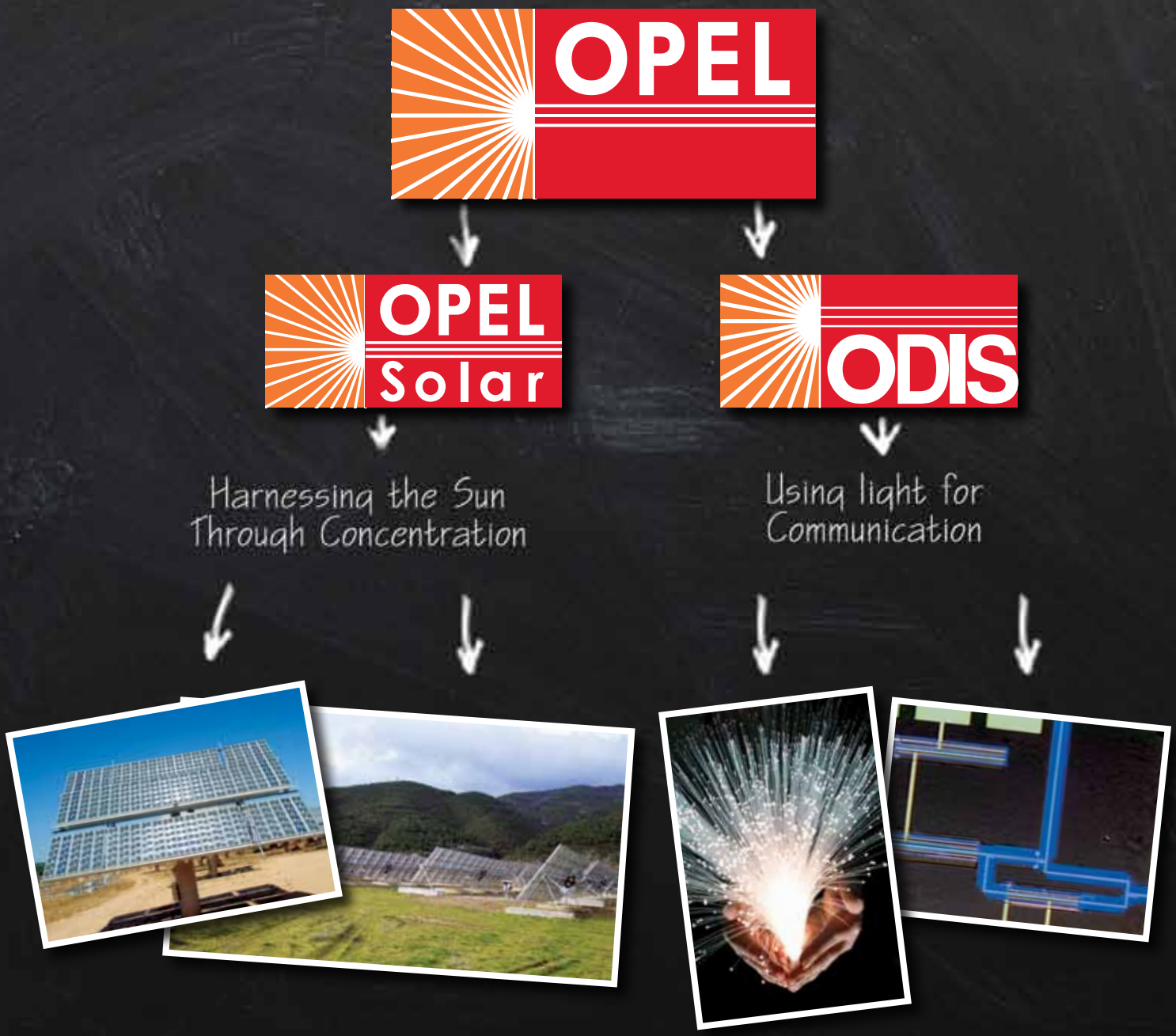
OPEL Solar International Inc.

Annual Report 2010



DIRECTORS' REPORT

To the Shareholders of OPEL Solar International Inc.:


Leon Pierhal, Chief Executive

After assuming the leadership role of OPEL Solar last summer, we immediately began reassessing the previously charted business course related to the economic and market conditions present during the first half of 2010. Because of the rapidly and ever changing economic and market climate, including growing uncertainty in North Africa and the Middle East, we redirected OPEL toward a new, more promising business model, completed a strategic financing, announced several new product innovations, and significantly raised our visibility within the solar industry.

OPEL Embarks on a New Business Model. The most important development in late 2010 was our transition to a new business model, in which we actively develop new solar projects, rather than passively waiting for orders from other developers. We now are leveraging our considerable expertise in utility-scale solar development to identify high-potential properties, secure financing, negotiate Power Purchase Agreements ("PPA's"), and design the projects themselves. We also took several months to internally structure our resources and partner relationships to match our new business model. By proactively taking control of our own destiny, we are now poised to drive multiple revenue streams, which will include project development fees, equipment orders, operating management fees, profits from the sale of power, and gains from the sale of completed projects to other operators.

Our first DBO (Design; Build; Operate) initiative was our "Brownfields" marketing plan, announced in July 2010. OPEL is working closely with partners and developers to identify abandoned properties that can be redeveloped into productive energy assets. By installing utility-scale solar power plants on former landfills, factories, or airstrips, blighted land is returned to the tax rolls while creating new jobs and supplying clean energy to our economy. A "Brownfields" development represents a win-win proposition for all involved parties, and is generating a tremendous amount of interest for OPEL Solar. It is noteworthy to recognize that funding for these solar projects is coming, in part, from U.S. Federal and State Government agencies. As a result, the revenues from these solar fields will convert dormant and seemingly wasteful sites into clean power generating sites for people and their communities.

A concrete example of a DBO win was our major success with Toray Plastics America, Inc., announced in December. We will build a 446 kilowatt solar plant at the headquarters of Toray, based in North Kingstown, Rhode Island, which when completed will be one of the largest in the State. This site is the first solar installation in the world for Toray, and this solar plant in Rhode Island has the potential to open the door for more solar projects at other Toray locations. Similarly, in mid-December we announced the formation of OPEL Solar Asia, a joint venture with Hong Kong-based Ecotech Environmental Technology Ltd. Market research and studies have indicated to us that one of the fastest growing solar regions in the world is the Far East, anchored by China. In fact, multiple Market Intelligence Reports have projected solar installations in primary Asian Pacific countries to reach 3.9 Gigawatts in 2012. This joint venture will position and market our products into the booming Chinese market for concentrated solar (CPV). The deal came with an initial 5 Megawatt order from Ecotech, and we expect the partnership to generate hundreds of millions in revenue in the years ahead.

OPEL Drives Product Innovation. As you would expect from a leader in the concentrated solar industry, OPEL announced a number of new product innovations during 2010. In the fall, we unveiled our next generation HCPV module, the Mk-IX. This panel uses dual-element refractive concentrator architecture to achieve a 20% - 25% boost in energy conversion efficiency versus our older generation. The Mk-IX new modular design now enables us to reduce our manufacturing cost while improving reliability, thus providing better value to our customers. Our CPV technology was awarded two U.S. patents in the fourth quarter of 2010.

Simultaneously, we also announced a new wireless tracker control and management network. By eliminating the need for cabling to control our trackers, we enable quicker and less costly installation, while also providing reduced maintenance cost as well as remote monitoring capability. Importantly, our tracker technology can be used with any solar PV panel, not only OPEL's, thus ensuring a broad market opportunity for us. Because of these new product advancements, as well as other innovation, we have received recognition from multiple EPC (Engineering, Procurement and Construction) companies around the world.

Presiding at my first Annual General Meeting in June 2010, I revealed details about our Affiliate's opto-electronic semiconductor development efforts. This technology, called POET (Planar Opto Electronic Technology,) enables the combination of photonic (light-based) and electronic circuits on a single semiconductor chip. This technological breakthrough was pioneered by ODIS' Chief Scientist, Dr. Geoff Taylor, at the University of Connecticut, and funded and owned by our affiliate company, OPEL Defense Information Systems (ODIS.) Recognizing the breakthrough potential of this technology, ODIS has received development funding from a number of U.S. Government departments and agencies, including as the Air Force, the Department of the Navy and the National Aeronautics and Space Administration (NASA.)

OPEL Increases its Industry Visibility. During the year, we embarked on a number of initiatives to increase our visibility within the industry, in order to support our new marketing efforts. For the first time, we exhibited at the premier U.S. solar trade show, Solar Power International (SPI.) The show hosted thousands of attendees at the Los Angeles Convention Center over three days in October. Due in part to our Brownfield and wireless tracker controller announcements, OPEL Solar has received tremendous press coverage as an industry trend setter. Because of this initiative, we made dozens of new, useful industry contacts. We expect to exhibit at SPI and other high profile solar shows in the months ahead.

DIRECTORS' REPORT

Last fall, we were honored to participate in a major technology field test sponsored by OPEL, Cyrium Technologies, the National Research Council of Canada, the University of Ottawa's Centre for Research, and the University of Sherbrooke. We helped fund and contributed technology to the SUNRISE research project, which seeks to use nanostructures to establish a higher level of energy efficiency and output from a concentrated photovoltaic installation.

Our leadership role in CPV innovation was recognized twice during 2010. First, in February OPEL Solar received the Connecticut Green Business Award for Solar Energy. Second, in December the Connecticut Greater Valley Chamber of Commerce honored us with their 2010 Innovation Award. Finally, we retained Integrated Corporate Relations (ICR), a premier financial communications consultancy. ICR will assist us in raising our profile to the investor, analyst, media, and government relations audiences.

Since the last half of 2010 and into early 2011, all the pieces have been put in place for OPEL Solar to strive for rapid advancement in the quarters ahead. Our new business model of DBO has put, for the first time, our fate squarely into our own hands, enabling us to achieve both near and long-term revenue potential. Our new products position us for industry leadership, and we are raising our visibility accordingly. While we were restructuring our business model, we significantly reduced our operational cash run rate, and we will continue to take opportunities to strengthen our balance sheet in the future. I and all the OPEL Solar Team thank you for your encouragement, interest and support, and look forward to enjoying together with you the rapid growth of our business in the years ahead.

Sincerely,

Leon M. Pierhal
Chief Executive Officer
May 12, 2011

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 Solar 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 Marcuum 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, 2010. 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.

Leon M. Pierhal
President & CEO
Toronto, Ontario
May 12, 2011

The following discussion and analysis of the operations, results, and financial position of OPEL Solar International Inc., ("OPEL" or the "Company") for the quarter ended December 31, 2010 (the "Period") should be read in conjunction with the Company's December 31, 2010 audited consolidated financial statements and the related notes thereto. Such financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The effective date of this report is April 14, 2011. All financial figures are in United States dollars (USD) unless otherwise indicated.

