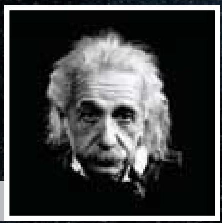
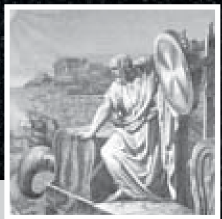
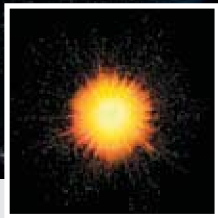
OPEL

Harnessing the Sun through Concentration

Annual Report 2008







OPEL Inc. builds on years of experience and creates innovative, highly-efficient solar solutions to power your future

Albert Einstein wins the Nobel prize for his work on the photo-electric effect

Archimedes concentrates the sun's rays with mirrors

"Let there be light"


CARGO PKTS.

DIRECTORS' REPORT

To the Shareholders of OPEL International Inc.:

Without a doubt, 2008 was a year of transition for OPEL and for the high concentration photovoltaic ("HCPV") industry as a whole. The scale of HCPV projects around the globe has accelerated from trial systems to meaningfully sized power producing solar grid fields. OPEL has also made strong progress in its military subsidiary, OPEL Defense Integrated Systems ("ODIS"), on the Infrared, Sensor and RF/Wireless business that is funded by various military departments within the Department of Defense ("DOD") and other government agencies.

Larger HCPV project scale requests expanded OPEL's solar global reach with new installations in Europe, our first production of HCPV shipments, the development of the new "green jobs" program in the USA and the continued advancements in our Infrared, Sensor and RF/Wireless military projects. These are some of the highlights for 2008. These milestones, coupled with a high quality workforce, a strong balance sheet with no debt and ample cash, we believe positions us for continued growth and accomplishments in 2009.

Despite the unprecedented global economic downturn and the delay in the U.S. Federal Government solar tax credit extension, we saw a notable increase in project size, evolving from small installation requests of 5 or 10 kilowatts (kW), like the trials in the Czech Republic, U.S., Canada and South Korea, to requests of 100 kW through 5 megawatts (MW), in Spain, Italy, Greece, India and the United States.

We believe this transition is not only reflective of customers' confidence that HCPV systems are now operational, but also in OPEL's growing brand recognition as a key HCPV supplier with a full lineup of solar trackers as well as our reputation for excellent products and strong customer field support and service.

OPEL continued its expansion into Europe with the formation of OPL Solar Europe SPRL ("OSE") located in Brussels, Belgium. The first activity of OPL was the formation of a joint venture operation in Germany, Alcapi Solarwent Management GmbH ("ASM"), which is to be one of the focal companies to finance or install various European solar projects. The first solar project ASM secured was a 712 kW HCPV solar farm in Segovia, Spain, which is proceeding through the permit cycle. The second formation by OSE was BETASOL Energias Alternativas, S.L. in Spain, whose initial focus is Spanish installations with a first HCPV project of 440 kW in the northwest part of the country.

Currently, Spain is the country with the largest amount of OPEL's concentrator deployments. OPEL's partnerships with ASM in Germany and BETASOL in Spain continue to develop, and both are the source of some significant projects. Shipment of our Mk-I HCPV panels began in December 2008 for our first installation, and these successful partnerships continue to grow as we move through 2009.

BETASOL recently expanded its HCPV opportunity to build a new utility grade solar farm in Spain, which will provide a total of 2.375 MW of HCPV generated power and will bring meaningful advancement of HCPV installations in the region's solar marketplace, paving the way for what we believe will be additional projects in the region. The permit process is now underway.

In North America OPEL saw the installation of several key projects in the U.S., including the installation and activation of a 9.5 kW grid tied solar installation at the Sports Zone, an indoor sports complex in Trumbull, CT. OPEL's U.S. projects have continued in 2009, including a 131 kW rooftop solar tracking system at an elementary school in Plainville, CT, which was the first of its kind in the state. OPEL also shipped its large dual axis solar trackers to various agricultural locations in northern California. The installations, which are now completed, represent more than 450 kW of OPEL trackers.

