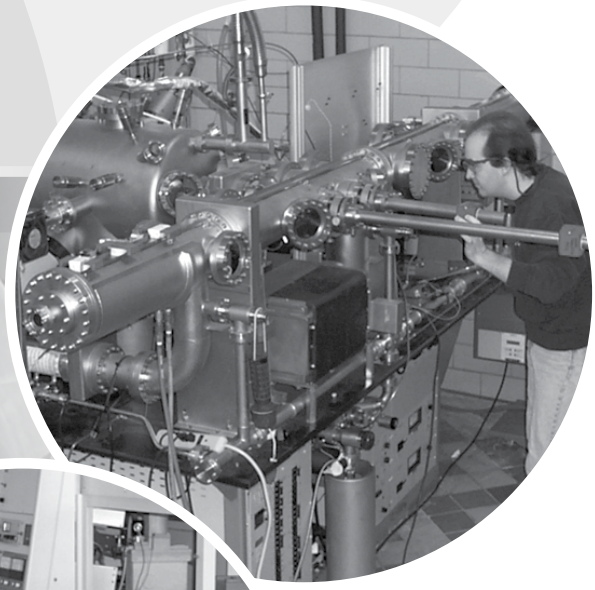
2012 ANNUAL REPORT

OPEL Technologies

Using Light for Communication



CEO'S REPORT

To the Shareholders of OPEL Technologies Inc.:


Leon Pierhal, Chief Executive

As reported in Last year's Annual Report, we embarked on a course of action which would allow OPEL Technologies Inc. to focus its complete attention on the POET (Planar Opto Electronic Technology) Platform which enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones.

As of June 2012, OPEL Technologies Inc. restructured its Board of Directors. The new Board made several strategic decisions to strengthen the Company on a going forward basis. The first was to discontinue the OPEL Solar portion of the business focusing its efforts on monetizing POET and the second was to establish a Special Committee of the Board to explore the divesture of the OPEL Solar Division. Leveraging from OPEL Solar's leadership position in the tracker market, potential acquisition candidates were sought leading to the sale of a significant portion of the assets of the solar tracker business in December 2012. The subsequent disposition of the remaining assets thereby completed the solar divesture.

Today's semiconductor world is rapidly growing. The world has become increasingly dependent on electronics for routine functions. As that dependency grows, so does the need for smaller, faster and more power efficient devices. Silicon based semiconductor technology has been pushed to its limits in an effort to keep up with the demand, resulting in technology leaders committing an average 15% of their $167 billion in revenues to R&D efforts.

OPEL, through its POET Platform, has developed a unique, proprietary process that addresses the needs of speed, size, energy and cost efficiency associated with the current silicon based technology along with the hurdles of expanding silicon-based chip technology to fit the needs of product developers.

Technological strides within the POET development program continue to be encouraging. In December 2012, the OPEL successfully fabricated the first Vertical Cavity Laser, utilizing its patented POET GaAs III-V technology. The new laser serves as the basis for chip-to-chip interconnection, and complements numerous other optoelectronic devices already demonstrated. We will be showcasing our recent achievements, working toward our goal of the monetization of POET for our shareholders, by once again conducting OPEL's Annual General Meeting on the campus of the University of Connecticut, home of the OPEL research and development facility.

For more information on OPEL and POET, please visit our website at www.opelinc.com

In conclusion, I would like to thank my fellow directors for their continued guidance and leadership and our employees for their dedication and efforts. We also greatly appreciate the support and interest of our shareholders and look forward to communicating updates of the firm's continued success to you in the future. In the meantime, we look forward to greeting many of you at our Annual Meeting on June 21, 2013.

Leon M. Pierhal
President & Chief Executive Officer
May 1, 2013

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 Technologies 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 Marcum 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, 2012. 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 & Chief Executive Officer
Toronto, Ontario
May 1, 2013

The following discussion and analysis of the operations, results, and financial position of OPEL Technologies Inc., ("OPEL" or the "Company") for the year ended December 31, 2012 (the "Period") should be read in conjunction with the Company's December 31, 2012 audited consolidated financial statements and the related notes thereto where applicable both of which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The effective date of this report is March 28, 2013. 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, except to the extent required by law. The reader is cautioned not to place undue reliance on forward-looking statements.

Business Overview

Today's semiconductor world is rapidly growing. The world has become increasingly dependent on electronics for functioning day-to-day. As that dependency grows, so does the need for smaller, faster and more power efficient devices. Silicon-based semiconductor technology has been pushed to its limits. In an effort to keep up with the demand, resulting in technology leaders committing an average 15% of their $167 billion in revenues to R&D efforts as reported by IC Insights.

OPEL has developed a unique, proprietary process that addresses the needs of speed, size, energy and cost efficiency associated with the current silicon-based technology along with the hurdles of expanding silicon-based chip technology to fit the needs of product developers.

OPEL is incorporated under the laws of the Province of Ontario. The Company has 32 patents issued and 6 patents pending primarily for its semiconductor Planar Opto-Electronic Technology ("POET") process, currently being developed by ODIS. Through its US subsidiary ODIS Inc. ("ODIS"), the Company is engaged in the designing of III-V semiconductor devices and processes for military, industrial and commercial applications, including infrared sensor arrays and ultra-low-power random access memory. The POET platform enables the monolithic fabrication of integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones.

The Company, through its wholly owned US subsidiary, OPEL Solar Inc ("OSI"), previously manufactured and deployed both dual and single-axis trackers designed for solar energy applications worldwide. All solar activities ceased as of June 15, 2012 after a strategic decision was made to focus its efforts on monetizing POET. The Company has sold the majority of its solar assets; however, it may continue to earn minor revenue and incur comparatively small expenses relating to its solar installations currently generating electricity.

As of June 2012, OPEL restructured its Board of Directors. The new Board made two strategic decisions to strengthen the Company going forward. The first was to discontinue and divest its solar business and the second was to focus all efforts on ODIS' break-through POET Platform for advanced semiconductor applications. This MD&A presents the effects of the pivotal decision to discontinue the operations of OPEL's solar business.

The Company's shares trade under the symbol "OPL" on the TSX Venture Exchange in Canada and under the symbol "OPELF" on the OTCQX in the US.

a) Semiconductor Technology

OPEL, through ODIS, is currently conducting research and development (R&D) for a wide array of devices for potential 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' POET process development for these products. ODIS has been awarded more than a dozen U.S. Department of Defense projects since 2000. These have supported and continue to support the development of ODIS' POET process, infrared sensing technology, sensor/laser development and the combination of electronic circuits and lasers on the same microchip. ODIS remains active in this area with projects underway with the U.S. Department of Defense and a major U.S. Defense Contractor. The work conducted with military applications will not limit the Company's ability to monetize POET.

In March 2011, a third party valuation of the POET Technology was received indicating a significant potential market value of the intellectual property of this technology. In June 2011, BAE Systems independently produced operational transistors on gallium arsenide wafers, further validating critical components of the POET process. By June 2011, ODIS, under the supervision of Dr. Geoffrey Taylor, had completed several wafers containing multiple devices produced with POET Technology. In August 2011, BAE Systems ran a fabrication lot of five wafers using POET Technology. Chips were produced from these wafers and tested to further validate the varied capabilities and devices developed utilizing the POET Technology platform. ODIS has made significant progress regarding POET as it pertains to its advancements in Optical Interconnection of High Speed Circuits, making it possible for the first time to implement an optical interface as a single chip to connect existing CMOS processors as described in the POET White Paper/Roadmap posted on the ODIS website www.odisinc.com. Dr. Taylor's continued development strides led to OPEL Technologies hosting its 2012 Annual General Meeting on the campus of the University of Connecticut (UCONN), home of the ODIS R&D facility where, at the conclusion of the Annual General Meeting, guided tours of the ODIS R&D facility were conducted by Dr. Taylor and his staff. ODIS and BAE Systems continue on the path of producing a much sought after Infrared Detector (IR) Device contracted for by the U.S. Air Force Research Laboratory, (AFRL).

In 2011, all U.S. Government contractors, including ODIS, were notified that funding to continue ongoing projects would see dramatic cuts throughout 2011 and possible termination in 2012. ODIS began experiencing such cutbacks in financial support to projects throughout 2011, including the very important BAE project which by the end of the year was no longer funded. Recognizing the importance this development effort has to the overall future of ODIS, funds were redirected to continue this project while alternative sources of funding were being sought**.** In April of 2012, ODIS received a Phase II award of $750,000 from NASA to continue developing radiofrequency (RF) and optical phased arrays using the POET platform, and work began under this award during Q3 2012**.**

OPEL's long term objective, when the POET platform is completed by ODIS, is to explore opportunities to monetize this breakthrough technology.

b) Solar Business

Prior to June 2012, the mission of OSI was to develop and supply innovative solar product solutions to harness electricity from the sun in the most efficient and cost effective manner.

