



OPEL
TECHNOLOGIES INC.

(Formerly OPEL Solar International Inc.)

Unaudited Consolidated
Financial Statements
3-months ended March 31, 2012

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**NOTICE TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2012**
(Unaudited and Expressed in US Dollars)

OPEL TECHNOLOGIES INC.

Auditors' involvement

The auditors of Opel Technologies Inc. have not performed a review of the unaudited consolidated financial statements for the three months ended March 31, 2012 and March 31, 2011.

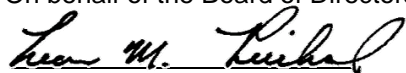
OPEL TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)

	March 31, 2012	(Audited) December 31, 2011
Assets		
Current		
Cash and cash equivalents	\$ 153,155	\$ 1,330,141
Accounts receivable	209,070	526,229
Prepays and other current assets	166,367	152,162
Inventories (Note 4)	1,417,816	1,426,003
Marketable securities (Note 5)	424	415
	1,946,832	3,434,950
Investment in Opel Solar Asia Company Limited	197,178	197,178
Property and equipment (Note 6)	1,756,621	1,798,779
Patents and licenses (Note 7)	164,439	169,971
	\$ 4,065,070	\$ 5,600,878
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 23)	\$ 1,973,809	\$ 1,705,876
Product warranty	25,899	25,899
Customer deposits (Note 16)	75,379	-
	2,075,087	1,731,775
Deferred energy credit (Note 8)	605,543	614,363
Asset retirement obligation (Note 9)	75,651	74,277
	2,756,281	2,420,415
Shareholders' Equity		
Share capital (Note 10(b))	38,511,746	38,507,720
Special voting share (Note 11)	100	100
Shares to be issued (Note 12)	27,521	27,521
Warrants (Note 13)	1,813,729	1,813,729
Contributed surplus (Note 14)	13,525,752	13,162,981
Accumulated other comprehensive income	286,790	278,263
Deficit	(52,717,733)	(50,470,735)
Non controlling interest	(139,116)	(139,116)
	1,308,789	3,180,463
	\$ 4,065,070	\$ 5,600,878

Commitments and contingencies (Note 17)

On behalf of the Board of Directors


Director


Director

OPEL TECHNOLOGIES INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in US Dollars)**

For The Three Months Ended March 31,	2012	2011
Revenue	\$ 43,195	\$ 1,486,502
Costs and expenses		
Cost of goods sold	43,272	925,590
General and administration	1,573,907	1,649,631
Research and development	674,655	926,967
Investment income, including interest	(1,641)	(4,107)
	2,290,193	3,498,081
Net loss	(2,246,998)	(2,011,579)
Net loss:		
Attributable to non-controlling interest	-	(2,074)
Attributable to equity shareholders	(2,246,998)	(2,009,505)
Net loss	(2,246,998)	(2,011,579)
Deficit, beginning of year	(50,470,735)	(35,309,009)
Net loss attributable to equity shareholders	(2,246,998)	(2,009,505)
Deficit, end of period	\$(52,717,733)	\$(37,318,514)
Basic and diluted loss per share (Note 15)	\$ (0.02)	\$ (0.02)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)**

For The Three Months Ended March 31,	2012	2011
Net loss	\$ (2,246,998)	\$ (2,011,579)
Other comprehensive income - net of income taxes		
Exchange differences on translating foreign operations	8,527	51,245
Comprehensive loss	\$ (2,238,471)	\$ (1,960,334)
Comprehensive loss:		
Attributable to non-controlling interest	\$ -	\$ (4,823)
Attributable to equity shareholders	\$ (2,238,471)	\$ (1,955,511)
	\$ (2,238,471)	\$ (1,960,334)

OPEL TECHNOLOGIES INC.
(Expressed in US Dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

