OPEL INTERNATIONAL INC.

Consolidated Financial Statements
Years ended December 31, 2008 and 2007

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AUDITOR'S REPORT

To the Shareholders of
Opel International Inc.

We have audited the consolidated balance sheets of Opel International Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive income (loss) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
March 20, 2009

OPEL INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in US Dollars)

DECEMBER 31,	2008	2007
Assets		
Current		
Cash and cash equivalent	**$ 14,444,975**	$ 27,016,236
Short-term investments (Note 3)	**2,289,717**	502,039
Accounts receivable	**433,235**	134,498
Prepaids and other current assets (Note 15)	**688,135**	1,035,353
Inventories (Note 4)	**4,893,410**	1,151,632
Marketable securities (Note 5)	**345**	2,114
	22,749,817	29,841,872
Property and equipment (Note 6)	**1,642,372**	287,140
Patents and licenses (Note 7)	**257,749**	277,859
	$ 24,649,938	$ 30,406,871
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 1,592,687**	$ 578,181
Shareholders' Equity		
Share capital (Note 9(b))	**29,299,882**	27,450,658
Special voting share (Note 10)	**100**	100
Special warrants and shares to be issued (Note 11)	**1,016,407**	1,853,743
Warrants (Note 12)	**7,333,164**	7,606,520
Contributed surplus (Note 13)	**3,333,750**	1,788,617
Accumulated other comprehensive income (loss)	**(3,335,140)**	645,123
Deficit	**(14,590,912)**	(9,516,071)
	23,057,251	29,828,690
	$ 24,649,938	$ 30,406,871

Commitments and contingencies (Note 15)
Subsequent events (Notes 23)

On behalf of the Board of Directors

Robert G. Pico, Director

Leon M. Pierhal, Director

OPEL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in US Dollars)

For The Years Ended December 31,	2008	2007
Revenue (Note 16)	$ 1,516,838	$ 931,717
Expenses		
General and administration	5,221,439	5,277,721
Research and development	2,978,382	1,359,944
Cost of goods sold	808,907	-
Interest expense	-	270,162
Investment income	(2,314,193)	(227,439)
Foreign exchange gain	(84,465)	-
	6,610,070	6,680,388
Loss before non-controlling interest	(5,093,232)	(5,748,671)
Non-controlling interest	18,391	-
Net loss	(5,074,841)	(5,748,671)
Deficit, beginning of year	(9,516,071)	(3,767,400)
Deficit, end of year	$(14,590,912)	$ (9,516,071)
Basic and diluted loss per share (Note 14)	$ (0.09)	$ (0.17)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

For The Years Ended December 31,	2008	2007
Net loss	$ (5,074,841)	$ (5,748,671)
Other comprehensive income (loss) - net of income taxes		
Cumulative translation adjustment	(3,978,915)	645,123
Net change in unrealized loss on available-for-sale financial assets	(1,348)	-
	(3,980,263)	645,123
Comprehensive loss	$ (9,055,104)	$ (5,103,548)

OPEL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(Expressed in US Dollars)

For The Years Ended December 31,	2008	2007
Opening balance	$ 645,123	$ -
Cumulative translation adjustment	(3,978,915)	645,123
Net change in unrealized loss on available-for-sale financial assets	(1,348)	-
Comprehensive income (loss)	(3,980,263)	645,123
Accumulated other comprehensive income (loss)	$(3,335,140)	$ 645,123

OPEL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

For The Years Ended December 31,	2008	2007
CASH (USED IN) PROVIDED BY		
OPERATING ACTIVITIES		
Net loss	**$ (5,074,841)**	$ (5,748,671)
Adjustment for:		
Amortization of property and equipment	**117,594**	95,690
Amortization of patents and licenses (Note 7)	**30,846**	20,716
Other expense	**-**	211,878
Stock-based compensation (Note 13)	**1,397,982**	1,571,132
Listing delay penalty	**-**	432,000
	(3,528,419)	(3,417,255)
Net change in non-cash working capital:		
Accounts receivable	**(298,737)**	22,159
Prepaid and other current assets	**347,639**	(968,430)
Inventory	**(4,216,953)**	(1,151,632)
Accounts payable and accrued liabilities	**1,014,506**	(24,008)
	(6,681,964)	(5,539,166)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(997,651)**	(143,312)
Purchase of patents and licenses	**(10,736)**	(123,072)
Short-term investments	**(1,787,678)**	(502,039)
	(2,796,065)	(768,423)
FINANCING ACTIVITIES		
Convertible debenture, net of issue costs	**-**	1,800,000
Issue of common shares for cash, net of issue costs	**885,683**	30,761,580
Issue of special voting share	**-**	100
	885,683	32,561,680
CUMULATIVE TRANSLATION ADJUSTMENT	**(3,978,915)**	645,123
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(12,571,261)**	26,899,214
CASH AND CASH EQUIVALENTS, beginning of year	**27,016,236**	117,022
CASH AND CASH EQUIVALENTS, end of year	**$ 14,444,975**	$ 27,016,236

Supplemental cash flow information (Note 22)

1. DESCRIPTION OF BUSINESS

Opel International Inc. (the "Company"), incorporated in the Province of Ontario and continued in the Province of New Brunswick on January 30, 2007, is engaged principally in the development and marketing of concentrating solar panels 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 CPV solar panels, solar trackers; also optical laser and infrared detection using planar opto electronic technology ("POET"). Through December 31, 2008, the Company has provided, incidental to its own extensive R&D activities, 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 Department of Defense through Opel Defense Integrated Systems Inc. ("ODIS"), a newly incorporated company in the United States of America through the Company's wholly owned subsidiary; Opel Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are summarized as follows:

Basis of presentation
These consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The results of subsidiaries acquired are consolidated from the date of acquisition. All intercompany balances and transactions have been eliminated on consolidation.

