

**NOTICE TO SHAREHOLDERS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 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 months ended March 31, 2008 and March 31, 2007.

**OPEL INTERNATIONAL INC.**  
**(A Development Stage Company)**

**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited and Expressed in US Dollars)**

	March 31, 2008	December 31, 2007
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 3)	\$ 13,992,579	\$ 27,016,236
Short-term investments (Note 4)	11,905,863	502,039
Accounts receivables	24,062	134,498
Prepays and other current assets	1,005,461	1,035,353
Inventory	1,386,771	1,151,632
Marketable securities (Note 5)	2,027	2,114
	<b>28,316,763</b>	29,841,872
Equipment	305,150	287,140
Patents	270,501	277,859
	<b>\$ 28,892,414</b>	<b>\$ 30,406,871</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 469,063	\$ 578,181
<b>Shareholders' Equity</b>		
Share capital (Note 6(b))	28,877,792	27,450,658
Special voting share (Note 7)	100	100
Special warrants and shares to be issued (Note 8)	1,217,408	1,853,743
Warrants (Note 9)	7,504,319	7,606,520
Contributed surplus (Note 10)	2,061,548	1,788,617
Accumulated other comprehensive income	(262,547)	645,123
Deficit	(10,975,269)	(9,516,071)
	<b>28,423,351</b>	29,828,690
	<b>\$ 28,892,414</b>	<b>\$ 30,406,871</b>

**OPEL INTERNATIONAL INC.**  
**(A Development Stage Company)**

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

**For The Three Months Ended March 31, 2008 and 2007**

	2008	2007	Cumulative from inception on December 29, 2000 to March 31, 2008
Sales	\$ 17,557	\$ 284,235	\$ 4,889,095
Expenses			
Research and development	501,333	299,050	5,294,716
General and administration (note 10)	1,245,641	805,466	10,535,077
Interest expense	-	40,048	529,422
Interest income	(270,208)	-	(497,647)
Other (income) expense	(11)	9,116	2,796
	<b>1,476,755</b>	1,153,680	15,864,364
Net loss	<b>(1,459,198)</b>	(869,445)	(10,975,269)
Deficit, beginning of period	<b>(9,516,071)</b>	(3,767,400)	-
Deficit, end of period	<b>\$(10,975,269)</b>	\$ (4,636,845)	\$(10,975,269)
Basic and diluted loss per share (Note 11)	<b>\$ (0.03)</b>	\$ (0.05)	

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

**For The Three Months Ended March 31, 2008 and 2007**

	2008	2007
Net loss	<b>\$ (1,459,198)</b>	\$ (869,445)
Other comprehensive income - net of income taxes		
Net change in unrealized gains on currency translation adjustment	<b>(907,670)</b>	-
Comprehensive loss	<b>\$ (2,366,868)</b>	\$ (869,445)

**OPEL INTERNATIONAL INC.**  
**(A Development Stage Company)**

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2008</b>	<b>2007</b>
Opening balance	<b>\$ 645,123</b>	<b>\$ -</b>
Cumulative translation adjustment	<b>(907,670)</b>	<b>645,123</b>
Accumulated other comprehensive income	<b>\$ (262,547)</b>	<b>\$ 645,123</b>

