



OPEL  
TECHNOLOGIES INC.

(Formerly OPEL Solar International Inc.)

Management's Discussion  
and Analysis  
9-months ended September 30, 2011

## TABLE OF CONTENTS

Forward Looking Statements .....	1
Business Overview .....	1
a) Solar Business .....	1
b) Semiconductor Technology .....	2
Industry Outlook .....	2
Key Success Drivers (“KSD”) .....	3
Significant Events During 2011 .....	4
Summary of Quarterly Results .....	5
Explanation of Quarterly Nine Six Months ended .....	6
Explanation of Material Variations by Quarter for the Last Eight Quarters .....	6
Segment Disclosure .....	7
Liquidity and Capital Resources .....	9
Related Party Transactions .....	9
Critical Accounting Estimates .....	9
Contractual Obligations .....	10
Recent Accounting Pronouncements .....	10
Financial Instruments and Risk Management .....	10
Exchange Rate Risk .....	10
Interest Rate Risk .....	11
Liquidity Risk .....	11
Market Risk .....	11
Environmental and Climate Change Issues .....	11
Strategy and Outlook .....	11
Outlook .....	12
Significant Events Since June 30, 2011 .....	12
Outstanding Share Data .....	12
Common Shares .....	11
Special Voting Share.....	12
Stock Options and Warrants .....	12
Off-balance Sheet Arrangements .....	12
Key Business Risks and Uncertainties .....	12
International Financial Reporting Standards .....	13
Optional Exemptions	
Business combinations .....	14
Cumulative translation differences .....	14
Share-based payment transactions .....	13
Mandatory Exceptions	
Estimates .....	14
Impact on the Company’s Financial Reporting .....	14
Additional Information .....	16



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

The following discussion and analysis of the operations, results, and financial position of OPEL Technologies Inc., ("OPEL" or the "Company") for the quarter ended September 30, 2011 (the "Period") should be read in conjunction with the Company's condensed unaudited interim consolidated financial statements for the nine months ended September 30, 2011, prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company's December 31, 2010 audited consolidated financial statements and the related notes thereto where applicable. The December 31, 2010 audited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The effective date of this report is November 28, 2011. 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. The reader is cautioned not to place undue reliance on forward-looking statements.

### ***Business Overview***

The Company is incorporated under the laws of the Province of Ontario. OPEL is engaged in (a) the design, manufacture and marketing of high-concentration photovoltaic panels and dual- and single-axis trackers for related CPV and PV systems for energy applications worldwide and (b) through ODIS Inc., a U.S. company, designs III-V semiconductor devices for military, industrial and commercial applications, including infrared sensor arrays and ultra-low-power random access memory. OPEL has 35 patents issued and 16 patents pending in PV systems and for its semiconductor POET process, 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 computers and smartphones. The Company's shares trade under the symbol "OPL" on the TSX Venture Exchange.

#### **a) Solar Business**

The mission of OPEL Solar, Inc. is to develop and supply innovative solutions to harness electricity from the sun in the most efficient and cost effective manner. OPEL designs, manufactures and markets high concentration photovoltaic ("HCPV") panels and solar tracking systems to transform solar energy into electricity for worldwide application. Concentrating photovoltaic systems are the next generation in solar technology that will be deployed. The high efficiency of the OPEL HCPV panel results in significantly higher power generation per unit of area when compared to both silicon flat panel and thin film installations. OPEL's HCPV panels, or any other PV panels, when mounted on OPEL's universal dual axis trackers, can increase the energy production by up to 45% with respect to a fixed mounting system, resulting in more cost effective electricity generated from the sun. With its unique design and high efficiency, OPEL strives to become the leader in HCPV solar panels. OPEL is working on a product roadmap to lower the cost of its HCPV panels to grid parity. OPEL also markets a complete line of universal single and dual axis solar trackers to mount solar panels for the optimum power output. During the 2010 business year, a new single axis solar tracker was introduced to the market called the TF-800. This tracker highlights ease of

installation in the construction process and incorporates backtracking capability in order to reduce any impact from shadowing. Additionally, OPEL trackers have a wireless control capability to reduce installation and maintenance costs associated with large solar field operations. These are some examples of the innovative spirit which runs as a common thread through out OPEL Solar. Rapidly, the TF-800 utility scale tracker is becoming the tracker of choice in the US markets.

Europe has been an early adopter of solar energy including next generation methods like HCPV. Moving to increase OPEL's presence in Europe, OPEL formed OPL Solar Europe SPRL ("OSE"), a Belgium-based subsidiary, to better address business opportunities in Europe. OPEL's business development activities in Europe led to growing project opportunities in Europe, Africa and China. OPEL Solar formed OPEL Solar Asia in 2010, a joint venture with Ecotech Environmental Technology, a Hong Kong based company, to service the growing market in China.

#### b) Semiconductor Technology

OPEL, through ODIS Inc., a U.S. company, (an acronym for "OPEL Defense Integrated Systems"), designs a wide array of devices for 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 several recent projects underway with the U.S. Department of Defense and two major U.S. Defense Contractors. ODIS and the POET Technology were formally introduced to shareholders at the Annual General Meeting held in June 2010 and again in June 2011, where investors were able to learn more about the chip development potential the POET technology's impact may have in commercial and government market sectors. At the June 2011 Annual General Meeting Dr. Geoffrey Taylor, of ODIS, presented actual wafers containing multiple devices made with POET Technology. He answered questions about their attributes and potential commercial uses. 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. In August 2011, BAE Systems ran a lot of five wafers using POET Technology. The chips that come from these wafers will be tested to further validate the varied capabilities and devices developed utilizing the POET Technology platform.