For the Three Months Ended March 31,	2012	2011
Share Capital		
Beginning balance	\$ 38,507,720	\$ 34,330,441
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	-	-
Funds from the exercise of warrants	-	959,099
Funds from the exercise of stock options	2,400	532,322
Value assigned to stock options	1,626	192,113
Fair value of warrants and compensation warrants exercised	-	423,547
March 31,	38,511,746	36,437,522
Special Voting Share		
March 31,	100	100
Shares to be Issued		
Deferred share issue costs	27,521	276,833
March 31,	27,521	276,833
Warrants		
Beginning balance	1,813,729	6,025,715
Fair value of warrants and compensation warrants exercised	-	(423,547)
March 31,	1,813,729	5,602,168
Contributed Surplus		
Beginning balance	13,162,981	8,497,812
Stock-based compensation	364,397	307,149
Fair value of stock options exercised	(1,626)	(192,113)
March 31,	13,525,752	8,612,848
Accumulated Other comprehensive income		
Beginning balance	278,263	233,495
Other comprehensive loss attributable to common shareholders	8,527	53,994
March 31,	286,790	287,489
Deficit		
Beginning balance	(50,470,735)	(35,309,009)
Net loss attributable to common shareholders	(2,246,998)	(2,009,505)
March 31,	(52,717,733)	(37,318,514)
Total shareholders' equity	\$ 1,447,905	\$ 13,898,446
Non-controlling interest		
Beginning balance	\$ (139,116)	\$ (22,950)
Net loss attributable to non-controlling interest	-	(2,074)
Other comprehensive income attributable to non-controlling interest	-	(2,749)
Ending balance	\$ (139,116)	\$ (27,773)
Total equity	\$ 1,308,789	\$ 13,870,673

OPEL TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

For The Three Months Ended March 31,

2012

2011

CASH (USED IN) PROVIDED BY:

OPERATING ACTIVITIES

Net loss	\$ (2,246,998)	\$ (2,011,579)
Adjustments for:		
Depreciation of property and equipment	69,822	63,172
Amortization of patents and licenses	5,532	5,749
Amortization of deferred energy credit	(8,820)	(8,820)
Accretion of asset retirement obligation	1,374	1,268
Stock-based compensation (Note 14)	364,397	307,149

(1,814,693) (1,643,061)

Net change in non-cash working capital accounts:

Accounts receivable	317,159	44,843
Prepaid and other current assets	(14,214)	105,076
Inventories	8,187	(3,728)
Accounts payable and accrued liabilities	267,933	824,643
Customer deposits	75,379	(1,095,982)

(1,160,249) (1,768,209)

INVESTING ACTIVITIES

Purchase of short-term investments	-	(1,811,625)
Purchase of property and equipment	(27,664)	-

(27,664) (1,811,625)

FINANCING ACTIVITIES

Issue of common shares for cash, net of issue costs	2,400	1,491,421
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EFFECT OF EXCHANGE RATE CHANGES ON CASH

8,527 51,245

NET CHANGE IN CASH AND CASH EQUIVALENT

(1,176,986) (2,037,168)

CASH AND CASH EQUIVALENT, beginning of period

1,330,141 6,629,958

CASH AND CASH EQUIVALENT, end of period

\$ 153,155 \$ 4,592,790

Cash	\$ 153,155	\$ 4,389,570
Cash equivalents	-	203,220

\$ 153,155 \$ 4,592,790

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in US Dollars)

1. DESCRIPTION OF BUSINESS

OPEL Technologies Inc is incorporated in the Province of Ontario. OPEL Technologies Inc and its subsidiary, Opel Solar Inc. (collectively, the "Company") principally develop and market solar tracking systems for commercial applications. Additionally, the Company continues to develop a gallium arsenide microchip and the process to produce it. The Company's research and development ("R&D") efforts relate to the commercialization of utility scale solar trackers, and optical laser and infrared detection using planar "opto" electronic technology ("POET"). The Company also provides services under "fixed price" and "cost plus" R&D contracts exclusively with the Department of Defense of the United States of America. Such services are provided to the U.S. Department of Defense through ODIS Inc. ("ODIS"), a subsidiary of OPEL Solar Inc.

Additionally, the Company formed OPL Solar Europe, SPRL ("OSE"), a Belgian company, to construct solar grid fields for sale to independent third parties in various parts of Europe, the Mediterranean and Northern Africa.

The Company has working capital deficiency of \$128,255 as of March 31, 2012 compared to working capital of \$1,703,175 as of December 31, 2011. The Company is not in a position to cover its liabilities as they come due. Due to the continuation of losses, the Company will need to seek immediate debt or equity financing to fund its operations. Although the Company has been successful in obtaining such financings in the past, there is no assurance that it will be able 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 (see subsequent event note 24).

