 compared to \$1,210,783 for the quarter ended March 31, 2008 from common share subscriptions.

Year ended March 31, 2009 compared to the year ended March 31, 2008:

Operating activities

For the year ended March 31, 2009, our company used cash of \$454,793 in operating activities compares to \$391,905 for the year ended March 31, 2008.

Investing activities

For the year ended March 31, 2009, our company used cash of \$195,801 compared to \$120,302 for the year ended March 31, 2008 to purchase property and equipment.

Financing activities

For the year ended March 31, 2009, our company received cash of \$121,650 compared to \$1,210,783 for the year ended March 31, 2008 from common share subscriptions. On July 9, 2008, our company received proceeds of \$100,500 pursuant to a share subscription agreement and on February 27, 2009, we issued 335,000 units pursuant to this agreement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.40 per share for a one year period after closing.

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, 2008.

OFF-BALANCE SHEET ARRANGEMENTS

Our company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the year ended March 31, 2009 and 2008, our company was involved in the following related party transactions:

- (a) Rent and utilities of \$55,019 (2008 - \$10,736) and consulting fees of \$9,524 (2008 - \$nil) were incurred to American Insulock Inc., a company with common directors.
- (b) Cost of goods sold of \$nil (2008 - \$10,330), salaries and benefits in foundry expenses of \$94,303 (2008 - \$16,529) and equipment costs of \$nil (2008 - \$33,264) were incurred to Phoenix Precision Pattern Corporation, a company controlled by the President of our company.
- (c) Consulting fees of \$nil (2008 - \$8,000) was incurred to a company controlled by a significant shareholder of our company.
- (d) As at March 31, 2009, the amount of \$4,000 (2008 - \$Nil) is due from American Insulock Inc., a company with common directors, and is non-interest bearing, unsecured and has no specific terms for repayment.
- (e) As at March 31, 2009, included in accounts payable and accrued liabilities is \$41,249 owed to Robert Jamieson Sr., the President of our company. As at March 31, 2008, accounts payable and accrued liabilities included \$66,729 owed to officers of our company and to a company with common directors.

All of the above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

FOURTH QUARTER

During the fourth quarter ended March 31, 2009, our company added additional foundry personnel and technical staff, which increased our costs of salaries and benefits. We also increased our purchases of supplies and materials as a result of increased production of castings. In February 2009, we closed a \$100,500 equity financing.

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.

The following are significant accounting policies of our company:

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.

Equipment

The 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. We believe there has been no impairment of our Company's long-lived assets as at March 31, 2009 and 2008.

Asset Retirement Obligations

Our company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

Financial Instruments

Our company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

Our company has classified its cash as held-for-trading. Receivables and due from related parties are classified as loans and receivables. Accounts payable and accrued liabilities and deposits from customers are classified as other financial liabilities. Our company does not have any transaction costs on its financial instruments.

Income Taxes

Our company follows the asset and liability method of accounting for income taxes. Future income taxes assets and liabilities are recognized for the estimated future tax consequences attributable to difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry forwards. When necessary, a valuation allowance is recorded to reduce income tax assets to an amount where realization is more likely than not. Future income tax assets and liabilities are measured using enacted or substantively enacted tax laws and rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in the period that included the date of enactment or substantive enactment.

Foreign Currency Translation

Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

Our company's integrated foreign subsidiary is financially or operationally dependent on the Company. Our company uses the temporal method to translate the accounts of its integrated operations into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

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 the fair value of share purchase options granted to employees, directors and officers and the amount is expensed over their vesting period with a corresponding increase to contributed surplus. Compensation for non-employees is re-measured at each balance sheet date until the earlier of the vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Our company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti dilutive. Basic and diluted loss per share are the same for the years presented.

For the year ended March 31, 2009, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totaling 2,802,070 (2008: 7,423,389) were not included in the computation of loss per share because their effect was anti-dilutive.

Comprehensive Income

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company does not have any items representing comprehensive income, and therefore, has not included a schedule of comprehensive income in these financial statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in Accounting Policies

Effective April 1, 2008, our company adopted the new CICA Handbook Sections: 1535, "Capital Disclosures", 3862, "Financial Instruments – Disclosures", 3863 "Financial Instruments – Presentation", 3031, "Inventories", and 1400, "General Standards of Financial Statement Presentation" (revised).