#### ***Industry Outlook***

Alternative energy has attained a position of heightened awareness due to the high cost of all forms of energy over the past few years and recently the concern with nuclear power. In addition, the world wide concern over the carbon footprint left from the pollution of fossil fuel use, global warming and homeland security concerns regarding the safety and reliability of foreign energy sources have all contributed to the demand for alternative energy solutions. In order to have widespread adoption and installation of alternative energy sources, like solar and wind, it requires a financial subsidy or feed-in tariff to make these sources competitive with fossil fuels for the medium term.

The German market has enjoyed a robust solar installation market for several years due to a well thought out feed-in tariff structure provided by its Government to initiate early adoption of solar. Following that lead, Spain put in place a feed-in tariff which led to a boom in wind and solar installations. Whereas, the unrest in North Africa and tensions in the Middle East have slowed solar activity as have the recent economic conditions in Europe have made it necessary for most countries to scale back the level of the feed-in tariffs, which is now making solar companies look to new markets to continue the momentum and expand solar adoption.

China has announced to the world one of the most aggressive goals for renewable energy usage, and it is working out the project details and financial support of a huge solar installation program. In Canada, Ontario is moving rapidly into the solar arena with a multi-structured feed-in tariff, one of the world's highest, to address grid field applications as well as commercial and residential rooftops. The United States has become more active with solar and wind over the past several years with a combination of State and Federal subsidies beginning to be enacted. Currently, the installed base is still relatively low, but is showing signs of steady and continued growth. With the U.S. stimulus package put in place in early 2009 and the government's work to support manufacturing and jobs creation, solar activity in the United States is increasing. It is widely accepted that should the United States pass further Federal

legislation for a clean energy bill, the market potential in the U.S. for renewable energy sources like solar provide steady growth.

The relative size of planned and quoted installations demonstrates that a huge growth cycle is starting. We have seen the average selling price (“ASP”) of top quality silicon solar panels drop from \$4.50 per watt in early 2008 to \$1.25-1.35 per watt today. This aids greatly in the adoption of solar and demonstrates the ability for solar power to approach grid parity with fossil fuels. The lower ASP is a direct result of the large production volume providing the necessary economies of scale, like any other product. Ultimately, the goal is for solar power to be competitive on its own merit, without any subsidy.

HCPV, being a new technology, is going through the same market adoption cycle which was travelled by conventional silicon panels many years ago as well as thin film panels most recently. Once the technology is proven in installations, it becomes “bankable”; and the large installers and project developers would begin to deploy it in large scale.

### **Key Success Drivers (“KSD”).**

The Company has several KSDs, including its emphasis on vertical integration, its HCPV panels, its single and dual axis tracker systems, integrated wireless tracking technologies, and the POET technology.

The Company’s HCPV panels have a much higher production efficiency than standard silicon panels and thin film panels. This industry leading efficiency should stimulate a higher level of product acceptance over time. In 2009, OPEL installed its first fully operational and revenue producing 330kW HCPV solar grid field in Spain. This installation has allowed OPEL to show potential customers a working commercial solar grid field of its HCPV solar panels and dual axis tracking systems, to demonstrate their functionality and higher output as compared to silicon based solar panels, which are more prevalent in the industry. This has led to additional orders for HCPV from companies in Portugal, France and China. OPEL is confident that HCPV will be the next big solar application for areas of high solar irradiance.

In addition to its HCPV panels, the Company also demonstrated its single-axis rooftop tracker capability in 2009, with an installation on a school roof in Connecticut. After 2 years of operation, the installation continues performing well above expectation, providing electricity at a reduced cost to the school system. OPEL’s solar tracking systems, roof mounted or ground mounted provide a way for customers to increase the kWh production of most solar projects by 20-45% over fixed solar installations. OPEL provides a complete line of single and dual axis solar tracking systems for use in commercial or utility grade installations. Another KSD added in 2010 is the TF-800 series of single axis trackers mentioned above. However, it bears re-emphasizing that this line of trackers is very attractive for utility scale projects due to its ease of installation, its reverse tracking capabilities and its wireless network control technology. The TF-800 was found to meet or exceed the standards requirement of the American Society of Civil Engineers and the American Institute of Steel Construction thereby exceeding the bankability needs of our customers. As OPEL’s deployment and technology successes continue to grow, the Company’s tracker message grows exponentially into the marketplace as well, significantly increasing interest in OPEL’s solar tracking systems in the United States in the last year. OPEL has been actively quoting many utility scale installations, in many cases providing a “one stop shop” approach and sometimes including construction management, and will be a beneficiary of that growth as projects are launched. Some of the recent projects for Toray Plastics, Aquarion Water Company, Newtown Water Treatment, Conergy, and Schroeder Solar Homes are examples of a growing list of projects addressed at these different levels.

OPEL believes that the financing of solar projects is starting to gain momentum and support. In addition, the U.S. alternative energy stimulus package, individual State incentive programs, as well as the revised Ontario Standard Offer will stimulate more growth and acceptance of solar power throughout North America. We are concentrating our sales efforts for both solar panels and our universal tracker systems in those locations in Europe and North America that have active feed-in tariffs or alternative energy stimulus packages which will result in more near term revenue opportunities.

OPEL believes that it has grown to be recognized as part of the most competitive group of CPV companies producing concentrated solar panels. OPEL is on its way to being a market leader in this category as no single CPV competitor has a much larger ‘installed’ base. While our greatest competition is from standard silicon panels which make up more than 90% of the currently installed base, OPEL also offers a full line of universal single and dual axis tracking systems to use with its HCPV panels or any other solar panel types, suited to any specific locations. This gives OPEL an advantage in that the Company has a solar solution for all types of installations, and that fact opens the spectrum of solar project to OPEL.