Forward-Looking Statements

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

Business Overview

The Company is incorporated under the laws of the Province of Ontario. OPEL is engaged principally in the development and marketing of advanced solar technologies with its concentrating solar panels and state of the art designs in single and dual axis solar tracking systems for commercial applications and the development of a gallium arsenide microchip for numerous applications, including solar cells and other semiconductor devices. The Company's shares trade under the symbol "OPL" on the TSX Venture Exchange.

a) Solar Business

The mission of OPEL Solar is to develop and supply innovative solutions to harness electricity from the sun in the most efficient and cost effective manner. OPEL designs, manufactures and markets high concentration photovoltaic ("HCPV") panels to transform solar energy into electricity for worldwide application. Concentrating photovoltaic systems are the next generation in solar technology that will be deployed. The high efficiency of the OPEL HCPV panel results in significantly higher power generation per unit of area when complared to both silicon flat panel and thin film installations. OPEL's HCPV panels, when mounted on OPEL's dual axis trackers, can increase the energy production of an HCPV or PV panel by up to 45% with respect to a fixed mounted system, resulting in more cost effective electricity generated from the sun. With its unique design and high efficiency, OPEL strives to become the leader in HCPV solar panels. OPEL is working on a product roadmap to lower the cost of its HCPV panels to grid parity. OPEL also markets a complete line of single and dual axis solar trackers to mount solar panels for the optimum power output. In fact, during the 2010 business year, a new single axis solar tracker was introduced to the market called the TF800. This tracker highlights ease of installation in the construction process and incorporates backtracking capability in order to reduce any impact from shadowing. This is one example of the innovative spirit which runs as a common thread through out OPEL Solar.

Europe has been an early adopter of solar energy including next generation methods like HCPV. Moving to increase OPEL's presence in Europe, OPEL formed OPL Solar Europe SPRL ("OSE"), a Belgium-based subsidiary, to better

address business opportunities in Europe. OPEL's presence in Europe has led to growing project opportunities in Spain, Italy, Portugal, France and North Africa.

b) Semiconductor Technology

OPEL, through ODIS Inc., a U.S. company, (an acronym for "OPEL Defense Integrated Systems"), designs a wide array of devices for military, consumer, commercial, and industrial applications. ODIS continues to develop gallium arsenide-based chip design processes having several potential major market applications, including: (i) infrared sensor arrays for military as well as Homeland Security monitoring and imaging, and (ii) the unique combination of optical lasers, and electronic control circuits on the same microchip for potential use in various military programs and potentially telecom applications such as, Fiber To The Home ("FTTH"). The use of gallium arsenide is a key material in ODIS's Planar Opto-Electronic Technology ("POET") process development for these products. OPEL/ODIS has been awarded more than a dozen U.S. Department of Defense projects since 2000. These have and continue to support the development of ODIS's POET process, infrared sensing technology, optical/laser development and the combination of electronic circuits and lasers on the same microchip. Through ODIS, OPEL remains active in this area with several recent projects underway with the U.S. Department of Defense and two major U.S. Defense Contractors. ODIS and the POET Technology were formally introduced to shareholders at the Annual General Meeting held in June, 2010, where investors got to learn more about the possible potential the POET technology's impact may have in commercial and government market sectors.

Industry Outlook

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

The German market has enjoyed a robust solar installation market for several years due to a well thought out feed-in tariff structure provided by its Government to initiate early adoption of solar. Following that lead, Spain put in place a feed-in tariff which led to a boom in wind and solar installations. Other European countries like Italy, Portugal, France, and Greece have followed suit, allowing their countries to benefit from greener energy sources while lowering their dependence on fossil fuels. Whereas, the unrest in North Africa and tensions in the Middle East have slowed solar activity as have the recent economic conditions in Europe have made it necessary for most countries to scale back level of the feed-in tariffs, the commitment has been maintained to provide some incentive in order to expand solar adoption.

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

The relative size of planned and quoted installations demonstrates that a huge growth cycle is starting. We have seen the average selling price ("ASP") of top quality silicon solar panels drop from $4.50 per watt in early 2008 to $1.55-1.70 per watt today with stability expected through 2011. This aids greatly in the adoption of solar and demonstrates the ability for solar power to approach grid parity with other fossil fuels. The lower ASP is a direct result of the large production volume providing the necessary economies of scale, like any other product. Ultimately, the goal is for solar power to be competitive on its own merit, without any subsidy.

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

Key Success Drivers ("KSD").

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

The Company's HCPV panels have a much higher production efficiency potential than standard silicon panels and thin film panels. This industry leading efficiency should stimulate a higher level of product acceptance over time. In 2009, OPEL installed its first fully operational and revenue producing HCPV solar grid field in Spain. This grid field is now producing electricity and it is entitled to a Spanish feed-in tariff of 0.281 Euro per kWh produced, and paid to the owner of the field, over the next 25 years. This installation has allowed OPEL to show potential customers a working commercial solar grid field of its HCPV solar panels and dual axis tracking systems, to demonstrate their functionality and higher output as compared to silicon based solar panels, which are more prevalent in the industry. This has led to additional orders for 1MW installations from companies in Portugal and France. Both projects are expected to start in 2011 as they finalize site permits. Both customers have the strategic goal and financial ability to build much larger installations with HCPV in the future. OPEL is confident that HCPV will be the next big solar application for areas of high solar irradiance.

In addition to its HCPV panels, the Company also demonstrated its single-axis rooftop tracker capability in 2009, with an installation on a school roof in Connecticut. After 1.5 years of operation, the installation is performing above expectation, providing electricity at a reduced cost to the school system. OPEL's solar tracking systems, roof mounted or ground mounted provide a way for customers to increase the kWh production of most solar projects by 20-45% over fixed solar installations. OPEL provides a complete line of single and dual axis solar tracking systems for use in commercial or utility grade installations. As OPEL has successfully contributed in getting the tracker message into the marketplace, interest in solar tracking systems in the United States has grown significantly in the last year. OPEL has been actively quoting many utility scale installations, in many cases providing a "one stop shop" approach and sometimes including construction management, and will be a beneficiary of that growth as projects are launched.

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

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

ODIS designs infrared sensor type products for military and industrial applications. ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs, higher efficiency computing systems, and potentially telecom for Fiber to The Home.

Significant Events During 2010

OPEL continued to make progress throughout 2010. Following are some significant events in the growth and development of the Company which add to the foundation for the achievement of the Company's future success:

1. In January, ODIS was awarded a $750,000 SBIR contract to continue the development of infrared sensor technologies for use by the United States Air Force and the Space Missile Command.

2. In January, the Corporation, together with its European construction partner, Exosun, signed an agreement for the initial deployment of up to 1 MW in HCPV installation. This installation will utilize Exosun's new dual axis tracking system and their construction expertise. OPEL and Exosun have signed an agreement for various project opportunities, with the first installation planned to begin construction in 2011. OPEL and Exosun have collaborated extensively through the evaluation phase to ensure the tracker systems installed are accurate for maximum generation of kilowatt hours from the HCPV system. The parties look forward to this 1 MW HCPV deployment as the beginning of larger phased HCPV grids.

3. In February, the Corporation and Bechtel Power Corporation ("Bechtel") signed a Memorandum of Understanding ("MOU") to collaborate in the development of PV power plants in North America using OPEL Solar products. Since the start of the collaboration between the two companies, Bechtel has responded to multiple RFPs and RFIs in the United States and Canada, totaling more than 150 MW. These projects are in the review phase by the respective customers and awaiting final decision on their award.
4. The Spanish Government announced in February, the feed-in tariff of 0.281 Euro to be used for the sale of electricity produced at OPEL's 330 kW solar grid installation in Vilalba, Spain. This rate will be effective for all electricity feed to the grid over the next 25 years from the date of final inspection. The project is now receiving the feed-in-tariff.
5. In March, the Corporation, together with its Portuguese construction partner, Tecneira Technologias Energéticas S.A. ("Tecneira"), signed an agreement for the initial deployment of a 1 MW HCPV installation with the Government of Portugal. A final contract is being negotiated. The grid connected installation will use the Corporation's HCPV panels and tracker systems and is to be located in Southern Portugal. The Corporation and its partner were selected from a group of 38 bidding companies. The installation will take place in 2011. Other HCPV projects are also under discussion for construction in optimal climates.
6. In March, ODIS was awarded a $100,000 SBIR contract to perform research into an optoelectronic ultra low power random access memory ("RAM") for use by the United States Air Force.
7. OPEL continued Government and Public Relations efforts throughout the year that are aimed to lead to applications for Department of Energy and other Federal Agency grant offerings, and we continue to campaign for energy and tax incentive legislation in the U.S.
8. In April, ODIS was awarded an additional $750,000 SBIR contract to perform research into the development of optoelectronic directional couplers for optical switching fabrics for use by the United States Air Force and the Space Missile Command.
9. In April, ABB signed an LOI with OPEL Solar to supply its single axis tracking systems for a 24 MW utility grid installation in Nevada, to start late this year and ending in the first half of 2011. OPEL has a Limited Notice to Proceed ("LNTP") with a small purchase order while the final contract details are being negotiated.
10. In April, OPEL qualified several US and Canadian manufacturers capable of supplying components for its new rooftop and ground mounted single axis tracking systems. This will allow any customer to support local manufacturing requirements.
11. In May, Leon M. Pierhal assumed the position of OPEL's CEO for the retiring Robert Pico. Leon is also the President of ODIS and has been with OPEL since 2001. At the same time, Lawrence R. Kunkel became Chairman of the Board of Directors.
12. In July, OPEL successfully closed a $7.5M private placement, allowing OPEL to address larger utility scale projects.
13. In July OPEL stepped ahead in the market with its Brownfield initiative where OPEL will collaborate with municipalities and EPC's to make solar installations out of otherwise abandoned and underutilized properties. OPEL has partnered with TRUENORTH Solar & Environmental in the Northeast, who is a proven construction partner capable of providing remediation of contaminated sites.
14. OPEL hired ICR LLC in August to handle all investor relations and public relations activities for the Company, allowing for a more focused and uniform message to all the public constituencies as OPEL is poised for growth. OPEL will also plan its Governmental Relations strategies with ICR's facilitation.
15. In August, ODIS was awarded a $150,000 SBIR contract to perform research into optical code technology for the United States Navy, based on its POET technology.
16. OPEL received prototypes in September of its next generation HCPV module, the Mk-1X, which is a 20% performance improvement over the previous module design and is much easier to assemble in volume. The Mk-1X will be unveiled to the public at the upcoming Solar Power International (SPI) show.
17. In September OPEL added wireless communications capability to its tracker controllers used for all OPEL utility scale single and dual axis tracking systems. This greatly reduces the cost of installation as well as the ongoing maintenance of solar fields. OPEL also plans to showcase this technology at SPI.