Recently, global debt figures surged upward and subsidies for new energy technologies were trimmed; this, coupled with massive solar product inventory in the marketplace, has led to ever-decreasing margins within the solar industry. Recognizing this transformation was occurring, aggressive cost cutting measures were immediately enacted during 2011 which continued into 2012; as well, OSI was redirected from being a Concentrated Solar Photovoltaic (CPV) panel provider into a solar tracker provider. Leveraging from OPEL Solar's leadership position in the tracker market, in June 2012, a Special Committee of the Board was established to explore the divesture of the OPEL Solar Division. This led to the sale of a significant portion of the assets of the solar tracker business in December 2012. The Company is in the process of selling the remaining assets.

Industry Outlook

The semiconductor market is projected to grow to $430 billion by 2015 and remains a rapidly growing segment of our society. Electronics sales topping $1,200 billion all require semiconductors to achieve success and competitive performance. New and more integrated technologies and devices have been the biggest driver to this market growth.

Opel's POET technology is applicable in a large portion of this semiconductor market as it represents, possibly, the most comprehensive solution to increasing semiconductor performance in an economical and functional manner. In

the short term, POET's current development efforts may allow future licensees to address weaknesses in the following markets (market sizes projected for 2015):

- Optical Semiconductor – projected $37.4 billion
- Sensors and actuators – projected $14.1 billion
- Analog ICs – projected $55.9 billion
- Discrete semiconductors – projected $28.6 billion

With further development, POET can potentially address other market areas such as:

- Logic – projected $115 billion
- MPUs and MCUs – projected $92.6 billion
- Memories – projected $86.6 billion

Source: Gartner, PWC

Business indicators suggest that POET may provide significant value to the ever growing market, where it addresses a need for power consumption, speed, size and cost efficiency.

As reported throughout the year, OPEL's strategy is to continue, aggressive research and development efforts planned by ODIS as it relates to the completion of the POET platform. Upon completion, POET is expected to allow ODIS to fundamentally alter the landscape of computing for a broad range of applications by offering components with dramatically lowered cost together with increased speed, density, and reliability.

Since the beginning of its development, the recognition of the breakthrough potential provided by the POET technology within the military community remains strong. Even through a downturn in military spending during 2011, *POET remained at the forefront of those projects earmarked for funding during 2012 and 2013*. This military development work will not constrain the commercial application of the POET Technology.

Recent technological strides within the POET development program have proven encouraging. The fact that the 2012 Annual General Meeting took place on the campus of the University of Connecticut, home of the ODIS research and development facility testifies to OPEL's redirection. As we showcased ODIS' achievements thus far, we are continuing to work toward our goal of the monetization of POET for the shareholders.

Key Success Drivers ("KSD")

ODIS continued to develop its enhancements to the POET platform during 2011 and continued to do so into 2012. POET is a semiconductor fabrication process that enables the monolithic fabrication of integrated circuits containing both electronic and optical elements. The POET platform, which is covered by numerous patents and patents pending, makes possible the economic production of fully-integrated optoelectronic semiconductor devices with higher speeds and reduced power consumption compared to conventional silicon-based devices. Utilizing POET, 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. ODIS chip design capabilities allow for optical and electronic signals to be used on the same chip when necessary and allow for direct connection to optical fiber without conversion to electronic signals.

The Company's success in 2012 was driven by its ability to achieve significant milestones in cost control, liquidity and technical progress, which in turn led to a recovery in market value of its share price from 2011. The Company's future success will also be driven by focusing on the same factors, as well as critical human capital.

Relieving itself of underperforming assets and establishing a lean operational model will allow the Company the necessary resources to focus on its key strategy – developing and monetizing its state-of-the-art POET process.

Significant Events and Milestones During 2012

OPEL continued to make progress in 2012. 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 March 2012, ODIS announced significant progress, made during the first quarter, regarding POET as it pertains to its advancements in Optical Interconnection of High Speed Circuits as outlined in a White Paper/Roadmap posted on the ODIS website <www.odisinc.com>. These achievements make it possible for the first time to implement an on-chip optical interface as a single chip to connect existing complementary metal

oxide semiconductor (CMOS) processors. The advancements are significant and ongoing steps in the POET technology development and have made it possible to produce a well-defined military and commercial Roadmap for POET.

2) In April 2012, ODIS officially received a Phase II award of $750,000 from National Aeronautics and Space Administration ("NASA"). This is a continuation of previous successful work done for NASA using the POET platform to develop RF/Optical phased arrays. ODIS technology will allow NASA to utilize both optical and RF functions on the same sensors.
3) On May 16, 2012, OPEL's shares began trading on the OTCQX International trading system in the United States under the symbol "OPELF" in order to provide greater exposure and liquidity for the Company's shares in the Unites States without the added regulatory expenses and to benefit our shareholders.
4) In June 2012, the Board of Directors of OPEL was restructured, resulting in the departure of Messrs. Lawrence Kunkel and Tristram Collins, the addition of Messrs. Mark Benadiba and Peter Copetti and the return of Dr. Samuel Peralta.
5) In June 2012, OPEL made a core strategic directional change to exit the solar industry and to focus on its ODIS Division towards completion of the POET Platform. The Company made significant changes to its business model to successfully achieve a goal of monetizing POET in an optimum time frame.
6) At the Annual General Meeting of Shareholders (the "AGM") held on August 21, 2012, Chris Tsiofas was elected as a new member of the Board of Directors and was subsequently appointed as the Chairman of the Audit Committee.
7) Immediately following the AGM held in Storrs, CT, Shareholders were invited to tour the ODIS lab facility. Guests saw several demonstrations of the ODIS POET Technology and spoke to the ODIS development team.
8) As part of the focus, from June to September 2012, the Company raised approximately $5.6 million through various private placements financings along with warrant and option exercises. The Company paid $506,000 in share issue costs to raise these funds. Through these efforts the Company re-secured ownership of its intellectual property assets, established financial liquidity, and secured the working capital needed to further its pivotal strategy.
9) By December 4, 2012, the Company successfully fabricated the first Vertical Cavity Laser, utilizing ODIS' patented POET GaAs III-V technology. Incremental progress over the years has led to what many consider to be the next phase of semiconductor development which is to surpass the capabilities of complementary metal oxide semiconductor (CMOS) technology for the next generation of high speed low power applications. The new laser serves as the basis for chip-to-chip interconnection, and complements numerous other optoelectronic devices already demonstrated by ODIS – including heterostructure field effect transistors (HFETs), optical thyristors, pulsed lasers, and super-radiant light emitting devices – all able to be monolithically fabricated via the POET process.

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 IFRS. All amounts herein are expressed in United States dollars unless otherwise indicated:

	Dec. 31/12	Sep. 30/12	Jun. 30/12	Mar. 31/12	Dec. 31/11	Sep. 30/11	Jun. 30/11	Mar. 31/11
Sales	$ 126,736	$ 112,070	$ -	$ -	$ 7,630	$ 93,316	$ 316,696	$ 337,780
Cost of goods sold	-	-	-	-	-	-	-	-
Research and development	265,146	240,494	233,850	289,764	338,018	305,349	338,032	345,658
Depreciation, amortization	1,838	3,258	1,131	1,131	1,089	1,131	1,069	1,069
Professional fees	32,001	17,650	70,931	54,750	20,375	88,690	23,875	21,683
Stock-based compensation	651,317	379,243	309,069	364,397	439,000	593,864	462,999	307,149
General and administrative	404,654	297,854	342,968	160,312	188,180	189,827	179,021	194,760
Investment income and other income	-	-	-	-	(1,812)	(5,312)	(11,747)	(3,044)
Discontinued operations (income) loss	210,754	(382,666)	3,480,717	1,376,644	6,645,439	2,334,914	1,437,862	1,480,010
Net loss	($1,438,974)	($ 443,763)	($ 4,438,666)	($ 2,246,998)	($7,622,658)	($3,415,148)	($ 2,114,415)	($ 2,009,505)

Explanation of Quarterly Results

During the quarter ended December 31, 2012, the Company's loss of $1,438,974 as compared to a loss of $7,622,658 in the same period in 2011. The 2012 loss from discontinued operations was $210,754 compared to a loss of $6,645,439 in the prior year.

Fourth quarter revenue was $126,736 compared to $7,630 in 2011. With the discontinuance of the solar division, OPEL's revenue is now derived primarily from government or military contracts in ODIS. Although the Government has limited its government contracts, the stronger revenues earned in the quarter, compared the same time in 2011 is a strong indicator of the level of confidence in the POET process. This revenue was associated with one Small Business Innovation Research (SBIR) grant funding ODIS' development activities for the U.S. Government. This billing was associated with a new grant from NASA that began in July 2012.

Fourth quarter R&D costs were lower than 2011 by 22% contracting from $338,018 to $265,146. The reduction in R&D costs is not an indicator of reduced efforts but rather evidence of the Company becoming leaner and directing all its efforts into monetizing POET. Management has a mandate to continue to develop the POET process. Objectives in 2013 are directly related to managing R&D expenses while reaching milestones and achieving objectives.