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 2011***

OPEL continued to make progress in 2011. 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 January 2011, ODIS was awarded a development contract from the National Aeronautics and Space Administration ("NASA") that will involve a Phase I Award of \$100,000 to develop Optoelectronic Infrastructure of RF/Optical phased arrays.
2. In March 2011, OPEL announced it was in receipt of a third party valuation for its POET Technology which had been developed by its U.S. affiliate ODIS Inc.
3. OPEL Technologies was selected as a member of the "2011 TSX Venture 50", a ranking of strong performing companies listed on the TSX Venture Exchange. The recognition ceremony was held in March.
4. In March 2011, OPEL was awarded a 5MW order from its Chinese venture partner, OPEL Solar Asia, for OPEL's HCPV solar panels and dual axis tracking systems. Initial deliveries are to start in Q3 2011 and will complete in 2012.
5. In March 2011, OPEL was awarded a contract to deliver a 35kW solar installation at the Aquarion Water Company's local water treatment facility. The installation will showcase OPEL's TF-800 single axis tracking system as well as the SF-45 dual axis tracker. Solar power is well suited to the power usage of a water treatment facility and is expected to produce 10% of their power requirements. Aquarion may wish to expand its usage of solar power in the future. This installation is now complete.
6. In April 2011, OPEL was awarded a contract to deliver a 125kW TF-800 single axis tracker order from Greenlight Power Company for the first phase of a 1.4MW solar farm for a business park in Maryland. The installation of the 125kW phase one was completed in June.
7. In April 2011, OPEL's ODIS affiliate demonstrated an on chip laser capability for the first time in gallium arsenide. This proves ODIS's POET technology is capability of producing a monolithic integrated circuit combining both electronic and optical elements.
8. In May 2011, OPEL was awarded a turn-key solar installation of 95kW by the Town of Newtown, CT. OPEL is using its TF-800 advanced single axis tracking system and silicon solar panels to power Newtown's waste water treatment facility.
9. OPEL was chosen, in May of 2011, to be the exclusive, worldwide supplier of trackers for Grape Solar. Grape Solar is a major supplier of solar panels and OPEL intends to use Grape to supply some of its installations, like Newtown.
10. In June 2011, BAE Systems successfully produced working transistors on gallium arsenide wafers using ODIS, Inc.'s POET technology. ODIS is OPEL's US affiliate company. This is the first step in validating the ability to commercialize products developed using the POET technology, which is capable of integrating optical and electronic circuits within the same chip.
11. OPEL signed an agreement with the second of China's five utility companies, in June 2011, for the delivery of its HCPV panels and trackers. This was done through the Chinese JV with Ecotech, a relationship which is growing rapidly to meet the demands of the solar market in China. This doubles the previous orders, by adding another 5MW of CPV and trackers, to be delivered in late 2011 through 2012 to solar fields in Inner Mongolia.
12. ODIS Inc. ("OPEL Defense Integrated Systems") presented two papers on the Planar Optoelectronic Technology ("POET") at the SPIE Optics and Photonics Conference held August 21-25 in San Diego, California. SPIE is the international society for optics and photonics to advance light-based technologies.
13. ODIS contracted with BAE Systems to produce a series of wafers from their foundry with devices developed using the POET technology. The first wafer lot was started in late August.

14. OPEL has initiated Warranty Insurance coverage for its trackers and has passed critical reviews by several independent engineering firms, all of which allow its trackers to be “bankable” for commercial installations.
15. Following approval by shareholders on June 21, 2011, the Company filed an application to the TSX Venture Exchange (TSXV) to change the name of the Company to OPEL Technologies Inc. Following receipt of the TSXV acceptance, Articles of Amendments were filed and trading on the TSXV will commence under the new name.
16. OPEL selected GrowthPoint Technology Partners to provide strategic advice to the Company relative to ODIS’ proprietary Planar Optoelectronic Technology (“POET”) and how to optimize its value for the Company and its shareholders.
17. In September, OPEL completed the delivery of 480kW of its TF-800 single axis tracking system to Conergy for an installation in California’s Central Valley. The installation is to power a waste water treatment facility.
18. In September, OPEL entered into a Equity Line of Credit arrangement with Kodiak Capital Group which, upon acceptance of a Prospectus with the Ontario Securities Commission, would allow the Company to draw up to \$10M over time, in exchange for shares of OPEL common stock, priced at the time of the draw-down. The draw-down will only occur if the funds are required to meet growth opportunities.
19. OPEL’s TF-800 single axis tracking system receives the nod of approval from three independent engineering firms for its structural integrity, wind tunnel testing, and technology assessment. The TF-800 was found to meet or exceed the standards requirement of the American Society of Civil Engineers and the American Institute of Steel Construction. OPEL has also secured Manufacture’s Product Warranty Insurance provided by Energi Insurance Services. This all makes OPEL’s trackers very bankable to project financiers.

