



OPEL TECHNOLOGIES INC.

(Formerly OPEL Solar International Inc.)

Unaudited Consolidated
Financial Statements
6-months ended June 30, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED JUNE 30, 2012

The following discussion and analysis of the operations, results, and financial position of OPEL Technologies Inc., ("OPEL" or the "Company") for the quarter ended June 30, 2012 (the "Period") should be read in conjunction with the Company's June 30, 2012 unaudited condensed consolidated financial statements and the Company's December 31, 2011 audited consolidated financial statements and the related notes thereto where applicable both of which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The effective date of this report is August 27, 2012. All financial figures are in United States dollars ("USD") unless otherwise indicated.

Forward-Looking Statements

This management discussion and analysis contains forward-looking statements that involve risks and uncertainties. It uses words such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", and other similar expressions to identify forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the early stage of the Company's development and the possibility that future development of the Company's technology and business will not be consistent with management's expectations, difficulties in achieving commercial production or interruptions in such production if achieved, the inherent uncertainty of cost estimates and the potential for unexpected costs and expenses, the uncertainty of profitability and failure to obtain adequate financing on a timely basis. The Company undertakes no obligation to update forward-looking statements if circumstances or Management's estimates or opinions should change, except to the extent required by law. The reader is cautioned not to place undue reliance on forward-looking statements.

Business Overview

As of June 2012, OPEL Technologies, Inc. restructured its Board of Directors. The new Board made two strategic decisions to strengthen the Company on a going forward basis. The first was to discontinue the OPEL Solar portion of the business and the second was to focus all efforts on the ODIS Division which is developing the break through POET Platform for advanced semiconductor development. This MD&A has been adjusted to present the effects of the decision to discontinue the operations of OPEL's solar business.

OPEL Technologies, Inc. is incorporated under the laws of the Province of Ontario. OPEL has 37 patents issued and 13 patents pending for its semiconductor POET process and in PV and tracking systems. The POET process is being developed by OPEL Defense Integrated Systems, (ODIS), a U.S. company that is a wholly owned subsidiary of OPEL Solar Inc. The Company is engaged in (a) through ODIS Inc., the designing of III-V semiconductor devices and processes for military, industrial and commercial applications, including infrared sensor arrays and ultra-low-power random access memory. The POET platform enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones; and (b) through OPEL Solar Inc., incorporated under the laws of the State of Delaware, manufactures and deploys both dual and single-axis trackers designed for solar CPV and PV systems for energy applications worldwide. The Company's shares trade under the symbol "OPL" on the TSX Venture Exchange in Canada and under the symbol "OPELF" on the OTCQX in the US.

a) Semiconductor Technology

OPEL, through ODIS Inc., is currently conducting research and development (R&D) for a wide array of devices for potential military, consumer, commercial, and industrial applications. ODIS continues to develop gallium arsenide-based chip design processes having several potential major market applications, including: (i) infrared sensor arrays for military as well as Homeland Security monitoring and imaging, and (ii) the unique combination of optical lasers, and electronic control circuits on the same microchip for potential use in various military programs and potentially telecom applications such as, Fiber To The Home ("FTTH"). The use of gallium arsenide is a key material in ODIS's Planar Opto-Electronic Technology ("POET") process development for these products. ODIS has been awarded more than a dozen U.S. Department of Defense projects since 2000. These have supported and continue to support the development of ODIS's POET process, infrared sensing technology, optical/laser development and the