The Company's financial statements do not include any adjustments to the assets carrying amount, to the expenses presented and to the reclassification of the balance sheets items that could be necessary should the Company be unable to continue its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed unaudited interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

These condensed unaudited interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated audited financial statements for the year ended December 31, 2011.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Basis of presentation

These condensed unaudited interim consolidated financial statements are expressed in US dollars ("USD"). They include the accounts of Opel Technologies Inc and its subsidiaries. Betasol Energias Alternativas, S.L. ("Betasol") is considered a variable interest entities with either OPEL Solar Inc. or OSE as the primary beneficiary. As such, its accounts are consolidated with those of the Company. All intercompany balances and transactions have been eliminated on consolidation.

OPEL TECHNOLOGIES INC.
(Formerly Opel International Inc)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The condensed unaudited interim consolidated financial statements are presented in U.S. dollars, which is the Company's presentation currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of operations.

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated into the presentation currency at the year end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

Financial Instruments

Financial instruments are required to be classified as one of the following: held-to-maturity; loans and receivables, fair value through profit or loss; available-for-sale or other financial liabilities.

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities and customer deposits. The Company designated its cash as fair value through profit or loss, its accounts receivable as loans and receivables, and its accounts payable, accrued liabilities and customer deposits as other financial liabilities.

Fair value through profit or loss financial assets are measured at fair value with gains and losses recognized in operations. Financial assets, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income .

Fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of a financial instrument that is quoted in active markets is based on the bid price for a financial asset held and the offer price for a financial liability. When an independent price is not available, fair value is determined by using a valuation methodology which refers to observable market data. Such a valuation technique includes comparisons with a similar financial instrument where an observable market price exists, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If no reliable estimate can be made, the Company measures the financial instrument at cost less impairment as a last resort.

Marketable securities

Marketable securities are classified as available for sale and are carried at fair value. Unrealized holding gains and losses are recognized in other comprehensive income.

OPEL TECHNOLOGIES INC.
(Formerly Opel International Inc)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost determined on a first in, first-out basis. Inventories comprise raw materials; work in process and finished goods. Inventories comprising finished goods relate to solar panels produced to the Company's specifications. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories include the cost of materials purchased and the cost of conversion, as well as other costs required to bring the inventories to their present location and condition.

Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated based on the estimated useful life of the asset using the following rates and methods for old assets (2006 and prior) and new assets (2007 and after):

<u>New</u>	
Machinery and equipment	Straight Line, 5 years
Furniture and fixtures	Straight Line, 5 years
Office equipment	Straight Line, 5 years
Leasehold improvements	Straight Line Over The Remaining Term of the Lease
Solar systems for demonstrations	Straight Line, 5 years
Solar installation	Straight Line, 20 years

<u>Old</u>	
Machinery and equipment	28.6% to 40%, Declining Balance
Furniture and fixtures	28.6% to 40%, Declining Balance
Office equipment	28.6% to 40%, Declining Balance
Leasehold improvements	Straight Line Over The Remaining Term of the Lease

Patents and licenses

Patents and licenses are recorded at cost and amortized on a straight line basis over their estimated useful lives. Ongoing maintenance costs are expensed as incurred. The expiry of the patents and licenses range from 6 - 12 years.

Product warranty

A product warranty is recognized when present obligations as a result of a sale of products will probably lead to an outflow of economic resources from the Company and the amounts can be estimated reliably. The timing or the amount of the outflow may still be uncertain.

Product warranty is measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Product warranties are reviewed at each reporting date and adjusted to reflect the current best estimate.

Investment in Opel Solar Asia Company Limited

The Company has a 19% interest in Opel Solar Asia Company Limited, a non-publicly traded Company. The Company's investment is measured at cost. The Company continually evaluates its investment in this Company for impairment. The Company does not exercise significant influence in Opel Solar Asia Company Limited.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

The Company's tangible and intangible assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An assessment is made at each reporting date whether there is any indication that an asset may be impaired.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. There were no significant indicators of impairment of the carrying values of long-lived assets during the three months ended March 31, 2012.

Deferred energy credit

The Company received in cash, an energy credit on a solar installation in Plainville, CT., used in operations. The credit was deferred and is being amortized over the estimated useful life of the asset (20 years) and is included in the amortization of property and equipment.

Asset Retirement Obligation

Asset retirement obligation ("ARO") represents liabilities to the Company for which the amount or timing is uncertain. ARO is recognized when the Company has a constructive or legal obligation to decommission an asset, it is probable that such decommissioning will result in an outflow of resources and the amount can be reliably estimated. ARO is measured at the present value of the expected outflows to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The accretion in the obligation due to the passage of time is recognized as an expense.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are provided on differences between the financial reporting and income tax bases of assets and liabilities and on income tax losses available to be carried forward to future years for tax purposes. Deferred income taxes are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Valuation allowances are provided to reduce deferred income tax assets to the amount expected to be realized.