Fourth quarter general and administrative expenses have increased by $253,762 from $150,892 in 2011 to $404,654 in 2012. This increase is due to additional corporate level management, restructuring, and the multiple financings. The Company also incurred additional operational costs resulting from the impact of Hurricane Sandy.

Explanation of Annual Results

During the year ended December 31, 2012, the Company made a strategic decision to discontinue the solar division. The solar division was experiencing ongoing losses and consuming assets that were not being recovered. After careful review and analysis, the Board provided clear directive to restructure the Company which included identifying and discontinuing redundant positions, selling solar related assets, divesting itself of solar related minority interests and discontinuing the solar division. The Company had a loss from discontinued operations of $4,685,449 compared to $11,898,225 in 2011. The loss from discontinued operations included an inventory write down of $1,143,011 (2011 - $3,570,406), impairment of long lived assets of $414,570 (2011 - $1,501,692), uncollectible accounts receivable of $195,774 (2011 – nil) and a write down of prepaid expenses of $127,602 (2011 – nil).

As mentioned above, included in the loss from discontinued operations is a loss incurred in divesting investments in other companies namely Opel Solar Asia Company Limited of $197,178.

During the year, the Company had a loss from continuing operations of $3,882,952 compared to $3,263,501 in 2011. Year over year, revenue contracted by 68% from $755,422 in 2011 to $238,806 in 2012. The significant downturn is a result of cutbacks in the SBIR grants funding ODIS' development activities for the U.S. Government. The only billings this year is associated with a new grant from NASA that began in July 2012 and will continue into 2013.

OPEL decreased its R&D expenses by 22% or $297,803 from $1,327,057 in 2011 to $1,029,254 in 2012. The reduction was a result of reduced subcontracting activities, leaner operations and R&D activities focused only on the goal of monetizing POET in the short-term.

OPEL's general and administrative expenses have increased by $378,723 from $2,713,781 in 2011 to $3,092,504 in 2012. This increase is due to additional corporate level management and some one-time corporate listing and regulatory fees from the TSX and Equity Transfer associated with our restructuring, multiple financings closed in the year and fees associated with securing a revolving line of credit. Additionally, the Company was obligated to pay severance packages to employees who were considered redundant as the Company was discontinuing of its solar operations.

Discontinued Operations

On June 11, 2012, management committed to a plan to discontinue its solar related operations and to dispose of its solar related assets and liabilities. The decision was taken in line with the Company's strategy to focus on the Company's key competencies, being the development of the POET platform, which enables the monolithic fabrication integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones. Consequently, all saleable assets and liabilities relating to the solar operations were classified as "assets available for sale" or "disposal group liabilities".

On December 12, 2012, the Company sold a portion of its assets available for sale to an arms length party. The sale resulted in the Company receiving $1,000,000 for those assets available for sale. No gain or loss was recorded on the sale of the assets as current accounting standards mandate that assets are evaluated for impairment prior to discontinued operations treatment.

The remaining carrying amount of assets and liabilities allocated as "assets available for sale" and "disposal group liabilities" may be analysed as follows:

Solar installations	$ 606,413
Assets available for sale	$ 606,413
Deferred energy credit	$ 526,518
Asset retirement obligation	79,895
Disposal group liabilities	$ 606,413

Until the assets are sold, the Company may continue to earn some revenue along with incurring some minor expenses relating to its former solar business.

Revenue and expenses, and gains and losses relating to the discontinued activity have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of comprehensive loss. The operating results of the discontinued operations can be analyzed as follows:

	December 31, 2012	2011
Revenue	**$ 617,728**	$ 5,122,507
Costs and expenses		
Cost of goods sold (1)	**1,117,282**	8,916,603
General and administration (2)	**3,380,117**	5,551,286
Research and development	**611,644**	2,561,217
Investment income, including interest	**(3,044)**	(8,374)
	5,105,999	17,020,732
Net operating results from discontinued operations, net of taxes	**(4,488,271)**	(11,898,225)
Loss on divestiture of Opel Solar Asia Company Limited, net of taxes (3)	**(197,178)**	-
Net loss from discontinued operation, net of taxes	**(4,685,449)**	(11,898,225)
Loss attributable to non-controlling interest	**107,662**	-
Loss from discontinued operation, attributable to equity shareholders	**$ (4,685,449)**	$(11,790,563)

(1) Cost of goods sold includes inventory write-down of	$ 1,143,011	$ 3,570,406
(2) General and administration includes the following:		
Impairment of long lived assets	414,570	1,501,692
Uncollectible accounts receivable	195,774	-
Prepaid expenses	127,602	-

(3) The Company divested itself of its interest in Opel Solar Asia Company Limited because it was unable to identify a buyer for this investment. The Company therefore recorded a loss on divestiture of $197,178.

Explanation of Material Variations by Quarter for the Last Eight Quarters

In the quarter ending September 30, 2012, OPEL's results showed a profit of $382,666 included in discontinued operations through the negotiation of lower payments on some of its accounts payable and the completion of some final sales commitments to customers. These will be the final billings associated with the discontinued solar business.

In the quarter ending June 30, 2012, OPEL made the decision not to continue the solar related side of its business. All assets and operations were reviewed and the Company took a loss on discontinued operations of $3,480,717. By the end of the year, all losses associated with discontinuing the solar division totaled $4, 685,449. All eight quarters in the table above have been retroactively restated to show the effects of the discontinuation of OPEL's solar business.

In the quarter ending December 31, 2011, the Company recorded an inventory write down of $3,570,406 and an impairment of long lived assets of $1,501,692. Both items were included in the loss from discontinued operations of $6,645,439.

In the quarters ending September 30, 2011, December 31, 2011, March 31, 2012, and June 30, 2012, OPEL, through its ODIS division, recorded its lowest levels of revenue since 2008. The U.S. Government stopped all SBIR funding for many companies, including ODIS. This type of grant had been a solid source of funding to develop the POET platform over the years. ODIS was just granted a new SBIR from NASA this quarter which will help fund this activity with new revenue which started in July.

Segment Disclosure

The Company and its subsidiaries are working to develop a semiconductor design reference technology, the POET platform, which will allow the design of several types of devices, including, for example, 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 were no intersegment sales. The Company's segments and their products and services are summarized below:

OPEL Solar, Inc. ("OSI")

OSI has discontinued its solar operations in June 2012 and will no longer offer solar products for sale. OSI completed the sale of its tracker business in December 2012. The Company may continue to earn some revenue along with incurring some minor expenses relating to its former solar business over the next twelve months.

ODIS Inc.

ODIS designs semiconductor devices based on its proprietary POET platform – for example, infrared sensor type products for military and industrial applications. Broadly, ODIS develops III-IV-based processes and semiconductor devices having several potential major market applications – for example 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 telecommunication applications.

Segmented information for the year ended December 31, 2012 and December 31, 2011 is as follows:

	2012			2011		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	**$ -**	**$ 238,806**	**$ 238,806**	$ -	$ 755,422	$ 755,422
Operating expenses	**-**	**1,586,327**	**1,586,327**	-	1,775,657	1,775,657
Amortization	**-**	**4,357**	**4,357**	-	4,193	4,193
Loss from discontinued operations	**4,685,449**	**-**	**4,685,449**	11,898,225	-	11,898,225
Segment loss	**4,685,449**	**1,351,878**	**6,037,327**	11,898,225	1,024,428	12,922,653
Corporate operations			**2,531,074**			2,239,073
Net loss			**$ 8,568,401**			$ 15,161,726

Assets and capital expenditures at December 31,

	2012			2011		
	Opel (1)	**ODIS**	**Total**	Opel	ODIS	Total
Total assets	**$ 1,368,226**	**$ 672,862**	**$ 2,041,088**	$ 5,046,615	$ 70,743	$ 5,117,358
Capital expenditures	**$ -**	**$ 28,352**	**$ 28,352**	$ 244,132	$ 1,647	$ 245,779

(1) Includes cash of $618,816, accounts receivable of $42,997 and prepaids and other current assets of $100,000 and assets available for sale of $606,413.
(2) The Company has assets of $326,172 at its corporate office not included above.