combination of electronic circuits and lasers on the same microchip. ODIS remains active in this area with projects underway with the U.S. Department of Defense and a major U.S. Defense Contractor. In March 2011, a third party valuation of the POET Technology was received indicating a significant potential market value of the intellectual property of this technology. In June 2011, BAE Systems independently produced operational transistors on gallium arsenide wafers, further validating critical components of the POET process. By June 2011, ODIS, under the supervision of Dr. Geoffrey Taylor, had completed several wafers containing multiple devices produced with POET Technology. In August 2011, BAE Systems ran a “lot” of five wafers using POET Technology. The chips that came from these wafers were reviewed and tested to further validate the varied capabilities and devices developed utilizing the POET Technology platform. ODIS has made significant progress regarding POET as it pertains to its advancements in Optical Interconnection of High Speed Circuits, making it possible for the first time to implement an optical interface as a single chip to connect existing CMOS processors as described in the POET White Paper/Roadmap posted on the ODIS website www.odis.com. Dr. Taylor’s continued development strides led to OPEL Technologies hosting its 2012 Annual General Meeting on the campus of the University of Connecticut (UCONN), home of the ODIS R&D facility where, at the conclusion of the Annual General Meeting, guided tours of the ODIS R&D facility were conducted by Dr. Taylor and his staff. ODIS and BAE Systems continue on the path of producing a much sought after Infrared Detector (IR) Device contracted for by the U.S. Air Force Research Laboratory, (AFRL).

ODIS, just as all U.S. Government contractors, was notified that funding to continue ongoing projects would see dramatic cuts throughout 2011 and possible termination in 2012. ODIS began experiencing cutbacks in financial support to projects throughout 2011, including the very important BAE project which by the year end, and was no longer funded. Recognizing the importance this development effort has to the overall future of ODIS, funds to continue this project were redirected while alternative sources of funding were being sought. Subsequent to the Period, ODIS received a Phase II award of \$750,000 from NASA to continue developing RF/Optical phased arrays using the POET platform, work began under this award during Q3 2012.

OPEL’s long term objective, when the POET platform is completed by ODIS, is to start to license this breakthrough technology to semiconductor foundries and semiconductor design companies to be used as part of their design rules. This would become a long term revenue stream for the company in the future.

b) Solar Business

Prior to June 2012, the mission of OPEL Solar, Inc. had previously been to develop and supply innovative solar product solutions to harness electricity from the sun in the most efficient and cost effective manner.

Recently, as global debt figures surged upward and subsidies for new energy technologies were trimmed, coupled with massive solar product inventory in the marketplace, all have led to ever decreasing margins within the solar industry. Recognizing this transformation was occurring, aggressive cost cutting measures were immediately enacted during 2011 which continued into 2012; as well, OPEL Solar was redirected from being a Concentrated Solar Voltaic (CPV) panel provider into a solar tracker provider. Leveraging from OPEL Solar’s leadership position in the tracker market, in June 2012, a Special Committee of the Board was established to explore the divestiture of the OPEL Solar Division.

Industry Outlook

As reported throughout 2011 and into 2012, OPEL Technologies’ principal overall strategy has been the continuing, aggressive research and development efforts put forth by OPEL Defense Integrated Systems, (ODIS) as it relates to the completion of the POET (Planar Opto Electronic Technology) platform which enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computer and smart phone’s. Upon completion POET will allow ODIS to fundamentally alter the landscape of computing for a broad range of applications by offering components with dramatically lowered cost together with increased speed, density, and reliability.

Since the beginning, of its development the recognition of the breakthrough potential provided by the POET technology within the Military community remains strong. Even through a downturn in military spending during 2011 POET remained at the forefront of those projects earmarked for funding during 2012.

Recent technological strides within the POET development program have proven encouraging. The fact that the 2012 Annual General Meeting took place on the campus of the University of Connecticut, home of the ODIS research and development facility testifies to OPEL’s redirection as we proudly showcased ODIS’s achievements thus far, working toward our goal of the monetization of POET for the shareholders.

With ever decreasing margins within the solar panel industry, the redirection of OPEL Solar led it to become a recognized leader in solar trackers. Capitalizing on the successes of the tracker business, we embarked on a course of

action to divest the OPEL Solar Division. This allows us to place our full attention on ODIS Inc. and the POET platform.