### ***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 Canadian generally accepted accounting principles except for three quarters of 2010 and three quarters of 2011, which are presented under IFRS. All amounts herein are expressed in United States dollars unless otherwise indicated:

	<u>Sep.</u> <u>30/11</u> <u>(IFRS)</u>	<u>Jun.</u> <u>30/11</u> <u>(IFRS)</u>	<u>Mar.</u> <u>31/11</u> <u>(IFRS)</u>	<u>Dec.</u> <u>31/10</u> <u>(IFRS)</u>	<u>Sep.</u> <u>30/10</u> <u>(IFRS)</u>	<u>Jun.</u> <u>30/10</u> <u>(IFRS)</u>	<u>Mar.</u> <u>31/10</u> <u>(GAAP)</u>	<u>Dec.</u> <u>31/09</u> <u>(GAAP)</u>
Sales	\$2,170,804	\$1,166,070	\$1,486,502	\$ 375,747	\$ 479,141	\$ 447,432	\$ 345,318	\$ 61,730
Cost of goods sold	2,626,545	666,746	925,590	178,058	125,474	72,536	58,559	368,077
Research and development	1,067,601	940,307	926,967	1,069,729	1,261,464	759,242	700,627	833,076
Depreciation and amortization	64,793	60,992	60,963	57,370	60,146	77,167	46,588	74,500
Professional fees	197,052	148,389	202,738	124,862	113,334	153,850	177,445	217,796
Stock-based compensation	593,864	462,999	307,149	158,573	261,636	79,111	93,255	55,029
General and administrative	1,043,287	1,016,456	1,078,781	966,128	777,233	1,102,480	1,183,730	983,089
Loss on divestiture on ASM	-	-	-	-	-	40,572	-	-
Revalued warrants	-	-	-	-	-	-	-	596,634
Investment income and other income	(9,359)	(15,309)	(4,107)	(11,119)	(6,772)	(6,130)	(15,569)	(24,082)
Foreign exchange loss (gain)	-	-	-	-	-	10,231	-	34,498
<b>Net loss</b>	<b>\$(3,412,979)</b>	<b>\$(2,114,510)</b>	<b>\$(2,011,579)</b>	<b>\$(2,167,854)</b>	<b>\$(2,113,374)</b>	<b>\$(1,841,627)</b>	<b>\$(1,899,317)</b>	<b>\$(3,076,887)</b>

### ***Explanation of Quarterly Results***

In the quarter ending September 30, 2011, revenue was higher by \$1,691,663 over the same quarter of 2010 where revenue rose from \$479,141 to \$2,170,804. The Company has increased the U.S. sales of solar trackers by 301 units for an increase of \$1,000,000, \$500,000 in subcontracting for installations, and an additional \$200,000 in solar panels. Most of the solar revenues were associated with four ongoing projects in this quarter.

The cost of goods sold was higher this quarter due to the \$172,000 write off of older generation tracker components and the reserve of \$131,300 for solar panels previously inventoried at higher prices. Some older version HCPV solar products were also sold at a negative margin and subcontracted installation provided by others carried no margin but are only associated with two installations where we acted as the turn-key integrator.

The three months ended September 30, 2011 included the non-cash expense of \$593,864 related to stock options, some of which were granted in a prior year. This was higher by \$332,228 than the year earlier. The Company believes it is necessary to grant incentive stock options to attract and hold highly skilled employees.

OPEL decreased its R&D expenses by approximately \$194,000 when compared to the same quarter of 2010. OPEL utilizes outside contracting houses to assist in the design of some of its future product enhancements allowing for lower permanent headcount. Going forward, our R&D expense rate is expected to remain about the same without sacrificing our product innovation.

Professional fees were higher than a year ago by approximately \$84,000 and were attributable to legal fees associated with contract review and Investment Banking activities.

OPEL's G&A expenses were higher by approximately \$266,000 year over year due to additional sales, installation support and marketing activities related to the growth of our product sales in the US and Chinese markets. These efforts are paying off in our increased revenue.

### ***Explanation of Results for the Nine Months Ended***

For the nine months ended September 30, 2011, revenue was higher by \$3,551,485 over the same period in 2010. The Company has increased the U.S. sales of solar trackers by 350 units for an increase of \$1,200,000, additional solar panel sales of 2,000 units, an increase of \$1,125,000, and revenue from subcontracted installation of OPEL's trackers of \$900,000. The solar revenues were associated with seven completed or ongoing installations all due to be complete in 2011. Gross margin for the nine months of 2011 was approximately 20%.

The nine months ended September 30, 2011 included the non-cash expense of \$1,364,000 related to stock options, some of which were granted in a prior year. This was higher by \$928,000 than the 2010's expense as more options were granted at higher market prices. The Company believes it is necessary to grant incentive stock options to attract and hold highly skilled employees.

OPEL's other G&A expenses were higher by \$75,000 year over year due to growth in sales and marketing activities to grow our revenue in the US and Chinese markets. Our US and Chinese sales staff was in place last year and their efforts have led to the revenue growth we see today. These efforts are paying off in our increased revenue.

OPEL increased its R&D expenses by approximately \$214,000 when compared to the same period of 2010, but the prior years activity was low and in transition to provide our new utility grade tracking system, the TF-800, the inclusion of the wireless tracking control feature, and the newly released Mk-1X HCPV panel. These two products are what OPEL is selling into the market today and is directly responsible for the increased revenue. OPEL utilizes outside contracting houses to assist in the design of some of our future product enhancements allowing for lower permanent headcount. Going forward, our R&D expense rate will remain about the same without sacrificing our product innovation.

### ***Explanation of Material Variations by Quarter for the Last Eight Quarters***

In the quarter ending September 30, 2011, revenue was higher than any other quarter due to the continued increase in the U.S. sales of solar trackers. Most of the solar revenues were associated with four ongoing tracker installations due to complete in 2011. The cost of goods sold was higher this quarter due to the \$172,000 write off of older generation tracker components and the reserve of \$131,300 for solar panels previously inventoried at higher prices. Some older version HCPV solar products were also sold at a negative margin and subcontracted installation provided by others carried no margin but are only associated with two installations where we acted as the turn-key integrator.