In 2008, we saw advancements in our design and manufacturing processes, as well. One of OPEL's competitive advantages continues to be the increased efficiency derived from our innovative HCPV system including large dual axis solar trackers which require fewer solar panels to produce a similar amount of electric power as fixed solar systems.

A new design which was under development in 2008 and recently introduced to the marketplace is the TF-500 dual axis tracker. It is our largest dual axis tracker system and is designed for large scale utility grade solar farm applications.

We are also proud to note that the TF-500 tracker not only brings new benefits to OPEL, but also for the state of Connecticut through the creation of "green jobs" there. Our partnership with Derby, Connecticut-based Charles J. Dickgiesser & Co. to manufacture these trackers has not only brought new job opportunities to the area, but also allows us to satisfy North American customer orders more expeditiously.

We believe OPEL's participation in the creation of green jobs ties in nicely with President Obama's green energy initiatives and his vision to generate new U.S. jobs through the renewable energy programs and incentives that are included in the recently approved Federal stimulus bill.

Looking ahead in 2009 and beyond, we see expanding support for solar deployment in Europe, Asia and the Middle East. Coupled with new vital support and enhanced tax incentives in President Obama's stimulus plan, we also see an important U.S. growth story emerging for solar energy, which we believe will present new and exciting opportunities for OPEL and for you, our shareholders and employees, in the months to come. In 2009, we also believe our Infrared, Sensor and RF/Wireless programs with the military will continue to expand with the addition of defense contractors along with much greater DOD and government agency involvement.

In conclusion, I would like to thank my fellow directors for their continued guidance and leadership, our employees and staff for their highly valued efforts, our European partners, the various Defense Departments and Agencies and our suppliers on behalf of OPEL. We also greatly appreciate the support and interest of our shareholders and look forward to communicating updates of the firm's continued success to you in the future. We look forward to greeting many of you at our Annual Meeting on June 17th.

Robert G. Pico
Director and Chief Executive Officer
May 15, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying financial statements contained in this report were prepared by and the responsibility of management. The statements were prepared in accordance with Canadian generally accepted accounting principles and include management's best judgments and estimates. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial information presented elsewhere in this report is consistent with that in the financial statements.

Opel International Inc. (the "Company") maintains a system of internal controls which provides management with reasonable assurance that financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by Smith, Nixon & Co. LLP., the independent external auditors appointed by shareholders. In that capacity, they have examined and reported on the financial statements for the year ended December 31, 2008. The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors and has recommended their approval by the Board of Directors.

Robert G. Pico
Chief Executive Officer
Toronto, Ontario
May 15, 2009

FOR THE YEAR ENDED DECEMBER 31, 2008

The following discussion and analysis of the operations, results, and financial position of OPEL International Inc., (the "Company") for the year ended December 31, 2008 should be read in conjunction with the December 31, 2008 audited consolidated financial statements and the related notes thereto. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The effective date of this report is April 15, 2009. All financial figures are in United States dollars (USD) unless otherwise indicated.

Forward-Looking Statements

This management discussion and analysis contains forward-looking statements that involve risks and uncertainties. It uses words such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", and other similar expressions to identify forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the early stage of the Company's development and the possibility that future development of the Company's technology and business will not be consistent with management's expectations, difficulties with achieving in commercial production or interruptions in such production if achieved, the inherent uncertainty of cost estimates and the potential for unexpected costs and expenses, the uncertainty of profitability and failure to obtain adequate financing on a timely basis. The Company undertakes no obligation to update forward-looking statements if circumstances or Management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Business Overview

The Company is incorporated under the laws of the Province of New Brunswick. Through its subsidiary, OPEL Inc. ("OPEL") founded in December of 2000, it is engaged principally in the development and marketing of concentrating solar panels and single and dual axis solar tracking systems for commercial applications and the development of a gallium arsenide microchip for numerous applications, including solar cells. The Company's shares trade under the symbol "OPL" on the TSX Venture Exchange.