Cash and cash equivalents
The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant estimates and assumptions relate to but are not limited to the following: inventory valuation, allowances for accounts receivable, stock-based payments, warrant valuations, future income taxes, amortization and impairment assessments. Actual results could differ from those estimates.

Short-term investments
Short-term investments consist primarily of US Treasury notes, bonds and guaranteed deposits and are stated at fair value.

Marketable securities
Marketable securities are carried at fair value. Net unrealized gains/losses are recognized in other comprehensive income (loss).

Research and development costs
Research costs are expensed in the year incurred. Development costs are expensed in the year incurred unless the Company believes a development project meets Canadian GAAP criteria for deferral and amortization.

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost and 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, the cost of conversion, as well as other costs required to bring the inventories to their present location and condition.

Revenue recognition

Revenue is comprised of 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 title to the goods is transferred to customers, the selling price is fixed and determinable and collectability is reasonably assured

Interest income

Interest income comprises income earned on cash and cash equivalents, short-term investments and marketable securities. Interest income is recognized as it accrues, in earnings, using the effective interest method.

Property and equipment

Equipment is recorded at cost less accumulated amortization. Amortization 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):

New	
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 Lease Term
Solar systems	Straight Line Over The Useful Life of the Systems
Construction in progress	Solar systems under installation, scheduled to be completed in 2009. Estimated costs to complete construction of installation is approximately $100,000.

Old	
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 Lease Term

Patents

Patents are recorded at cost and amortized on a straight line basis over their estimated useful lives which is estimated at 15 years. Ongoing maintenance costs are expensed as as incurred. The expiry of the patents range from 6 - 11 years, and are generally renewable thereafter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets
The Company evaluates the recoverability of long-lived assets, which include patents and property and equipment, for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. This valuation is performed by comparing the carrying amounts of these assets to the related estimated undiscounted future cash flows expected to be derived from these assets and their residual values. If these future cash flows are less than the carrying amount of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. There were no significant indicators of impairment of the carrying values of the Company's long-lived assets at December 31, 2008.

Stock-based compensation
Stock options and warrants awarded to non-employees are accounted for using the fair value of the instrument 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 stock options granted is recognized on a straight-line basis, over the applicable stock option vesting period, as compensation expense included in general and administrative expenses in the consolidated statements of operations and deficit and contributed surplus within shareholders' equity on the consolidated balance sheets. On the exercise of stock options, the total of the consideration received and the accumulated contributed surplus relating to those options is credited to share capital. Fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Income taxes
The Company follows the liability method of accounting for income taxes. Under this method, the future tax assets or liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. Future tax assets and liabilities 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 established when necessary to reduce future income tax assets to the amount expected to be realized.

Foreign currency translation
The functional currency of the Company is the Canadian dollar and the reporting currency is the US dollar. The Company’s operations in the United States is considered to be self-sustaining. Assets and liabilities are translated using year-end exchange rates and revenue and expenses are translated at weighted average exchange rates. Exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations are included in the “foreign currency translation adjustment” account as a component of accumulated other comprehensive income. When there is a reduction in the Company’s net investment in its self-sustaining foreign operations, the proportionate amount of the cumulative translation adjustment is recognized in earnings.

The financial statements of the US operation's integrated foreign subsidiary, OPL Solar Europe SPRL (“OSE”), are translated for consolidation purposes to its US parent, using the year-end rate of exchange for monetary assets and liabilities, the historical rate of exchange for non-monetary assets and liabilities and the average annual rate of exchange for revenue and expenses. Gains or losses resulting from these translation adjustments are included in net loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and the if-converted method for convertible debentures.

Consolidation of variable interest entities

CICA Accounting Guideline 15 (“AcG-15”), “Consolidation of Variable Interest Entities” requires that the assets, liabilities, and results of a Variable Interest Entity (“VIE”) be consolidated into the financial statements of the enterprise when that enterprise is the primary beneficiary of the VIE. In general, an entity is classified as a VIE if: (i) total equity is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (ii) its equity investors lack the direct or indirect ability to make decisions about an entity’s activities through voting rights; or (iii) its equity investors do not absorb the expected losses of the entity if they occur or receive the expected residual returns of the entity if they occur. To determine if an investor in a VIE is the primary beneficiary, the investor must determine if it will absorb a majority of the VIE’s expected losses, receive a majority of the VIE’s expected returns, or both. An enterprise holding an interest in a VIE for which it is not the primary beneficiary does not consolidate the VIE, but is required to provide certain disclosures. The Company has analyzed its relationships with other entities and all VIEs have been consolidated.

Financial Instruments

All financial instruments will be classified as one of the following: Held-to-maturity; Loans and receivables, Held-for-trading; or Available-for-sale. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale financial assets will be measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). The standard also permits designation of any financial instrument as held-for-trading on initial recognition, provided reliable estimates of fair value are available.