(i) Capital Disclosure and Financial Instruments – Disclosure and Presentation

Section 1535 establishes standards for disclosing information about a company's capital and how it is managed. Our company's disclosure should include information about its objectives, policies and processes for managing capital, quantitative data about what our company regards as capital, whether our company has complied with any capital requirements and if it has not complied, the consequences of such non-compliance.

(ii) Financial Instruments

Section 3862, "Financial Instruments – Disclosures", requires companies to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the company manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, "Financial Instruments – Recognition and Measurement", Section 3863, "Financial Instruments – Presentation", and Section 3865, "Hedges".

Section 3863, "Financial Instruments – Presentation", enhances financial statement users' understanding of the significance of financial instruments to a company's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classifications and valuation of our company's financial instruments.

(iii) Inventories

Section 3031, "Inventories" introduces significant changes to the measurement and disclosure of inventories, including the requirement to measure inventories at the lower of cost and net realizable value, the use of the specific cost method for specific purposes, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversal of write-downs are required to be disclosed. The adoption of Section 3031 did not have any impact on the Company's financial statements.

(iv) General Standards of Financial Statement Presentation

Section 1400, "General Standards of Financial Statement Presentation", provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard did not have any impact on the Company's financial statements.

Recent Accounting Pronouncements

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 the 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 the 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 issued CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Intangible Assets”, and Section 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for our company’s interim and annual financial statements for its fiscal year commencing on April 1, 2009. Our company is currently assessing the impact of the new standard and has not yet determined its effect on our company’s financial statements.

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:

	March 31, 2009 \$	March 31, 2008 \$
Financial assets:		
Held for trading, measured at fair value:		
Cash	492,274	1,025,218
Loans and receivables, measured at amortized cost:		
Accounts receivable	8,606	-
Due from related party	4,000	-
	12,606	-
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	987,816	249,274
Customer deposits	865,766	229,171
	1,853,582	478,445

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 year ended March 31, 2009, our company derived 81% (2008 – 10%) 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 payables, customer deposits, accounts receivable and cash. Our company had no forward exchange contracts to manage its foreign currency risk. As at March 31, 2009, our company had U.S. dollar denominated assets and liabilities of: cash in the amount of US\$375,000; accounts payable of US\$648,000; customer deposits of US\$686,000 and accounts receivable of US\$7,000, for a net liability exposure of US\$952,000. A \$0.01 exchange rate change as measured on March 31, 2009 can result in a foreign currency gain or loss of \$9,520.

Interest Rate Risk

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

Liquidity

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 Board of Directors reviews and approves our company's operating and capital budgets, as well as any material transactions not in the ordinary course of business. The majority of our company's accounts payable and accrued liabilities have maturities of less than three months.

GENERAL AND ADMINISTRATIVE EXPENSES

During the year ended March 31, 2009, our company incurred \$1,139,997 in general and administrative expenses compared to general and administrative expenses of \$539,725 for the year ended March 31, 2008. The material components of general and administrative expenses are as follows:

	Year Ended March 31, 2009 \$	Year ended March 31, 2008 \$
Amortization	10,119	555
Automotive	23,602	15,678
Consulting	78,255	48,404
Foreign exchange loss (gain)	30,919	44,573
Interest and bank charges	12,184	4,502
Management fees	43,050	199,222
Office and miscellaneous	110,819	20,134
Professional fees	93,211	93,741

Promotion and marketing	5,611	6,772
Rent and utilities	56,608	29,088
Salaries and benefits	276,935	-
Stock-based compensation	290,515	-
Transfer agent and filing fees	20,310	12,224
Travel	87,859	64,832

DISCLOSURE OF OUTSTANDING SHARE DATA

	Number of common shares	Amount \$
Balance, March 31, 2008	14,581,319	1,782,499
Issued to settle debt	100,000	30,000
Issued pursuant to private placement	335,000	100,500
Issued for consulting services rendered	500,000	25,000
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
Balance, September 3, 2009	15,898,219	2,029,284

Share Purchase Warrants

As at September 3, 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
652,070		

Stock Options

As at September 3, 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
1,250,000	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"

Bob Jamieson, President

"Raynard von Hahn"

Raynard von Hahn, CEO