Fourth Quarter

18. In October, OPEL was granted a US patent for the unique optical components of its revolutionary HCPV module technology.
19. In October, OPEL and the National Research Council of Canada unveiled their SUNRISE Project installation at the University of Ottawa. The goal of this joint project is to develop the highest performance HCPV technology through the use of nanotechnology.
20. OPEL had an exhibit booth in October at SPI, North America's largest solar show, where much attention was paid to the announcement of our next generation HCPV panel and wireless tracker controls. OPEL's COO also spoke at the CPV Specialty Session. Much media coverage and analyst attention was noted.
21. In October and November OPEL's solar technology was featured on TV and radio for a US Congressman's campaign for reelection, highlighting alternative energy and the creation of green jobs. This led to many inquiries about OPEL and its products.
22. In December, OPEL signed an agreement with Toray Plastics (America), Inc. ("Toray") for a 446 kilowatt (kW) solar power plant at TPA's 70-acre headquarters in North Kingstown, Rhode Island. This new utility field represents Toray's first solar installation in the U.S. and will be one of the largest utility grade solar plants in Rhode Island. Toray Plastics chose OPEL Solar's solution because of its higher energy production and lowest cost per kilowatt-hour generated, which is largely due to OPEL's utility scale single axis tracker – the TF-800, which significantly increases the energy output of any type of photovoltaic ("PV") panel.
23. In December, OPEL signed a joint venture agreement with Ecotech Environmental Technology Ltd ("Ecotech") for the formation of OPEL Solar Asia Ltd ("OSA") in Hong Kong. For OPEL this represents the beginning of a long-term goal to position OPEL to enter East Asia, developing the HCPV market into what has been deemed the fastest growing solar market in the world with years of strong growth projections ahead. The creation of OSA includes an initial purchase order for two megawatts ("MW") of OPEL Solar's HCPV system products both the solar modules and tracker models.

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:

	2010	2009	2008
Sales	$ 1,647,638	$ 608,545	$ 1,516,838
Cost of goods sold	434,627	812,158	808,907
Research and development	3,791,062	3,745,488	2,978,382
Amortization and accretion	237,585	240,658	148,440
Professional fees	569,491	609,863	535,779
Stock-based compensation	740,800	378,239	1,379,982
General and administrative	4,035,743	4,248,503	3,139,238
Revalued warrants	-	596,634	-
Loss on divestiture of ASM	40,572	-	-
Investment income	(39,590)	(131,770)	(2,314,193)
Foreign currency translation gain(loss)	94,098	(54,021)	(84,465)
Loss before non-controlling interest	(8,256,750)	(9,837,207)	(5,093,232)
Non-controlling interest	24,761	2,210	18,391
Net loss	$ (8,231,989)	$ (9,834,997)	$ (5,074,841)

During 2010, the Company generated sales of $1,647,638 as both solar products and services in OPEL and contract revenue in ODIS increased when compared to revenue of $608,545 in 2009 and $1,516,838 in 2008.

In 2010, ODIS was awarded $1,750,000 in new SBIR contracts. ODIS has recognized $1,107,854 as revenue for 2010 representing a three-fold increase over contract revenue in 2009 of $375,409. The increased SBIR's in 2010 is indicative of the importance of the Company's development capabilities. Net loss in ODIS has declined from $1,158,000 in 2009 to $395,000 in 2010, an improvement of over 300% when compared to 2009.

Expenses have remained relatively constant while the increased revenue as discussed above has been the main driver to the Company's year over year financial improvement. We have worked to reduce our burn rate and not sacrifice our product offerings.

ODIS' chip design technology ("POET") is being proven by its early adoptors and should result in increased value to its shareholders as they deploy new products based on this technology.

OPEL, the Company's other segment has also experienced growth in its revenue from the sale of its MK1 solar panels and TF-500, SF-20, and SF-45 trackers. In 2010, the Company delivered 45 trackers and 337 panels to customer installations as compared to 2009 when the Company delivered 13 trackers and 505 panels to customers. The increase in revenue from the panels and trackers sold in 2010, resulted in increased sales of $306,000 over 2009 or 130%. The decreased revenue in 2009 was due to the economic downturn and in that time OPEL placed its efforts on its 330kW installation of HCPV panels and dual axis trackers in Spain. OPEL delivered 4,000 solar panels to this Spanish project - revenue from this project will be realized once it is sold to a third party. This effort has allowed OPEL to demonstrate the viability of its concentrating panels in a utility scale installation which should lead to higher solar revenues in the future. The Spanish Government has committed to a feed-in tariff of 0.281 Euro to be used for the sale of electricity produced at this installation over the next 25 years. While OPEL will receive some revenues from this installation, the project was designed and completed to be sold within the near future.

Cost of goods sold was high in 2009 because it included inventory write-offs of $445,000 to reflect realizable market value. The written off inventory included prototypes and pre-production inventory that we felt had little value as we moved to a limited production model. Inventory write-offs were $35,000 in 2010.

Our research and development expenses were higher in 2010 than 2009 which was also higher than 2008 due to prototyping activities related to our new trackers and the cost reduction efforts on our HCPV panels. Some of the R&D costs were related to several outside subcontractors which aid in the finalization of our commercial solar products, UL testing, and the start-up of low level production, all non-recurring activities. The increased R&D activities have placed our products in a stable state to address 2011 revenue and the going forward expense levels will be reduced.

Professional fees were higher in 2009 due to $74,084 in legal expenses related to our subsidiary formation and joint ventures relationships. Amortization of property and equipment was higher in 2010 and 2009 when compared to 2008, by $100,000, predominately due to the Connecticut solar installation owned by OPEL.

Due to the timing of stock option grants, the Stock based compensation was lower by $1,000,000 from 2008 to 2009. as fewer options were granted. In 2010, Stock based compensation increased $362,561 over 2009 as the Company granted more options to employees in lieu of salary increases. The granting of stock options is seen as an invaluable tool in maintaining human resource costs at a reasonable amount while constantly challenging and motivating employees to excel. In 2009, a series of warrants were extended which were valued at $596,634. Amortization, stock compensation, and the revalued warrants were all non-cash expenses.

G&A expenses were higher by $1,100,000 in 2009 over 2008 due to increased sales and marketing activities and travel related to our European installations. The increased activities in Marketing and Sales in 2009 continued in 2010, however, the Company reduced other expenses by $200,000 in total. Both activities have created greater revenue possibilities for 2011. Salaries and wages are included in G&A expenses. Our head count has grown slowly over the past three years as the Company expands its sales base. The Company added two new senior sales positions to drive its growth in the North American market. Although, not disclosed in the table above, these new positions resulted in an increase to salaries and wages of $225,000 over 2009.

In 2010, OPEL took a one time charge of $40,572 in divesting itself from Alcapi Solartwent Management GmBH ("ASM"), one of the investments made under OPEL Solar Europe. After careful analysis, the Company felt that its investment in ASM GmbH would not yield the desired success that was projected. No further capital outlay was committed to ASM. The Company recovered a loan of $470,000 from ASM during 2010.

Investment income in 2010 and 2009 was less than that of 2008. The negative reaction to the global economic crisis resulted in fewer investment opportunities that would provide strong yields similar to those of 2008 while staying within the guidelines of the Company's investment policy. Additionally, operational and capital funding requirements limited the amount of cash that could be invested by the Company.

Summary of Quarterly Results

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

	Dec. 31/10	Sep. 30/10	Jun. 30/10	Mar. 31/10	Dec. 31/09	Sep. 30/09	Jun. 30/09	Mar. 31/09
Sales	$ 375,747	$ 479,141	$ 447,432	$ 345,318	$ 61,730	$ 156,157	$ 134,921	$ 255,737
Cost of goods sold	178,058	125,474	72,536	58,559	368,077	94,475	291,563	58,043
Research and development	1,069,729	1,261,464	759,242	700,627	833,076	800,384	1,244,154	867,874
Depreciation and amortization	60,614	60,146	70,237	46,588	74,500	59,155	58,959	48,044
Professional fees	124,862	113,334	153,850	177,445	217,796	130,309	108,886	152,872
Stock-based compensation	191,512	334,960	95,328	119,000	55,029	75,519	103,700	143,991
General and administrative	939,239	777,718	1,109,721	1,184,304	985,299	961,707	1,006,811	1,294,686
Loss on divestiture on ASM	-	-	40,572	-	-	-	-	-
Revalued warrants	-	-	-	-	596,634	-	-	-
Investment income	(11,119)	(6,772)	(6,131)	(15,568)	(24,082)	(18,457)	(62,531)	(44,154)
Foreign exchange (loss) gain	17,863	(87,371)	100,514	63,092	34,498	(41,996)	(64,880)	35,811
Net loss	$(2,195,011)	$(2,099,812)	$(1,948,437)	$(1,988,729)	$(3,076,887)	$(1,904,939)	$ (2,551,741)	$(2,301,430)

Explanation of Quarterly Results

In the quarter ending December 31, 2010, revenue was higher by $314,000 over the same quarter of 2009. The Company has increased the U.S. sales of its trackers by 4 and panels by 147 for an increase of $59,000 and the ODIS contract revenue was up by $255,000 due to the additional contracts awarded in 2010. The three months ended December 31, 2010 included the non-cash expense of $191,500 related to stock options, some of which were granted in a prior year. This was higher by $136,500 than the year earlier. The Company believes it is necessary to grant incentive stock options to attract and hold highly skilled employees. OPEL increased its R&D expenses by $237,000 when compared to the same quarter of 2009, this was a temporary increase related to subcontracting expenses used to support manufacturing start-up of its utility grade tracking system, the TF-800, the inclusion of the wireless tracking control feature, and the newly released Mk-1X HCPV panel. Going forward, our R&D expense rate will be reduced without sacrificing our innovation. OPEL's G&A expenses were slightly lower by $46,000 year over year due to reduced travel and professional fees were lower by $93,000 in the quarter ended December 31.

Explanation of Material Variations by Quarter for the Last Eight Quarters

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

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

In the quarter ending June 30, 2009, OPEL increased its R&D expenses by $376,000 due to the use of consultants and subcontractors to aid in the redesign and cost reduction activities related to our HCPV solar panels and solar tracking systems. These efforts would allow OPEL to reduce the cost of manufacturing and yield a higher margin.

Due to the nature of the organization, it is necessary to retain highly skilled managers and employees. Stock options form part of an employee's overall compensation package. The fair value of these options are amortized and reflected quarterly. These are non cash expenses. The higher expense levels in December 2010, and similarly in September 2010, were due to stock options being granted in those quarters. As the options are amortized over 18 months the expense is reduced each quarter.

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

In the quarter ending December 31, 2009, OPEL experienced its lowest level of revenue at $61,730 ($41,730 from the sale of only 8 trackers and $20,000 in contract billings by ODIS). This was a year-end lull in the economy. Cost of goods sold was also up by $275,000 due to a one-time write down of obsolete moving inventory.

Segment Disclosure

The Company and its subsidiaries operate in two distinct segments; (1) the manufacture and sale of high efficiency solar panels and multi-axis solar tracking systems and (2) the design of infrared sensor type products for military and industrial applications. The Company's operating and reporting segments reflect the management reporting structure of the organization and the manner in which the chief operating decision maker regularly assesses information for decision making purposes, including the allocation of resources. There are no intersegment sales. The Company's segments and their products and services are summarized below:

OPEL Inc.

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

ODIS Inc. ("OPEL Defense Integrated Systems")

ODIS designs infrared sensor type products for military and industrial applications. ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs, higher efficiency computing systems, and potentially telecom for Fiber to The Home.