The Company's financial instruments include cash and cash equivalents, accounts receivable, short-term investments, marketable securities and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents and short-term investments as held-for-trading, its marketable securities as available for sale, its accounts receivable as loans and receivables, and its account payable and accrued liabilities, as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their short term nature. The Company had no held-to-maturity financial assets.

Accounting policy choice for Transaction Costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities that are classified as held for trading) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Policy Adoptions

Effective January 1, 2008, the Company adopted the provisions of the following new CICA Handbook Sections:

(a) Inventories:
CICA Handbook Section 3031, Inventories, replaces the previous Section 3030 and establishes new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior period write-downs when the net realizable value of impaired inventory subsequently recovers. The adoption of this section had no impact on the consolidated financial statements.

(b) Financial instruments:
CICA Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation, enhance existing disclosure requirements and place greater emphasis on disclosures related to recognized and unrecognized financial instruments and how those risks are managed. The new disclosures are presented in note 19.

The adoption of these standards is reflected in note 19.

(c) Capital disclosures:
Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 20 to these consolidated financial statements.

(d) Going concern:
Effective January 1, 2008, the Company adopted the amendments to Section 1400, General Standards of Financial Presentation. The amended standards establish new requirements relating to the assessment of an entity's ability to continue as a going concern. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

(a) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

(b) Financial statement concepts

In February 2008, the CICA issued amendments to Handbook Section 1000, "Financial Statement Concepts" to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective in the first quarter of 2009. The Company will apply the amendments to Handbook Section 1000 commencing January 1, 2009.

(Expressed in US Dollars)

3. SHORT-TERM INVESTMENTS

The following table presents a breakdown of the Company's short-term investments, all of which are classified as held-for-trading:

	2008	2007
US Treasury bills	$ -	$ 502,039
Corporate bonds (Coupon rates ranging between 5.65% and 6.19%)	1,452,758	-
Canadian guaranteed investment certificate	836,959	-
Balance	$ 2,289,717	$ 502,039

4. INVENTORIES

	2008	2007
Raw materials	$ 3,100,983	$ 85,383
Work in process	913,396	-
Finished goods	879,031	1,066,249
Balance	$ 4,893,410	$ 1,151,632

The amounts of inventories recognized as an expense during the year ended December 31, 2008 was $808,907 (2007 - Nil), which has been included under cost of goods sold in the statement of operations and deficit. There were no write downs or reversal of write downs to the inventories during the year ended December 31, 2008 (2007 - Nil).

Included in inventories is an amount of approximately $642,000 relating to a lien in the nature of a purchase money security interest available to a third party on inventories delivered under a supply contract.

5. MARKETABLE SECURITIES

	Shares	2008	2007
Tribute Minerals Inc.	4,476	$ 73	$ 365
Yangarra Resources Inc.	3,578	176	353
Titanium Corporation Inc.	595	96	1,128
Other	-	-	268
Balance		$ 345	$ 2,114

(Expressed in US Dollars)

6. PROPERTY AND EQUIPMENT

2008	**Cost**	**Accumulated amortization**	**Net Book Value**
Machinery and equipment	**$ 737,213**	**$ 423,208**	**$ 314,005**
Furniture and fixture	**97,727**	**39,618**	**58,109**
Office equipment	**72,495**	**33,500**	**38,995**
Leasehold improvements	**41,065**	**1,683**	**39,382**
Solar systems	**144,895**	**14,488**	**130,407**
Construction in progress	**1,061,474**	**-**	**1,061,474**
Balance, December 31, 2008	**$ 2,154,869**	**$ 512,497**	**$ 1,642,372**

2007	Cost	Accumulated amortization	Net Book Value
Machinery and equipment	$ 515,992	$ 351,860	$ 164,132
Furniture and fixture	90,969	20,271	70,698
Office equipment	46,257	22,035	24,222
Leasehold improvements	28,824	736	28,088
Balance, December 31, 2007	$ 682,042	$ 394,902	$ 287,140

7. PATENTS AND LICENSES

2008	**Cost**	**Accumulated amortization**	**Net book value**
Patents and licenses	**$ 361,169**	**$ 103,420**	**$ 257,749**

2007	Cost	Accumulated amortization	Net book value
Patents and licenses	$ 350,433	$ 72,574	$ 277,859

The Company has a license agreement with a related party (the University of Connecticut) for certain intellectual property (the "Intellectual Property"). The license agreement expires when the last patent included in the Intellectual Property expires or otherwise becomes invalid. In 2007, the Company paid $100,000 to convert the original license agreement into an irrevocable license, which has been included under patents and licenses.

8. VARIABLE INTEREST ENTITY

In December of 2008, OSE, a wholly owned subsidiary of Opel Inc., acquired a 50% interest in the issued and outstanding shares of Alcapi Solartwent Management GmbH ("ASM"), a German LLC. for $19,500 (Euros 12,500). ASM was created for the purpose of developing a grid field project in Spain known as Segovia 1 SL. OSE analysed its relationship with ASM, and determined that OSE was the primary beneficiary and as such ASM was a VIE. Accordingly, the Company consolidated the results of operations, cash flows and financial position of ASM. Assets of ASM represent collateral against a bank guarantee obtained by ASM from the Dresdner bank ($538,153 - Euros 356,400).