**OPEL INTERNATIONAL INC.**  
**(A Development Stage Company)**

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

**For The Three Months Ended March 31, 2008 and 2007**

	2008	2007	Cumulative from inception on December 29, 2000 to March 31, 2008
<b>CASH (USED IN) PROVIDED BY</b>			
<b>OPERATING ACTIVITIES</b>			
Net loss	\$ (1,459,198)	\$ (869,445)	\$(10,975,269)
Adjustment for:			
Amortization of equipment	24,030	21,928	418,932
Amortization of patents and licences	7,358	3,908	80,369
Interest expense	-	-	214,208
Other (income) expense	-	-	484
Stock option compensation (Note 10)	297,115	185	2,097,824
Listing delay penalty	-	216,000	648,000
	<b>(1,130,695)</b>	<b>(627,424)</b>	<b>(7,515,452)</b>
Net change in non-cash working capital:			
Accounts receivable	110,436	20,584	(8,009)
Prepaid and other current assets	29,979	6,976	(973,257)
Inventory	(235,139)	-	(1,386,771)
Deferred financing costs	-	143,675	(343,675)
Accounts payable and accrued liabilities	(109,118)	(310,077)	446,452
	<b>(1,334,537)</b>	<b>(766,266)</b>	<b>(9,780,712)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment	(42,040)	-	(724,082)
Purchase of patents	-	-	(350,870)
Short-term investments	(11,403,824)	-	(11,905,863)
Cash acquired on reverse takeover	-	-	51,781
	<b>(11,445,864)</b>	<b>-</b>	<b>(12,929,034)</b>
<b>FINANCING ACTIVITIES</b>			
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	664,414	1,678,981	33,535,477
Issue of special voting share	-	-	100
	<b>664,414</b>	<b>3,678,981</b>	<b>36,964,872</b>
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>	<b>(907,670)</b>	<b>-</b>	<b>(262,547)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,023,657)</b>	<b>2,912,715</b>	<b>13,992,579</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>27,016,236</b>	<b>117,022</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, end of period (Note 3)</b>	<b>\$ 13,992,579</b>	<b>\$ 3,029,737</b>	<b>\$ 13,992,579</b>

**OPEL INTERNATIONAL INC.**  
**(A Development Stage Company)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDING MARCH 31, 2008**  
**(Unaudited)**

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**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 March 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.

**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 three month period ended March 31, 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. For further information, 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.

(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.

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**2. ACCOUNTING POLICIES (continued)**

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.

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**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<b>March 31, 2008</b>	December 31, 2007
Cash	<b>\$ 9,583,871</b>	\$ 27,016,236
Cash equivalents	<b>4,408,708</b>	-
Balance	<b>\$ 13,992,579</b>	\$ 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 March 31, 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:

	<b>March 31, 2008</b>	December 31, 2007
US Treasury bills	<b>\$ 508,039</b>	\$ 502,039
Canadian provincial and federal bonds	<b>8,055,460</b>	-
AA rated corporate bonds	<b>2,365,038</b>	-
Canadian guaranteed investment certificate	<b>977,326</b>	-
Balance	<b>\$ 11,905,863</b>	\$ 502,039

**5. MARKETABLE SECURITIES**

	<b>Shares</b>	<b>March 31, 2008</b>	December 31, 2007
Tribute Minerals Inc.	<b>4,476</b>	<b>\$ 357</b>	\$ 365
Yangarra Resources Inc.	<b>3,578</b>	<b>345</b>	353
Titanium Corporation Inc.	<b>595</b>	<b>1,063</b>	1,128
Richmond Minerals Inc.	-	-	-
Other	-	<b>262</b>	268
Balance	<b>8,649</b>	<b>\$ 2,027</b>	\$ 2,114

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**6. 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, 2007	51,471,517	\$ 27,450,658
Issued on the exercise of warrants (Note 8)	923,340	857,418
Issued on the exercise of stock options	60,000	36,000
Issued on the conversion of special warrants (Note 8)	925,000	370,000
Value assigned to exercised warrants	-	139,536
Value assigned to exercised options	-	24,180
Balance, March 31, 2008	53,379,857	\$ 28,877,792

**7. SPECIAL VOTING SHARE**

	Number of Shares	Amount
Balance, December 31, 2007 and March 31, 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 5,972,000 votes.

**8. 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.

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.

OPEL INTERNATIONAL INC.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDING MARCH 31, 2008

(Unaudited)

8. SPECIAL WARRANTS AND SHARES TO BE ISSUED (Continued)

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)
Balance, March 31, 2008	5,972,000	\$ 1,217,408

9. 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	0.93	(676,840)	(102,201)
Balance, March 31, 2008	\$ 0.90	31,156,295	\$ 7,504,319

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

	Number of Warrants	Fair Value (\$)	Exercise Price (\$)	Expiry Date
Broker warrants	8,668,681	-	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	749,137	159,928	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
	2,674,835	563,183	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
	31,156,295	7,504,319		

(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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDING MARCH 31, 2008**  
**(Unaudited)**

**10. 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 September 21, 2007, the directors of the Company approved a new fixed 20% stock option plan (the "New Plan"). The TSX Venture Exchange ("TSXV") has conditionally approved the New Plan subject to the approval of the disinterested shareholders of the Company. 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") which was fixed on May 20, 2008. 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.

An aggregate of 3,556,000 stock options were granted under the New Plan, subject to the aforesaid approvals and further subject to a prohibition on exercise until shareholders' approval has been obtained.