Key Success Drivers (“KSD”)

ODIS Inc. continued to develop its enhancements to the POET platform during 2011 continuing so into 2012. POET is a semiconductor fabrication process which enables the monolithic fabrication of integrated circuits containing both electronic and optical elements. The POET platform, being developed via OPEL’s U.S. affiliate ODIS Inc. which is covered by numerous patents and patents pending, makes possible the economic production of fully-integrated optoelectronic semiconductor devices with higher speeds and reduced power consumption compared to conventional silicon-based devices. Utilizing POET, ODIS designs infrared sensor type products for military and industrial applications. ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs, higher efficiency computing systems, and potentially telecom for Fiber to The Home. ODIS chip design capabilities allow for optical and electronic signals to be used on the same chip when necessary and allow for direct connection to optical fiber without conversion to electronic signals.

Significant Events During 2012

OPEL continued to make progress in 2012. Following are some significant events in the growth and development of the Company which add to the foundation for the achievement of the Company’s future success:

- 1) In March 2012, ODIS announced significant progress, made during the first quarter, regarding POET as it pertains to its advancements in Optical Interconnection of High Speed Circuits as outlined in a White Paper/Roadmap posted on the ODIS website <www.odis.com>. These achievements, when successfully added to the POET platform under development, will make it possible for the first time to implement an optical interface as a single chip to connect existing CMOS processors. The advancements are significant and ongoing steps in the POET technology development and have made it possible to produce a well defined military and commercial Roadmap for POET. OPEL Technologies was also selected for a second year to be part of the TSX Venture 50 Group in the Clean Technology category.
- 2) In April 2012, OPEL entered into a credit agreement for a revolving credit facility of up to \$5,000,000 with TCA Global Credit Master Fund, LP. whereby funds would be made available to the Company on normal commercial terms with initial draw down of \$850,000. Further draw-downs were conditional on meeting certain financial ratios as contained in the credit agreement. A revolving note and a security agreement created a valid security interest in any Collateral in which the Company has rights, and any Collateral in which the Company hereafter acquires rights, to secure payment and performance of the obligations of the Company. This credit arrangement replaced the line of credit with Silicon Valley Bank announced on November 28, 2011. For further developments, see “*Significant Events Since June 30, 2012*” on page 10.
- 3) In April 2012, ODIS officially received a Phase II award of \$750,000 from National Aeronautics and Space Administration (“NASA”). This is a continuation of previous successful work done for NASA using the POET platform to develop RF/Optical phased arrays. ODIS technology will allow NASA to utilize both optical and RF functions on the same sensors.
- 4) On May 16, 2012, OPEL’s shares began trading on the OTCQX International trading system in the United States under the symbol “OPELF” in order to provide greater exposure and liquidity for the Company’s shares in the United States without the added regulatory expenses and to benefit our shareholders.
- 5) On May 30, 2012, OPEL signed a term sheet with IBK Capital Corp. (“IBK”) whereby IBK agreed to act as agent, on a best efforts basis, to conduct a private placement offering of up to 13,043,478 Units at a price of \$0.23 per unit for proceeds of up to \$3,000,000. Each unit consists of one common share and one common share purchase warrant. One full warrant allows the holder to acquire one common share for a period of three years at an exercise price of \$0.35 per share. The Company will pay a cash commission of 7% of the funds raised and 10% of the units raised in the form of broker warrants, exercisable for 4 years. Each broker warrant allows the holder to acquire one common share at a price of \$0.23 for 48 months after the closing date.
- 6) In June 2012, the Board of Directors of OPEL was restructured, resulting in the departure of Messrs. Lawrence Kunkel and Tristram Collins, the addition of Messrs. Mark Benadiba and Peter Copetti and the return of Dr. Sam Peralta.
- 7) In June 2012, OPEL completed the first and second tranche of a \$3M financing initiative aggregating \$1.2 million. For further developments, see “*Significant Events Since June 30, 2012*” on page 10.