OSE also advanced by way of a promissory note (the "Note"), $717,236 (Euros 475,000) to ASM for the purposes of providing a guarantee with the Dresdner bank ($538,153 - Euros 356,400) and working capital in ASM ($179,083 - Euros 118,600). The Note bear's interest at 8% and is denominated in Euros. The Note and interest have been eliminated upon consolidation.

9. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share, carrying 5,972,000 votes

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, December 31, 2006	11,701,891	$ 2,368,854
Common shares issued for cash	32,509,965	32,747,972
Issued on conversion of convertible debenture	4,075,000	1,630,000
Issued on the exercise of stock options	530,000	18,500
Issued on the exercise of warrants	894,465	687,367
Share issue costs	-	(3,464,934)
Value assigned to broker warrants	-	(1,058,842)
Value assigned to warrants	-	(6,397,244)
Issued on interest conversion	200,196	81,208
Interest adjustment relating to convertible debenture	-	108,395
Listing delay penalty shares Issued	1,560,000	648,000
Value assigned to exercised warrants	-	69,290
Value assigned to exercised stock options	-	12,092
Balance, December 31, 2007	51,471,517	27,450,658
Issued on the exercise of warrants (Notes 11 and 12)	1,119,332	1,004,863
Issued on the exercise of stock options (Note 13)	1,098,000	77,000
Issued on the conversion of special warrants (Note 11)	925,000	370,000
Value assigned to exercised warrants (Notes 11 and 12)	-	145,691
Value assigned to exercised options (Note 13)	-	50,669
Opel Inc. Exchangeable shares, exchanged into common shares of the Company. (Note 11)	986,013	201,001
Balance, December 31, 2008	55,599,862	$ 29,299,882

9. SHARE CAPITAL (Continued)

The following was completed in 2007:

March 9, 2007, 2,695,000 units at a price of $0.60 per unit for gross proceeds of $1,617,000. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.00 until March 9, 2010. The Agent was paid a commission of $161,700 in cash and received 269,500 broker warrants to purchase common shares of the Company at a price of $0.60 until June 5, 2009.

March 26, 2007, 5,641,370 units at a price of $0.60 per unit for gross proceeds of $3,384,822. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.00 until March 26, 2010. The Agent was paid a commission of $338,482 in cash and received 564,137 broker warrants to purchase common shares of the Company at a price of $0.60 until June 5, 2009.

April 11, 2007, 1,384,000 units at a price of $0.60 per unit for gross proceeds of $830,400. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.00 until April 11, 2010. The Agent was paid a commission of $83,040 in cash and received 138,400 broker warrants to purchase common shares of the Company at a price of $0.60 until June 5, 2009.

May 11, 2007, 6,445,300 units at a price of $0.60 per unit for gross proceeds of $3,867,180. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.00 until May 11, 2010. The Agent was paid a commission of $386,718 in cash and received 644,530 broker warrants to purchase common shares of the Company at a price of $0.60 until May 11, 2009.

May 27, 2007, 1,344,295 units at a price of $0.60 per unit for gross proceeds of $806,577. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.00 until May 28, 2010. The Agent was paid a commission of $80,658 in cash and received 134,430 broker warrants to purchase common shares of the Company at a price of $0.60 until May 27, 2009.

December 13, 2007, 15,000,000 units at a price of $1.483 (CDN $1.50) per unit for gross proceeds of $22,241,993 (CDN $22,500,000). Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.88 (CDN $1.90) until December 13, 2009. The Agent was paid a commission of $1,556,939 (CDN $1,575,000) in cash and received 1,500,000 broker warrants to purchase units ("Broker Units") of the Company at a price of $1.88 (CDN $1.90) until December 13, 2009. Each Broker Unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of $1.88 (CDN $1.90) until December 13, 2009.

The 16,254,983 warrants and 3,250,998 broker warrants/units issued on private placements were valued at $4,911,918 and $987,499 respectively.

(Expressed in US Dollars)

9. SHARE CAPITAL (Continued)

On January 30, 2007, the Company closed a convertible debenture financing of $2,000,000. The investor was considered a related party by virtue of holding greater than 20% of the voting securities of the Company at the time of the transaction. The debenture matures January 30, 2009, pays interest at the rate of 1% per month, and upon completion of a minimum of $5,500,000 equity financing and listing on a Canadian exchange, was convertible at the option of the lender into either a special warrant or units at $0.40 per unit, each unit comprised one common share of the Company and one-half common share purchase warrant to purchase additional shares at $0.60 per share for a period of 3 years from the date of conversion.

As compensation for securing the $2,000,000 financing, the Agent was paid a commission of $200,000 and was issued 500,000 broker warrants, exercisable into common shares of the Company at a price of $0.40 until June 5, 2009. The 500,000 broker warrants were valued at $71,343.

On June 26, 2007, $1,630,000 of the convertible debenture was converted into 4,075,000 shares and 2,037,500 warrants of the Company and $370,000 was converted into 925,000 special warrants and 462,500 warrants of the Company. Each special warrant is exchangeable into one common share of the Company at no additional cost to the holder. Each warrant is exercisable into common shares of the Company at a price of $0.60 per common share until June 25, 2010. The 2,500,000 warrants were valued at $1,428,144.