The following segmented information is for the year ended December 31, 2010 and 2009 is as follows:

	2010			2009		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	$ 539,784	$ 1,107,854	$ 1,647,638	$ 233,136	$ 375,409	$ 608,545
Interest income	2,901	-	2,901	31,938	-	31,938
Amortization	197,641	4,193	201,834	231,730	4,193	235,923
Loss attributable to non controlling interest	24,761	-	24,761	2,210	-	2,210
Loss on divestiture of ASM	40,572	-	40,572	-	-	-
Segment loss	6,842,471	395,637	7,238,108	7,483,119	1,157,894	8,641,013
Corporate operations			1,018,642			1,196,194
Net loss			$ 8,256,750			$ 9,837,207
Total assets	$ 12,105,506	$ 237,012	$ 12,342,518	$ 12,470,052	$ 69,554	$ 12,539,606
Capital expenditure	$ 423,425	$ -	$ 423,425	$ 149,542	$ 69,554	$ 12,539,606

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

As of December 31,	USA	Canada	Europe	Consolidated
		2010		
Current assets	**$ 8,122,165**	**$ 4,595,151**	**$ 645,539**	**$ 13,362,855**
Property and equipment	**1,880,154**	**-**	**1,501,692**	**3,381,846**
Patents and licenses	**192,968**	**-**	**-**	**192,968**
	$ 10,195,287	**$ 4,595,151**	**$ 2,147,231**	**$ 16,937,669**
Year Ended December 31,				
Revenue	**$ 1,645,715**	**$ -**	**$ 1,923**	**$ 1,647,638**
Cost of goods sold	**418,829**	**-**	**15,798**	**434,627**
General and administration	**4,464,597**	**1,055,331**	**63,691**	**5,583,619**
Research and development	**3,791,062**	**-**	**-**	**3,791,062**
Investment income	**(2,695)**	**(36,689)**	**(206)**	**(39,590)**

As of December 31,	USA	Canada	Europe	Consolidated
		2009		
Current assets	$ 9,524,980	$ 4,968,719	$ 1,095,309	$ 15,589,008
Property and equipment	1,693,842	-	-	1,693,842
Patents and licenses	225,475	-	-	225,475
	$ 11,444,297	$ 4,968,719	$ 1,095,309	$ 17,508,325
Year Ended December 31,				
Revenue	$ 602,130	$ -	$ 6,415	$ 608,545
Cost of goods sold	810,642	-	1,516	812,158
General and administration	4,609,959	699,381	167,923	5,477,263
Research and development	3,745,488	-	-	3,745,488
Interest income	(22,852)	(99,832)	(9,086)	(131,770)

Liquidity and Capital Resources

The Company had working capital of $11,243,092 at December 31, 2010, compared to $13,732,982 at December 31, 2009.

In 2010, no warrants, broker warrants or stock options were exercised.

The Company continues to have good liquidity, even during times of economic uncertainty and instability. Of the Company's $16,937,669 of assets, $13,362,855 is classified as current assets, which includes $6,629,958 of cash and cash equivalents, and $304,149 of short-term investments. OPEL now has several significant orders on its backlog to deliver in 2011, a fully commissioned solar installation in Spain with an approved tariff rate to be sold to a third party, and four new SBIR grants to fund the activities of ODIS, which collectively will provide the Company with sufficient cash and revenue growth to support itself and cover its liabilities over the next twelve months and beyond even if the economic down-turn should continue.

However, the Company has had a history of losses and should such losses continue, the Company will need to seek debt or equity financing to fund its operations. Although the Company has been successful in obtaining such financing in the past, there is no assurance that it will be able to do so in the future. If the Company is unable to obtain such financing, it may not be in a position to continue as a going concern.

Critical Accounting Estimates

Stock-based Compensation

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

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

Other stock-based payments

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

Inventory Valuation

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

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

Cumulative Translation Adjustment

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

Contractual Obligations

OPEL leases office space and research facilities. The office lease for the Shelton, CT facility extends to June 30, 2014. The lease on the research facility at the University of Connecticut was extended in 2010 to March 31, 2013. The total obligation to the end of both leases is $543,488.

Future Accounting Pronouncements

In January 2009, the CICA issued the following new Handbook sections:

a) Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". For the Company, this Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted but must be applied together with Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". The Company will apply the provisions of this pronouncement prospectively on new business acquisitions.

b) Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27, "Consolidated and Separate Financial Statements". For the Company, this Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted but must be applied together with Section 1582. The Company adopted this pronouncement in 2010.

Financial Instruments and Risk Management

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

Financial instruments that potentially subject the Company to concentrations of credit risk consist of short-term investments and accounts receivable. Short-term investments consist of US Treasury notes, held with reputable financial institutions from which management believes the risk of loss is remote. The Company has accounts

receivable from parties in various industries and governmental agencies that are currently concentrated in the United States of America. While economic factors can affect credit risk, the Company manages risk by providing credit terms on a case by case basis. The Company has not experienced any significant instances of non-payment from its customers. At December 31, 2010, balances were concentrated among two customers which accounted for 67% of the accounts receivable.

Exchange Rate Risk

The functional currency of OPEL International Inc. is the Canadian dollar. The Company's operations in the United States and Germany are considered to be self-sustaining. Operations in foreign markets are exposed to the risk of foreign currency fluctuations for transactions denominated in a currency other than the functional currency of the Company's foreign operating unit. Currencies in which the Company is exposed to foreign currency risk are mainly the Canadian dollar and Euro. A 10% change in the Canadian dollar and the Euro would increase or decrease other comprehensive income (loss) and net income by $47,297 and $83,065 respectively. Since the Company's operations predominantly transact their sales and purchases in their respective domestic currencies, the exposure is reduced. Therefore, the Company typically does not hedge accounts receivable and accounts payable that are denominated in a foreign currency.

Interest Rate Risk

Short-term investments bear interest at fixed rates, and as such, are subject to interest rate risk resulting from changes in fair value from market fluctuations in interest rates. The Company does not depend on interest from its investments to fund its operations. The Company does not and is not planning to take short term loans from institutions to fund operations.

Liquidity Risk

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

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments. A 1% change in fair values of short-term investments and marketable securities would decrease or increase net loss by $3,040.

Environmental and Climate Change Issues

OPEL faces few, if any, of these issues directly as it uses contract manufacturers and the inherent characteristics of its products are not environmentally hazardous. However, OPEL's products allow its customers to make great contributions to climate change. Each 1MW of OPEL's HCPV panels installed by a customer avoids 600 tons of CO_2 from being discharged into the atmosphere each year, the equivalent of planting 93 acres of trees. OPEL's HCPV panels also require approximately 2,000 times less active material as standard silicon panels to produce.

Strategy and Outlook

During 2011, there are a number of projects planned which will address the short-term and long-term growth plans of the Company including, but not limited to the following:

- Target sales and marketing efforts to the following customer markets: Independent Power Producers (IPP), Utilities in high REC areas, Brownfields, Distribution Centers, Parking Garage Owners, Convention Centers, Malls, and Municipalities and Governments with high Renewable Energy Standards.
- Establish additional teaming relationships to expand the Company's access to project opportunities and expand its technical capabilities.
- Pursue selected Program Management and "One-Stop-Shop" opportunities where the potential exists for multiple projects with the same customer such that OPEL is at the top of the decision chain.

- Develop a "drop-in" solution for the military marketplace using the POET technology, develop a Military Spec focused device and acquire a Contractor and Government Entity (CAGE) Code for its products.
- Continue to work on a series of phased cost reductions geared at lowering the cost of our Mk-I HCPV solar panels by up to 40%, while continuing to increase their efficiency.
- Increase the North American production capability for its single and dual axis tracking system, for both roof and ground mounting. Identify multiple sourcing capabilities to handle projected growth.
- Begin to search for resources to fill out key management positions to sustain growth as orders increase.
- Establish an internal development division to create future solar projects for the Company.
- Establish an integrator network to help promote our solar products in Mexico, Canada and the U.S.
- Identify and cultivate relationships with strategically located and positioned Solar EPC's to be able to provide turn-key solar installations for larger customers with utility scale installations in mind.
- Develop a small/medium solar package program targeted at municipalities that can be offered in the form of a PPA in selected states where incentives are favorable to package these projects to investors.
- Identify and cultivate external funding sources interested in solar project finance or ownership.
- Complete the third party validation of the patented POET technology to a fabrication facility that can prove its viability and product potential through OPEL Defense Integrated Systems ("ODIS").
- Heighten prospects of U.S. Solar Legislation favoring HCPV incentives and other solar related financial opportunities, like feed-in tariffs or State and Federal grants.

Significant Events Since December 31, 2010

1. In January 2011, ODIS was awarded a development contract from the National Aeronautics and Space Administration ("NASA") that will involve a Phase I Award of $100,000 to develop Optoelectronic Infrastructure of RF/Optical phased arrays.
2. In March 2011, OPEL announced it was in receipt of a third party valuation of it POET Technology which had been developed by its U.S. affiliates, OPEL, Inc. and ODIS Inc..
3. OPEL Solar International is selected as a member of the "2011 TSX Venture 50", a ranking of strong performing companies listed on the TSX Venture Exchange.
4. OPEL is awarded a 5MW order from its Chinese venture partner, OPEL Solar Asia, for OPEL's HCPV solar panels and dual axis tracking systems. Initial deliveries are to start in Q2 2011.

Outstanding Share Data

Common Shares

As at December 31, 2010 and April 14, 2011, there were 85,282,514 and 89,179,630 outstanding common shares of the Company.

Special Voting Share

Additionally, there was one (1) special voting share which carries 1,358,000 votes at December 31, 2010 and April 14, 2011. These votes are for the benefit of the holders of exchangeable shares of OPEL, Inc. The exchangeable shares are convertible into common shares of the Company on a one for one basis.

Stock Options and Warrants

As at December 31, 2010 and April 14, 2011, the Company had 22,558,467 and 20,217,098 warrants outstanding to purchase common shares at prices ranging from $0.29 – $1.88.

Total stock options outstanding as at December 31, 2010 and April 14, 2011 were 11,102,500 and 8,743,750 shares respectively, of which 78% and 73.3% respectively are vested and exercisable at prices between CA$0.11 and 1.48 per common share.

Additional detailed share data information is available the Company's Consolidated Financial Statement.

Off-Balance Sheet Arrangements

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

Key Business Risks and Uncertainties

Dependence Upon Key Personnel – OPEL depends on its senior management and technical staff. If OPEL is unable to attract and retain key personnel, it may have a material adverse effect on the Company. In an effort to manage this risk, the Company has established a competitive compensation grid for all staff especially senior management that includes certain benefits and stock options. The Company frequently compares its rates of pay to its competitors and the compensation package that would normally be offered to such senior individuals both inside and outside the industry. The Company is confident that its compensation package is above the standard required to retain highly skilled management.

