NOTICE TO SHAREHOLDERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008
(Unaudited and Expressed in US Dollars)

OPEL INTERNATIONAL INC.
(A Development Stage Company)

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Opel International Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2007 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited consolidated financial statements, management is satisfied that these unaudited consolidated financial statements have been fairly presented.

Auditors' involvement

The auditors of Opel International Inc. have not performed a review of the unaudited consolidated financial statements for the three and nine months ended September 30, 2008 and September 30, 2007.

OPEL INTERNATIONAL INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS
(Unaudited and Expressed in US Dollars)

	September 30, 2008	December 31, 2007
Assets		
Current		
Cash and cash equivalents (Note 3)	**$ 13,532,307**	$ 27,016,236
Short-term investments (Note 4)	**6,446,553**	502,039
Accounts receivables	**363,669**	134,498
Prepaids and other current assets	**1,200,102**	1,035,353
Inventory	**3,581,157**	1,151,632
Marketable securities (Note 5)	**1,997**	2,114
	25,125,785	29,841,872
Promissory note receivable (Note 6)	**686,299**	-
Long term investment (Note 7)	**8,933**	-
Equipment	**434,195**	287,140
Patents	**265,722**	277,859
	$ 26,520,934	$ 30,406,871
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 1,008,005**	$ 578,181
Shareholders' Equity		
Share capital (Note 8(b))	**29,103,474**	27,450,658
Special voting share (Note 9)	**100**	100
Special warrants and shares to be issued (Note 10)	**1,212,513**	1,853,743
Warrants (Note 11)	**7,498,164**	7,606,520
Contributed surplus (Note 12)	**2,829,080**	1,788,617
Accumulated other comprehensive income	**(493,652)**	645,123
Deficit	**(14,636,750)**	(9,516,071)
	25,512,929	29,828,690
	$ 26,520,934	$ 30,406,871

The accompanying notes are an integral part of these consolidated financial statements.

OPEL INTERNATIONAL INC.
(A Development Stage Company)

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

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Cumulative from inception on December 29, 2000 to September 30, 2008
Sales	**$ 449,607**	$ 233,795	**$ 577,398**	$ 722,370	$ 5,448,936
Expenses					
Research and development	**1,048,429**	400,543	**2,385,647**	976,345	7,179,030
General and administration (Note 11)	**1,183,956**	1,501,113	**3,783,462**	3,315,666	13,072,898
Interest expense	**-**	-	**-**	125,613	529,422
Equity in loss of ASM	**10,567**	-	**10,567**	-	10,567
Interest income	**(68,703)**	(114,457)	**(483,030)**	(136,909)	(710,469)
Other (income) expense	**7,729**	-	**1,431**	-	4,238
	2,181,978	1,787,199	**5,698,077**	4,280,715	20,085,686
Net loss	**(1,732,371)**	(1,553,404)	**(5,120,679)**	(3,558,345)	(14,636,750)
Deficit, beginning of period	**(12,904,379)**	(5,772,341)	**(9,516,071)**	(3,767,400)	-
Deficit, end of period	**$ (14,636,750)**	$ (7,325,745)	**$ (14,636,750)**	$ (7,325,745)	$ (14,636,750)
Basic and diluted loss per share (Note 13)	**$ (0.03)**	$ (0.05)	**$ (0.10)**	$ (0.12)	

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

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net loss	**$ (1,732,371)**	$ (1,553,404)	**$ (5,120,679)**	$ (3,558,345)
Other comprehensive income - net of income taxes				
Net change in unrealized gains on currency translation adjustment	**(507,807)**	-	**(1,138,775)**	-
Comprehensive loss	**$ (2,240,178)**	$ (1,553,404)	**$ (6,259,454)**	$ (3,558,345)

OPEL INTERNATIONAL INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME
(Expressed in US Dollars)

	September 30, 2008	December 31, 2007
Opening balance	**$ 645,123**	$ -
Cumulative translation adjustment	**(1,138,775)**	645,123
Accumulated other comprehensive income	**$ (493,652)**	$ 645,123