Accrued interest on this debenture totaled $131,402 at December 31, 2007. Of this amount $81,208 was converted into 200,196 shares and 100,098 warrants of the Company, $18,473 was paid in cash and $31,721 is included in accounts payable and accrued liabilities. Each warrant is exercisable into common shares of the Company at a price of $0.60 until June 25, 2010. The 100,098 warrants were valued at $57,182.

Due to the debenture having both a debt and an equity component, the debenture was bifurcated resulting in $1,684,423, net of issue cost of $187,158 allocated to debt and $115,577, net of issue cost of $12,842 allocated to equity. The interest expense was calculated using the effective interest rate method applied to the debt component. The resulting interest rate was 20.12%. The additional interest expense of $133,000 was included in the statement of operations and deficit for the year ended December 31, 2007 with the corresponding value allocated to common shares and warrants. The amount of $108,395 allocated to common shares and $24,605 to warrants, represented the pro rata share of the equity component of the debenture.

The fair value of the warrants, broker warrants and broker units issued in 2007 were estimated using the Black-Scholes option pricing model. The assumptions used were as follows:

Risk-free interest rate	4.74%
Dividend yield	0%
Volatility	60% or 70% where applicable
Estimated life	2 or 3 years where applicable

On June 25, 2007, the Company issued, as liquidated damages, 1,560,000 shares (the “penalty shares”) to the Tranche 1 private placement investors arising from the Company not having obtained a listing on the TSX Venture Exchange by May 31, 2006. The Company was obligated to issue 120,000 shares for each month the Company remained unlisted. Of these shares, 480,000 had accrued to the date of the Reverse-take-over (RTO) and the related value of that capital was eliminated as part of the RTO accounting. The remaining 1,080,000 shares that accrued since the RTO were valued at $648,000 (2007 - 720,000 valued $432,000; 2006 - 360,000 valued $216,000) and have been charged to general and administration expense.

(Expressed in US Dollars)

10. SPECIAL VOTING SHARE

	Number of Shares	Amount
Balance, December 31, 2007 and 2008	1	$ 100

On June 5, 2007, one (1) special voting share was issued in conjunction with a Support and Trust Agreement entered into amongst Opel International Inc., OPEL Inc. and Equity Transfer & Trust Company. The special voting share carries 5,972,000 votes.

11. SPECIAL WARRANTS AND SHARES TO BE ISSUED

Pursuant to a RTO agreement, the Company is obligated to issue 5,972,000 shares to common shareholders of Opel Inc. in exchange for their 5,972,000 Exchangeable Shares of Opel Inc. The value ascribed to the 5,972,000 shares to be issued was $1,217,408. During 2008, 986,013 common shares were issued to Opel Inc. shareholders in exchange for 986,013 Exchangeable shares. A value of $201,001 was attributed to the 986,013 exchanged shares.

On June 25, 2007, the Company issued 925,000 special warrants at a price of $0.40 per special warrant exercisable into 925,000 common shares of the Company. The special warrants may be exercised at no additional cost to the investor for a period of 3 years, expiring June 25, 2010. The special warrants are valued at $370,000. On January 21, 2008, the 925,000 special warrants were converted into 925,000 common shares, the value of the special warrants was reclassified to common shares.

In December of 2007, the Company received $229,000 for the exercise of 70,000 warrants at $0.75 and 176,500 warrants at $1.00. These warrants were issued in January 2008, accordingly, $229,000 and $37,335 relating to the value assigned to these warrants were reclassified to common shares.

The following table reflects the continuity of special warrants and shares to be issued:

	Number	Value
Balance, December 31, 2006	6,332,000	$ 1,433,408
Special warrants issued	925,000	370,000
Shares to be issued on warrant exercise	246,500	229,000
Value assigned to warrants	-	37,335
Listing delay penalty shares issued	(360,000)	(216,000)
Balance, December 31, 2007	7,143,500	1,853,743
Special warrants converted to common shares	(925,000)	(370,000)
Shares issued on warrants exercised in 2007	(246,500)	(229,000)
Reclassification of value assigned to warrant exercised in 2007	-	(37,335)
Exchangeable shares exchanged into common shares	(986,013)	(201,001)
Balance, December 31, 2008	4,985,987	$ 1,016,407

12. WARRANTS

The following table reflects the continuity of warrants:

	Average exercise price	Number of warrants	Black-Scholes value
Balance, December 31, 2006	$ 0.73	10,368,021	$ 232,454
Issued	1.26	22,606,079	7,480,691
Exercised	0.77	(894,465)	(69,290)
Exercised but not issued (Note 11)	0.92	(246,500)	(37,335)
Balance, December 31, 2007	0.90	31,833,135	7,606,520
Exercised	0.89	(872,832)	(108,356)
Expired	0.73	(9,161,681)	(165,000)
Balance, December 31, 2008	$ 1.27	21,798,622	$ 7,333,164

As at December 31, 2008 the following warrants were outstanding:

	Number of Warrants	Fair Value ($)	Exercise Price ($)	Expiry Date
Broker warrants	644,530	138,184	0.60	May 11, 2009
Broker warrants	80,658	17,362	0.60	May 28, 2009
Broker warrants	732,145	156,300	0.60	June 5, 2009
Broker warrants	132,040	28,260	0.60	June 5, 2009
Broker warrants	20,000	6,677	0.60	June 5, 2009
Broker warrants	500,000	71,343	0.40	June 5, 2009
	166,667	56,326	1.00	November 20, 2009
	7,500,000	3,063,951 (1)	1.88	December 13, 2009
Broker units	1,500,000	612,790 (1)	1.88	December 13, 2009
	1,332,500	280,306	1.00	March 9, 2010
	2,662,835	560,656	1.00	March 26, 2010
	692,000	146,089	1.00	April 11, 2010
	2,563,000	542,154	1.00	May 11, 2010
	672,149	142,836	1.00	May 28, 2010
	2,600,098	1,509,930	0.60	June 25, 2010
	21,798,622	7,333,164		

(1) These warrants were issued in Canadian dollars and are exercisable at $1.90 CDN.