- 8) In June 2012, OPEL made a “core strategic direction” change to its ODIS Division for the completion of the POET Platform and made a staff reduction in the solar business to aggressively reduce costs.
- 9) In June 2012, two committees of the Board were formed, one to explore the divestiture of OPEL’s Solar Division and the second to drive the monetization efforts of OPEL’s ODIS Division.

Summary of Quarterly Results

Following are the highlights of financial data of the Company for the most recently completed eight quarters which have been derived from the Company’s financial statements prepared in accordance with IFRS. All amounts herein are expressed in United States dollars unless otherwise indicated:

	Jun. 30/12	Mar. 31/12	Dec. 31/11	Sep. 30/11	Jun. 30/11	Mar. 31/11	Dec. 31/10	SEP. 30/10
Sales	\$ -	\$ -	\$ 7,630	\$ 93,316	\$ 316,696	\$ 337,780	\$ 275,414	\$ 261,333
Cost of goods sold	-	-	-	-	-	-	-	-
Research and development	233,850	289,764	338,018	305,349	338,032	345,658	270,401	266,110
Depreciation, amortization and impairment	1,131	1,131	1,061	1,131	1,069	1,069	1,069	1,069
Professional fees	225,300	54,750	20,375	88,690	23,875	21,683	50,321	10,500
Stock-based compensation	309,069	364,397	439,000	593,864	462,999	307,149	158,573	261,636
General and administrative	188,599	160,312	150,892	173,425	179,021	194,760	139,628	186,331
Investment income and other income	-	-	5,349	(9,359)	(11,747)	(3,044)	(11,119)	(6,772)
Discontinued operations	3,480,717	1,376,644	6,701,379	2,329,579	1,437,862	1,480,010	1,834,395	1,656,483
Net loss	(\$ 4,438,666)	(\$ 2,246,998)	(\$ 7,648,444)	(\$ 3,389,363)	(\$ 2,114,415)	(\$ 2,009,505)	(\$ 2,167,854)	(\$ 2,114,024)

Explanation of Quarterly Results

In the quarter ending June 30, 2012, OPEL Technologies made the decision not to continue the solar related side of its business which was principally conducted by OPEL Solar Inc. All assets and operations were reviewed and the Company took a loss on discontinued operations of \$3,480,717. Additionally, the Company identified assets valued at \$1,530,256 which are those solar related assets now held for sale to a third party. All eight quarters in the table above have been restated to show the effects of the discontinuation of OPEL’s solar business.

OPEL’s sales are down from the \$316,696 recorded in the same quarter of 2011. This revenue was associated with three SBIR grants which were funding ODIS’s development activities for the U.S. Government. This funding by the Government ended in late 2011. ODIS received a new grant this quarter from NASA that began in July 2012.

OPEL decreased its R&D expenses by \$104,182 when compared to the same quarter of 2011. OPEL has significantly reduced its R&D staff associated with the development of solar products. ODIS now makes up the total R&D expenses of OPEL Technologies. This activity will be the only R&D expenses going forward as ODIS continues to develop the POET process.

OPEL increased its professional fees expense by \$201,425 over the same quarter in 2011 due to the additional need for legal support related to the discontinuation of the solar business and setting up a solid going forward plan.

In the quarter ending June 30, 2012, stock compensation expense was lower by \$153,930 over the same quarter in 2011 due to options being granted at lower share prices which is used to calculate the non-cash value of those options being granted. OPEL feels the granting of options is instrumental to attracting and holding good employees.

Explanation of Material Variations by Quarter for the Last Eight Quarters

In the quarter ending June 30, 2012, OPEL Technologies made the decision not to continue the solar related side of its business OPEL Solar Inc. All assets and operations were reviewed and the Company took a loss on discontinued operations of \$3,480,717. Additionally, the Company identified assets valued at \$1,530,256 and liabilities valued at \$673,748 which are those solar related assets and liabilities now held for sale to a third party. All eight quarters in the table above have been restated to show the effects of the discontinuation of OPEL’s solar business.