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

	2012			
As of December 31,	**US**	**Canada**	**Europe**	**Consolidated**
Current assets	**$ 1, 971,435**	**$ 326,172**	**$ -**	**$ 2,297,607**
Property and equipment	**26,670**	**-**	**-**	**26,670**
Patents and licenses	**42,983**	**-**	**-**	**42,983**
	$ 2,041,088	**$ 326,172**	**$ -**	**$ 2,367,260**

	2012			
	US	**Canada**	**Europe**	**Consolidated**
Year ended December 31,				
Revenue	**$ 238,806**	**$ -**	**$ -**	**$ 238,806**
General and administration	**561,430**	**2,531,074**	**-**	**3,092,504**
Research and development	**1,029,254**	**-**	**-**	**1,029,254**

	2011			
As of December 31,	US	Canada	Europe	Consolidated
Current assets	$ 2,890,651	$ 483,520	$ 60,779	$ 3,434,950
Property and equipment	1,798,779	-	-	1,798,779
Patents and licenses	169,971	-	-	169,971
Investment in Opel Solar Asia Company Limited	197,178	-	-	197,178
	$ 5,056,579	$ 483,520	$ 60,779	$ 5,600,878

	2011			
	US	Canada	Europe	Consolidated
Year ended December 31,				
Revenue	$ 755,422	$ -	$ -	$ 755,422
General and administration	452,793	2,260,988	-	2,713,781
Research and development	1,327,057	-	-	1,327,057
Investment income	-	(21,915)	-	(21,915)

Liquidity and Capital Resources

The Company had working capital of $1,433,392 as of December 31, 2012, compared to $1,703,175 at December 31, 2011. The Company's balance sheet currently has assets with a book value of $2,367,260 of which 97% or $2,297,607 is current and primarily cash. This highly liquid and unencumbered balance sheet is a spring board for a flurry of activity in 2013, including but not limited to achieving technical and operational milestones, acquiring new and more modern semi-conductor fabrication equipment and engaging critical commercial and technical staff.

During the year, the Company raised $5.4M in private placement financing to improve the Company's balance sheet. Subsequent to the year end, the Company raised an additional $7.2M in private placement financing by issuing 14,400,000 units at a price of $0.50 per unit (see subsequent events note in the notes to consolidated financial statements). Both capital raises have positioned the Company with sufficient liquidity to support its operations, technological programs and fixed asset purchases over the next 12 to 18 months. 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.

The Company is embarking on an aggressive plan of monetizing POET while simultaneously improving shareholder value. The focus therefore is to remain sufficiently capitalized through lean operations which are expected to reduce the Company's operating cash requirements by approximately 30% or $600,000.

In April, 2012, OPEL entered into a credit agreement for a revolving credit facility of up to $5M with TCA Global Credit Master Fund, LP. This credit facility was amended to be a $850,000 term loan in July and in September, this loan balance and any accrued interest was paid off in full and the facility was terminated.

The Company is in a position to cover its liabilities as they come due for the next 12 to 18 months. Although the Company has historically been successful and raising financing through capital raises, it cannot guarantee that it will always be able to obtain such financings.

Related party transactions

Compensation to key management personnel were as follows:

		2012		2011
Salaries	**$**	**452,615**	$	992,000
Share-based payments (1)		**1,116,124**		742,252
Total	**$**	**1,568,739**	$	1,734,252

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the year.

During the year, the Company loaned $100,000 to the CEO of the Company. The loan is non-interest bearing and short-term in nature.

During the year, the Company paid a cumulative total of $193,692 in consulting fees to two executive directors of the Company.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

Critical Accounting Estimates

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 an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

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.

Cumulative Translation Adjustment

IFRS 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 leased office space and research facilities. The office lease for the Shelton, CT facility was terminated with the landlord, effective the end of September and the facility has been vacated. The lease on the research facility at the University of Connecticut extends to March 31, 2013. The total obligation to the end of that lease is $27,433.

Recent Accounting Pronouncements

The Company has considered all other recently issued accounting pronouncements and does not believe the adopting of such pronouncements will have a material impact on its consolidated financial statements. Please see note 3 of the financial statements for additional information.

Financial Instruments and Risk Management

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

Exchange Rate Risk

The functional currency of OPEL Technologies Inc. is the Canadian dollar. The Company is exposed to foreign currency risk with the Canadian dollar. A 10% change in the Canadian dollar would increase or decrease other comprehensive income by $25,853. 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.

World Economic Risk

Like many other companies, the world economic climate has impacted OPEL's business and the business of many of its current and prospective customers. The difficult economic climate has led to US Government cutbacks in funding the SBIR's that are used to support ODIS' R&D activities. However, lower interest rates, a lower value of the dollar and rising global liquidity have helped to counterbalance some of these global economic challenges which may lead to the release of some Government funding.

Liquidity Risk

OPEL predominately relies on equity funding for liquidity to meet current and foreseeable financial requirements. Additionally, ODIS has a history of Governmental funding of some of its projects through SBIR grants but recent Federal budget issues have reduced availability to smaller companies like ODIS.

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.

Strategy and Outlook

During 2013, 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:

- Continue to complete the third party validation of the patented POET technology at a fabrication facility that can prove its viability and product potential through ODIS.
- Expand the ODIS engineering team with placement of additional team members at both the ODIS' R&D facility and the third party fabrication facility in Nashua, New Hampshire.
- Procure additional equipment which is required for the continuing development of POET on a more rapid and more efficient basis.
- Actively engage with all Departments of the Military including other Government Agencies pressing for SBIR funding directed at ODIS for projects which serve to enhance POET's development.
- Actively search out opportunities to monetize POET, bringing maximum value to shareholders.

Significant Events Since December 31, 2012

On February 14, 2013, the Company completed a $7.2 million private placement which was oversubscribed from a previously announced $5.5 million. The financing consisted of 14,400,000 Units at a price of $0.50 per unit. Each unit comprises one common share and one common share purchase warrant. One full warrant allows the holder to acquire one common share of the Company at an exercise price of $0.75 per share until February 14th, 2015. The Company paid cash commissions of 7% of the funds raised and issued a number of Compensation warrants equal to 10% of the units raised. Each broker warrant allows the holder to acquire one common share of the Company at a price of $0.50 until February 14th, 2016.

In February, approximately $1.3M in new capital equipment was ordered to upgrade the R&D facility capabilities and all necessary site infrastructure upgrades were completed to accommodate new equipment on delivery. It is expected that the new equipment will be installed, calibrated, and commissioned in stages so as not to unduly impede progress on milestones, with full system commissioning by the end of June, 2013.

OPEL recently announced the achievement of Milestone 4 in its POET, achieving RF and microwave operation of both n-channel and p-channel transistors, whereby POET extends the capability of its unique monolithic platform to cover integration of a complete range of wavelength-division multiplexed (WDM) capable optoelectronic devices and functions. This is in addition to complementary electronics based on n-channel and p-channel transistors as either field effect transistors (FETs) or bipolar devices. Specifically for this milestone, 3-inch POET wafers produced at a third-party fabrication facility (Nashua, NH) yielded submicron n-channel and micron-sized p-channel transistors operating at frequencies of 42 GHz and 3 GHz respectively. These operating frequencies are expected to be improved even further in the short term to up to 300-350 GHz range for the n-channel device.

Outstanding Share Data

Common Shares

As at December 31, 2012 and March 28, 2013, there were respectively 117,528,615 and 132,474,865 outstanding common shares of the Company.

Stock Options and Warrants

As at December 31, 2012 and March 28, 2013, the Company had respectively 26,778,569 and 55,578,569 warrants outstanding to purchase common shares at exercise prices ranging from $0.23 – $0.50

Total stock options outstanding as at December 31, 2012 and March 28, 2013 were respectively 17,602,750 and 17,167,750 shares respectively priced between $0.16 and $1.50 per common share.

Additional detailed share data information is available the Company's Notes to 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 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.

Technology Development – Delays in either technology development or the transition to large scale application of the technology may cause a material adverse effect to the Company. Technology 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 technology development to ensure timely completion the technological milestones. 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 –The Company has not earned profits, so its ability to finance operations is chiefly dependent on equity financings. Given the current financial position of the Company, significant doubt is raised as to the Company's ability to continue as a going concern. However since June 2012, the Company has raised over 12 million dollars in equity financing in support of the POET initiative.

Governmental Incentives – Projects that OPEL might participate in directly or through ODIS may not be funded due to reductions, changes in timing, and/or the removal of government incentives. There is no assurance that the Company will be successful in continuing to focus its energies on commercial applications of the ODIS technology and minimizing its reliance on SBIRs to mitigate this risk.

Ability to Reach Profitability – OPEL has no history of profitability and may not be able to monetize the POET. The Company has been aggressively marketing the technology to industry.

Market Acceptance of New Products – ODIS' POET technology is a new technology which as yet has not installed base and may not be embraced for use by the semiconductor industry. Branding is a key to creating market acceptance. There is no assurance that public announcements, demonstrations along with advertising the Company's high efficiency technology in comparison to competitor products will mitigate this risk.

Technology Changes – OPEL's technology 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 cannot 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.

Major Competitors – OPEL may face several competitors before or after it brings its technology to market which could result in the lack of acceptance thereby having a material adverse effect on the Company. Through research and competitive data, OPEL feels that these markets are ready for a new entrant especially with the efficiency of the ODIS technology. 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.

Additional Information

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Opel Technologies Inc.

We have audited the accompanying consolidated financial statements of Opel Technologies Inc, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations and deficit, comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising 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 International Financial Reporting Standards ["IFRS"], 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 audits. We conducted our audits 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 involves 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 policies 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 audits 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 consolidated financial position of Opel Technologies Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with IFRS.