Revenue recognition

Revenue is comprised of research and development (R&D) service revenue and product sales. Revenue under R&D contracts is recognized as services are provided. R&D costs are recognized as incurred; any unbilled revenue is recognized as services are provided under the terms of the contract. Revenue from product sales is recognized when ownership is transferred to customers for orders with the selling price both fixed and determinable and for which collectability is reasonably assured.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income

Interest income on cash and cash equivalents and short-term investments classified as fair value through profit or loss is recognized as earned using the effective interest method.

Research and development costs

Research costs are expensed in the period incurred. Development costs are also expensed in the period incurred unless the Company believes a development project meets IFRS criteria as set out in IAS 38, *Intangible Assets*, for deferral and amortization.

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.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year after giving effect to potentially dilutive financial instruments. The dilutive effect of stock options and warrants is determined using the treasury stock method.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The following is a summary of recent accounting pronouncements that may affect the Company.

(i) Financial instruments

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard requires entities to classify financial assets as being measured either at amortized cost or fair value depending on the business model and contractual cash flow characteristics of the asset. For financial liabilities, IFRS 9 requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income rather than in the statement of profit or loss. The new standard applies to annual periods beginning on or after January 1, 2015.

(ii) Presentation of items of other comprehensive income ("OCI")

IAS 1, Presentation of Financial Statements, is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

(iii) Fair value measurement

IFRS 13, Fair Value Measurements, provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The new standard is effective for years beginning on or after January 1, 2013.

(iv) Consolidated financial statements

IFRS 10, Consolidated Financial Statements, replaces SIC 12, Consolidation – Special Purpose Entities, and the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements. IFRS 10 includes a new definition of control that determines which entities are consolidated,

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in US Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

(iv) Consolidated financial statements and requires control of an investee to be reassessed when the facts and circumstances indicate that there have been changes to one or more of the criteria for determining control. This standard is effective for annual periods beginning on or after January 1, 2013.

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.

4. INVENTORIES

	March 31, 2012	December 31, 2011
Raw materials	\$ 1,110,079	\$ 1,090,854
Work in process	165,216	165,216
Finished goods	142,521	169,933
Balance	\$ 1,417,816	\$ 1,426,003

5. MARKETABLE SECURITIES

Marketable securities consist of small investments in three companies carrying a market value of \$424 as of March 31, 2012 and \$415 as of December 31, 2011.

6. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture and fixture	Office equipment	Leasehold improvements	Solar installations	Construction in progress	Total
Cost							
Balance, January 1, 2011	\$ 1,171,936	\$ 137,254	\$ 84,157	\$ 44,761	\$ 1,327,791	\$ 1,501,692	\$ 4,267,591
Additions	-	774	5,778	-	239,227	-	245,779
Disposals	-	-	(11,732)	-	-	-	(11,732)
Balance, December 31, 2011	1,171,936	138,028	78,203	44,761	1,567,018	1,501,692	4,501,638
Additions	-	-	27,664	-	-	-	27,664
Balance, March 31, 2012	1,171,936	138,028	105,867	44,761	1,567,018	1,501,692	4,529,302
Accumulated Depreciation							
Balance, January 1, 2011	630,093	80,688	56,938	4,157	180,634	-	952,510
Depreciation / impairment for the year	150,921	14,803	10,321	1,182	83,162	1,501,692	1,762,081
Disposals	-	-	(11,732)	-	-	-	(11,732)
Balance, December 31, 2011	781,014	95,491	55,527	5,339	263,796	1,501,692	2,702,859
Depreciation / impairment for the period	31,749	3,710	2,327	281	31,755	-	69,822
Balance, March 31, 2012	812,763	99,201	57,854	5,620	295,551	1,501,692	2,772,681
Carrying Amounts							
At December 31, 2011	\$ 390,922	\$ 42,537	\$ 22,676	\$ 39,422	\$ 1,303,222	-	\$ 1,798,779
At March 31, 2012	\$ 359,173	\$ 38,827	\$ 48,013	\$ 39,141	\$ 1,271,467	-	\$ 1,756,621

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US Dollars)