13. STOCK OPTIONS AND CONTRIBUTED SURPLUS

On July 27, 2007, the Company’s 10% rolling stock option plan (the "Rolling Plan") under which the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants, was ratified by the Company’s shareholders for the ensuing year. The Plan provides that the number of common shares issuable pursuant to options granted under the Plan and pursuant to other options previously granted is limited to a maximum of 10% of the issued and outstanding voting shares at the time of the grant. The options granted under the plan generally vest immediately upon issuance, however, the directors may, at their discretion, specify a longer vesting period.

(Expressed in US Dollars)

13. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

On June 19, 2008, shareholders of the Company approved a new fixed 20% stock option plan (the "New Plan"). Under the New Plan, the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants. The Plan provides that the number of common shares issuable pursuant to options granted under the New Plan and pursuant to other previously granted options is limited to 11,930,000 (the “Number Reserved”). Any increase in the Number Reserved must be ratified by shareholders of the Company and cannot exceed 20% of the number of issued and outstanding shares. Options granted under the New Plan generally vest 25% immediately and 25% every six months from the date of issue, however, the directors may, at their discretion, specify a longer vesting period.

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

	Number of stock options		Weighted average exercise price	
	2008	2007	**2008**	2007
Opening Balance	**6,876,000**	3,045,000	**$ 0.65**	$ 0.16
Options expired/cancelled	**(59,000)**	(15,000)	**0.85**	1.66
Options exercised	**(1,098,000)**	(530,000)	**0.07**	0.03
Options granted	**805,000**	4,376,000	**0.77**	0.92
Closing balance	**6,524,000**	6,876,000	**$ 0.76**	$ 0.65

In 2007, the Company granted the following stock options to directors, officers, employees and consultants of the Company to purchase common shares at an average exercise price of $0.92 per share:

Date	Number of options	Price ($)	Expiry
April 26, 2007	305,000	0.60	April 26, 2012
May 24, 2007	415,000	0.60	May 24, 2012
May 31, 2007	50,000	0.60	May 31, 2012
June 22, 2007	50,000	0.60	June 22, 2012
September 21, 2007	3,166,000	0.94	September 21, 2012
December 14, 2007	390,000	1.48	December 14, 2012
	4,376,000		

Of the 4,376,000 stock options granted in 2007, 1,709,000 have vested with the remainder vesting at various intervals over 18 months. As at December 31, 2008, 2,656,000 have vested.

The 4,376,000 stock options granted in 2007 were valued $2,772,082. During 2007, $1,478,132 relating to vested stock options was charged to stock-based compensation and credited to contributed surplus. The remaining $1,293,950 will be charged to stock option compensation over the remaining vesting period.

(Expressed in US Dollars)

13. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

In 2008, the Company granted the following stock options to directors, officers, employees and consultants of the Company to purchase common shares at an average exercise price of $0.77 per share:

Date	Number of options	Price ($)	Expiry
February 12, 2008	165,000	1.18	February 12, 2013
April 29, 2008	190,000	1.47	April 29, 2013
June 19, 2008	25,000	1.05	June 19, 2013
July 29, 2008	225,000	0.44	July 29, 2013
November 6, 2008	110,000	0.11	November 6, 2013
December 5, 2008	90,000	0.15	December 5, 2013
	805,000		

Of the 805,000 stock options granted during the year, 296,250 have vested with the remainder vesting at various intervals over 18 months.

The 805,000 stock options granted in the year were valued $394,038. During the year, $299,382 relating to vested stock options was charged to stock-based compensation and credited to contributed surplus. The remaining $94,656 will be charged to stock option compensation over the remaining vesting period.

Stock-based compensation expense includes $1,098,600 relating to 1,767,000 vested stock options that were granted in 2007.

The stock options granted during 2008 and 2007 were valued using the Black-Scholes option pricing model using the following assumptions;

	2008	2007
Weighted average risk-free interest rate	**3.12%**	4.74%
Weighted average dividend yield	**0%**	0%
Weighted average volatility	**85%**	80%
Weighted average estimated life	**5 years**	5 years

13. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Details of the stock options outstanding at December 31, 2008 and 2007 were as follows:

2008

Value ($)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
-	400,000	400,000	0.001	March 14, 2010
105,519	310,000	310,000	0.50	March 15, 2011
6,674	20,000	20,000	0.50	June 26, 2011
111,907	300,000	300,000	0.50	September 30, 2011
122,942	305,000	305,000	0.60	April 26, 2012
32,824	200,000	200,000	0.25	May 15, 2012
45,133	275,000	275,000	0.25	May 18, 2012
120,920	300,000	300,000	0.60	May 24, 2012
20,154	50,000	50,000	0.60	May 31, 2012
20,154	50,000	50,000	0.60	June 22, 2012
1,472,016	2,327,500	3,119,000	0.94 (1)	September 21, 2012
239,423	292,500	390,000	1.48 (1)	December 14, 2012
55,819	82,500	165,000	1.18 (1)	February 12, 2013
71,220	95,000	190,000	1.46 (1)	April 29, 2013
6,154	12,500	25,000	1.03 (1)	June 19, 2013
65,080	56,250	225,000	0.44 (1)	July 29, 2013
9,299	27,500	110,000	0.11 (1)	November 6, 2013
9,900	22,500	90,000	0.15 (1)	December 5, 2013
2,515,138	5,126,250	6,524,000		

(1) These stock options were were issued in Canadian dollars and are exercisable at prices ranging from CDN $ 0.13 - $1.48.

2007

Value ($)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
-	1,300,000	1,300,000	0.001	March 14, 2010
105,519	310,000	310,000	0.50 (1)	March 15, 2011
6,674	20,000	20,000	0.50 (1)	June 26, 2011
111,907	300,000	300,000	0.50 (1)	September 30, 2011
122,942	305,000	305,000	0.60	April 26, 2012
32,824	200,000	200,000	0.25	May 15, 2012
65,648	400,000	400,000	0.25	May 18, 2012
155,182	385,000	385,000	0.60	May 24, 2012
20,154	50,000	50,000	0.60	May 31, 2012
20,154	50,000	50,000	0.60	June 22, 2012
1,032,454	791,500	3,166,000	0.94 (2)	September 21, 2012
115,159	97,500	390,000	1.48 (2)	December 14, 2012
1,788,617	4,209,000	6,876,000		

(1) During 2007, the expiry dates of these options were abridged by 2 years in order to conform with the policies of the TSX Venture Exchange. The abridged options were revalued which resulted in additional compensation expense aggregating to $93,000. The additional stock option compensation expense was included in general and administration expense for the year ended December 31, 2007.

(2) These stock options were issued in Canadian dollars and are exercisable at CDN $ 0.95 and CDN $1.50 respectively.

(Expressed in US Dollars)

13. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

The following table reflects the continuity of contributed surplus:

	Amount
Balance, December 31, 2006	$ 229,577
Stock-based compensation in 2007	1,571,132
Stock options exercised	(12,092)
Balance, December 31, 2007	1,788,617
Stock-based compensation	1,397,982
Compensation options exercised	(50,669)
Warrants expired	165,000
Translation adjustment	32,820
Balance, December 31, 2008	$ 3,333,750

14. PER SHARE AMOUNTS

	2008	2007
Numerator:		
Net loss - basic	**$ (5,074,841)**	$ (5,748,671)
Interest on convertible debenture	**-**	214,208
Net loss - diluted	**$ (5,074,841)**	$ (5,534,463)
Denominator:		
Weighted average number of common shares outstanding	**54,643,695**	34,765,698
Weighted average number of common shares outstanding - diluted	**57,354,328**	46,729,143
Basic and diluted loss per share	**$ (0.09)**	$ (0.17)

The denominator for both basic and diluted earnings per share includes the 4,985,987 (2007 - 5,972,000) of shares to be issued (Note 11).

The effect of common share purchase options, warrants, broker warrants and shares to be issued on the net loss in 2008 and 2007 is not reflected as it is anti-dilutive.

(Expressed in US Dollars)

15. COMMITMENTS AND CONTINGENCIES

To cover its initial production requirements, the Company placed an initial firm purchase order in the amount of $6,700,000 for 10 MW of high efficiency triple junction solar cells for delivery through 2008 and later years.

The Company has operating leases for office and research facilities. The lease for office facilities was entered into in 2006 and amended in 2007; the research facility lease was entered into in 2005.

Rent expense under these leases was $132,679 (2007 - $61,240). Remaining minimum annual rental payments to the lease expiration dates are:

2009	$ 76,664
2010	76,664
2011	84,650
2012	90,354
2013 and after	135,531
	$ 463,863

16. REVENUE

	2008	2007
R & D Contracts	**$ 750,196**	$ 912,391
Product sales	**766,642**	19,326
	$ 1,516,838	$ 931,717

17. SEGMENT DISCLOSURE

The Company operates in the industrial products and hardware sector and has its operations in the United States of America and Canada.

December 31, 2008

	USA	**Canada**	**Europe**	**Consolidated**
Current assets	**$ 9,845,954**	**$ 12,246,329**	**$ 657,534**	**$ 22,749,817**
Property and equipment	**1,642,372**	**-**	**-**	**1,642,372**
Patents and licenses	**257,749**	**-**	**-**	**257,749**
	$ 11,746,075	**$ 12,246,329**	**$ 657,534**	**$ 24,649,938**
Revenue	**$ 1,516,838**	**$ -**	**$ -**	**$ 1,516,838**
Research and development	**2,978,382**	**-**	**-**	**2,978,382**
General and administration	**3,374,468**	**1,746,607**	**100,364**	**5,221,439**
Cost of goods sold	**808,907**	**-**	**-**	**808,907**
Interest income	**(55,289)**	**(2,247,740)**	**(11,164)**	**(2,314,193)**

(Expressed in US Dollars)