In the quarters ending September 30, 2011, December 31, 2011, March 31, 2012, and June 30, 2012, OPEL, through its ODIS division, recorded its lowest levels of revenue since 2008. The U.S. Government stopped all SBIR funding

to many companies, including ODIS. This type of grant had been a solid source of funding to develop the POET platform over the years. ODIS was just granted a new SBIR from NASA this quarter which will help fund this activity with new revenue which started in July.

In the quarter ending June 30, 2012, OPEL increased its professional fees expense by \$201,425 due to the additional need for legal support related to the discontinuation of the solar business and setting up a solid going forward plan.

Due to the high tech nature of the organization, it is necessary to retain highly skilled managers and employees. Stock options form part of an employee's overall compensation package. The fair value of these options are amortized and reflected quarterly. These are non cash expenses. The higher expense levels in December 2011, September 2011, June 2011, were due to sizable stock option grants in those quarters coupled with higher fair values associated with higher common stock prices at the time. As the options are amortized over 18 months the expense is reduced each quarter.

Segment Disclosure

During the 6-months period ended June 30, 2012, the Company and its subsidiaries operated in two distinct segments; (1) the manufacture and sale of multi-axis solar tracking systems and (2) the design of infrared sensor type products for military and industrial applications. The Company's operating and reporting segments reflect the management reporting structure of the organization and the manner in which the chief operating decision maker regularly assesses information for decision making purposes, including the allocation of resources. There were no intersegment sales. The Company's segments and their products and services are summarized below:

OPEL Solar, Inc.

OPEL Solar has discontinued operations in June and will no longer offer solar products for sale. The remaining solar assets and liabilities have been identified as assets available for sale and disposal group liabilities on the condensed consolidated statement of financial position.

ODIS Inc. ("OPEL Defense Integrated Systems")

ODIS designs infrared sensor type products for military and industrial applications. ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs, higher efficiency computing systems, and potentially telecom for Fiber to The Home.

Segmented information for the six months ended June 30, 2012 and June 30, 2011 is as follows:

	Opel	2012 ODIS	Total	Opel	2011 ODIS	Total
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 654,476	\$ 654,476
Operating expenses	-	759,371	759,371	-	897,293	897,293
Amortization	-	2,262	2,262	-	2,136	2,136
Loss from discontinued operations	4,857,361	-	4,857,361	2,917,872	-	2,917,872
Segment loss	4,857,361	761,633	5,618,994	2,917,872	244,953	3,162,825
Corporate operations			1,066,670			961,095
Net loss			\$ 6,685,664			\$ 4,123,920

Segmented information for the three months ended June 30, 2012 and June 30, 2011 is as follows:

	Opel	2012 ODIS	Total	Opel	2011 ODIS	Total
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 316,696	\$ 316,696
Interest income	-	-	27,500	-	-	-
Cost of goods sold	-	-	-	-	-	-
Operating expenses	-	356,926	356,926	-	444,605	444,605
Amortization	-	1,214	1,214	-	1,068	1,068
Loss from discontinued operations	3,480,717	-	3,480,717	1,437,862	-	1,437,862
Loss on divestiture of asm	-	-	-	-	-	-
Segment loss	3,480,717	358,140	3,838,857	1,437,862	128,977	1,566,839
Corporate operations			599,809			547,576
Net loss			\$ 4,438,666			\$ 2,114,415

Assets and capital expenditures at June 30,

	Opel	2012 ODIS	Total	Opel	2011 ODIS	Total
Total assets	\$ 1,530,286	\$ 95,880	\$ 1,626,166	\$ 11,469,538	\$ 213,881	\$ 11,683,419
Capital expenditures	\$ -	\$ 27,500	\$ 27,500	\$ -	\$ -	\$ -

The Company operates geographically in the United States and Canada. Geographical information is as follows:

2012				
As of June 30,	US	Canada	Europe	Consolidated
Current assets	\$ 1,872,720	\$ 49,422	\$ -	\$ 1,922,142
Property and equipment	28,818	-	-	28,818
Patents and licenses	45,079	-	-	45,079
Investment in Opel Solar Asia Company Limited	-	-	-	-
	\$ 1,946,617	\$ 49,422	\$ -	\$ 1,996,039

2012				
	US	Canada	Europe	Consolidated
Six months ended June 30,				
Revenue	\$ -	\$ -	\$ -	\$ -
General and administration	240,390	1,064,299	-	1,304,689
Research and development	523,614	-	-	523,614
Investment income	-	-	-	-

2011				
As of June 30,	US	Canada	Europe	Consolidated
Current assets	\$ 7,320,468	\$ 3,536,448	\$ 904,914	\$ 11,761,830
Property and equipment	1,686,953	-	1,501,692	3,188,645
Patents and licenses	181,469	-	-	181,469
	\$ 9,188,890	\$ 3,536,448	\$ 2,406,606	\$ 15,131,944

2011				
	US	Canada	Europe	Consolidated
Six Months ended June 30,				
Revenue	\$ 654,476	\$ -	\$ -	\$ 654,476
General and administration	215,739	965,654	-	1,181,393
Research and development	683,690	-	-	683,690
Investment income	-	(4,558)	-	(4,558)

Liquidity and Capital Resources

The Company had a working capital deficiency of \$1,583,259 as of June 30, 2012, compared to \$1,703,175 at December 31, 2011.

The Company is not in a position to cover its liabilities as they come due. To meet its current obligations and fund its operations, the Company will need to seek immediate debt or equity financing. Although the Company has been successful in obtaining such financing in the past, there is no assurance that it will be able to do so in the future. See “*Significant Events Since June 30, 2012*” on pages 10-11.

OPEL recently entered into a credit agreement for a revolving credit facility of up to \$5,000,000 with TCA Global Credit Master Fund, LP. Funds were made available to the Company on normal commercial terms and an initial

draw down of \$850,000 was completed in April. This credit facility was amended to be a term loan with monthly payments of approximately \$64,000 to pay down the balance of \$663,000 by June 15, 2013.

Related party transactions

Compensation to key management personnel were as follows:

	2012	2011
Salaries	\$ 188,889	\$ 248,000
Share-based payments (1)	362,222	237,250
Total	\$ 551,111	\$ 485,250

(1) Share-based payments are the fair value of options (calculated using Black-Scholes method) which were granted to key management personnel and expensed during the year.

Critical Accounting Estimates

Stock-based Compensation

Stock options and warrants awarded to non-employees are accounted for using the fair value of the instrument awarded or service provided, whichever is considered more reliable. Stock options and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options and warrants granted is recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Other stock-based payments

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued or service provided, whichever is more reliable.

Inventory Valuation

Inventory consisted of solar panels, solar trackers, and the components necessary to produce the Company's solar products. Inventory was stated at the lower of cost determined by first-in, first-out basis or current market value. All inventory has now been written off or re-classed as assets for sale.

Cumulative Translation Adjustment

IFRS requires certain gains and losses such as certain exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation to be included in comprehensive income.

Contractual Obligations

OPEL leases office space and research facilities. The office lease for the Shelton, CT facility extends to June 30, 2014. The lease on the research facility at the University of Connecticut extends to March 31, 2013. The total obligation to the end of both leases is \$263,006.

Recent Accounting Pronouncements

The Company has considered all other recently issued accounting pronouncements and does not believe the adopting of such pronouncements will have a material impact on its consolidated financial statements. Please see note 3 of the financial statements for additional information.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash, short-term investments, accounts receivable, marketable securities, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates that the fair value of these instruments approximate the carrying values due to their short term nature.