Marcum LLP

/s/ Marcum LLP

Hartford, CT
March 28, 2013

MARCUM GROUP MEMBER

Marcum LLP ▪ City Place II ▪ 185 Asylum Street ▪ 17th Floor ▪ Hartford, CT 06103 ▪ Phone 860.549.8500 / 877.231.5351 ▪ Fax 860.549.8501 ▪ marcumllp.com

OPEL TECHNOLOGIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in US Dollars)

December 31,		**2012**		2011
Assets				
Current				
Cash	**$**	**1,435,762**	$	1,330,141
Accounts receivable		**96,749**		526,229
Prepaids and other current assets		**158,257**		152,162
Inventories (Note 4)		**-**		1,426,003
Marketable securities (Note 5)		**426**		415
Assets available for sale (Note 23)		**606,413**		-
		2,297,607		3,434,950
Investment in Opel Solar Asia Company Limited		**-**		197,178
Property and equipment (Note 6)		**26,670**		1,798,779
Patents and licenses (Note 7)		**42,983**		169,971
	$	**2,367,260**	$	5,600,878
Liabilities				
Current				
Accounts payable and accrued liabilities (Notes 8)	**$**	**231,903**	$	1,705,876
Product warranty		**25,899**		25,899
Disposal group liabilities (Note 23)		**606,413**		-
		864,215		1,731,775
Deferred energy credit (Note 9)		**-**		614,363
Asset retirement obligation (Note 10)		**-**		74,277
		864,215		2,420,415
Shareholders' Equity				
Share capital (Note 11(b))		**40,225,401**		38,507,720
Special voting share (Note 12)		**100**		100
Shares to be issued (Note 13)		**-**		27,521
Warrants (Note 14)		**3,850,685**		1,813,729
Contributed surplus (Note 15)		**16,361,282**		13,162,981
Accumulated other comprehensive income		**243,829**		278,263
Deficit		**(59,178,252)**		(50,470,735)
Non controlling interest		**-**		(139,116)
		1,503,045		3,180,463
	$	**2,367,260**	$	5,600,878

Commitments and contingencies (Note 17)

On behalf of the Board of Directors

On behalf of the Board of Directors
Director

Director

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

OPEL TECHNOLOGIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in US Dollars)

For the Years Ended December 31		**2012**		2011
Revenue	**$**	**238,806**	$	755,422
Costs and expenses				
General and administration		**3,092,504**		2,713,781
Research and development		**1,029,254**		1,327,057
Investment income, including interest		**-**		(21,915)
		4,121,758		4,018,923
Net loss from continuing operations		**(3,882,952)**		(3,263,501)
Loss from discontinued operations, net of taxes (Note 23)		**(4,685,449)**		(11,898,225)
Net loss		**(8,568,401)**		(15,161,726)
Deficit, beginning of year		**(50,470,735)**		(35,309,009)
Divestiture of non-controlling interest		**(139,116)**		-
Net loss		**(8,568,401)**		(15,161,726)
Deficit, end of year	**$**	**(59,178,252)**	$	(50,470,735)
Basic and diluted loss per share (Note 16)	**$**	**(0.08)**	$	(0.17)
Basic and diluted loss per share, continuing operations	**$**	**(0.04)**	$	(0.04)
Basic and diluted loss per share, discontinued operations	**$**	**(0.04)**	$	(0.13)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

December 31,		**2012**		2011
Net loss	**$**	**(8,568,401)**	$	(15,161,726)
Other comprehensive (loss) income - net of income taxes				
Exchange differences on translating foreign operations		**(34,434)**		36,264
Comprehensive loss	**$**	**(8,602,835)**	$	(15,125,462)

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

OPEL TECHNOLOGIES

(Expressed in US Dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

For the Year Ended December 31,	2012	2011
Share Capital		
Beginning balance	$ 38,507,720	$ 34,330,441
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	27,521	249,312
Funds from the exercise of warrants	93,012	1,411,780
Funds from the exercise of stock options	52,700	1,166,358
Value assigned to stock options	39,794	798,428
Funds from private placements	5,428,644	-
Share issue costs	(502,965)	-
Fair value of warrants and compensation warrants exercised	37,458	551,401
Fair value of warrants and compensation warrants issued	(3,608,483)	-
Common shares issued as finance costs	150,000	-
December 31,	40,225,401	38,507,720
Special Voting Share		
December 31,	100	100
Shares to be Issued		
Deferred share issue costs	27,521	276,833
Exchangeable Shares exchanged into common shares	(27,521)	(249,312)
December 31,	-	27,521
Warrants		
Beginning balance	1,813,729	6,025,715
Fair value of warrants and compensation warrants issued	3,608,483	-
Fair value of warrants and compensation warrants exercised	(37,458)	(551,401)
Fair value of expired warrants	(1,534,069)	(3,660,585)
December 31,	3,850,685	1,813,729
Contributed Surplus		
Beginning balance	13,162,981	8,497,812
Stock-based compensation	1,704,026	1,803,012
Fair value of stock options exercised	(39,794)	(798,428)
Fair value of expired warrants	1,534,069	3,660,585
December 31,	16,361,282	13,162,981
Accumulated Other comprehensive income		
Beginning balance	278,263	233,495
Other comprehensive (loss) income attributable to common shareholders	(34,434)	44,768
December 31,	243,829	278,263
Deficit		
Beginning balance	(50,470,735)	(35,309,009)
Divestiture of non-controlling interest	(139,116)	-
Net loss attributable to common shareholders	(8,568,401)	(15,161,726)
December 31,	(59,178,252)	(50,470,735)
Total shareholders' equity	$ 1,503,045	$ 3,319,579
Non-controlling interest		
Beginning balance	$ (139,116)	$ (22,950)
Net loss attributable to non-controlling interest	-	(107,662)
Other comprehensive loss attributable to non-controlling interest	-	(8,504)
Divestiture of non-controlling interest	139,116	-
Ending balance	$ -	$ (139,116)
Total equity	$ 1,503,045	$ 3,180,463

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

OPEL TECHNOLOGIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars)

For the Year Ended December 31,	**2012**	2011
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss	**$ (8,568,401)**	$ (15,161,726)
Adjustments for:		
Depreciation of property and equipment	**3,165**	164
Amortization of patents and licenses	**4,193**	4,193
Stock-based compensation (Note 15)	**1,704,026**	1,803,012
Discontinued operations, net of tax	**4,685,449**	11,898,225
Financing fees	**150,000**	-
	(2,021,568)	(1,456,132)
Net change in non-cash working capital accounts:		
Accounts receivable	**(13,686)**	165,629
Prepaid and other current assets	**(58,094)**	68
Product warranty	**-**	25,899
Accounts payable and accrued liabilities	**(80,958)**	8,881
Cash flows from operating activities, continuing operations	**(2,174,306)**	(1,255,655)
Cash flows from operating activities, discontinued operations	**(3,728,678)**	(6,519,756)
	(5,902,984)	(7,775,411)
INVESTING ACTIVITIES		
Sale of short-term investments	**-**	304,149
Purchase of property and equipment	**(28,352)**	(1,647)
Cash flow from investing activities, continuing operations	**(28,352)**	302,502
Cash flow from investing activities, discontinued operations	**1,000,000**	(441,310)
	971,648	(138,808)
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	**5,071,391**	2,578,138
Cash flow from financing activities, continuing operations	**5,071,391**	2,578,138
Cash flow from financing activities, discontinued operations	-	-
	5,071,391	2,578,138
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(34,434)**	36,264
NET CHANGE IN CASH, continuing operations	**2,834,299**	1,661,249
NET CHANGE IN CASH , discontinued operations	**(2,728,678)**	(6,961,066)
CASH AND CASH EQUIVALENT, beginning of year	**1,330,141**	6,629,958
CASH AND CASH EQUIVALENT, end of year	**$ 1,435,762**	$ 1,330,141

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

1. DESCRIPTION OF BUSINESS

OPEL Technologies Inc. is incorporated in the Province of Ontario. OPEL Technologies Inc. and ODIS Inc. ("ODIS"), a subsidiary of Opel Solar Inc., (collectively, the "Company") develops and markets optical laser and infrared detection using planar “opto” electronic technology ("POET"). Opel Solar Inc. is a wholly owned subsidiary of OPEL Technologies Inc. The Company continues to develop the process to produce a gallium arsenide microchip.

The Company has working capital of $1,433,392 as of December 31, 2012 compared to working capital of $1,703,175 as of December 31, 2011. While the Company is in a position to cover its liabilities as they come due, continued operating losses cast doubt on the Company's ability to continue as a going concern. Due to the nature of the Company's operations, the Company will need to continue 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.

Subsequent to December 31, 2012, the Company successfully completed an equity financing of $7,200,000 less financing fees. The Company is therefore in a favorable cash position to cover its operations over the next twelve to eighteen months (see Note 25).

The Company's financial statements do not include any adjustments to the assets carrying amount, to the expenses presented and to the reclassification of the balance sheet items that could be necessary should the Company be unable to continue its operations.