OPEL designs, manufactures and markets high performance concentrating photovoltaic ("HCPV") panels to transform solar energy into electricity for worldwide application. OPEL's HCPV panels can generate up to 40% more kilowatt-hours than conventional flat plate silicon solar panels, resulting in more cost effective electricity generated from the sun. With its unique design and high efficiency, OPEL strives to become the leader in HCPV solar panels. OPEL is working on a product roadmap to lower the cost of its HCPV panels to grid parity in 2011. OPEL also markets a complete line of single and dual axis solar trackers to mount solar panels for the optimum power output. Moving to increase OPEL's presence in Europe, OPEL and two partners formed Alcapi Solartwent Management GmbH ("ASM"), a German limited liability company. ASM was formed for the purpose of developing a grid field installation in Spain know as Segovia 1 SL which will be sold to a third party, once completed, that will sell electricity to the grid. OPEL looks for partners that are solar integrators or other parties interested in building solar grid fields. OPEL has now formed OPL Solar Europe, a Belgium-based subsidiary, to better address other ASM like opportunities in Europe. ASM now reports to OPL Solar Europe.

OPEL, through its ODIS, Inc. ("OPEL Defense Integrated Systems") subsidiary, also designs infrared sensor type products for military and industrial applications. ODIS continues to develop gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: solar concentrator cells and panels for use in power grid applications and commercial rooftops, infrared sensor arrays for security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential telecommunication applications such as Fiber To The Home ("FTTH"). The use of gallium arsenide as the key material in OPEL's solar cell development will permit the use of these cells under five hundred times concentration for greatly increased output compared to silicon-based flat plate solar collector designs, as are predominately used in commercial applications. OPEL/ODIS has been awarded several US Department of Defense projects since 2000. These have been and continue today to support OPEL's Planar Opto-Electronic Technology ("POET") process development, infrared sensing technology, optical/laser development and the combination of electronic circuits and lasers on the same microchip. OPEL remains active in this area with several recent projects underway with the US Department of Defense. OPEL provides this activity through its subsidiary, ODIS, Inc..

The solar cell development is based on the use of gallium arsenide chips being designed by OPEL which when ready, will be processed by the Canadian Photonics Fabrication Center ("CPFC") which is a part of the Canadian National Research Centre in Ottawa, Canada. The ensuing development phase of an OPEL multi-junction solar cell will be based on a variation of OPEL's POET technology after the transfer is complete from OPEL's University of Connecticut ("UCONN") Laboratory to a qualified fabrication source such as CPFC in Ottawa or BAE Systems. BAE Systems is currently working on the transfer of the POET technology to its fab facility in New Hampshire where, if successful, may be used in military products. This variation will include an adjusted transistor design from the present POET process.

Significant Events in 2008

OPEL has made great strides throughout 2008. The following milestones were achieved in 2008, are significant to the development of the Company and are considered necessary foundation achievements to the Company's future success:

First - Third Quarters

1. OPEL added a Vice President of Engineering in February 2008 to lead the R&D efforts and the migration of OPEL's concentrating solar panels to volume manufacturing.
2. OPEL entered into a long-term supply contract with Boeing-Spectrolab, for volume supply of its triple junction high efficiency solar cells.
3. OPEL shipped the first trial installations of its high density concentrator systems to Energy 21 in the Czech Republic, the first operational in Central Europe, and to SunPeak Solar in California. These Trial installations have proven to be successful.
4. OPEL signed a distribution agreement with Solarfun Power Holding for North America and Brazil.
5. OPEL has won the contract to provide power to a Connecticut school based on the use of its patented low profile roof top tracking system. Installation started in the third quarter and will be complete shortly.
6. OPEL won a contract to install its patented Mk-I concentrating solar panels and dual axis trackers for the City of Medicine Hat, Alberta. Installation started in the fourth quarter.
7. OPEL successfully transferred the design specifications of its patented Mk-I concentrating solar panel to a contract manufacturer in Mexico. That manufacturer is now running production quantities for delivery in the third and fourth quarters of 2008.
8. OPEL booked an order for a 10kW installation in South Korea for its Mk-I concentrating solar panels. This is the initial phase of grid field deployment which is expected to lead to 10MW in future deployment.
9. OPEL and its partners formed Alcapi Solartwent Management (ASM), which applied for and was granted, a permit from the Spanish Government, as well as the local utility, to build a solar grid field of 712kW in size. OPEL will sell its Mk-I concentrating solar panels and dual axis tracking systems to this installation. The completed grid field will be sold to outside investors that will sell the electricity generated to the local utility.
10. OPEL has commissioned a 10kW solar system, utilizing its concentrating solar panels and SF-20 trackers, to provide power to a commercial building in a neighboring town in Connecticut.
11. OPEL shipped SF-20 trackers and Mk-I concentrating solar panels to a Spanish integrator in Q3.
12. OPEL obtained CE qualification for its Mk-I concentrating solar panel under IEC 62108 standards. This CE compliance is required to sell products into the European market as well as other markets using these standards.

Fourth Quarter

13. OPEL formed a Belgium-based subsidiary, OPL Solar Europe SPRL, to better address solar opportunities in Europe. Any partnerships that develop for grid field installations would now work with OPEL through this entity.
14. Manufacturing for OPEL's largest dual axis solar tracking system, the SF-45, was successfully brought on line in the US and deliveries were made of 80 trackers to grid field installations in California. This move lowered our cost to manufacture as well as reducing shipping costs and time for US installations.
15. OPEL booked a 440kW order for HCPV panels from a Spanish integrator, Betasol, and began shipping product late in December. Once installed and commissioned, the grid field will be sold to a third party that will sell the electricity produced.
16. OPEL hired a Vice President of Policy Making and Administration in November.
17. OPEL delivered 5kW in HCPV panels and trackers to be installed in Medicine Hat, Alberta.
18. OPEL delivered 4kW in HCPV panels and trackers to a customer in Italy.

Selected Annual Information

The following are the summary profit and loss financial data of the Company for the most recent three years which have been prepared in accordance with Canadian generally accepted accounting principles:

	2008	2007	2006
Sales	$ 1,516,838	$ 931,717	$ 1,100,424
Cost of goods sold	808,907	-	-
Research and development	2,978,382	1,359,944	1,091,351
Depreciation and amortization	148,440	116,406	106,487
Professional fees	535,779	378,607	294,607
Stock-based compensation	1,397,982	1,571,132	81,868
General and administrative	3,139,238	3,211,576	1,769,260
Interest expense	-	270,162	65,501
Investment income	(2,314,193)	(227,439)	-
Foreign exchange gain	(84,465)	-	-
Loss before non-controlling interest	(5,093,232)	(5,748,671)	(2,308,650)
Non-controlling interest	18,391	-	-
Net loss	$ (5,074,841)	$ (5,748,671)	$ (2,308,650)

During 2008, the Company generated sales of $1,516,838 as compared to sales of $931,717 in 2007. This increase in sales is due to the growth of revenue from our solar products in the fourth quarter of the year. We now segregate our product costs of $808,907, where no meaningful amount was incurred in 2007. Our research and development expenses grew by $1,618,438 in 2008 due to the addition of seven new engineers and the expenses related to their development activities. Our headcount has been level for the last two quarters. In addition, we used several outside subcontractors to aid in the finalization of our commercial solar products and the start-up of low level production, both non-recurring activities. Professional fees were higher in 2008 by $157,172 in legal expenses related to our subsidiary formation and joint ventures relationships. G&A expenses were lower by $72,338 in 2008 due to less travel and funding related activities. There was no interest expense in 2008, as it was related to the debenture used in our earlier funding and inter-company loans for which no interest is now necessary. Lastly, investment income grew significantly due to the large amount of cash invested over the course of 2008.