Product Development – Delays in product development or the transition to commercial scale production may cause a material adverse effect to the Company. Product development in OPEL follows a strict path of concept, research, business analysis, design, beta testing and technical implementation. These milestones are reviewed regularly with the head of product development to ensure timely release of new products. The advancement of technology has aided the Company in bringing new product to market in a timely fashion. Should major delays ensue, the Company has a policy of advising its stake holders of significant delays and the impact of any such delay.

Financial Liquidity – OPEL may not have adequate financial reserves to enable it to grow at the pace required to serve its customer base, if substantial orders were received and were backlogged. The Company has not earned profits, so its ability to finance operations is chiefly dependent on equity financings. To date the Company has raised over 50 million dollars in equity financing and while it is not certain of its ability to do so in the future, market interest has indicated that it should be able so in the future. In addition, the Company has also embarked on an aggressive sales campaign to bolster its national sales and Asian business. Orders received in 2011 have indicated that the Company will be in a healthy cash position for the remainder of the year.

Ability to Reach Profitability - OPEL has no history of profitability and may not be able to sell enough products at a high enough margin to cover its costs of operation on an ongoing basis. This risk is short term as the Company must absorb low margins and at this early stage in order to develop brand and market awareness. Creating market awareness through public announcements and delivering product to the market place is part of the Company's strategy. This strategy is beginning to yield success as projections for the next 18 months have indicated that the market is recognizing OPEL's MKI panels and Tracker series. As the Company continues to gain awareness in both government and commercial market places, margins will begin to normalize and increase especially with high volume production.

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

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

Technology Changes – OPEL's products are highly reliant upon keeping pace with technological changes. OPEL's products are complex and rely on state-of-the-art design methodologies to optimize them for market. If OPEL can not afford to keep pace with these changes, it may have a material adverse effect on the Company. Retaining qualified engineers and scientists has been identified as a KSD for the Company. Qualified personnel will continue to ensure that the Company is not only keeping in touch with technological developments but are also implementing these new developments. Compensation is key in hiring and retaining these individuals. As discussed above, our Compensation packages have been identified as above standard in the industry. We will continue to not only monitor technological changes but also lead these changes.

Major Competitors – OPEL may face several competitors before or after it brings its products to market which could result in the loss of market share thereby having a material adverse effect on the Company. The Company continues to work with emerging markets such as Asia and certain areas of Europe to extend its market base. Through research and competitive data, OPEL feels that these markets are ready for a new entrant especially with the efficiency of the

OPEL products. Staying ahead of the curve with R&D, and consistency in new product development will be key to keeping to developing and maintaining market share.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including OPEL, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011.

Outside consultants were engaged to provide guidance and assistance to the Company as it addressed its transition to IFRS.

The Company developed a transition plan which was executed in 2010 as follows:

Quarters 1 and 2

The Company developed its IFRS Initial Assessment, Impact Assessment and Implementation Plan to prepare for this transition. The Company completed the initial assessment of the key areas where changes to current accounting policies may be required. During this phase of the plan, the Company identified a number of policy differences that it felt would have either a financial impact or disclosure impact on the Company.

Quarter 2

After identifying, through the Initial Assessment phase, the policies that the Company felt would have an impact, a detailed Impact Assessment review was undertaken. During this phase the Company did a detailed analysis of the differences between IFRS and Canadian GAAP, the Company also attempted to quantify and measure the impact of the policy changes. The Company also reviewed the mandatory exceptions and optional exemptions available under IFRS 1.

Quarters 3 and 4

An Implementation Plan was developed subsequent to the Initial Assessment phase. This Implementation Plan included a review of the IT systems, business processes, personnel training, external stakeholders and disclosure controls. During this phase, the Company laid the foundation for changes that it felt was necessary to accommodate the various policy changes.

The Company is now finalizing the adjustments to its opening IFRS statement and converting its 2010 results. Because the conversion process is at this stage, the quantified impacts are only estimates and may change prior to producing an opening IFRS balance sheet. Additionally, IFRS standards are evolving and may change prior the producing an opening IFRS balance sheet. Position papers for the major accounting policies are being prepared for the Company's auditors to review, which will then be approved by the Board of Directors.

First-Time Adoption of IFRS

IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires the Company to prepare an opening IFRS statement of financial position, which complies with all IFRS's effective at the end of its first IFRS reporting period. IFRS 1 requires retrospective application of those standards in most areas, with limited exceptions. The Company plans to apply the following exemptions to the preparation of its opening IFRS statement as at January 1, 2010:

Business combinations:

IFRS 1 provides an option to not restate business combinations that occurred prior to the transition date or to only restate business combinations that occurred after a designated date prior to the transition date.

Share-based payments:

IFRS 2, Share-based payment, will only apply to equity instruments that were issued after November 7, 2002 and had not vested by the transition date.

Cumulative translation differences:

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

The Company may decide to apply additional exemptions contained in IFRS 1 prior to reporting its interim financial statements for the quarter ended March 31, 2011.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Expected Impact on the Company's Financial Reporting

The adoption of IFRS will result in changes to accounting policies that are applied in the recognition, measurement and disclosure of the balances and transactions in the Company's financial statements. The following summary includes management's evaluation of the significant changes to accounting policies in key areas based on the current standards and guidance within IFRS. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At this time, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below:

- IAS 36 "Impairment of Assets" – IFRS requires a write-down of assets if the higher of the fair market value and the value-in-use of a group of assets is less than its carrying value. Value-in-use is determined using discounted estimated future cash flows. Under current Canadian GAAP a write down to estimated fair value is only required when the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies will be changed to reflect the differences between IFRS and Canadian GAAP. There will be no impact on the Company.
- IFRS 2 "Share-Based Payments" – IFRS requires that stock-based awards that vest in installments be accounted for as though each installment or vesting is a separate award on a graded rather than pooled basis. This change had a recognition, measurement and disclosure impact on the Company, accordingly, Contributed Surplus will decrease by an estimated $3,900 with a corresponding increase to Deficit.
- IAS 21 "Effects of Changes in Foreign Exchange Rates" – IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the transition date. The Company has chosen to reset its cumulative translation balance to zero at transition date. The estimated impact on the Company will be decrease in Accumulated Comprehensive Income of $439,000 and a corresponding increase to Deficit.
- Asset Retirement Obligations (Decommissioning Liabilities) – Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from a solar installation, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. IFRS requires re-measurement of the liability at each reporting date whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. IFRS also requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate. The Company re-measured its Asset Retirement Obligation. The estimated change as a result of re-measurement is decrease in Asset Retirement Obligation of $67,000 and a corresponding increase in Deficit.

The Company has identified other IFRS changes that will have a non-financial impact on the Company. These include but are not limited to; IFRS 8 "Operating Segments", IFRS 7 "Financial Instrument Disclosures", IAS 17 "Leases" and IAS 33 "Earnings Per Share".

Additional Information

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

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Opel Solar International, Inc.

We have audited the accompanying consolidated financial statements of Opel Solar International, Inc, which are comprised of the consolidated balance sheet as at December 31, 2010 and the consolidated statements of operations and retained earnings (accumulated deficit), comprehensive loss, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Opel Solar International, Inc as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements of the Company as of and for the year ended December 31, 2009, were audited by another auditor who expressed an opinion without reservation on those statements in its report dated March 24, 2010.

Marcum LLP

Hartford, CT
April 15, 2011

MARCUMGROUP
MEMBER

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CONSOLIDATED BALANCE SHEETS

(Expressed in US Dollars)

DECEMBER 31,	**2010**	2009
Assets		
Current		
Cash	**$ 6,629,958**	$ 5,027,892
Short-term investments (Note 3)	**304,149**	1,971,422
Accounts receivable	**312,043**	332,985
Prepaids and other current assets	**507,635**	793,842
Inventories (Note 4)	**5,608,647**	7,462,464
Marketable securities (Note 5)	**423**	403
	13,362,855	15,589,008
Property and equipment (Note 6)	**3,381,846**	1,693,842
Patents and licenses (Note 7)	**192,968**	225,475
	$ 16,937,669	$ 17,508,325
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 771,938**	$ 1,856,026
Customer deposits (Note 16)	**1,347,825**	-
	2,119,763	1,856,026
Deferred energy credit (Note 8)	**649,642**	684,921
Asset retirement obligation (Note 9)	**137,597**	130,979
	2,907,002	2,671,926
Shareholders' Equity		
Share capital (Note 10(b))	**34,330,441**	29,939,171
Special voting share (Note 11)	**100**	100
Special warrants and shares to be issued (Note 12)	**276,833**	648,861
Warrants (Note 13)	**6,025,715**	6,842,556
Contributed surplus (Note 14)	**8,650,659**	4,727,888
Accumulated other comprehensive loss	**(2,570,422)**	(2,896,268)
Deficit	**(32,657,898)**	(24,425,909)
Non controlling interest	**(24,761)**	-
	14,030,667	14,836,399
	$ 16,937,669	$ 17,508,325

Commitments and contingencies (Note 17)

On behalf of the Board of Directors

Kunkel Larry, Director

Leon M. Pierhal, Director

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in US Dollars)

For The Years Ended December 31,	**2010**	2009
Revenue (Note 18)	**$ 1,647,638**	$ 608,545
Costs and expenses		
Cost of goods sold, including inventory write off of $35,035 in 2010 ($445,000 in 2009)	**434,627**	812,158
General and administration	**5,583,619**	5,477,263
Research and development	**3,791,062**	3,745,488
Foreign currency translation gain	**94,098**	(54,021)
Loss on divestiture of ASM	**40,572**	-
Investment income, including interest	**(39,590)**	(131,770)
Revalued warrants (Note 13)	**-**	596,634
	9,904,388	10,445,752
Net loss	**(8,256,750)**	(9,837,207)
Net loss:		
Attributable to non-controlling interest	**(24,761)**	(2,210)
Attributable to equity shareholders	**(8,231,989)**	(9,834,997)
Net loss	**(8,256,750)**	(9,837,207)
Deficit, beginning of year	**(24,425,909)**	(14,590,912)
Net loss attributable to equity shareholders	**(8,231,989)**	(9,834,997)
Deficit, end of year	**$(32,657,898)**	$(24,425,909)
Basic and diluted loss per share (Note 15)	**$ (0.12)**	$ (0.17)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

For The Years Ended December 31,	**2010**	2009
Net loss	**$ (8,256,750)**	$ (9,837,207)
Other comprehensive income - net of income taxes		
Translation adjustment	**325,846**	438,872
Comprehensive loss	**$ (7,930,904)**	$ (9,398,335)

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

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(Expressed in US Dollars)

For The Years Ended December 31,	**2010**	2009
Beginning balance	**$(2,896,268)**	$(3,335,140)
Translation adjustment	**325,846**	438,872
Ending balance	**$(2,570,422)**	$(2,896,268)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars)