OPEL INTERNATIONAL INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and Expressed in US Dollars)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Cumulative from inception on December 29, 2000 to September 30, 2008
CASH (USED IN) PROVIDED BY					
OPERATING ACTIVITIES					
Net loss	**$ (1,732,371)**	$ (1,553,404)	**$ (5,120,679)**	$ (3,558,345)	$ (14,636,750)
Adjustment for:					
Amortization of equipment	**81,110**	22,810	**149,371**	66,798	544,273
Amortization of patents and licences	**6,925**	6,129	**21,824**	15,056	94,835
Interest expense	**-**	-	**-**	-	214,208
Equity in loss of ASM	**10,567**	-	**10,567**	-	10,567
Other (income) expense	**30,937**	(600)	**30,937**	688	31,421
Stock option compensation (Note 10)	**363,711**	463,028	**1,091,134**	677,048	2,891,843
Listing delay penalty	**-**	-	**-**	432,000	648,000
	(1,239,121)	(1,062,037)	**(3,816,846)**	(2,366,755)	(10,201,603)
Net change in non-cash working capital:					
Accounts receivable	**(315,568)**	2,701	**(229,171)**	(7,117)	(347,616)
Inventory	**(1,320,779)**	(355,080)	**(2,429,525)**	(355,080)	(3,581,157)
Prepaid and other current assets	**(187,468)**	(61,319)	**(164,632)**	(66,962)	(1,167,868)
Deferred financing costs	**-**	-	**-**	343,675	(343,675)
Accounts payable and accrued liabilities	**213,082**	(74,447)	**429,824**	(221,960)	985,394
	(2,849,854)	(1,550,182)	**(6,210,350)**	(2,674,199)	(14,656,525)
INVESTING ACTIVITIES					
Promissory note receivable	**(717,236)**	-	**(717,236)**	-	(717,236)
Long term investment	**(19,500)**	-	**(19,500)**	-	(19,500)
Purchase of equipment	**(34,106)**	(32,107)	**(296,426)**	(33,697)	(978,468)
Purchase of patents and licences	**1,048**	-	**(9,687)**	(100,000)	(360,557)
Short-term investments	**8,280,117**	-	**(5,944,514)**	-	(6,446,553)
Cash acquired on reverse takeover	**-**	-	**-**	-	51,781
	7,510,323	(32,107)	**(6,987,363)**	(133,697)	(8,470,533)
FINANCING ACTIVITIES					
Repayment of notes payable to related parties	**-**	-	**-**	-	(5,000)
Proceeds from notes payable to related parties	**-**	-	**-**	2,000,000	1,634,295
Convertible debenture, net of issue costs	**-**	-	**-**	-	1,800,000
Issue of common shares for cash, net of issue costs	**10,494**	4,395	**852,559**	8,711,638	33,723,622
Issue of special voting share	**-**	-	**-**	100	100
	10,494	4,395	**852,559**	10,711,738	37,153,017
CUMULATIVE TRANSLATION ADJUSTMENT	**(507,807)**	-	**(1,138,775)**	-	(493,652)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**4,163,156**	(1,577,894)	**(13,483,929)**	7,903,842	13,532,307
CASH AND CASH EQUIVALENTS, beginning of period	**9,369,151**	9,598,758	**27,016,236**	117,022	-
CASH AND CASH EQUIVALENTS , end of period (Note 3)	**$ 13,532,307**	$ 8,020,864	**$ 13,532,307**	$ 8,020,864	$ 13,532,307

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 in the development stage and 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 September 30, 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. ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

Operating results for the nine month period ended September 30, 2008 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2008. The consolidated balance sheet at December 31, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2007 except for the following:

Basis of Presentation and Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; Opel Inc. and ODIS. Entities which are not controlled but over which the Company has the ability to exercise significant influence are accounted for using the equity method - Alcapi Solarwent Management GmbH ("ASM"), 50%. All intercompany and related account balances have been eliminated from the consolidated financial statements.

For further information about the Company's accounting policies, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2007.

Adoption of New Accounting Policies

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

(i) Inventories:
CICA Handbook Section 3031, Inventories, replaces corresponding 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 unaudited interim consolidated financial statements.

2. ACCOUNTING POLICIES (Continued)

(ii) 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.

In accordance with Section 3862, the Company is required to disclose the classifications of its financial instruments into one of the following five categories:

- held-for-trading
- held-for-maturity investments
- loans and receivables
- available-for-sale financial assets
- other financial liabilities

The new disclosures required by Section 3862 are included in note 15. The adoption of these standards had no material impact on the unaudited interim consolidated financial statements.

(iii) 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 14 to these interim consolidated financial statements.

The adoption of this standard did not have a material impact on the unaudited interim consolidated financial statements

Future Accounting Pronouncements

(i) 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.

(ii) Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As the International Accounting Standards Board currently has projects underway that should result in new pronouncements and since this Canadian convergence initiative is very much in its infancy as of the date of these statements, the Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	September 30, 2008	December 31, 2007
Cash	**$ 1,255,492**	$ 27,016,236
Cash equivalents	**12,276,815**	-
Balance	**$ 13,532,307**	$ 27,016,236

Investments which mature in less than ninety days from the original maturity are classified as cash equivalents on the Consolidated Balance Sheet. Cash equivalents are comprised of treasury bills. At September 30, 2008 and December 31, 2007, none of the Company's cash was restricted.