The Company is currently in the process of divesting and discontinuing its solar operations (See note 23).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Basis of presentation
These consolidated financial statements include the accounts of Opel Technologies Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Foreign currency translation
These consolidated financial statements are presented in U.S. dollars ("USD"), which is the Company's presentation currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of operations and deficit.

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated into the presentation currency at the year end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

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

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities. The Company designated its cash as fair value through profit or loss, its accounts receivable as loans and receivables, and its accounts payable and accrued liabilities as other financial liabilities.

Fair value through profit or loss financial assets are measured at fair value with gains and losses recognized in operations. Financial assets, 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 .

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 methodology which refers to observable market data. Such a valuation technique includes comparisons with a similar financial instrument where an observable market price exists, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If no reliable estimate can be made, the Company measures the financial instrument at cost less impairment as a last resort.

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.

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 and trackers 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. Depreciation 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

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

Product warranty
A product warranty is recognized when present obligations as a result of a sale of products will probably lead to an outflow of economic resources from the Company and the amounts can be estimated reliably. The timing or the amount of the outflow may still be uncertain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product warranty is measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Product warranties are reviewed at each reporting date and adjusted to reflect the current best estimate.

Investment in Opel Solar Asia Company Limited
The Company has a 19% interest in Opel Solar Asia Company Limited ("Opel Asia"), a non-publicly traded Company. The Company's investment is measured at cost. The Company evaluated its investment in this Company for impairment. During the year, the Company discontinued its solar related operations. In 2012, the Company's investment in Opel Asia was considered by management to be impaired and was therefore written down to nil (See note 23).

Impairment of long-lived assets
The Company's tangible and intangible assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An assessment is made at each reporting date whether there is any indication that an asset may be impaired.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the year. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. During the year, the Company discontinued its solar operations. In 2012, the Company recorded an impairment loss on long-lived assets related to the solar operations of $414,570 ($1,501,692 in 2011).

Deferred energy credit
The Company received in cash, an energy credit on a solar installation in Plainville, CT., used in operations. The credit was deferred and was being amortized over the estimated useful life of the asset (20 years) and was included in the amortization of property and equipment. During 2012, the Company discontinued its solar operations, an amount of $445,261 relating to the deferred energy credit was reclassified to disposal group liabilities. In addition to the reclassification to disposal group liabilities, the $445,261 of energy credit was increased by $81,257 to $526,518 to reflect the Company's obligation to repay a portion of credit if the associated asset is not used for its intended purpose. The asset associated with this liability is in the process of being sold. The asset is currently carried at a fair value of $606,413 which represents its fair value, using a level 3 input as at December 31, 2012.

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 constructive or 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. During 2012, the Company discontinued its solar operations, the ARO balance of $79,895 at December 31, 2012 was reclassified to disposal group liabilities. The asset associated with this liability is in the process of being sold. The asset is currently carried at a fair value of $606,413 which represents its fair value as at December 31, 2012.

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. 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. The Company, through ODIS, also provides services under "fixed price" and "cost plus" R&D contracts exclusively with the Department of Defense of the United States of America.

Interest income
Interest income on cash and short-term investments classified as fair value through profit or loss is recognized as earned using the effective interest method.

Research and development costs
Research costs are expensed in the year incurred. Development costs are also expensed in the year incurred unless the Company believes a development project meets IFRS criteria as set out in IAS 38, *Intangible Assets*, for deferral and amortization.

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 an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The 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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The following is a summary of recent accounting pronouncements that may affect the Company.

(i) Financial instruments
IFRS 9, *Financial Instruments,* replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard requires entities to classify financial assets as being measured either at amortized cost or fair value depending on the business model and contractual cash flow characteristics of the asset. For financial liabilities, IFRS 9 requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income rather than in the statement of profit or loss. The new standard applies to annual years beginning on or after January 1, 2015.

(ii) Presentation of items of other comprehensive income ("OCI")
IAS 1, *Presentation of Financial Statements,* is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

(iii) Disclosure of Interests in Other Entities
IFRS 12 *Disclosure of Interests in Other Entities*. This standard requires disclosures relating to an entity's interests in subsidiaries. The Company will start the application of IFRS 12 in the financial statements effective from January 1, 2013. There is no impact to the financial statements as a result of adopting IFRS 12

(iv) Fair value measurement
IFRS 13, *Fair Value Measurements*, provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The new standard is effective for years beginning on or after January 1, 2013.

(v) Consolidated financial statements
IFRS 10, *Consolidated Financial Statements*, replaces SIC 12, Consolidation – Special Purpose Entities, and the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements. IFRS 10 includes a new definition of control that determines which entities are consolidated,
and requires control of an investee to be reassessed when the facts and circumstances indicate that there have been changes to one or more of the criteria for determining control. This standard is effective for annual years beginning on or after January 1, 2013.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

The Company has considered all other recently issued accounting pronouncements and does not believe the adopting of such pronouncements will have a material impact on its consolidated financial statements.

4. INVENTORIES

	December 31, 2012	December 31, 2011
Raw materials	**$ -**	$ 1,090,854
Work in process	**-**	165,216
Finished goods	**-**	169,933
Balance (See note 23)	**$ -**	$ 1,426,003

5. MARKETABLE SECURITIES

Marketable securities consist of small investments in three companies carrying a market value of $426 as of December 31, 2012 and $415 as of December 31, 2011.

6. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture and fixture	Office equipment	Leasehold improvements	Solar installations	Construction in progress	Total
Cost							
Balance, January 1, 2011	$ 1,171,936	$ 137,254	$ 84,157	$ 44,761	$ 1,327,791	$ 1,501,692	$ 4,267,591
Additions	-	774	5,778	-	239,227	-	245,779
Disposals	-	-	(11,732)	-	-	-	(11,732)
Balance, December 31, 2011	1,171,936	138,028	78,203	44,761	1,567,018	1,501,692	4,501,638
Additions	27,500	-	852	-	-	-	28,352
Reclassification/impairment	(1,171,936)	(138,028)	(76,720)	(44,761)	(1,567,018)	(1,501,692)	(4,500,155)
Balance, December 31, 2012	27,500	-	2,335	-	-	-	29,835
Accumulated Depreciation							
Balance, January 1, 2011	630,093	80,688	56,938	4,157	180,634	-	952,510
Depreciation / impairment for the year	150,921	14,803	10,321	1,182	83,162	1,501,692	1,762,081
Disposals	-	-	(11,732)	-	-	-	(11,732)
Balance, December 31, 2011	781,014	95,491	55,527	5,339	263,796	1,501,692	2,702,859
Depreciation / impairment for the year	(778,264)	(95,491)	(55,112)	(5,339)	(263,796)	(1,501,692)	(2,699,694)
Balance, December 31, 2012	2,750	-	415	-	-	-	3,165
Carrying Amounts							
At December 31, 2011	$ 390,922	$ 42,537	$ 22,676	$ 39,422	$ 1,303,222	$ -	$ 1,798,779
At December 31, 2012 (See note 23)	$ 24,750	$ -	$ 1,920	$ -	$ -	$ -	$ 26,670

7. PATENTS AND LICENSES

	Patents	Licenses	Total
Cost			
Balance, December 31, 2011	$ 224,444	$ 136,725	$ 361,169
Disposals/impairment	(224,444)	(73,825)	(298,269)
Balance, December 31, 2012	-	62,900	62,900
Accumulated Depreciation			
Balance, January 1, 2011	109,574	58,627	168,201
Amortization for the year	14,964	8,033	22,997
Balance, December 31, 2011	124,538	66,660	191,198
Amortization/impairment	(124,538)	(46,743)	(171,281)
Balance, December 31, 2012	-	19,917	19,917
Carrying Amounts			
At December 31, 2011	$ 99,906	$ 70,065	$ 169,971
At December 31, 2012 (See note 23)	$ -	$ 42,983	$ 42,983

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
Trade payable	**$ 86,689**	$ 1,517,704
Payroll related liabilities	**60,567**	154,172
Accrued liabilities	**84,647**	34,000
	$ 231,903	$ 1,705,876

9. DEFERRED ENERGY CREDIT

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 alternative, and based on the size and performance of the system after it was installed and operational for a period of nine 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 ("USDoT") 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.

During 2012, the Company discontinued its solar operations. The balance in deferred energy credit relating to the USDoT of $179,070 was fully amortized and the balance relating to CCEF of $526,518 was reclassified to disposal group liabilities.

9. DEFERRED ENERGY CREDIT (Continued)

Changes to deferred energy credit were as follows:

	Cost	Accumulated Amortization	Balance
Balance, January 1, 2011	$ 705,588	$ (55,946)	$ 649,642
Amortization for the year	-	(35,279)	(35,279)
Balance, December 31, 2011	705,588	(91,225)	614,363
Amortization/impairment for the year	-	(169,102)	(169,102)
Reclassified to disposal group liabilities (1)	(705,588)	260,327	(445,261)
Balance, December 31, 2012 (See note 23)	$ -	$ -	$ -

(1) Due to the Company's obligation to repay the entire amount of the CCEF credit if the asset is not being used for its intended purpose, the Company determined that the fair value of the liability was $526,518. The amount of $445,261 reclassified to disposal group liabilities was therefore increased by $81,257 to $526,518 to reflect the fair value. The Company is in the process of selling the asset. Upon the sale of the asset, the energy credit will be assigned to the purchaser of the asset.