In the quarter ending June 30, 2011, revenue was higher than most other quarters due to the increased U.S. sales of solar trackers. Most of the solar revenues were associated with three ongoing tracker installations due to be complete in August. Gross margin for the June quarter was 43%.

OPEL's revenue in the quarter ending March 31, 2011 increased dramatically over all of the other eight quarters listed above. OPEL has started to deliver a higher volume, 1,600 solar panels, against some of its backlog of orders, as well as increased contract billings from ODIS. Most of the solar revenues were associated with an installation in Rhode Island, which will be the state's largest when completed. The cost of goods sold also made a significant increase, but it was proportionate to the increased solar panel revenue and yielded a margin of 38% for the quarter.

In the December and September 2010 quarters, OPEL increased its R&D expenses when compared to the previous quarters. This was a temporary increase related to subcontracting expenses used to support the manufacturing start-up of its utility grade tracking system, the TF-800, the inclusion of the wireless tracking control feature, and the newly released Mk-1X HCPV panel. This 40-70% increase in R&D was temporary as the development was nearing completion as of December, 2010. The Company used the services of engineering firms and consultants to complete the design and development of the new solar panels which will increase efficiency by an additional 20% over the existing MK1 panels, while reducing its cost to manufacture by 20%. Both changes will serve to increase future margin on our panels.

In the quarter ending June 30, 2010, OPEL took a one time charge of \$40,572 in divesting itself from Alcap Solar Management GmbH (“ASM”), one of the investments made under OPEL Solar Europe. After careful analysis, the Company felt that its investment in ASM GmbH would not yield the desired success that was projected. No further capital outlay was committed to ASM. The Company recovered a loan of \$470,000 from ASM during the year. The Company will continue to monitor all of its international investments to ensure success or a quick exit if market conditions suggest otherwise.

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 September 2011, June 2011 and March 2011, and similarly in December 2010 and September 2010, were due to stock options being granted in those quarters. As the options are amortized over 18 months the expense is reduced each quarter.

In the quarter ending December 31, 2009, OPEL incurred a one-time, non-cash, expense related to the extension of some of our warrants related to a prior financing. This warrant revaluation resulted in a charge of \$596,634. Accounting principles require the revaluation of those warrants to reflect the current value in the market. OPEL felt this extension would be positive to the investors as well as our shareholders for liquidity.

In the quarter ending December 31, 2009, OPEL experienced its lowest level of revenue at \$61,730 (\$41,730 from the sale of only 8 trackers and \$20,000 in contract billings by ODIS). This was a year-end lull in the economy. Cost of goods sold was also up by \$274,000 due to a one-time write down of obsolete and slow moving inventory.

### ***Segment Disclosure***

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 high performance concentrating photovoltaic (“HCPV”) panels and multi-axis solar tracking systems to transform solar energy into electricity for worldwide application. OPEL’s HCPV panels can generate up to 40% more kilowatt-hours than conventional flat plate silicon solar panels, resulting in more cost effective electricity generated from the sun. The use of OPEL’s solar tracking systems can increase the kWh production of silicon, thin film, or HCPV solar installations by 20-40% over a fixed installation. OPEL has a complete line of solar tracking systems for roof or ground mounted installations.

#### **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.

The following segmented information is for the three and nine months ended September 30, 2011 and 2010 is as follows:

Nine Months

	2011			2010		
	Opel	ODIS	Total	Opel	ODIS	Total
Revenue	\$ 4,075,584	\$ 747,792	\$ 4,823,376	\$ 439,451	\$ 832,440	\$ 1,271,891
Interest income	7,936	-	7,936	3,501	-	3,501
Cost of goods sold	4,218,881	-	4,218,881	256,243	-	256,243
Operating expenses	4,936,688	1,322,792	6,259,480	4,865,099	1,112,644	5,977,743
Amortization	183,603	3,145	186,748	175,842	3,145	178,987
Loss attributable to non controlling interest	25,785	-	25,785	8,264	-	8,264
Loss on divestiture of ASM	-	-	-	40,572	-	40,572
Segment loss	5,229,867	578,145	5,808,012	4,886,540	283,349	5,169,889
Corporate operations			1,705,271			686,277
Net loss			\$ 7,513,283			\$ 5,856,166

Three Months

	2011			2010		
	Opel	ODIS	Total	Opel	ODIS	Total
Revenue	\$ 2,077,488	\$ 93,316	\$ 2,170,804	\$ 217,808	\$ 261,333	\$ 479,141
Interest income	3,311	-	3,311	567	-	567
Cost of goods sold	2,626,545	-	2,626,545	125,148	-	125,148
Operating expenses	1,729,424	425,499	2,154,923	1,728,477	377,281	2,105,758
Amortization	63,784	1,009	64,793	54,183	1,048	55,231
Loss attributable to non controlling interest	23,616	-	23,616	1,198	-	1,198
Loss on divestiture of ASM	-	-	-	-	-	-
Segment loss	2,315,338	333,192	2,648,530	1,688,235	116,997	1,805,232
Corporate operations			740,833			317,056
Net loss			\$ 3,389,363			\$ 2,122,288

The Company operates geographically in the United States of America, Canada and Europe.