4. 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:

	September 30, 2008	December 31, 2007
US Treasury bills	**$ 3,020,076**	$ 502,039
Canadian provincial and federal bonds	**-**	-
AA rated corporate bonds	**2,462,877**	-
Canadian guaranteed investment certificate	**963,600**	-
Balance	**$ 6,446,553**	$ 502,039

5. MARKETABLE SECURITIES

	Shares	**September 30, 2008**	December 31, 2007
Tribute Minerals Inc.	**4,476**	**$ 352**	$ 365
Yangarra Resources Inc.	**3,578**	**340**	353
Titanium Corporation Inc.	**595**	**1,047**	1,128
Other	**-**	**258**	268
Balance	**8,649**	**$ 1,997**	$ 2,114

6. PROMISSORY NOTE RECEIVABLE

On July 28, 2008, the Company advanced by way of a promissory note (the "Note"), $717,236 (Euros 475,000) to ASM for the purposes of a bank 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 the lower of: 10% per annum or at a rate equalling the maximum interest rate permitted under German law. The interest is computed as simple annual interest on the basis of a year of 360 days.

6. PROMISSORY NOTE RECEIVABLE (Continued)

The principal and accrued interest shall be payable as follows: (i) the sum of $85,791 (Euros 59,375) each calendar quarter commencing on March 31, 2010 and (ii) interest shall accrue from July 28, 2008 and be payable on December 31, 2009 and on the same date in each succeeding year until repayment of the principal amount.

The note receivable is translated into US dollars at the current exchange rate as of the balance sheet date. A foreign exchange loss of $30,937 was recognized during the period ended September 30, 2008.

7. LONG TERM INVESTMENT

On July 28, 2008, the Company along with two partners, incorporated ASM, a German limited liability company. The Company's investment in ASM amounted to $19,500 (Euros 12,500) which provided the Company a 50% ownership in the issued and outstanding shares of ASM. ASM was created for the purpose of developing a grid field project in Spain known as Segovia 1 SL. The project will be sold to a third party when completed.

Due to the Company having significant influence in ASM, the Company's investment was reported as an equity investment and as such will include its 50% share of ASM's operations in the consolidated financial statements. As at September 30, 2008, the Company reported an equity in loss of ASM of $10,567.

8. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share, carrying 5,947,987 votes

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, December 31, 2007	51,471,517	$ 27,450,658
Issued on the exercise of warrants (Note 10)	1,119,332	1,004,863
Issued on the exercise of stock options	798,000	76,700
Issued on the conversion of special warrants (Note 10)	925,000	370,000
Value assigned to exercised warrants	-	145,691
Value assigned to exercised options	-	50,667
Opel Inc. Exchangeable shares, exchanged into common shares of the Company. (Note 10)	24,013	4,895
Balance, September 30, 2008	54,337,862	$ 29,103,474

9. SPECIAL VOTING SHARE

	Number of Shares		Amount
Balance, December 31, 2007 and September 30, 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 the Company, OPEL Inc. and Equity Transfer & Trust Company. The special voting share carries 5,947,987 votes.

10. SPECIAL WARRANTS AND SHARES TO BE ISSUED

Pursuant to the 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. Subsequent to the RTO agreement, 24,013 common shares were issued to Opel Inc. shareholders in exchange for 24,013 Exchangeable shares. A value of $4,895 was attributed to the 24,013 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 were 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, 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	(24,013)		(4,895)
Balance, September 30, 2008	5,947,987	$	1,212,513

11. WARRANTS

The following table reflects the continuity of warrants:

		Average exercise price	Number of warrants		Black-Scholes value
Balance, December 31, 2007	$	0.90	31,833,135	$	7,606,520
Exercised		0.89	(872,832)		(108,356)
Balance, September 30, 2008	$	0.90	30,960,303	$	7,498,164

11. WARRANTS (Continued)

As at September 30, 2008 the following warrants were outstanding:

	Number of Warrants	Fair Value ($)		Exercise Price ($)	Expiry Date
	8,501,681	-		0.75	December 30, 2008
Broker warrants	660,000	165,000	(1)	0.50	December 30, 2008
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	(2)	1.88	December 13, 2009
Broker units	1,500,000	612,790	(2)	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
	30,960,303	7,498,164			

(1) The 660,000 Broker warrants assumed during the RTO were valued at $165,000. These warrants were originally issued by Opel Inc. and were cancelled and reissued by the Company under the same terms.

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

12. 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.

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. 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.

12. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Stock option transactions and the number of stock options outstanding are 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	**-**	(15,000)	**-**	1.66
Options exercised	**(798,000)**	(530,000)	**0.10**	0.03
Options granted	**380,000**	4,376,000	**1.30**	0.92
Closing balance	**6,458,000**	6,876,000	**0.76**	0.65

During the period, 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 $1.30 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
	380,000		

Of the 380,000 (2007 - 3,986,000) stock options granted during the period, 136,250 (2007 - 1,371,500) have vested with the remainder vesting at various intervals over 18 months. The 380,000 (2007 - 3,986,000) stock options granted, were valued $330,561 (2007 - $2,154,690). During the period, $199,788 (2007 - $677,048) relating to the 136,250 (2007 - 1,371,500) vested stock options was charged to stock-based compensation and credited to contributed surplus. The remaining $130,863 (2007 - $1,477,642) will be charged to stock option compensation over the remaining vesting period.