Summary of Quarterly Results

Following are the highlights of financial data of the Company for the most recently completed eight quarters which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts herein are expressed in United States dollars unless otherwise indicated:

	Dec. 31/08	Sep. 30/08	Jun. 30/08	Mar. 31/08	Dec. 31/07	Sep. 31/07	Jun. 31/07	Mar. 31/07
Sales	939,440	449,607	110,234	17,557	209,347	233,795	204,340	284,235
Cost of goods sold	808,907	-	-	-	-	-	-	-
Research and development	592,735	1,048,429	835,885	501,333	409,379	374,763	276,752	299,050
Depreciation and amortization	5,177	60,102	51,772	31,389	34,552	28,939	27,079	25,836
Professional fees	164,936	81,821	149,581	139,441	188,431	79,249	52,994	57,933
Stock-based compensation	306,848	363,711	430,308	297,115	894,084	463,028	214,020	-
General and administrative	961,016	678,333	722,204	777,685	841,660	955,677	683,426	730,813
Investment (income) expense	(1,843,161)	(50,418)	(150,406)	(270,208)	31,567	(114,457)	85,565	40,048
Foreign exchange gain	(84,465)	-	-	-	-	-	-	-
Net income (loss)	45,838	(1,732,371)	(1,929,110)	(1,459,198)	(2,190,326)	(1,553,404)	(1,135,496)	(869,445)

Explanation of Quarterly Results

In the fourth quarter, sales rose significantly over the nine months ended September 30, 2008, and have increased four times over the same period in 2007. The Company's net income for the three months ended December 31, 2008 was $45,838 compared to a net loss of $2,190,326 for the same period in 2007. The December quarter income was heavily weighted by the large amount of interest earned on investments and a foreign exchange gain of $84,465. The three months ended December 31, 2008 included a non-cash expense of $306,848 related to the valuation of stock options, some of which were granted in a prior year. Stock-based compensation is $587,000 lower than the same quarter of 2007. This expense is necessary to attract and hold highly skilled employees. OPEL experienced an increase of $183,000 in R&D expenses related to subcontracting expenses necessary to set up the manufacturing process of our solar panels in Mexico and our SF-45 dual axis tracker in Connecticut. Our G&A expenses were higher by $101,000 year over year due to additional marketing and sales activities in the quarter ended December 31, 2008.

Liquidity and Capital Resources

The Company had working capital of $21,157,130 at December 31, 2008, compared to $29,263,691 at December 31, 2007.

During the twelve months, the Company received $885,683 from the exercise of 872,832 warrants and broker warrants and 1,098,000 stock options.

The Company continues to be very liquid, even during times of economic uncertainty and instability. Of the Company's $24,649,938 of assets, $22,749,938 is classified as current assets, which includes $14,444,975 of cash and cash equivalents, and $2,289,717 of short-term investments. With annual operating expenses of approximately $6.6 million dollars and OPEL's revenue starting to increase, the Company has sufficient cash to carry it through the projected term of the economic downturn.

The Company is not currently contemplating any new financing in the near future. Management is satisfied that the current cash reserves are sufficient to fund the Company's expansion, inventory purchase commitments and research programs through 2009.

Critical Accounting Estimates

Stock-based Compensation

The Company uses the fair value method to account for stock options granted after January 1, 2003. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being charged to contributed surplus. Upon exercise of these stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

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

Other stock-based payments

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued or service provided, whichever is more reliable.

Inventory Valuation

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

Cumulative Translation Adjustment

GAAP requires certain gains and losses such as certain exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation to be included in comprehensive income.

Contractual Obligations

In December 2007, the Company made an initial prepayment of $1,000,000 as evidence of its commitment to ensure the available supply of solar cells on a timely basis from its supplier, Boeing-Spectrolab. The unapplied balance of this prepayment is included in prepaids and other current assets.