The Company has accounts receivable from parties in various industries and governmental agencies that are currently concentrated in the United States of America. While economic factors can affect credit risk, the Company manages risk by providing credit terms on a case by case basis. The Company has not experienced any significant instances of non-payment from its customers. At June 30, 2012, balances were concentrated among two customers which accounted for 100% of the accounts receivable.

Exchange Rate Risk

The functional currency of OPEL Technologies Inc. is the Canadian dollar. The Company's operations in the United States and Europe are considered to be self-sustaining. Operations in foreign markets are exposed to the risk of foreign currency fluctuations for transactions denominated in a currency other than the functional currency of the Company's foreign operating unit. Currencies in which the Company is exposed to foreign currency risk are mainly the Canadian dollar and Euro. A 10% change in the Canadian dollar and the Euro would increase or decrease other comprehensive income by \$3,086. Since the Company's operations predominantly transact their sales and purchases in their respective domestic currencies, the exposure is reduced. Therefore, the Company typically does not hedge accounts receivable and accounts payable that are denominated in a foreign currency.

Interest Rate Risk

Short-term investments bear interest at fixed rates, and as such, are subject to interest rate risk resulting from changes in fair value from market fluctuations in interest rates. The Company does not depend on interest from its investments to fund its operations.

World Economic Risk

Like many other companies, the world economic climate has impacted OPEL's business and the business of many of its current and prospective customers. The difficult economic climate has made it more challenging for our customers to secure financing for solar projects and has in some cases, reduced certain feed-in tariffs that made such projects financially viable. However, lower interest rates, a lower value of the dollar and rising global liquidity have helped to counterbalance some of these global economic challenges.

Liquidity Risk

In April OPEL entered into a credit agreement for a revolving credit facility of up to \$5,000,000 with TCA Global Credit Master Fund, LP. Funds were made available to the Company on normal commercial terms and an initial draw down of \$850,000 was completed. Further draw-downs were conditional on meeting certain financial ratios as contained in the credit agreement. This credit facility has been amended to be a term loan with monthly payments to pay down the balance of \$663,000 by June 15, 2013.

OPEL predominately relies on equity funding for liquidity to meet current and foreseeable financial requirements. Additionally, ODIS has a history of Governmental funding of some of its projects through SBIR grants but recent Federal budget issues have reduced availability to smaller companies like ODIS.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments.

Strategy and Outlook

During 2012, there are a number of projects planned which will address the short-term and long-term growth plans of the Company including, but not limited to the following:

- Continue to complete the third party validation of the patented POET technology to a fabrication facility that can prove its viability and product potential through ODIS.
- Expand the ODIS engineering team with placement of additional team members at both the ODIS's R&D facility and the third party fabrication facility in Nashua, New Hampshire.
- Procure additional equipment which is required for the continuing development of POET on a speedier and more efficient basis.
- Actively engage with all Departments of the Military including other Government Agencies pressing for SBIR funding directed at ODIS for projects which serve to enhance POET's development.
- Commence an Equity Financing initiative required for the ongoing development of the POET Technology addressing equipment, personnel, and outside development support needs.

Significant Events Since June 30, 2012

- 1) In July 2012, OPEL renegotiated the credit agreement for a revolving credit facility of up to \$5,000,000 with TCA Global Credit Master Fund, LP. This credit facility has been amended to be a term loan with monthly payments to pay down the balance of \$663,000 by June 15, 2013.
- 2) On July 31, 2012, OPEL completed the third tranche of a \$3M financing and closed an additional \$357,420. The final closing of this financing was been extended by the TSX Venture Exchange to September 7, 2012.
- 3) Shareholders were invited to tour the ODIS facility following the Annual General Meeting on August 21, 2012 held in Storrs, Connecticut.

Outstanding Share Data

Common Shares

As at June 30, 2012 and August 27, 2012, there were respectively 98,772,813 and 100,461,813 outstanding common shares of the Company.