For The Years Ended December 31,	**2010**	2009
CASH (USED IN) PROVIDED BY		
OPERATING ACTIVITIES		
Net loss	**$ (8,256,750)**	$ (9,837,207)
Adjustments for:		
Amortization of property and equipment, net of amortization of deferred energy credit	**201,834**	202,899
Amortization of patents and licenses	**32,507**	33,024
Loss on divestiture of ASM	**40,572**	-
Accretion of asset retirement obligation	**6,618**	4,735
Stock-based compensation (Note 14)	**740,800**	378,239
Extended warrants (Note13)	**-**	596,634
Inventory write-offs	**35,035**	445,000
	(7,199,384)	(8,176,676)
Net change in non-cash working capital accounts:		
Accounts receivable	**13,865**	100,250
Prepaid and other current assets	**205,402**	(105,765)
Inventories	**317,090**	(3,011,844)
Accounts payable and accrued liabilities	**(1,036,379)**	263,339
Customer deposits	**1,347,825**	-
	(6,351,581)	(10,930,696)
INVESTING ACTIVITIES		
Sale of short-term investments	**1,667,273**	318,295
Cash loss on divestiture of ASM	**(419)**	-
Purchase of property and equipment	**(423,425)**	(148,792)
Purchase of patents and licenses	**-**	(750)
Deferred energy credit	**-**	705,588
	1,243,429	874,341
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	**6,384,372**	200,400
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**325,846**	438,872
NET CHANGE IN CASH	**1,602,066**	(9,417,083)
CASH, beginning of year	**5,027,892**	14,444,975
CASH, end of year	**$ 6,629,958**	$ 5,027,892

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

(Expressed in US Dollars)

DECEMBER 31, 2010 AND 2009

1. DESCRIPTION OF BUSINESS

Opel Solar International Inc is incorporated in the Province of Ontario. Opel Solar International Inc and its subsidiary, Opel Inc. (collectively, the "Company") principally develop and market concentrating solar panels and solar tracking systems 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; and optical laser and infrared detection using planar "opto" electronic technology ("POET"). The Company also provides 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 U.S. Department of Defense through Opel Defense Integrated Systems Inc. ("ODIS"), a subsidiary of Opel Inc.

Additionally, the Company formed OPL Solar Europe, SPRL ("OSE"), a Belgian company, to construct solar grid fields for sale to independent third parties in various parts of Europe, the Mediterranean and Northern Africa.

The Company has working capital of $11,243,092 as of December 31, 2010 compared to $13,732,982 as of December 31, 2009. The Company is in a position to cover its liabilities as they come due. However, the Company has had a history of losses and should such losses continue the Company will need to seek debt or equity financing to fund its operations. Although the Company has been successful in obtaining such financings in the past, there is no assurance that it will be able do so in the future. If the Company is unable to obtain such financing, it may not be in a position to continue as a going concern.

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 Opel Solar International Inc and its subsidiaries. ASM and Betasol Energias Alternatives, S.L. ("Betasol") are all considered variable interest entities with either Opel Inc. or OSE as the primary beneficiary. As such, their accounts are consolidated with those of the Company. All intercompany balances and transactions have been eliminated on consolidation.

Foreign currency translation
The functional currency of Opel Solar International Inc is the Canadian dollar. The Company's reporting currency is the US dollar. The Company's operations in the United States are 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 ($325,846 in 2010 and $438,872 in 2009). 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 ($94,032 in 2010 and $54,021 in 2009).

Use of estimates
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in them. Significant estimates and assumptions relate to but are not limited to inventory valuation, stock-based payments, asset retirement obligation, income taxes, useful lives for property and equipment and patents, and impairment assessments. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments
Financial instruments are required to be classified as one of the following: held-to-maturity; loans and receivables, held-for-trading; available-for-sale or other financial liabilities.

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.

Financial assets held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

Fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of a financial instrument that is quoted in active markets is based on the bid price for a financial asset held and the offer price for a financial liability. When an independent price is not available, fair value is determined by using a valuation which refers to observable market data. Such a valuation technique includes comparisons with a similar financial instrument where an observable market price, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants exist.

Short-term investments
Short-term investments are classified as held for trading and are stated at fair value. Unrealized holding gains or losses are recognized in operations.

Marketable securities
Marketable securities are classified as available for sale and are carried at fair value. Unrealized holding gains and losses are recognized in other comprehensive income (loss).

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

Property and equipment
Property and equipment are recorded at cost. Amortization is calculated based on the estimated useful life of the asset using the following rates and methods for old assets (2006 and prior) and new assets (2007 and after):

New	
Machinery and equipment	Straight Line, 5 years
Furniture and fixtures	Straight Line, 5 years
Office equipment	Straight Line, 5 years
Leasehold improvements	Straight Line Over The Remaining Term of the Lease
Solar systems for demonstrations	Straight Line, 5 years
Solar installation	Straight Line, 20 years

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 Remaining Term of the Lease

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patents and licenses
Patents and licenses are recorded at cost and amortized on a straight line basis over their estimated useful lives. Ongoing maintenance costs are expensed as incurred. The expiry of the patents and licenses range from 6 - 12 years.

Impairment of long-lived assets
The Company evaluates the recoverability of long-lived assets, which include patents and licenses, and property and equipment, for impairment when events or changes in circumstances indicate that the carrying amount of an asset or related group of assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in observable market value, a significant change in the extent or manner in which an asset or group of related assets is used, or other significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. The evaluation includes comparing the carrying amount of the asset or group of related assets to the related estimated undiscounted future cash flows expected to be derived from the asset or group of assets and their residual values. If these future cash flows are less than the carrying amount, then the asset or group of related assets is written down to estimated fair value, based on estimated discounted future cash flows. There were no significant indicators of impairment of the carrying values of long-lived assets at December 31, 2010 or 2009.

Deferred energy credit
The Company received in cash an energy credit on its solar installation used in operations. The credit was deferred and is being amortized over the estimated useful life of the asset and is included in the amortization of property and equipment.

Asset Retirement Obligation
Asset retirement obligation ("ARO") represents liabilities to the Company for which the amount or timing is uncertain. ARO is recognized when the Company has a legal obligation to decommission an asset, it is probable that such decommissioning will result in an outflow of resources and the amount can be reliably estimated. ARO is measured at the present value of the expected outflows to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The accretion in the obligation due to the passage of time is recognized as an expense.

Income taxes
The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are provided on differences between the financial reporting and income tax bases of assets and liabilities and on income tax losses available to be carried forward to future years for tax purposes. Deferred income taxes 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 provided to reduce deferred income tax assets to the amount expected to be realized.

Revenue recognition
Revenue is comprised of research and development (R&D) 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 ownership is transferred to customers for orders with the selling price both fixed and determinable and for which collectability is reasonably assured.

Interest income
Interest income on cash and cash equivalents and short-term investments held for trading is recognized as earned using the effective interest method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation
Stock options and warrants awarded to non employees are accounted for using the fair value of the instrument awarded 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 such stock options and warrants granted is recognized as expense on a straight-line basis over the vesting period. Fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

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.

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, 2009, the Company adopted the provisions of the following new CICA Handbook Sections:

(a) Goodwill and Intangible Assets

Section 3064, "Goodwill and Intangible Assets" replaced 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.

(b) Financial statement concepts

Amendments to Section 1000, “Financial Statement Concepts” clarified the criteria for recognizing an asset, and the timing of expense recognition.

The adoption of the provisions specified above had no material impact on the Company's financial statements.

(c) Business combinations

In January 2009, the CICA approved Handbook Section 1582, “Business Combinations” replacing existing Section 1581 by the same name. It establishes standards for the accounting for a business combination. It provides the Canadian generally accepted accounting principles equivalent to International Financial Reporting Standards IFRS 3 Business Combinations (January 2008). The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The CICA recommends that entities planning business combinations in the fiscal year beginning on or after January 1, 2010 adopt these new standards early to avoid restatement on transition to IFRS in 2011. Early adoption of the new standard was permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Consolidated financial statements

In January 2009, the CICA approved Handbook Section 1601, “Consolidated Financial Statements” and Handbook Section 1602, “Non-controlling Interests” replacing existing Section 1600, “Consolidated Financial Statements”. This Section establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The CICA recommends that entities planning business combinations in the fiscal year beginning on or after January 1, 2010 adopt these new standards early to avoid restatement on transition to IFRS in 2011. Early adoption of the new standard was permitted.

(e) Non-controlling interests

In January 2009, the CICA approved Handbook Section 1602, “Non-controlling Interests”. It establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards IAS 27 Consolidated and Separate Financial Statements (January 2008). The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The CICA recommends that entities planning business combinations in the fiscal year beginning on or after January 1, 2010 adopt these new standards early to avoid restatement on transition to IFRS in 2011. Early adoption of the new standard was permitted.

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS for its fiscal year beginning January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company’s consolidated financial statements.

The Company expects a smooth transition to IFRS for reporting the first quarter of 2011.

3. SHORT-TERM INVESTMENTS

	2010	2009
European bank guarantee	**$ -**	$ 510,828
Corporate bonds (Coupon rate - 0.67%)	**-**	98,946
Canadian government bonds (Coupon rate - 3.375%)	**203,000**	256,410
US certificate of deposit (Coupon rates between 0.875% and 1.25%)	**101,149**	1,105,238
Balance	**$ 304,149**	$ 1,971,422

4. INVENTORIES

	2010	2009
Raw materials	**$ 4,926,278**	$ 4,644,513
Work in process	**16,184**	585,489
Finished goods	**666,185**	2,232,462
Balance	**$ 5,608,647**	$ 7,462,464

5. MARKETABLE SECURITIES

Marketable securities consist of small investments in three companies carrying a market value of $423 as of December 31, 2010 and $403 as of December 31, 2009.

6. PROPERTY AND EQUIPMENT

2010	**Cost**	**Accumulated amortization**	**Net Book Value**
Machinery and equipment	**$ 1,171,936**	**$ 630,093**	**$ 541,843**
Furniture and fixture	**137,254**	**80,688**	**56,566**
Office equipment	**84,157**	**56,938**	**27,219**
Leasehold improvements	**44,761**	**4,157**	**40,604**
Solar systems for demonstrations	**1,394,556**	**180,634**	**1,213,922**
Construction in progress	**1,501,692**	**-**	**1,501,692**
Balance	**$ 4,334,356**	**$ 952,510**	**$ 3,381,846**

2009	Cost	Accumulated amortization	Net Book Value
Machinery and equipment	$ 755,388	$ 511,539	$ 243,849
Furniture and fixture	137,254	64,264	72,990
Office equipment	77,279	46,345	30,934
Leasehold improvements	44,761	2,918	41,843
Solar systems for demonstrations	144,895	43,469	101,426
Solar installation	1,249,661	46,861	1,202,800
Balance	$ 2,409,238	$ 715,396	$ 1,693,842

7. PATENTS AND LICENSES

2010	**Cost**	**Accumulated amortization**	**Net book value**
Patents and licenses	**$ 361,169**	**$ 168,201**	**$ 192,968**

2009	Cost	Accumulated amortization	Net book value
Patents and licenses	$ 361,919	$ 136,444	$ 225,475

8. DEFERRED ENERGY CREDIT

In 2008, the Connecticut Clean Energy Fund, ("CCEF") provided $526,518 in funding cash credits to the Company for its solar energy installation on Linden School, in Plainville, CT. This funding credit was provided to the Company as an incentive for creating a clean energy altenative, it was based on the size and performance of the system after it was installed and operational for a period of six months. In 2009, the Company was awarded $179,070 on the same project as a part of the United States Department of the Treasury's grant of cash in lieu of tax credits, on qualified alternative energy projects. This cash payment was a part of the American Recovery and Reinvestment Act of 2009.