17. SEGMENT DISCLOSURE (Continued)

December 31, 2007

	USA	Canada	Europe	Consolidated
Current assets	$ 7,662,090	$ 22,179,782	$ -	$ 29,841,872
Property and equipment	287,140	-	-	287,140
Patents and licenses	277,859	-	-	277,859
	$ 8,227,089	$ 22,179,782	$ -	$ 30,406,871
Revenue	$ 901,019	$ 30,698	$ -	$ 931,717
Research and development	1,359,944	-	-	1,359,944
General and administration	3,274,589	2,003,132	-	5,277,721

18. INCOME TAXES

The following table reconciles the expected income tax recovery at the combined United States and Canadian statutory income tax rate of 34% and 33.5% respectively. (2007 - 34% and 36.12%) to the amounts recognized in the consolidated statements of operations and deficit.

	2008	2007
Net loss reflected in consolidated statements of operations and deficit	**$ 5,074,841**	$ 5,748,671
Expected income tax recovery at combined statutory rates	**$ 1,750,000**	$ 2,009,000
Decrease from:		
Amounts not deductible for tax purposes	**(475,000)**	(698,000)
Deductible share issuance costs	**280,000**	287,000
Realization of tax losses previously recognized	**(325,000)**	-
Change in valuation allowance	**(1,230,000)**	(1,598,000)
Income tax recovery recognized	**$ -**	$ -

(Expressed in US Dollars)

18. INCOME TAXES (Continued)

The following table reflects future income tax assets at December 31, 2008 and 2007:

	2008	2007
Resource assets	**$ 263,000**	$ 328,000
Share issue costs	**583,000**	973,000
Canadian non-capital losses	**322,000**	686,000
US non-capital losses	**4,002,000**	2,056,000
	5,170,000	4,043,000
Valuation allowance	**(5,170,000)**	(4,043,000)
Future income tax assets recognized	**$ -**	$ -

In addition to capital losses of $3,835,000 (CDN $4,696,000) and resource pools of $907,000 (CDN $1,111,000) which have no expiry date, the Company had United States and Canadian tax loss carryforwards of $12,287,000 and $1,112,000 (CDN $1,360,000) respectively, which will expire between 2009 and 2027 if not used.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company has classified financial instruments as follows:

	2008	2007
Financial assets:		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	**$ 14,444,975**	$ 27,016,236
Short-term investments	**2,289,717**	502,039
Loans and receivable, measured at amortized cost:		
Accounts receivable	**433,235**	134,498
Available-for-sale, measured at fair value:		
Marketable securities	**345**	2,114
	$ 17,168,272	$ 27,654,887

19. 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, accounts receivable and loan to ASM. 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 year end, accounts receivable balances were concentrated among two customers.

Exchange Rate Risk

The functional currency of the Company is the Canadian dollar. The Company's operations in the United States and Germany are considered to be self-sustaining. The Company's operations in foreign markets expose it to the risk of foreign currency fluctuations. Potential exposure relates to currency risk on sales, purchases and loans that are denominated in a currency other than the functional currency of the Company's foreign operations. Currencies in which the Company's exposure to foreign currencies mainly include the Canadian dollar and Euro. A 1% change in the Canadian dollar and the Euro would increase or decrease other comprehensive income (loss) and net income by $116,778 and $4,511 respectively.

Since the Company's operations predominantly transact their sales and purchases in their respective domestic currencies, the exposure is reduced and, therefore, the Company typically does not hedge accounts receivable and accounts payable that may be 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.

Liquidity Risk

The Company currently does not maintain credit facilities, and relies on equity funding to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The contractual maturity of financial liabilities mainly comprising accounts payable and accrued liabilities is less than one year, as at the reporting date.

Fair Value

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 5% change in fair values of short-term investments and marketable securities would decrease or increase net loss by $214,500 and other comprehensive income (loss) by $16,825 respectively.

(Expressed in US Dollars)

20. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income and deficit), cash and short-term investments, the capital of the Company was $57,717,995 at December 31, 2008. 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.

Currently, the Company has no outstanding debt or covenants, and therefore has 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.

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 period.

21. 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.

22. SUPPLEMENTAL CASH FLOW INFORMATION

	2008	2007
Interest received	**$ 2,257,829**	$ 227,439
Interest paid	**-**	18,473
Non cash financing activities:		
Conversion of debenture to common shares	**$ -**	$ 2,081,208

23. SUBSEQUENT EVENTS

1. During the first quarter of 2009, OSE acquired a 50% interest amounting to $2,293 (Euros 1,750) in the issued and outstanding shares of Betasol, a Spanish company building utility grade solar farms. Opel Inc. is currently supplying solar panels to a project managed by Betasol in Spain.

2. In connection with the solar system under installation included under construction in progress, Opel Inc. will receive a grant in the form of financial assistance from the Connecticut Clean Energy Fund aggregating to $526,518. The grant is payable based on achieving certain milestones, and approximately 50% of the total grant was received during the first quarter of 2009.

   The 131kW solar system was installed on the Linden Street School in Plainville, CT supplying a significant portion of their electric needs and eliminating 79 tons of carbon emissions over the next 20 years.

23. SUBSEQUENT EVENTS (Continued)

3. On February 13, 2009, the Company granted 865,000 stock options to acquire common shares of the Company at a price of $0.15 per share until February 13, 2014.