If the New Plan is not approved by shareholders on June 19, 2008, the Rolling Plan will be reinstated and the number of options granted under the New Plan will be reduced such that the number of stock options outstanding does not exceed 10% of the issued and outstanding voting shares of the Company at the time of the shareholder's meeting.

Stock option transactions and the number of stock options outstanding under the plan are as follows:

	Number of stock options		Weighted average exercise price	
	2008	2007	2008	2007
			\$	
Opening Balance	<b>6,876,000</b>	3,045,000	<b>0.65</b>	0.16
Options expired	-	(15,000)	-	1.66
Options exercised	<b>(60,000)</b>	(530,000)	<b>0.60</b>	0.03
Options granted	-	4,376,000	-	0.92
Closing balance	<b>6,816,000</b>	6,876,000	<b>0.65</b>	0.65

No stock options were granted during the period ending March 31, 2008 or 2007.

During the period, the Company expensed \$297,115 (2007 - \$nil) relating to vested stock options that were granted in a prior year and is included in general and administrative expense.

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**10. STOCK OPTIONS AND CONTRIBUTED SURPLUS (continued)**

Details of the stock options outstanding at March 31, 2008 were as follows:

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
130,997	325,000	325,000	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
1,267,438	1,583,000	3,166,000	0.94 (2)	September 21, 2012
177,291	97,500	390,000	1.48 (2)	December 14, 2012
2,061,548	4,940,500	6,816,000		

**11. PER SHARE AMOUNTS**

	2008	2007
Numerator		
Net loss	\$ (1,459,198)	\$ (869,445)
Denominator		
Weighted average number of common shares outstanding	52,869,712	18,488,270
Weighted average number of common shares outstanding - diluted	63,179,037	22,516,929
Basic and diluted loss per share	\$ (0.03)	\$ (0.05)

The denominator includes the 5,972,000 shares to be issued (refer to note 8).

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.

**12. LEASES**

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

Rent expense under these leases was \$27,205 and \$14,350 for the three months ended March 31, 2008 and 2007 respectively. Further, as of March 31, 2008, the remaining minimum annual rental payments to the lease expiration dates were:

2009	\$ 54,913
2010	56,252
2011	56,252
2012	7,032
	\$ 174,449

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**13. SEGMENT DISCLOSURE**

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

**March 31, 2008**

	<b>USA</b>	<b>Canada</b>	<b>Consolidated</b>
<b>Current assets</b>	<b>\$ 6,356,751</b>	<b>\$ 21,960,012</b>	<b>\$ 28,316,763</b>
<b>Property and equipment</b>	<b>305,150</b>	<b>-</b>	<b>305,150</b>
<b>Patents and licenses</b>	<b>270,501</b>	<b>-</b>	<b>270,501</b>
	<b>\$ 6,932,402</b>	<b>\$ 21,960,012</b>	<b>\$ 28,892,414</b>
<b>Sales</b>	<b>\$ 17,557</b>	<b>\$ -</b>	<b>\$ 17,557</b>
<b>Research and development</b>	<b>501,333</b>	<b>-</b>	<b>501,333</b>
<b>General and administration</b>	<b>893,994</b>	<b>351,647</b>	<b>1,245,641</b>

**March 31, 2007**

	<b>USA</b>	<b>Canada</b>	<b>Consolidated</b>
<b>Current assets</b>	<b>\$ 3,178,960</b>	<b>\$ 41,201</b>	<b>\$ 3,220,161</b>
<b>Property and equipment</b>	<b>217,590</b>	<b>-</b>	<b>217,590</b>
<b>Patents and licenses</b>	<b>171,595</b>	<b>-</b>	<b>171,595</b>
<b>Deferred financing costs and other assets</b>	<b>281,500</b>	<b>17,312</b>	<b>298,812</b>
	<b>\$ 3,849,645</b>	<b>\$ 58,513</b>	<b>\$ 3,908,158</b>
<b>Sales</b>	<b>\$ 284,235</b>	<b>\$ -</b>	<b>\$ 284,235</b>
<b>Research and development</b>	<b>299,050</b>	<b>-</b>	<b>299,050</b>
<b>General and administration</b>	<b>777,135</b>	<b>28,331</b>	<b>805,466</b>

**14. 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

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**(Unaudited)**

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**14. CAPITAL MANAGEMENT (Continued)**

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.

**15. 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.

**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.