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

	2008	2007
Risk-free interest rate	3.50%	4.74%
Dividend yield	0%	0%
Volatility	80%	80%
Estimated life	5 years	5 years

In addition to the new stock options granted during the period, the Company expensed $891,347 relating to vested stock options that were granted in a prior year and is included in stock based compensation.

12. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Details of the stock options outstanding at September 30, 2008 were as follows:

Value ($)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
-	700,000	700,000	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
126,966	315,000	315,000	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
1,500,481	2,371,500	3,163,000	0.94 (1)	September 21, 2012
239,423	195,000	390,000	1.48 (1)	December 14, 2012
55,819	82,500	165,000	1.18 (1)	February 12, 2013
71,220	47,500	190,000	1.46 (1)	April 29, 2013
6,154	6,250	25,000	1.03 (1)	June 19, 2013
2,465,370	5,227,750	6,458,000		

(1) These stock options were were issued in Canadian dollars and are exercisable at prices ranging from CDN $ 0.95 - $1.48.

The following table reflects the continuity of contributed surplus:

	Amount
Balance, December 31, 2007	**$ 1,788,617**
Stock-based compensation	**1,091,133**
Compensation options exercised	**(50,670)**
Balance, September 30, 2008	**$ 2,829,080**

13. PER SHARE AMOUNTS

	Three Months Ended September 30, **2008**	Three Months Ended September 30, 2007	Nine Months Ended September 30, **2008**	Nine Months Ended September 30, 2007
Numerator				
Net loss	**$(1,732,371)**	$(1,553,404)	**$ (5,120,679)**	$ (3,558,345)
Denominator				
Weighted average number of common shares outstanding	**54,141,870**	31,936,702	**53,556,806**	30,936,634
Weighted average number of common shares outstanding - diluted	**55,384,453**	39,848,729	**57,933,808**	34,191,981
Basic and diluted loss per share	**$ (0.03)**	$ (0.05)	**$ (0.10)**	$ (0.12)

13. PER SHARE AMOUNTS (Continued)

The denominator includes the 5,972,000 shares to be issued (refer to note 10).

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.

14. LEASES

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

Rent expense under these leases was $32,608 and $87,755 for the three and nine months ended September 30, 2008 and $18,191 and $48,071 for the three and nine months ended September 30, 2007. Further, as of September 30, 2008, the remaining minimum annual rental payments to the lease expiration dates were:

2009	$	56,252
2010		56,252
2011		35,158
	$	147,662

15. SEGMENT DISCLOSURE

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

	September 30, 2008		
	USA	**Canada**	**Consolidated**
Current assets	**$ 8,201,308**	**$ 16,924,477**	**$ 25,125,785**
Property and equipment	**434,195**	**-**	**434,195**
Patents and licenses	**265,722**	**-**	**265,722**
	$ 8,901,225	**$ 16,924,477**	**$ 25,825,702**
Sales	**$ 577,398**	**$ -**	**$ 577,398**
Research and development	**2,385,647**	**-**	**2,385,647**
General and administration	**2,496,952**	**1,286,510**	**3,783,462**

15. SEGMENT DISCLOSURE (continued)

September 30, 2007

	USA	Canada	Consolidated
Current assets	$ 8,612,502	$ 42,885	$ 8,655,387
Property and equipment	206,417	-	206,417
Patents and licenses	260,447	-	260,447
Deferred financing costs and other assets	-	17,312	17,312
	$ 9,079,366	$ 60,197	$ 9,139,563
Sales	$ 722,370	$ -	$ 722,370
Research and development	976,345	-	976,345
General and administration	1,645,781	1,669,885	3,315,666

16. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity, excluding accumulated other comprehensive income, cash and short-term investments. 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short-term investments, accounts receivable, marketable securities, accounts payable and accrued liabilities. 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist of short term investments and accounts receivable. Short-term investments consist of US and Canadian treasury notes, corporate bonds and Canadian government bonds, 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. Management does not believe that there is significant credit concentration or risk.

Exchange Rate Risk
The Company transacts a significant portion of its business in US currency and is therefore exposed to currency fluctuations.

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. However, due to the nature of the Company's investments, such changes in interest rate would have limited impact on the Company over the short term.

Liquidity Risk
The Company has no income and relies on equity fund raising to support its R&D program. Management prepares budgets and ensures funds are available prior to commencement of any such program. The Company has sufficient capital to fund its operations over the next twelve months.

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.