OPEL leases office space and research facilities. The office lease extends to June, 2014. The lease on the research facility at the University of Connecticut expired in September, 2007 and an extension is in process, but due to renovations on that facility, it will not be finalized until after all renovations are completed. The total obligation to the end of both leases is $463,863.

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 these audited 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.

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 19 of these audited consolidated financial statements for the twelve months ended December 31, 2008. The adoption of these standards had no material impact on these audited 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 20 of these audited consolidated financial statements for the twelve months ended December 31, 2008.

The adoption of this standard did not have a material impact on these audited 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) 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 for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company will apply the amendments to Handbook Section 1000 commencing January 1, 2009.

Financial Instruments

OPEL'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, highly rated corporate bonds and Canadian government bonds, held with reputable financial institutions on 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. At year end, accounts receivable were concentrated among two customers.

Exchange Rate Risk

The Company transacts a significant portion of its business in US currency and is therefore exposed to currency fluctuations. OPEL is mitigating this risk with its subsidiary OPL Solar Europe. This entity will conduct most of OPEL's European business reducing the need to continually exchange Dollars for Euros.

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 limited income and has relied on equity financing to support its R&D program, its manufacturing start-up and inventory build. Management prepares budgets and ensures funds are available prior to commencement of any such program.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. OPEL 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.

Environmental and Climate Change Issues

OPEL faces few, if any, of these issues directly as it uses contract manufacturers and the characteristics of its products are not environmentally hazardous. However, OPEL's products allow its customers to make great contributions to climate change. Each 1MW of OPEL's HCPV panels installed avoids 600 tons of CO_2 from being discharged into the atmosphere each year, the equivalent of planting 93 acres of trees.

Strategy and Outlook

The Company has made the transition from a development stage company to one of sales of commercial solar products in 2008. There are a number of projects planned which will address the short-term and long-term goals of the Company including, but not limited to the following:

- Continue to work on a series of phased cost reductions geared at lowering the cost of our Mk-I HCPV solar panels by up to 40%, while continuing to increase their efficiency.
- Ramp up US production for the SF-20 dual axis tracking system.
- Implement cost-reductions and increase the production of OPEL's Sequoia rooftop tracker system.
- Identify a second source European/Asian contract manufacturer to allow increased manufacturing capability for OPEL's HCPV solar panels.
- Fill out key management positions within OPEL, ie. VP Sales and VP Operations.
- Add key sales positions in Europe and US/Canada.
- Establish a dealer and representative network for our solar products.
- Transfer the patented POET technology to fabrication that can prove its viability and product potential.

Significant Events Since January 1, 2009

Since December 31, 2008, OPEL, through OPL Solar Europe has entered into a partnership with Fureza Solar S.L., a Spanish solar integrator, forming Betasol Energias Alternativas, S.L. OSE acquired a 50% interest amounting to $2,293 (Euros 1,750). The Betasol partnership will install a 440kW grid field in Spain in the first and second quarters of 2009. Once completed, this grid field will be sold to a third party who will generate and sell the electricity produced.

On March 20, 2009, OPEL completed Connecticut's first rooftop solar tracker system. The 131 kW solar system was installed on the Linden Street School in Plainville, CT and is supplying a significant portion of their electric needs and eliminating 79 tons of carbon emissions over the next 20 years.

Outstanding Share Data

Common Shares	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	1,098,000	77,000
Issued on the conversion of special warrants (Note 10)	925,000	370,000
Value assigned to exercised warrants	-	145,691
Value assigned to exercised stock options	-	50,669
OPEL Inc. Exchangeable shares, exchanged into Common shares of the Company. (Note 10)	986,013	201,001
Balance, December 31, 2008	55,599,862	$ 29,299,882

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

Outstanding warrant data

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

Outstanding Stock options

Details of the stock options outstanding at December 31, 2008 and April 15, 2009 were as follows:

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		as of December 31, 2008
	216,250	865,000	0.15 (1)	February 13, 2014
	5,342,500	7,389,000		as of April 15, 2009

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

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Disclosure Controls

Based on an evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded at December 31, 2008 that these controls and procedures operated effectively.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. It was concluded that there is a weakness in the Company's ability to adequately segregate the duties of the Chief Financial Officer due the Company's size and limited number of employees. Management concluded, and the Board of Directors agreed, that this weakness has not resulted in any material errors in the financial statements of the Company.