8. DEFERRED ENERGY CREDIT (Continued)

Changes to the deferred energy credit are as follows:

	2010	2009
Net funding credits, beginning	**$ 684,921**	$ 705,588
Amortization	**(35,279)**	(20,667)
Balance, December 31	**$ 649,642**	$ 684,921

9. ASSET RETIREMENT OBLIGATION

The Company has a solar installation currently used in operations. In 2030, the Company is obligated to remove the installation and restore the underlying real estate to its original state. The asset retirement obligation ("ARO") is accreted using the credit-adjusted risk free rate when the liability was initially measured. There are no assets legally restricted for settling the aforementioned asset retirement obligation.

Changes in the asset retirement obligation are as follows:

	2010	2009
Accretion, beginning	$ 130,979	$ 126,244
Accretion	6,618	4,735
Accumulated accretion, balance, December 31	$ 137,597	$ 130,979

The initial measurement of the ARO has been added to the cost of equipment.

10. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share, carrying 1,358,000 votes

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, December 31, 2008	55,599,862	$ 29,299,882
Issued on the exercise of warrants (Note 13)	500,000	200,000
Value assigned to exercised warrants (Note 13)	-	71,343
Issued on the exercise of stock options (Note 14)	400,000	400
Opel Inc. Exchangeable Shares, exchanged into common shares (Note 12)	1,803,000	367,546
Balance, December 31, 2009	58,302,862	29,939,171
Opel Inc. Exchangeable Shares, exchanged into common shares	1,824,987	372,029
Issued on private placements	25,164,665	7,178,965
Share issue costs	-	(794,593)
Value assigned to warrants and compensation warrants	-	(2,365,131)
Balance, December 31, 2010	85,292,514	$ 34,330,441

8. SHARE CAPITAL (Continued)

On July 21, 2010, the Company closed a brokered private placement in the amount of $7,178,964 ($7,549,400 CAD). IBK Capital Corp. acted as the lead agent in respect of the issuance and sale of 25,164,665 units at a price of $0.285 ($0.30 CAD) per unit (the "Offering"). Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.475 ($0.50 CAD) per share until July 21, 2012. The agents received commissions in the aggregate of $635,751 ($668,556 CAD) and 2,476,134 compensation warrants in connection with this Offering. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.285 ($0.30 CAD) per share until July 21, 2014. Additional costs associated with the offering amounted to $158,842 ($167,038 CAD).

The fair value of the warrants and compensation warrants was estimated using the Black-scholes option pricing model with the following assumptions: dividend yield of 0%, interest rate of 1.52% and 2%, volatility of 120.9% and 113.89% and estimated life of 2 and 4 years. The estimated fair value assigned to the warrants and compensation warrants was $1,830,631 and $534,500 respectively.

11. SPECIAL VOTING SHARE

	Number of Shares		Amount
Balance, December 31, 2010 and 2009	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 Solar International Inc, OPEL Inc. and Equity Transfer & Trust Company. The special voting share carried 1,358,000 and 3,182,987 votes as of December 31, 2010 and 2009 respectively.

12. SHARES TO BE ISSUED

Pursuant to a RTO agreement, the Company was 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. The following table details the amounts and historical fair value of the Exchangeable Shares of Opel Inc. for the years ended December 31, 2010 and 2009 respectively:

	Number of Shares to be Issued		Historical Fair Value
Balance, December 31, 2008	4,985,987	$	1,016,407
Exchangeable Shares exchanged into common shares	(1,803,000)		(367,546)
Balance, December 31, 2009	3,182,987		648,861
Exchangeable Shares exchanged into common shares	(1,824,987)		(372,028)
Balance, December 31, 2010	1,358,000	$	276,833

13. WARRANTS

The following table reflects the continuity of warrants:

	Average Exercise Price	Number of Warrants	Historical Fair value
Balance, December 31, 2008	$ 1.27	21,798,622	$ 7,333,164
Exercised	0.40	(500,000)	(71,343)
Expired	0.60	(3,276,040)	(1,015,899)
Additional value assigned to extended warrants (1)	0.08	-	596,634
Balance, December 31, 2009	1.31	18,022,582	6,842,556
Issued	0.48	12,582,333	1,830,631
Compensation warrants issued	0.29	2,476,134	534,500
Expired	0.90	(10,522,582)	(3,181,972)
Balance, December 31, 2010	$ 0.92	22,558,467	$ 6,025,715

(1) On December 13, 2009, 7,500,000 warrants initially issued on December 13, 2007 expiring December 13, 2009 were extended to December 13, 2011. The extended warrants were valued using the Black-Scholes option pricing model with the following assumptions; dividend yield - 0%, volatility - 124%, risk-free interest rate - 1.24%, and expected life - 2 years. The additional estimated fair value of $596,634 was charged to operations.

As at December 31, 2010 the following warrants were outstanding:

Number of Warrants	Historical Fair Value ($)	Exercise Price ($)	Expiry Date
7,500,000	3,660,584 (1)	1.88	December 13, 2011 (2)
12,582,333	1,830,631 (1)	0.48	July 21, 2012
2,476,134	534,500 (1)	0.29	July 21, 2014
22,558,467	6,025,715	0.92	

(1) These warrants were issued in Canadian dollars and are exercisable at $1.90 CAD, $0.50 CAD and 0.30 CAD.
(2) The expiry of these warrants was extended to December 13, 2011 from December 13, 2009.

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS

On June 17, 2009, 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 New 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 12,115,000 (the “Number Reserved”). Any subsequent increase in the Number Reserved must be approved 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 different vesting period.

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

	Number of stock options		Weighted average exercise price	
	2010	2009	**2010** $	2009 $
Opening Balance	**7,596,000**	6,524,000	**0.69**	0.76
Options expired/cancelled	**(127,500)**	(80,000)	**0.32**	0.42
Options exercised	**-**	(400,000)	-	0.001
Options granted	**3,634,000**	1,552,000	**0.31**	0.20
Closing balance	**11,102,500**	7,596,000	**0.58**	0.69

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

In 2009, 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 $0.20 per share:

Date	Number of Options	Price ($)	Expiry
February 13, 2009	865,000	0.13	February 13, 2014
April 16, 2009	262,000	0.21	April 16, 2014
May 21, 2009	155,000	0.36	May 21, 2014
June 17, 2009	10,000	0.45	June 17, 2014
August 20, 2009	80,000	0.35	August 20, 2014
September 29, 2009	55,000	0.37	September 29, 2014
November 19, 2009	75,000	0.31	November 19, 2014
December 19, 2009	50,000	0.29	December 19, 2014
	1,552,000	0.20	

Of the 1,552,000 stock options granted during the 2009, 711,000 have vested with the remainder vesting at various intervals over 18 months. The estimated fair value of the stock options granted in 2009 was $240,319. In 2009, $177,920 related to vested stock options was charged to stock based compensation; the remaining unrecognized portion of $62,399 will be charged to stock option compensation over the remaining vesting period.

Stock based compensation expense for 2009 includes $200,319 relating to 958,382 vested stock options that were granted in prior years.

In 2010, 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 $0.31 per share:

Date	Number of Options	Price ($)	Expiry
March 18, 2010	1,344,000	0.28	March 18, 2020
August 19, 2010	2,240,000	0.33	August 19, 2020
November 18, 2010	50,000	0.33	November 18, 2020
	3,634,000	0.31	

Of the 3,634,000 stock options granted during the year, 1,244,500 have vested, 62,500 of which were cancelled. The remaining 2,327,000 will vest at various intervals over 18 months. The estimated fair value of the stock options granted in 2010 was $1,066,970. In 2010, $693,354 related to vested stock options was charged to stock based compensation, $15,885 related to the 2010 grants were cancelled in 2010; the remaining unrecognized portion of $357,731 will be charged to stock option compensation over the remaining vesting period.

Stock based compensation expense for 2010 includes $47,446 relating to 809,750 vested stock options that were granted in prior years.

The stock options granted during 2010 and 2009 were valued using the Black-Scholes option pricing model using the following assumptions;

	2010	2009
Weighted average risk-free interest rate	**3.12%**	2.17%
Weighted average dividend yield	**0%**	0%
Weighted average volatility	**114%**	127%
Weighted average estimated life	**10 years**	5 years

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

2010

Details of the stock options outstanding were as follows:

Historical Fair Value ($)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
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	3,119,000	3,119,000	0.94 (1)	September 21, 2012
239,423	390,000	390,000	1.48 (1)	December 14, 2012
55,819	165,000	165,000	1.18 (1)	February 12, 2013
71,220	142,500	190,000	1.46 (1)	April 29, 2013
6,154	25,000	25,000	1.03 (1)	June 19, 2013
65,080	225,000	225,000	0.44 (1)	July 29, 2013
9,299	110,000	110,000	0.11 (1)	November 6, 2013
9,900	90,000	90,000	0.15 (1)	December 5, 2013
97,812	865,000	865,000	0.13 (1)	February 13, 2014
46,017	262,000	262,000	0.21 (1)	April 16, 2014
28,335	75,000	75,000	0.36 (1)	May 21, 2014
3,534	10,000	10,000	0.45 (1)	June 17, 2014
9,233	11,250	15,000	0.35 (1)	August 20, 2014
16,901	41,250	55,000	0.37 (1)	September 29, 2014
15,275	56,250	75,000	0.31 (1)	November 19, 2014
9,586	37,500	50,000	0.29 (1)	December 19, 2014
335,176	640,750	1,281,500	0.28 (1)	March 17, 2020
700,382	560,000	2,240,000	0.31 (1)	August 19, 2020
15,526	12,500	50,000	0.31 (1)	November 19, 2020
3,792,915	8,648,000	11,102,500		

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

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

2009

Historical Fair Value ($)	Exercisable Options	Number of Options	Exercise Price ($)	Expiry Date
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	3,119,000	3,119,000	0.94 (1)	September 21, 2012
239,423	390,000	390,000	1.48 (1)	December 14, 2012
55,819	165,000	165,000	1.18 (1)	February 12, 2013
71,220	142,500	190,000	1.46 (1)	April 29, 2013
6,154	25,000	25,000	1.03 (1)	June 19, 2013
65,080	168,750	225,000	0.44 (1)	July 29, 2013
9,299	82,500	110,000	0.11 (1)	November 6, 2013
9,900	67,500	90,000	0.15 (1)	December 5, 2013
97,812	432,500	865,000	0.13 (1)	February 13, 2014
46,017	131,000	262,000	0.21 (1)	April 16, 2014
28,335	77,500	75,000	0.36 (1)	May 21, 2014
3,534	5,000	10,000	0.45 (1)	June 17, 2014
23,760	20,000	80,000	0.35 (1)	August 20, 2014
16,901	13,750	55,000	0.37 (1)	September 29, 2014
15,275	18,750	75,000	0.31 (1)	November 19, 2014
9,586	12,500	50,000	0.29 (1)	December 19, 2014
2,756,358	6,681,250	7,596,000		

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

The following table reflects the continuity of contributed surplus:

	Amount
Balance, December 31, 2008	$ 3,333,750
Stock-based compensation	378,239
Warrants expired	1,015,899
Balance, December 31, 2009	4,727,888
Stock-based compensation	740,800
Warrants expired	3,181,971
Balance, September 30, 2010	$ 8,650,659

15. LOSS PER SHARE

	2010	2009
Numerator:		
Net loss attributable to equity shareholders - basic and diluted	**$ (8,231,989)**	$ (9,834,997)
Denominator:		
Weighted average number of common shares outstanding - basic	**70,510,410**	56,931,089
Weighted average number of common shares outstanding - diluted	**70,510,410**	56,931,089
Basic and diluted loss per share	**$ (0.12)**	$ (0.17)

The effect of common share purchase options, warrants, broker warrants and shares to be issued on the net loss in 2010 and 2009 is not reflected as it is anti-dilutive.