7. PATENTS AND LICENSES

	Patents	Licenses	Total
Cost			
Balance, December 31, 2011	224,444	136,725	361,169
Balance, March 31, 2012	224,444	136,725	361,169
Accumulated Depreciation			
Balance, January 1, 2011	109,574	58,627	168,201
Amortization for the year	14,964	8,033	22,997
Balance, December 31, 2011	124,538	66,660	191,198
Amortization for the period	4,789	743	5,532
Balance, March 31, 2012	129,327	67,403	196,730
Carrying Amounts			
At December 31, 2011	\$ 99,906	\$ 70,065	\$ 169,971
At March 31, 2012	\$ 95,117	\$ 69,322	\$ 164,439

8. DEFERRED ENERGY CREDIT

The Connecticut Clean Energy Fund, (“CCEF”) provided \$526,518 in funding cash credits to the Company for its solar energy installation on Linden School, in Plainville, CT. This funding credit was provided to the Company as an incentive for creating a clean energy alternative, and based on the size and performance of the system after it was installed and operational for a period of nine months. In 2009, the Company was awarded \$179,070 on the same project as a part of the United States Department of the Treasury’s grant of cash in lieu of tax credits, on qualified alternative energy projects. This cash payment was a part of the American Recovery and Reinvestment Act of 2009.

Changes to deferred energy credit were as follows:

	Cost	Accumulated Amortization	Balance
Balance, January 1, 2011	\$ 705,588	\$ (55,946)	\$ 649,642
Amortization for the year	-	(35,279)	(35,279)
Balance, December 31, 2011	705,588	(91,225)	614,363
Amortization for the period	-	(8,820)	(8,820)
Balance, March 31, 2012	\$ 705,588	\$ (100,045)	\$ 605,543

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in US Dollars)

9. ASSET RETIREMENT OBLIGATION

The Company has a solar installation currently used in operations. In 2030, the Company is obligated to remove the installation and restore the underlying real estate to its original state. The asset retirement obligation ("ARO") is accreted using the credit-adjusted risk free rate when the liability was initially measured. There are no assets legally restricted for settling the aforementioned asset retirement obligation.

Changes in the asset retirement obligation are as follows:

	Cost	Accumulated Accretion	Balance
Balance, January 1, 2011	\$ 60,410	\$ 8,652	\$ 69,062
Amortization for the year	-	5,215	5,215
Balance, December 31, 2011	60,410	13,867	74,277
Amortization for the period	-	1,374	1,374
Balance, March 31, 2012	\$ 60,410	\$ 15,241	\$ 75,651

The initial measurement of the ARO has been added to the cost of equipment.

10. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares
1 Special voting share, carrying 135,000 votes

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, January 1, 2011	85,292,514	\$ 34,330,441
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	1,223,000	249,312
Shares issued on the exercise of warrants and compensation warrants	3,218,907	1,411,780
Fair value of warrants and compensation warrants exercised	-	551,401
Shares issued on the exercise of stock options	3,291,000	1,166,358
Fair value of stock options exercised	-	798,428
Balance, December 31, 2011	93,025,421	38,507,720
Shares issued on the exercise of stock options	15,000	2,400
Fair value of stock options exercised	-	1,626
Balance, March 31, 2012	93,040,421	\$ 38,511,746

11. SPECIAL VOTING SHARE

On June 5, 2007, one (1) special voting share was issued in conjunction with a Support and Trust Agreement entered into amongst Opel Technologies Inc, OPEL Solar Inc. and Equity Transfer & Trust Company. The special voting share carried 135,000 votes as at March 31, 2012 and December 31, 2011 respectively.

OPEL TECHNOLOGIES INC.
(Formerly Opel Technologies Inc)
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12. SHARES TO BE ISSUED

Pursuant to a RTO agreement, the Company was obligated to issue 5,972,000 shares to common shareholders of OPEL Solar Inc. in exchange for their 5,972,000 Exchangeable Shares of Opel Technologies Inc. The value ascribed to the 5,972,000 shares to be issued was \$1,217,408. Fair value of the remaining 135,000 outstanding Exchangeable Shares at March 31, 2012 and December 31, 2011 was \$27,521. (December 31, 2010 - \$276,833)

	Number of Shares to be Issued	Historical Fair Value
Balance, January 1, 2011	1,358,000	\$ 276,833
Exchangeable Shares exchanged into common shares	(1,223,000)	(249,312)
Balance, March 31, 2012 and December 31, 2011	135,000	\$ 27,521

13. WARRANTS

The following table reflects the continuity of warrants:

	Average Exercise Price	Number of Warrants	Historical Fair value
Balance, January 1, 2011	\$ 0.92	22,558,467	\$ 6,025,715
Exercised	0.41	(3,218,907)	(551,401)
Expired	1.88	(7,500,000)	(3,660,585)
Balance, March 31, 2012 and December 31, 2011	0.45	11,839,560	1,813,729

As at March 31, 2012 the following warrants were outstanding:

Number of Warrants	Historical Fair Value (\$)	Exercise Price (\$)	Expiry Date
10,544,002	1,534,069 (1)	0.48	July 21, 2012
1,295,558	279,660 (1)	0.29	July 21, 2014
11,839,560	1,813,729	0.45	

(1) These warrants were issued in Canadian dollars and are exercisable at \$0.50 CAD and \$0.30 CAD.

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS

Stock Options

On June 21, 2011, shareholders of the Company approved amendments to the Company's fixed 20% stock option plan (as amended, referred to as the "2011 Plan"). Under the 2011 Plan, the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants. The 2011 Plan provides that the number of common shares issuable pursuant to options granted under the 2011 Plan and pursuant to other previously granted options is limited to 18,472,000 (the "Number Reserved"). Any subsequent increase in the Number Reserved must be approved by shareholders of the Company and cannot exceed 20% of the number of issued and outstanding shares. Options granted under the 2011 Plan generally vest 25% immediately and 25% every six months from the date of issue, however, the directors may, at their discretion, specify a different vesting period.

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Stock option transactions and the number of stock options outstanding were as follows:

	Number of Options	Weighted average Exercise Price
Balance, January 1, 2011	11,102,500	\$ 0.58
Expired/cancelled	(1,886,750)	0.95
Exercised	(3,291,000)	0.35
Granted	3,608,000	0.69
Balance, December 31, 2011	9,532,750	0.63
Expired/cancelled	(531,250)	0.43
Exercised	(15,000)	0.13
Granted	2,280,000	0.22
Balance, March 31, 2012	11,266,500	\$ 0.43

During the period, the Company granted 2,280,000 (2011 - 750,000) stock options to officers, employees and consultants of the Company to purchase common shares at a price of \$0.22 (2011 - \$0.78) per share. The fair value assigned to the 2,280,000 (2011 - 750,000) options granted during the period was \$491,718 (2011 - \$540,774).

During the period, the Company recorded stock-based compensation of \$364,397 (2011 - \$307,149) relating to vested stock options.

The stock options granted during 2012 and 2011 were valued using the Black-Scholes option pricing model using the following assumptions;

	<u>2012</u>	<u>2011</u>
Weighted average risk-free interest rate	2.02%	3.27%
Weighted average dividend yield	0%	0%
Weighted average volatility	115%	109%
Weighted average estimated life	10 years	10 years

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at March 31, 2012 are as follows:

Options Outstanding				Options Exercisable		
Exercise Range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price	
\$0.11 - \$0.25	2,716,250	\$ 0.19	8.59	1,006,250	\$ 0.19	
\$0.29 - \$0.31	780,250	\$ 0.28	7.96	780,250	\$ 0.27	
\$0.34 - \$0.37	1,780,000	\$ 0.33	8.39	1,746,666	\$ 0.33	
\$0.38 - \$0.86	3,203,000	\$ 0.57	7.38	2,175,250	\$ 0.57	
\$0.87 - \$1.50	2,787,000	\$ 1.15	2.58	2,487,000	\$ 1.15	
	11,266,500	\$ 0.43	6.68	8,195,416	\$ 0.59	

Contributed Surplus

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 1, 2011	\$ 8,497,812
Stock-based compensation	1,803,012
Fair value of stock options expired	(798,428)
Fair value of expired warrants	3,660,585
Balance, December 31, 2011	13,162,981
Stock-based compensation	364,397
Fair value of stock options exercised	(1,626)
Balance, March 31, 2012	\$ 13,525,752

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. LOSS PER SHARE

	March 31, 2012	March 31, 2011
Numerator:		
Net loss attributable to equity shareholders - basic and diluted	\$ (2,246,998)	\$ (2,009,505)
Denominator:		
Weighted average number of common shares outstanding - basic	93,033,640	86,134,104
Weighted average number of common shares outstanding - diluted	93,033,640	86,134,104
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)

The effect of common share purchase options, warrants, broker warrants and shares to be issued on the net loss in 2012 and 2011 is not reflected as it is anti-dilutive.