This weakness will be mitigated as the Company grows and increases staffing levels.

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.

The Company is assessing the potential impacts of this changeover and is developing its IFRS change over plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

Key Business Risks and Uncertainties

Dependence Upon Key Personnel – OPEL depends on its senior management and technical staff. If OPEL is unable to attract and retain key personnel, it may have a material adverse effect on the Company.

Product Development – Delays in product development or the transition to commercial scale production may cause a material adverse effect to the Company.

Financial Liquidity – OPEL may not have adequate financial reserves to enable it to grow rapidly enough to serve its customer base.

Production Capability – OPEL has no history of product production and must rely on outsourcing its products to other companies for production.

Technology Changes – OPEL's products are highly reliant upon keeping pace with technological changes. OPEL's products are complex and rely on state-of-the-art design methodologies to optimize them for market. If OPEL can not afford to keep pace with these changes, it may have a material adverse effect on the Company.

Major Competitors – OPEL may face several competitors before or after it brings its products to market which could result in the loss of market share which may have a material adverse effect on the Company.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

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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

an independent member of
BAKER TILLY
INTERNATIONAL

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

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

CONSOLIDATED STATEMENTS

(Expressed in US Dollars)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

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

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)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

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

(Expressed in US Dollars)

CONSOLIDATED STATEMENTS OF CASH FLOWS

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)

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

(Expressed in US Dollars)

DECEMBER 31, 2008 and 2007

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 incurred. The expiry of the patents range from 6 - 11 years, and are generally renewable thereafter.

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.

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.

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.

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

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

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.

9. SHARE CAPITAL (Continued)

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.

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.

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 issue	(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.

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.

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

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 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.

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.

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)**

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	**$ -**	$ -

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	**$ -**	$ -

18. INCOME TAXES (continued)

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.

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.
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.

CORPORATE INFORMATION

DIRECTORS:

Denis Colbourne, *Chairman* * • ◦
Lawrence R. Kunkel * ◦
Leon M. Pierhal
Robert G. Pico
Samuel Peralta * ◦
David Slomka •

** current members of audit committee*
• current members of compensation committee
◦ current member of corporate governance & nominating committee

OFFICERS:

Robert G. Pico
CHIEF EXECUTIVE OFFICER & PRESIDENT

Francisco Middleton
VICE-PRESIDENT, MARKETING

Javier Berrios
VICE-PRESIDENT, ENGINEERING

Patricia V. Agudow
VICE-PRESIDENT, ADMINISTRATION
& POLICY MANAGEMENT

Michael McCoy
CHIEF FINANCIAL OFFICER & TREASURER

Michel J. Lafrance
SECRETARY

LEGAL CONSULTANTS:

Stikeman Keeley Spiegel Pasternack LLP – Toronto
Lavery de Billy, L.L.P. – Montreal
Stewart McKelvey – Saint John, N.B.
Brown Rudnick Berlack Israels LLP – Boston, MA
O'Connell, Flaherty & Attmore LLC – Shelton, CT

SHARES LISTED:

TSX Venture Exchange
Symbol: OPL

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AUDITOR:

Smith, Nixon & Co., LLP *(incumbent)*
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REGISTRAR AND TRANSFER AGENT:

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Fax: (416) 361-0470
E-mail: info@equity-transfer.com

INTERNET:

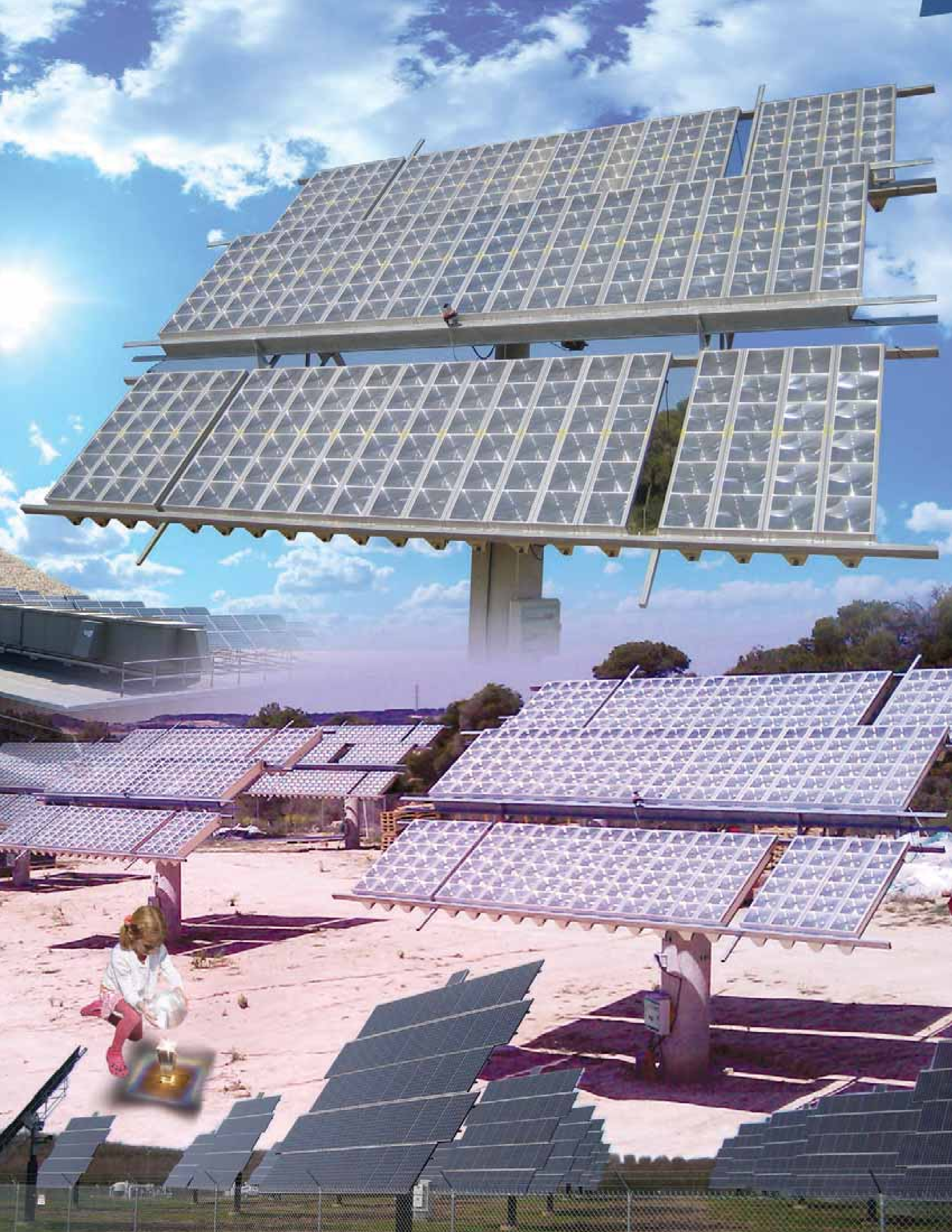
http://www.opelinc.com
E-mail: investors@opelinc.com

SHARE CAPITAL (as at May 15, 2009):

Common Shares
Authorized: Unlimited
Issued: 55,956,862
Special Voting Share
Issued: 1
Votes: 4,628,987

ANNUAL MEETING:

The Annual General and Special Meeting of Opel International Inc. will be held at 10:30 a.m. (Toronto time) on Wednesday, June 17th, 2009, in the York Room of the Sheraton Centre located at 123 Queen Street West in the City of Toronto, Ontario, CANADA.



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