16. CUSTOMER DEPOSITS

In December 2010, the Company entered into a contract with a customer to provide solar products and services. The contract includes performing site engineering, permitting, installation and commissioning of a solar power plant in Rhode Island, USA. Also included in the contract is the purchase of the various related equipment including panels, trackers, inverters, and combiners. The customer paid $1,347,825 in 2010 to the Company in order proceed with the procurement of the related equipment. In 2010, no services were performed on this contract and therefore no revenue was recognized. The Company expects to execute this contract in 2011, therefore, the Company classified these receipts as customer deposits on the accompanying balance sheet.

17. COMMITMENTS AND CONTINGENCIES

The Company has operating leases for office and research facilities expiring in 2014 and 2013 respectively.

Rent expense under these leases was $273,145 (2009 - $210,563). Remaining minimum annual rental payments to the lease expiration dates are as follows:

2011	$ 183,125
2012	197,399
2013	117,787
2014	45,177
	$ 543,488

Rent expense was $297,022 in 2010 and $230,819 in 2009

18. VARIABLE INTEREST ENTITY

In 2008, the Company's wholly owned subsidiary, OPL Solar Europe SPRL ("OSE"), had a 50% interest in the issued and outstanding shares of Alcapi Solartwent Management GmbH ("ASM"), a German LLC. which cost the Company $19,500 (Euros 12,500). ASM was created for the purpose of developing a grid field project in Spain. 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 ASM.

During 2010, the Company divested itself of its interest in ASM and recorded a $40,572 loss on divestiture. The Company had a loan receivable of $485,132 due from ASM which was repaid in December 2010.

19. SEGMENT INFORMATION

The Company and its subsidiaries operate in two distinct segments; (1) the manufacture and sale of high efficiency solar panels and multi-axis solar tracking systems and (2) the design of infrared sensor type products for military and industrial applications. The Company's operating and reporting segments reflect the management reporting structure of the organization and the manner in which the chief operating decision maker regularly assesses information for decision making purposes, including the allocation of resources. There are no intersegment sales. The Company's segments and their products and services are summarized below:

Opel Inc.
Opel designs, manufactures and markets high performance concentrating photovoltaic ("HCPV") panels and multi-axis solar tracking systems to transform solar energy into electricity for worldwide application. Opel's HCPV panels can generate up to 40% more kilowatt-hours than conventional flat plate silicon solar panels, resulting in more cost effective electricity generated from the sun.

OPEL Defense Integrated Systems ("ODIS")
ODIS designs infrared sensor type products for military and industrial applications. ODIS develops gallium arsenide-based processes and semi-conductor microchip products having several potential major market applications: infrared sensor arrays for Homeland Security monitoring and imaging along with the unique combination of optical lasers, and electronic control circuits on the same microchip for potential applications in various military programs and potentially telecom for, Fibre to The Home

Segmented information for the year ended December 31, 2010 and 2009 is as follows:

	2010			2009		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	**$ 539,784**	**$ 1,107,854**	**$ 1,647,638**	$ 233,136	$ 375,409	$ 608,545
Interest income	**2,901**	**-**	**2,901**	31,938	-	31,938
Amortization	**197,641**	**4,193**	**201,834**	231,730	4,193	235,923
Loss attributable to non controlling interest	**24,761**	**-**	**24,761**	2,210	-	2,210
Loss on divestiture of asm	**40,572**	**-**	**40,572**	-	-	-
Segment loss	**6,842,471**	**395,637**	**7,238,108**	7,483,119	1,157,894	8,641,013
Corporate operations			**1,018,642**			1,196,194
Net loss			**$ 8,256,750**			$ 9,837,207
Total assets	**$ 12,105,506**	**$ 237,012**	**$ 12,342,518**	$ 12,470,052	$ 69,554	$ 12,539,606
Capital expenditures	**$ 423,425**	**$ -**	**$ 423,425**	$ 149,542	$ -	$ 149,542

The Company operates geographically in the United States, Canada and Europe. Geographical information is as follows:

	2010			
As of December 31,	**US**	**Canada**	**Europe**	**Consolidated**
Current assets	**$ 8,122,165**	**$ 4,595,151**	**$ 645,539**	**$ 13,362,855**
Property and equipment	**1,880,154**	**-**	**1,501,692**	**3,381,846**
Patents and licenses	**192,968**	**-**	**-**	**192,968**
	$ 10,195,287	**$ 4,595,151**	**$ 2,147,231**	**$ 16,937,669**
Year ended December 31,				
Revenue	**$ 1,645,715**	**$ -**	**$ 1,923**	**$ 1,647,638**
Cost of goods sold	**418,829**	**-**	**15,798**	**434,627**
General and administration	**4,464,597**	**1,055,331**	**63,691**	**5,583,619**
Research and development	**3,791,062**	**-**	**-**	**3,791,062**
Investment income	**(2,695)**	**(36,689)**	**(206)**	**(39,590)**

19. SEGMENT INFORMATION (Continued)

2009

As of December 31,	US	Canada	Europe	Consolidated
Current assets	$ 9,524,980	$ 4,968,719	$ 1,095,309	$ 15,589,008
Property and equipment	1,693,842	-	-	1,693,842
Patents and licenses	225,475	-	-	225,475
	$ 11,444,297	$ 4,968,719	$ 1,095,309	$ 17,508,325
Year ended December 31,				
Revenue	$ 602,130	$ -	$ 6,415	$ 608,545
Cost of goods sold	810,642	-	1,516	812,158
General and administration	4,609,959	699,381	167,923	5,477,263
Research and development	3,745,488	-	-	3,745,488
Investment income	(22,852)	(99,832)	(9,086)	(131,770)

During 2010, $1,039,901 or 63% (2009 - $374,380 or 62%) of the Company's revenues depended on a single customer in ODIS.

20. INCOME TAXES

The following table reconciles the expected income tax recovery at the combined United States and Canadian statutory income tax rates of 41% for 2010 and 41% for 2009 to the amounts recognized in operations.

	2010	2009
Net loss	**$ 8,256,750**	$ 9,837,207
Expected income tax recovery at combined statutory rates	**$ 3,385,000**	$ 4,032,000
Changes from:		
Amounts not deductible for tax purposes	**(309,000)**	(332,000)
Deductible share issuance costs	**314,000**	280,000
Adjustment of prior year estimates and foreign currency fluctuations and reduction in tax rates	**(244,000)**	(192,000)
Change in valuation allowance	**(3,146,000)**	(3,788,000)
Income tax recovery recognized	**$ -**	$ -

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

	2010	2009
Resource assets	**$ 233,000**	$ 227,000
Share issue costs	**407,000**	251,000
Canadian non-capital losses	**403,000**	333,000
Canadian capital losses	**383,000**	383,000
US non-capital losses	**11,314,000**	8,400,000
	12,740,000	9,594,000
Valuation allowance	**(12,740,000)**	(9,594,000)
Future income tax assets recognized	**$ -**	$ -

In addition to capital losses of $3,064,000 and resource pools of $1,111,000 which have no expiry date, the Company had United States and Canadian tax loss carryforwards of $27,263,000 and $1,611,000 respectively, which will expire between 2014 and 2030 if not used.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company has classified financial instruments as follows:

	2010	2009
Financial assets:		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	**$ 6,629,958**	$ 5,027,892
Short-term investments	**304,149**	1,971,422
Loans and receivable, measured at amortized cost:		
Accounts receivable	**312,043**	332,985
Available-for-sale, measured at fair value:		
Marketable securities	**423**	403
	$ 7,246,573	$ 7,332,702

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 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 each of the entities included in the accompanying consolidated financial statements is the local currency where the entity is domiciled. Functional currencies include the US and Canadian dollar and the Euro. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. Currencies in which the Company's exposure to foreign currencies mainly include the Canadian dollar and the Euro. A 10% change in the Canadian dollar and the Euro would increase or decrease other comprehensive income (loss) and net income (loss) by $47,297 and $83,065 respectively.

Interest Rate Risk

Short-term investments held for trading bear interest at fixed rates, and as such, are subject to risk resulting from fluctuations in interest rates.

Liquidity Risk

The Company currently does not maintain credit facilities. The Company's existing cash and cash resources are considered sufficient to fund operating and investing activities over the next twelve months.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, cash equivalents, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments. A 1% change in fair values of short-term investments and marketable securities would decrease or increase net loss by $3,040.

22. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income (loss), deficit and non controlling interest), cash and short-term investments. The capital of the Company was $56,217,855 at December 31, 2010. 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 year.

23. 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.

CORPORATE INFORMATION

DIRECTORS:

Denis Colbourne *(retiring)* * • ◦
Lawrence R. Kunkel, *Chairman* * • ◦
Leon M. Pierhal
Samuel Peralta * ◦
David Slomka *(retiring)* •
Tristram E. Collins *(Nominee)*
Christopher Grasset *(Nominee)*

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

OFFICERS:

Leon M. Pierhal
PRESIDENT & CHIEF EXECUTIVE OFFICER

Francisco Middleton
CHIEF OPERATING OFFICER &
VICE-PRESIDENT, MARKETING

Javier Berrios
VICE-PRESIDENT, ENGINEERING

Patricia V. Agudow
VICE-PRESIDENT, ADMINISTRATION,
PUBLIC & GOVERNMENT RELATIONS

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
Brown Rudnick Berlack Israels LLP – Boston, MA

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SHARE CAPITAL (as at May 12, 2011):

Common Shares
Authorized: Unlimited
Issued: 91,340,756
Special Voting Share
Issued: 1
Votes: 1,020,000
Total Voting Rights
92,360,756

ANNUAL MEETING:

The Annual General and Special Meeting of Opel Solar International Inc. will be held at 10:00 a.m. (Toronto time) on Tuesday, June 21st, 2011, in Osgood Room (3rd floor) of the Hilton Toronto Hotel located at 145 Richmond Street West in the City of Toronto, Ontario, CANADA.

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