2011				
As of September 30,	US	Canada	Europe	Consolidated
Current assets	\$ 7,897,909	\$ 589,613	\$ 804,357	\$ 9,291,879
Property and equipment	1,818,944	-	1,501,692	3,320,636
Patents and licenses	175,720	-	-	175,720
	\$ 9,892,573	\$ 589,613	\$ 2,306,049	\$ 12,788,235

2011				
Three months ended September 30,	US	Canada	Europe	Consolidated
Revenue	\$ 4,823,376	\$ -	\$ -	\$ 4,823,376
Cost of goods sold	4,218,881	-	-	4,218,881
General and administration	3,437,169	1,728,976	71,318	5,237,463
Research and development	2,934,875	-	-	2,934,875
Investment income	(1,839)	(5,489)	(6,097)	(13,425)

2010				
As of September 30,	US	Canada	Europe	Consolidated
Current assets	\$ 8,446,123	\$ 6,557,321	\$ 909,607	\$ 15,913,051
Property and equipment	1,867,669	-	-	1,867,669
Patents and licenses	201,094	-	-	201,094
	\$ 10,514,886	\$ 6,557,321	\$ 909,607	\$ 17,981,814

Three months ended September 30,	2010			
	US	Canada	Europe	Consolidated
Revenue	\$ 1,270,436	\$ -	\$ 1,455	\$ 1,271,891
Cost of goods sold	256,240	-	329	256,569
General and administration	3,352,818	738,400	36,605	4,127,823
Research and development	2,721,333	-	-	2,721,333
Investment income	(2,934)	(25,331)	(206)	(28,471)

### ***Liquidity and Capital Resources***

The Company had working capital of \$7,682,034 at September 30, 2011, compared to \$11,243,092 at December 31, 2010.

In the nine months ending September 30, 2011, 3,218,907 warrants or broker warrants were exercised.

In the nine months ending September 30, 2011, 3,289,000 stock options were exercised.

The Company continues to have good liquidity, even during these trying times of economic uncertainty and instability. Of the Company's \$12,788,235 of assets, \$9,291,879 is classified as current assets, which includes \$2,353,938 of cash and short-term investments. OPEL now has several significant orders on its backlog to be delivered throughout 2011 and into 2012 which will generate significant revenue, a fully commissioned solar installation in Spain with an approved tariff rate to be sold to a third party, which collectively will provide the Company with sufficient cash and revenue growth to support itself and cover its liabilities over the next twelve months and beyond even if the economic down-turn should continue.

However, the Company has had a history of losses and should such losses continue, the Company will need to seek debt or equity financing to fund its operations and fulfill its backlog of orders. 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. Although remote, the Company may not be able to obtain such financing, and may not be in a position to continue as a going concern.

### ***Related party transactions***

Compensation to key management personnel were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Salaries	\$ 248,000	\$ 248,000	\$ 744,000	\$ 846,000
Share-based payments (1)	189,040	103,613	515,737	156,542
<b>Total</b>	<b>\$ 437,040</b>	<b>\$ 351,613</b>	<b>\$ 1,259,737</b>	<b>\$ 1,002,542</b>

(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.

### ***Critical Accounting Estimates***

#### ***Stock-based Compensation***

The Company uses the fair value method to account for stock options granted. Under the fair value method, the Company recognizes estimated compensation expense for stock options granted over the vesting period with the related credit to contributed surplus. Upon exercise of these stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

The dilutive effect of stock options is determined using the treasury stock method and the if-converted method for convertible debentures.

#### *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 consists of solar panels, solar trackers, and the components necessary to produce the Company's solar products. Inventory is stated at the lower of cost determined by first-in, first-out basis or current market value.

Additionally, OPEL has approximately \$4,200,000 in Boeing-Spectrolab solar cell assemblies to provide the additional solar panels necessary to fill current backlog for 2012 in Italy, Portugal and China.

#### *Cumulative Translation Adjustment*

GAAP 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 \$407,700.

#### ***Recent Accounting Pronouncements***

In November 2009, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement, with a new standard. Per recent updates to IFRS 9, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

#### ***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.

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 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 September 30, 2011, balances were concentrated among three customers which accounted for 92% 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 (loss) by \$102,292. 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. The Company does not and is not planning to take short term loans from institutions to fund 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***

The Company currently does not maintain credit facilities, and relies on previous equity funding for liquidity to meet current and foreseeable financial requirements. As the Company's revenue grows, it will also be able to rely more on the cash generated from operations. The contractual maturity of financial liabilities mainly comprising accounts payable and accrued liabilities is less than one year, as at the latest reporting date.

### ***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. A 1% change in fair values of short-term investments and marketable securities would decrease or increase net loss by \$1,029.

### ***Environmental and Climate Change Issues***

OPEL faces few, if any, of these issues directly as it uses contract manufacturers and the inherent characteristics of its products are not environmentally hazardous. However, OPEL's products allow its customers to make great contributions to climate change. Each 1MW of OPEL's HCPV panels installed by a customer avoids 600 tons of CO<sub>2</sub> from being discharged into the atmosphere each year, the equivalent of planting 93 acres of trees. OPEL's HCPV panels also require approximately 2,000 times less active material as standard silicon panels to produce.

### ***Strategy and Outlook***

During 2011, 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:

- Target sales and marketing efforts to the following customer markets: Independent Power Producers (IPP), Utilities in high REC areas, Brownfields, Distribution Centers, Parking Garage Owners, Convention Centers, Malls, and Municipalities and Governments with high Renewable Energy Standards.
- Establish additional teaming relationships to expand the Company's access to project opportunities and expand its technical capabilities.
- Pursue selected Program Management and "One-Stop-Shop" opportunities where the potential exists for multiple projects with the same customer such that OPEL is at the top of the decision chain.
- Develop a "drop-in" solution for the military marketplace using the POET technology, develop a Military Spec focused device and acquire a Contractor and Government Entity (CAGE) Code for its products.
- Continue to work on a series of phased cost reductions geared at lowering the cost of our Mk-I HCPV solar panels by up to 40%, while continuing to increase their efficiency.
- Increase the North American production capability for its single and dual axis tracking system, for both roof and ground mounting. Identify multiple sourcing capabilities to handle projected growth.
- Begin to search for resources to fill out key management and field operational positions to sustain growth as orders increase.
- Establish an internal development division to create future solar projects for the Company.
- Establish an integrator network to help promote our solar products in Mexico, Canada and the U.S.