10. 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.

During the year, the Company discontinued its solar operations. The balance of the asset retirement obligation at the date of discontinuance was reclassified to disposal group liabilities (see Note 23).

The Company is in the process of selling the solar installation. Upon the sale of the solar installation, the ARO and the responsibility to restore the underlying real estate to its original state will be assigned to the purchaser of the solar installation.

Changes in the asset retirement obligation are as follows:

	Cost	Accumulated Amortization	Balance
Balance, January 1, 2011	$ 60,410	$ 8,652	$ 69,062
Amortization for the year	-	5,215	5,215
Balance, December 31, 2011	60,410	13,867	74,277
Amortization for the year	-	5,618	5,618
Reclassified to disposal group liabilities	(60,410)	(19,485)	(79,895)
Balance, December 31, 2012 (See note 23)	$ -	$ -	$ -

11. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, January 1, 2011	85,292,514	$ 34,330,441
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	1,223,000	249,312
Shares issued on the exercise of warrants and compensation warrants	3,218,907	1,411,780
Fair value of warrants and compensation warrants exercised	-	551,401
Shares issued on the exercise of stock options	3,291,000	1,166,358
Fair value of stock options exercised	-	798,428
Balance, December 31, 2011	93,025,421	38,507,720
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	135,000	27,521
Shares issued on the exercise of stock options	185,000	52,700
Fair value of stock options exercised	-	39,794
Shares issued on private placement	23,412,479	5,428,644
Fair value of warrants and compensation warrants issued	-	(3,608,483)
Share issue costs	-	(502,965)
Shares issued as finance costs	500,000	150,000
Shares issued on the exercise of warrants	270,715	93,012
Fair value of warrants exercised	-	37,458
Balance, December 31, 2012	117,528,615	$ 40,225,401

During the year, the Company completed various brokered private placement financings for gross proceeds aggregating to $5,428,644 ($5,384,870 CAD). IBK Capital Corp. acted as agent in respect of the issuance and sale of 23,412,479 units, at a price of $0.225 ($0.23 CAD) per unit. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.34 ($0.35 CAD) per share for a year of three years. The agent received cash commissions in the aggregate of $371,862 ($368,941 CAD) and 2,341,247 compensation warrants in connection with these private placements. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.225 ($0.23 CAD) per share for a year of four years. Additional issue costs amounted to $131,103 ($132,144 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 1.08% and 1.17%, volatility of 109% and 120.55% and estimated life of 3 and 4 years. The estimated fair value assigned to the warrants and compensation warrants was $3,186,039 ($3,160,685 CAD) and $422,444 ($419,083 CAD) respectively.

12. SPECIAL VOTING SHARE

On June 5, 2007, one (1) special voting share was issued in conjunction with a Support and Trust Agreement entered into amongst Opel Technologies Inc, OPEL Solar Inc. and Equity Transfer & Trust Company. The special voting share carried no votes at December 31, 2012 and 135,000 votes at December 31, 2011. Going forward, the special voting share will carry no votes.

13. SHARES TO BE ISSUED

Pursuant to a RTO agreement, the Company was obligated to issue 5,972,000 shares to common shareholders of OPEL Solar Inc. in exchange for their 5,972,000 Exchangeable Shares of Opel Technologies Inc. The value ascribed to the 5,972,000 shares to be issued was $1,217,408. Fair value of the remaining outstanding Exchangeable Shares was nil at December 31, 2012 and $27,521 at December 31, 2011.

	Number of Shares to be Issued	Historical Fair Value
Balance, January 1, 2011	1,358,000	$ 276,833
Exchangeable Shares exchanged into common shares	(1,223,000)	(249,312)
Balance, December 31, 2011	135,000	27,521
Exchangeable Shares exchanged into common shares	(135,000)	(27,521)
Balance, December 31, 2012	-	$ -

14. WARRANTS

The following table reflects the continuity of warrants:

	Average Exercise Price	Number of Warrants	Historical Fair value
Balance, January 1, 2011	$ 0.92	22,558,467	$ 6,025,715
Exercised	0.41	(3,218,907)	(551,401)
Expired	1.88	(7,500,000)	(3,660,585)
Balance, December 31, 2011	0.45	11,839,560	1,813,729
Warrants issued	0.34	23,412,479	3,186,039
Compensation warrants issued	0.23	2,341,247	422,444
Expired	0.48	(10,544,002)	(1,534,069)
Exercised	0.34	(270,715)	(37,458)
Balance, December 31, 2012	$ 0.33	26,778,569	$ 3,850,685

As at December 31, 2012 the following warrants were outstanding:

	Number of Warrants	Historical Fair Value ($)	Exercise Price ($)	Expiry Date
	1,295,558	279,660	0.29	July 21, 2014
	2,157,348	284,635	0.34	June 8, 2015
	2,810,044	370,416	0.34	June 22, 2015
	1,554,000	208,972	0.34	July 31, 2015
	6,272,087	856,893	0.34	September 7, 2015
	5,369,000	744,240	0.34	September 13, 2015
	5,000,000	687,082	0.35	September 27, 2015
Compensation warrants	220,734	38,642	0.22	June 8, 2016
Compensation warrants	285,289	49,943	0.22	June 22, 2016
Compensation warrants	155,400	27,708	0.22	July 31, 2016
Compensation warrants	622,209	112,711	0.22	September 7, 2016
Compensation warrants	536,900	98,681	0.22	September 13, 2016
Compensation warrants	500,000	91,102	0.22	September 27, 2016
	26,778,569	3,850,685	0.33	

These warrants were issued in Canadian dollars and are exercisable at prices ranging from $0.23 CAD and $0.34 CAD.

15. STOCK OPTIONS AND CONTRIBUTED SURPLUS

Stock Options

On June 21, 2011, shareholders of the Company approved amendments to the Company's fixed 20% stock option plan (as amended, referred to as the "2011 Plan"). Under the 2011 Plan, the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants. The 2011 Plan provides that the number of common shares issuable pursuant to options granted under the 2011 Plan and pursuant to other previously granted options is limited to 18,472,000 (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 2011 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 year.

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

	Number of Options	Weighted average Exercise Price
Balance, January 1, 2011	11,102,500	$ 0.58
Expired/cancelled	(1,886,750)	0.95
Exercised	(3,291,000)	0.35
Granted	3,608,000	0.69
Balance, December 31, 2011	9,532,750	0.63
Expired/cancelled	(6,875,000)	0.68
Exercised	(185,000)	0.28
Granted	15,130,000	0.27
Balance, December 31, 2012	17,602,750	$ 0.35

During the year, the Company granted 15,130,000 (2011 - 3,608,000) stock options to officers, employees and consultants of the Company to purchase common shares at an average price of $0.27 (2011 - $0.69) per share. The fair value assigned to the options granted during the year was $3,933,514 (2011 - $2,327,944).

During the year, the Company recorded stock-based compensation of $1,704,026 (2011 - $1,803,012) relating to vested stock options.

The stock options granted during 2012 and 2011 were valued using the Black-Scholes option pricing model using the following assumptions;

	2012	2011
Weighted average risk-free interest rate	**1.41%**	2.59%
Weighted average dividend yield	**0%**	0%
Weighted average volatility	**116%**	115%
Weighted average estimated life	**5.75 years**	10 years

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2012 are as follows:

Options Outstanding				**Options Exercisable**	
Exercise Range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
$0.11 - $0.25	7,120,000	$ 0.22	5.04	3,717,500	$ 0.22
$0.28 - $0.31	861,250	$ 0.27	5.60	486,250	$ 0.28
$0.34 - $0.37	1,042,500	$ 0.33	7.52	1,042,500	$ 0.33
$0.38 - $0.86	8,369,000	$ 0.57	5.33	1,394,250	$ 0.57
$0.87 - $1.21	210,000	$ 1.20	7.85	210,000	$ 1.20
	17,602,750	$ 0.35	5.38	6,850,500	$ 0.33

15. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Contributed Surplus

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 1, 2011	$ 8,497,812
Stock-based compensation	1,803,012
Fair value of stock options expired	(798,428)
Fair value of expired warrants	3,660,585
Balance, December 31, 2011	13,162,981
Stock-based compensation	1,704,026
Fair value of stock options exercised	(39,794)
Fair value of expired warrants	1,534,069
Balance, December 31, 2012	$ 16,361,282

16. LOSS PER SHARE

	2012	2011
Numerator		
Net loss from continuing operations	**$ (3,882,952)**	$ (3,263,501)
Net loss from discontinued operations	**$ (4,685,449)**	$ (11,898,225)
Net loss	**$ (8,568,401)**	$ (15,161,726)
Denominator		
Weighted average number of common shares outstanding	**101,912,576**	90,617,014
Weighted average number of common shares outstanding - diluted	**101,912,576**	90,617,014
Basic and diluted loss per share, continuing operations	**$ (0.04)**	$ (0.04)
Basic and diluted loss per share, discontinued operations	**$ (0.04)**	$ (0.13)
Basic and diluted loss per share	**$ (0.08)**	$ (0.17)

The effect of common share purchase options, warrants, compensation warrants and shares to be issued on the net loss in 2012 and 2011 is not reflected as they are anti-dilutive.