16. CUSTOMER DEPOSITS

The Company has a policy of collecting prepaid service or product fees on large scale purchases. Prepaid fees are then allocated to revenue once there has been performance. As at March 31, 2012, the Company had \$75,379 in customer deposits and nil at December 31, 2011.

17. COMMITMENTS AND CONTINGENCIES

The Company has operating leases for office and research facilities expiring in 2014 and 2013 respectively.

During the three months ended March 31, 2012, rent expense under these leases was \$75,198 (2011 - \$77,019). Remaining minimum annual rental payments to the lease expiration dates are as follows:

2012	\$ 200,085
2013 to 2014	112,943
	\$ 313,028

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in US Dollars)

18. RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

	March 31, 2012	March 31, 2011
Salaries	\$ 222,000	\$ 248,000
Share-based payments (1)	206,289	89,447
Total	\$ 428,289	\$ 337,447

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the period.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

19. SEGMENT INFORMATION

The Company and its subsidiaries operate in two distinct segments; (1) the manufacture and sale of high efficiency solar panels and 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 are no intersegment sales. The Company's segments and their products and services are summarized below:

OPEL Solar Inc.

Opel designs, manufactures and markets multi-axis solar tracking systems to transform solar energy into electricity for worldwide application. Opel's patented multi-axis solar tracking systems are uniquely designed to track the movement of the earth in relation to the position of the sun to substantially increase the performance of any solar panel installation. Opel's tracking systems are capable of increasing the output of fixed solar installations by 10 - 30%. Opel also has a revolutionary wireless communications system that lowers the ongoing costs of operations and maintenance to the installation's owner.

ODIS Inc. ("ODIS")

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 and potentially telecom for, Fibre to The Home. ODIS' technology also provides the opportunity for higher speed computing capabilities.

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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19. SEGMENT INFORMATION (Continued)

Segmented information for the three months ended March 31, 2012 and March 31, 2011 is as follows:

	2012			2011		
	Opel	ODIS	Total	Opel	ODIS	Total
Revenue	\$ 43,195	\$ -	\$ 43,195	\$ 1,148,722	\$ 337,780	\$ 1,486,502
Interest income	1,642	-	29,306	1,894	-	1,894
Cost of goods sold	43,242	-	43,242	925,590	-	925,590
Operating expenses	1,303,932	402,445	1,706,377	1,647,615	452,688	2,100,303
Amortization	74,306	1,048	75,354	59,033	1,068	60,101
Loss attributable to non controlling interest	-	-	-	2,074	-	2,074
Segment loss	1,376,643	403,493	1,780,136	1,479,548	115,976	1,595,524
Corporate operations			464,490			416,055
Net loss			\$ 2,244,626			\$ 2,011,579
Total assets	\$ 3,927,359	\$ 75,451	\$ 4,002,810	\$ 12,042,869	\$ 313,255	\$ 12,356,124
Capital expenditures	\$ -	\$ 27,664	\$ 27,664	\$ -	\$ -	\$ -

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

2012

As of March 31,	US	Canada	Europe	Consolidated
Current assets	\$ 1,856,485	\$ 49,422	\$ 40,925	\$ 1,946,832
Property and equipment	1,756,621	-	-	1,756,621
Patents and licenses	164,439	-	-	164,439
Investment in Opel Solar Asia Company Limited	197,178	-	-	197,178
	\$ 3,974,723	\$ 49,422	\$ 40,925	\$ 4,065,070

2012

	US	Canada	Europe	Consolidated
Three months ended March 31,				
Revenue	\$ 43,195	\$ -	\$ -	\$ 43,195
Cost of goods sold	43,272	-	-	43,272
General and administration	1,106,598	464,490	448	1,571,536
Research and development	674,655	-	-	674,655
Investment income	(1,063)	(578)	-	(1,641)

2011

As of March 31,	US	Canada	Europe	Consolidated
Current assets	\$ 8,012,451	\$ 4,082,945	\$ 895,725	\$ 12,991,121
Property and equipment	1,750,217	-	1,501,692	3,251,909
Patents and licenses	187,219	-	-	187,219
	\$ 9,949,887	\$ 4,082,945	\$ 2,397,417	\$ 16,430,249

OPEL TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in US Dollars)

19. SEGMENT INFORMATION (Continued)

	2011			
	US	Canada	Europe	Consolidated
Three Months ended March 31,				
Revenue	\$ 1,486,502	\$ -	\$ -	\$ 1,486,502
Cost of goods sold	925,590	-	-	925,590
General and administration	1,232,688	405,312	11,631	1,649,631
Research and development	926,967	-	-	926,967
Investment income	(1,063)	(3,044)	-	(4,107)

During the period, \$40,247 or 93% of the Company's revenues depended on a two customers of OPEL. (2011 - \$1,132,989 or 76% of the Company's revenues depended on a single customer of OPEL).