- Identify and cultivate relationships with strategically located and positioned Solar EPC's to be able to provide turn-key solar installations for larger customers with utility scale installations in mind.
- Develop a small/medium solar package program targeted at municipalities that can be offered in the form of a PPA in selected states where incentives are favorable to package these projects to investors.
- Identify and cultivate external funding sources interested in solar project finance or ownership.
- Complete the third party validation of the patented POET technology to a fabrication facility that can prove its viability and product potential through OPEL Defense Integrated Systems ("ODIS").
- Heighten prospects of U.S. Solar Legislation favoring HCPV incentives and other solar related financial opportunities, like feed-in tariffs or State and Federal grants.

### ***Outlook***

OPEL currently has active price quotations for its solar products of over \$850M for multiple projects to be delivered globally in 2012 and 2013. The size of these projects range in size from 1.5MW to 250MW with multiple EPC partners. There can be no assurance that these price quotations will result in installations or revenues to the Company. The growing market acceptance of OPEL's products are due to the increasing effectiveness of the Company's sales and marketing efforts. The projects on which the Company has provided such price quotations has increased in size from our current average installation of 500kW - 2.5MW in 2011 to 10 - 20MW in size for future years.

### ***Significant Events Since September 30, 2011***

1. OPEL attended the Solar Power International show held in Dallas. The TF-800 single axis tracker was displayed in the show booth, with examples of several recently completed and ongoing installations.
2. OPEL has just closed a \$5M Line of Credit from Silicon Valley Bank. This line will be secured by OPEL's Accounts Receivable.

### ***Outstanding Share Data***

#### *Common Shares*

As at September 30, 2011 and November 28, 2011, there were 92,773,421 and 93,025,421 outstanding common shares of the Company.

#### *Special Voting Share*

Additionally, there was one (1) special voting share which carries 385,500 votes at September 30, 2011 and 135,500 November 28, 2011. These votes are for the benefit of the holders of exchangeable shares of OPEL, Inc. The exchangeable shares are convertible into common shares of the Company on a one for one basis.

#### *Stock Options and Warrants*

As at September 30, 2011 and November 28, 2011, the Company had 19,339,560 and 19,339,560 warrants outstanding to purchase common shares at prices ranging from \$0.29 – \$1.88.

Total stock options outstanding as at September 30, 2011 and November 28, 2011 were 9,592,250 and 9,590,250 shares respectively priced between \$0.11 and \$1.50 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. The Company is confident that its compensation package is above the standard required to retain highly skilled management.

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 enable it to grow at the pace required to serve its customer base, if substantial orders were received and were backlogged. 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, market interest has indicated that it should be able so in the future. In addition, the Company has also embarked on an aggressive sales campaign to bolster its U.S. sales and grow its Asian business. Orders received in 2010 and 2011 have indicated that the Company will be in a healthy cash position for the remainder of the year.

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. This risk is short term as the Company must absorb low margins and at this early stage in order to develop brand and market awareness. Creating market awareness through public announcements and delivering product to the market place is part of the Company's strategy. This strategy is beginning to yield success as projections for the next 18 months have indicated that the market is recognizing OPEL's MKI panels and Tracker series. As the Company continues to gain awareness in both government and commercial market places, margins will begin to normalize and increase especially with high volume production.

Governmental Incentives - Projects OPEL might participate in through ODIS may not be funded due to reductions, changes in timing, and liquidation of incentives used to stimulate the growth of solar installations world-wide. To mitigate this risk, the Company continues to focus its energies on commercial applications of the ODIS technology and minimize its reliance on SBIRs.

Market Acceptance of New Products - OPEL's HCPV solar panels are a new technology which as yet has little installed base and may not be embraced for large scale installation. Branding is a key to creating market acceptance. Public announcements, demonstration installations in the United States and Europe along with advertising the Company's high efficiency technology in comparison to competitor products is a key factor in mitigating 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 can not 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. We will continue to not only monitor technological changes but also lead these changes.

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. The Company continues to work with emerging markets such as Asia and certain areas of Europe to extend its market base. Through research and competitive data, OPEL feels that these markets are ready for a new entrant especially with the efficiency of the OPEL products. 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.

### ***International Financial Reporting Standards***

The accompanying condensed unaudited interim consolidated financial statements were prepared under IFRS, which the Company adopted on January 1, 2011. IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement, presentation and disclosure.

Prior to the adoption of IFRS, the Company established a strategy for the successful adoption of IFRS which included the following:

1. Hiring outside consultants to provide guidance and assistance to the Company as it addressed its transition to IFRS.
2. Developing a transition plan which was executed.
3. Developed a detailed analysis and understanding of the differences between IFRS and Canadian GAAP.

4. Implemented the necessary changes to; systems, process and disclosure controls.

While the adoption of IFRS did not result in changes to actual cash flows of current or prior period consolidated financial statements, there were changes to the results and equity of the Company. Notes 2 and 20 of the condensed unaudited interim consolidated financial statements provides the currently adopted accounting policies of the Company and a detailed analysis of the impact of the Company's transition to IFRS. A summary of the impact of the adoption of IFRS is presented below:

In preparing the statements, comparative financial results for the six months ended June 30, 2010 and the balance sheet as at June 30, 2010 and December 31, 2010 were adjusted to comply with IFRS from amounts previously reported in accordance with GAAP.