Special Voting Share

Additionally, as at June 30, 2012, there was one (1) special voting share carrying 135,000 votes. These votes are for the benefit of the holders of exchangeable shares of OPEL Solar, Inc. The exchangeable shares are convertible into common shares of the Company on a one for one basis. As at August 27, 2012, the special voting share was cancelled following the conversion of the last remaining exchangeable shares.

Stock Options and Warrants

As at June 30, 2012 and August 27, 2012, the Company had respectively 17,578,690 and 8,743,088 warrants outstanding to purchase common shares at exercise prices ranging from \$0.22 – \$0.48.

Total stock options outstanding as at June 30, 2012 and August 27, 2012 were respectively 11,266,500 and 11,251,500 shares respectively priced between \$0.19 and \$1.15 per common share.

Additional detailed share data information is available the Company's Consolidated Financial Statement.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Key Business Risks and Uncertainties

Dependence Upon Key Personnel – OPEL depends on its senior management and technical staff. If OPEL is unable to attract and retain key personnel, it may have a material adverse effect on the Company. In an effort to manage this risk, the Company has established a competitive compensation grid for all staff especially senior management that includes certain benefits and stock options. The Company frequently compares its rates of pay to its competitors and the compensation package that would normally be offered to such senior individuals both inside and outside the industry.

Product Development – Delays in product development or the transition to commercial scale production may cause a material adverse effect to the Company. Product development in OPEL follows a strict path of concept, research, business analysis, design, beta testing and technical implementation. These milestones are reviewed regularly with the head of product development to ensure timely release of new products. The advancement of technology has aided the Company in bringing new product to market in a timely fashion. Should major delays ensue, the Company has a policy of advising its stake holders of significant delays and the impact of any such delay.

Financial Liquidity – OPEL may not have adequate financial reserves to continue the development of POET by ODIS if no new SBIR grants are received. The Company has not earned profits, so its ability to finance operations is chiefly dependent on equity financings. To date the Company has raised over 50 million dollars in equity financing and while it is not certain of its ability to do so in the future, the Company has no reason to believe that it will not be able to do so in the future. Given the current financial position of the Company, significant doubt is raised as to the Company's ability to continue as a going concern.

Governmental Incentives – Projects that OPEL might participate in directly or through ODIS may not be funded due to reductions, changes in timing, and/or the removal of government incentives. There is no assurance that the Company will be successful in continuing to focus its energies on commercial applications of the ODIS technology and minimizing its reliance on SBIRs to mitigate this risk.

Ability to Reach Profitability – OPEL has no history of profitability and may not be able to sell enough products at a high enough margin to cover its costs of operation on an ongoing basis. The Company is developing a semiconductor process at ODIS which is not intended to be a product for sale however, once complete, it may be licensed.

Market Acceptance of New Products – ODIS's POET technology is a new technology which as yet has not installed base and may not be embraced for use by the semiconductor industry. Branding is a key to creating market acceptance. There is no assurance that public announcements, demonstrations along with advertising the Company's high efficiency technology in comparison to competitor products will mitigate this risk.

Technology Changes – OPEL's products are highly reliant upon keeping pace with technological changes. OPEL's products are complex and rely on state-of-the-art design methodologies to optimize them for market. If OPEL cannot afford to keep pace with these changes, it may have a material adverse effect on the Company. Retaining qualified engineers and scientists has been identified as a KSD for the Company. Qualified personnel will continue to ensure that the Company is not only keeping in touch with technological developments but are also implementing these new developments. Compensation is key in hiring and retaining these individuals. As discussed above, our Compensation packages have been identified as above standard in the industry.

Major Competitors – OPEL may face several competitors before or after it brings its products to market which could result in the loss of market share thereby having a material adverse effect on the Company. Through research and competitive data, OPEL feels that these markets are ready for a new entrant especially with the efficiency of the ODIS technology. Staying ahead of the curve with R&D, and consistency in new product development will be key to keeping to developing and maintaining market share.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.



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