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short-term investments, accounts receivable, marketable securities, accounts payable and accrued liabilities and customer deposits. 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 classified financial assets as follows:

	March 31, 2012	December 31, 2011
Fair value through profit or loss, measured at fair value:		
Cash and cash equivalents	\$ 153,155	\$ 1,330,141
Short-term investments	-	-
Loans and receivable, measured at amortized cost:		
Accounts receivable	209,070	526,229
Available-for-sale, measured at fair value:		
Marketable securities	435	415
	\$ 362,660	\$ 1,856,785

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

Cash and marketable securities were determined using level 1 inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of short-term investments and accounts receivable. Short-term investments consist of US Treasury notes held with reputable financial institutions from which management believes the risk of loss is remote. The Company has accounts receivable from both governmental and non-governmental agencies that are currently concentrated in North 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.

Exchange Rate Risk

The functional currency of each of the entities included in the accompanying consolidated financial statements is the local currency where the entity is domiciled. Functional currencies include the US and Canadian dollar and the Euro. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. Currencies in which the Company's exposure to foreign currencies mainly include the Canadian dollar and the Euro. A 10% change in the Canadian dollar and the Euro would increase or decrease other comprehensive income by \$72.

Interest Rate Risk

Short-term investments held for trading bear interest at fixed rates, and as such, are subject to risk resulting from fluctuations in interest rates.

Liquidity Risk

The Company has a loan and security agreement with Silicon Valley Bank ("SVB") in which it may borrow from SVB an amount equating to a maximum of 80% of its outstanding accounts receivables to a maximum of \$5,000,000. Interest is charged on the outstanding balance borrowed by the Company at a rate equal to prime plus 1.1%. As at March 31, 2012, the Company had nil owing on this loan and security agreement. The agreement was cancelled subsequent to March 31, 2012. The Company's existing cash and cash resources are not considered sufficient to fund operating and investing activities over the next twelve months (see subsequent event Note 24).

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, cash equivalents, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments.

21. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income, deficit and non controlling interest) and cash. The capital of the Company was \$54,032,003 at March 31, 2012. The Company's objective in managing capital is to ensure that financial flexibility is present to increase shareholder value through organic growth and responding to changes in economic and/or market conditions; to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and to safeguard the Company's ability to obtain financing should the need arise.

As at March 31, 2012, the Company had no outstanding debt or covenants, and therefore had no externally or internally imposed capital requirements. As soon as the Company is able to raise debt financing on favourable terms, it may consider this form of capital compared to equity financing, allowing for minimum dilution and maximum shareholder value (see subsequent event Note 24).

OPEL TECHNOLOGIES INC.

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21. CAPITAL MANAGEMENT (Continued)

In maintaining its capital, the Company has a strict investment policy which includes investing its surplus capital only in highly liquid, highly rated financial instruments.

The Company reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year.

22. ECONOMIC DEPENDENCE

The Company has a long-term supply contract with a vendor relating to procurement of solar cells. The Company's product sales are significantly dependent on the production and supply volumes of the vendor.

23. ACCOUNTS PAYABLE

	March 31, 2012	December 31, 2011
Trade payable	\$ 1,834,421	\$ 1,517,704
Payroll related liabilities	89,022	154,172
Accrued liabilities	50,366	34,000
	\$ 1,973,809	\$ 1,705,876

24. SUBSEQUENT EVENTS

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. Funds will be made available to the Company on an "as needed basis", as long as the Company meets the necessary capital and liquidity requirements, on normal commercial terms and an initial draw down of \$850,000 was completed. A revolving note and a security agreement create 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.

On May 30, 2012, the Company signed a term sheet with IBK Capital Corp. ("IBK") whereby IBK will 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 of Opel for a period of three years at an exercise price of \$0.35 per share. A first tranche of \$500,000 will close as soon as possible after certain closing conditions are met with the remaining \$2,500,000 to be closed on a later date or dates to be mutually agreed upon.

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 of Opel at a price of \$0.23 for 48 months after the closing date. The private placement is subject to acceptance by the TSX Venture Exchange.



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