The guidance for first-time adopters of IFRS is set out in IFRS 1, which provides for certain mandatory exceptions and optional exemptions. In preparing these interim financial statements, the Company applied the following:

Optional Exemptions:

*Business combinations*

IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to exercise this election.

*Cumulative translation differences*

IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the transition date. The Company has chosen to reset its cumulative translation balance to zero at transition date.

*Share-based payment transactions*

IFRS 1 encourages but does not require first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002 and vested before the transition date. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

Mandatory Exceptions:

*Estimates*

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under GAAP were not revised upon adoption of IFRS except where necessary to reflect any differences in accounting policies.

*Impact on the Company's Financial Reporting*

The adoption of IFRS had the following impact on the Company:

- IAS 36 "Impairment of Assets" – IFRS requires a write-down of assets if the higher of the fair market value and the value-in-use of a group of assets is less than its carrying value. Value-in-use is determined using discounted estimated future cash flows. Under current Canadian GAAP a write down to estimated fair value is only required when the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies will be changed to reflect the differences between IFRS and Canadian GAAP. There was no impact on the Company.
- IFRS 2 "Share-Based Payments" – IFRS requires that stock-based awards that vest in installments be accounted for as though each installment or vesting is a separate award on a graded rather than pooled basis. This change had a recognition, measurement and disclosure impact on the Company, accordingly, Contributed Surplus decreased by an approximately \$3,900 with a corresponding increase to Deficit.
- IAS 21 "Effects of Changes in Foreign Exchange Rates" – IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the transition date. The Company has chosen to reset its cumulative translation balance to zero at transition date. The approximate impact on the Company was a decrease in Accumulated Comprehensive Income of \$2,895,000 and a corresponding increase to Deficit.
- Asset Retirement Obligations (Decommissioning Liabilities) – Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount

rates used should reflect the risks specific to the decommissioning provision. IFRS requires re-measurement of the liability at each reporting date whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. IFRS also requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate. The Company re-measured its Asset Retirement Obligation. The result of re-measurement was decrease in Asset Retirement Obligation of \$67,000 and a corresponding increase in Deficit.

The Company identified other IFRS changes that had a non-financial impact on the Company. These include but were not limited to; IFRS 8 “Operating Segments”, IFRS 7 “Financial Instrument Disclosures” and IAS 17 “Leases”.

The following is a reconciliation of the Company’s equity, net loss and comprehensive income from Canadian GAAP to IFRS for the periods required under IFRS:

**Reconciliation of Equity**

	December 31, 2010	September 30, 2010	January 1, 2010
Total equity under GAAP	\$ 14,030,667	\$ 15,977,342	\$ 14,836,399
Differences increasing (decreasing) reported shareholders equity			
Contributed surplus	(152,847)	(117,387)	(3,906)
Deficit	(2,651,111)	(2,710,874)	(2,890,753)
Accumulated other comprehensive loss	2,803,914	2,829,588	2,894,659
Non-controlling interest	1,811		-
	1,770	1,327	-
Total equity under IFRS	\$ 14,032,437	\$ 15,978,669	\$ 14,836,399

**Reconciliation of Net Loss**

	Year Ended December 31, 2010	Nine Months Ended September 30, 2010
Net loss under GAAP	\$ 8,256,750	\$ 6,036,978
Differences increasing (decreasing) reported net loss		
General and administrative	(150,711)	(114,808)
Foreign currency translation loss	(83,867)	(66,004)
	(234,578)	(180,812)
Net loss under IFRS	\$ 8,022,172	\$ 5,856,166
Net loss attributable to non-controlling interest	\$ (29,825)	\$ (8,264)
Net loss attributable to equity shareholders	(7,992,347)	(5,847,902)

**Reconciliation of Comprehensive Loss**

	Year Ended December 31, 2010	Nine Months Ended September 30, 2010
Comprehensive loss under GAAP	\$ 7,930,904	\$ 5,792,717
Differences increasing (decreasing) reported comprehensive loss		
Differences affecting net loss reported under GAAP	(234,578)	(180,812)
Net change in unrealized gains on currency translation	83,867	66,004
	(150,711)	(114,808)
Comprehensive loss under IFRS	\$ 7,780,193	\$ 5,677,909
Comprehensive loss attributable to non-controlling interest	\$ (22,950)	\$ (7,331)
Comprehensive loss attributable to equity shareholders	(7,757,243)	(5,670,578)
	\$ (7,780,193)	\$ (5,677,909)

**Reconciliation of Net Loss**

	Three Months Ended September 30, 2010
Net loss under GAAP	\$ 2,099,812
Differences increasing (decreasing) reported net loss	
General and administrative	(71,961)
Foreign currency translation loss	87,371
	15,410
Net loss under IFRS	\$ 2,115,222
Net loss attributable to non-controlling interest	\$ 1,198
Net loss attributable to equity shareholders	(2,114,024)

**Reconciliation of Comprehensive Loss**

	Three Months Ended September 30,
Comprehensive loss under GAAP	\$ 1,945,825
Differences increasing (decreasing) reported comprehensive loss	
Differences affecting net loss reported under GAAP	15,410
Net change in unrealized gains on currency translation	(87,371)
	(71,961)
Comprehensive loss under IFRS	\$ 1,873,864
Comprehensive loss attributable to non-controlling interest	\$ 1,764
Comprehensive loss attributable to equity shareholders	(1,875,628)
	\$ (1,873,864)

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of consolidated income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

***Additional Information***

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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