17. COMMITMENTS AND CONTINGENCIES

The Company has an operating lease for office and research facilities expiring 2013. During the year, the Company terminated its lease agreement for one of its offices and currently operates in only one facility.

Rent expense under these leases was $245,739 for the year ended December 31, 2012 (2011 - $311,788). Remaining minimum annual rental payments to the lease expiration dates are as follows:

2013	27,433

18. RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

	2012	2011
Salaries	**$ 452,615**	$ 992,000
Share-based payments (1)	**1,116,124**	742,252
Total	**$ 1,568,739**	$ 1,734,252

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the year.

During the year, the Company advanced $100,000 to the CEO of the Company. The advance is non-interest bearing and short-term in nature.

During the year, the Company paid a cumulative total of $193,692 in consulting fees to two executive directors of the Company.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

19. SEGMENT INFORMATION

The Company and its subsidiaries operated 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 Solar Inc. ("Opel")
Opel designed, manufactured and marketed multi-axis solar tracking systems to transform solar energy into electricity for worldwide application. Opel's patented multi-axis solar tracking systems were uniquely designed to track the movement of the earth in relation to the position of the sun to substantially increase the performance of any solar panel installation. Opel's tracking systems were capable of increasing the output of fixed solar installations by 10 - 30%. Opel also had a revolutionary wireless communications system that lowered the ongoing costs of operations and maintenance to the installation's owner.

On June 11, 2012, management committed to a plan to discontinue this segment of the Company. As at December 31, 2012, assets relating to this segment has been classified as assets available for sale on the consolidated statement of financial position. Liabilities directly related to these assets were classifed as disposal group liabilities on the consolidated statement of financial position (see Note 23).

ODIS Inc. ("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. ODIS' technology also provides the opportunity for higher speed computing capabilities.

19. SEGMENT INFORMATION (Continued)

Segmented information for the year ended December 31, 2012 and December 31, 2011 is as follows:

	2012			2011		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	**$ -**	**$ 238,806**	**$ 238,806**	$ -	$ 755,422	$ 755,422
Operating expenses	**-**	**1,586,327**	**1,586,327**	-	1,775,657	1,775,657
Amortization	**-**	**4,357**	**4,357**	-	4,193	4,193
Loss from discontinued Operations	**4,685,449**	**-**	**4,685,449**	11,898,225	-	11,898,225
Segment loss	**4,685,449**	**1,351,878**	**6,037,327**	11,898,225	1,024,428	12,922,653
Corporate operations			**2,531,074**			2,239,073
Net loss			**$ 8,568,401**			$ 15,161,726

Assets and capital expenditures at December 31,

	2012			2011		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Total assets	**$ 1,368,226**	**$ 672,862**	**$ 2,041,088**	$ 5,046,615	$ 70,743	$ 5,117,358
Capital expenditures	**$ -**	**$ 28,352**	**$ 28,352**	$ 244,132	$ 1,647	$ 245,779

(1) Includes cash of $618,816, accounts receivable of $42,997, prepaids and other current assets of $100,000 and assets available for sale of $606,413.
(2) The Company has assets of $326,172 at its corporate office not included above.

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

	2012			
As of December 31,	**US**	**Canada**	**Europe**	**Consolidated**
Current assets	**$ 1,971,435**	**$ 326,172**	**$ -**	**$ 2,297,607**
Property and equipment	**26,670**	**-**	**-**	**26,670**
Patents and licenses	**42,983**	**-**	**-**	**42,983**
	$ 2,041,088	**$ 326,172**	**$ -**	**$ 2,367,260**

	2012			
	US	**Canada**	**Europe**	**Consolidated**
Year ended December 31,				
Revenue	**$ 238,806**	**$ -**	**$ -**	**$ 238,806**
General and administration	**561,430**	**2,531,074**	**-**	**3,092,504**
Research and development	**1,029,254**	**-**	**-**	**1,029,254**

	2011			
As of December 31,	US	Canada	Europe	Consolidated
Current assets	$ 2,890,651	$ 483,520	$ 60,779	$ 3,434,950
Property and equipment	1,798,779	-	-	1,798,779
Patents and licenses	169,971	-	-	169,971
Investment in Opel Solar Asia Company Limited	197,178	-	-	197,17
	$ 5,056,579	$ 483,520	$ 60,779	$ 5,600,878

	2011			
	US	Canada	Europe	Consolidated
Year ended December 31,				
Revenue	$ 755,422	$ -	$ -	$ 755,422
General and administration	452,793	2,260,988	-	2,713,781
Research and development	1,327,057	-	-	1,327,057
Investment income	-	(21,915)	-	(21,915)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short-term investments, accounts receivable, marketable securities, accounts payable and accrued liabilities and customer deposits. 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 assets as follows:

	December 31, 2012	December 31, 2011
Fair value through profit or loss, measured at fair value:		
Cash	**$ 1,435,762**	$ 1,330,141
Loans and receivable, measured at amortized cost:		
Accounts receivable	**96,749**	526,229
Available-for-sale, measured at fair value:		
Marketable securities	**426**	415
Assets available for sale	**606,413**	-
	$ 2,139,350	$ 1,856,785

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts receivable. The Company has accounts receivable from both governmental and non-governmental agencies that are currently concentrated in North 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.

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. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. The Company is exposed to a foreign currency risk with the Canadian dollar. A 10% change in the Canadian dollar would increase or decrease other comprehensive income by $25,853.

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.

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.

21. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income, deficit and non controlling interest) and cash. The capital of the Company was $61,873,230 at December 31, 2012. 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.

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.

22. LOAN PAYABLE

In April 2012, OPEL entered into a credit agreement for a revolving credit facility of up to $5,000,000 with TCA Global Credit Master Fund, LP ("TCA"). Funds were made available to the Company on an “as needed basis”, as long as the Company met the necessary capital and liquidity requirements, on normal commercial terms and an initial draw down of $850,000 was completed. A revolving note and a security agreement create a valid security interest in any Collateral in which the Company has rights, and any Collateral in which the Company hereafter acquires rights, to secure payment and performance of the obligations of the Company.

The credit facility was amended on July 17, 2012, with the outstanding balance from the initial draw down being converted into a term loan, payble in monthly principal and interest instalments of $64,886. The loan is due on June 15, 2013. Interest is paid at an annual rate of 12%. The outstanding balance on the loan was paid in August 2012. The balance outstanding as at December 31, 2012 is nil.

In accordance with the loan agreement, the Company issued TCA the share equivalent of $150,000 at $0.30 a share as a financing fee. The shares have a four month hold before they are tradeable.

23. DISCONTINUED OPERATIONS

On June 11, 2012, management committed to a plan to discontinue its solar related operations and to dispose of its solar related assets and liabilities. The decision was taken in line with the Company's strategy to focus on the Company's key competencies, being the development of the POET platform, which enables the monolithic fabrication integrated circuits containing both electronic and optical elements, with potential high-speed and power-efficient applications in devices such as servers, tablet computers and smartphones. Consequently, all saleable assets and liabilities relating to the solar operations were classified as "assets available for sale" or "disposal group liabilities".

On December 12, 2012, the Company sold a portion of its assets available for sale to an arms length party. The sale resulted in the Company receiving $1,000,000 for those assets available for sale. No gain or loss was recorded on the sale of the assets as current accounting standards mandate that assets are evaluated for impairment prior to discontinued operations treatment.

The remaining carrying amount of assets and liabilities allocated as "assets available for sale" and "disposal group liabilities" may be analysed as follows:

Solar installations	$	606,413
Assets available for sale	$	606,413
Deferred energy credit	$	526,518
Asset retirement obligation		79,895
Disposal group liabilities	$	606,413

Until the assets are sold, the Company may continue to earn some revenue along with incurring some minor expenses relating to its former solar business.

Revenue and expenses, and gains and losses relating to the discontinued activity have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of comprehensive loss. The operating results of the discontinued operations can be analysed as follows:

	December 31,	
	2012	2011
Revenue	**$ 617,728**	$ 5,122,507
Costs and expenses		
Cost of goods sold (1)	**1,117,282**	8,916,603
General and administration (2)	**3,380,117**	5,551,286
Research and development	**611,644**	2,561,217
Investment income, including interest	**(3,044)**	(8,374)
	5,105,999	17,020,732
Net operating results from discontinued operations, net of taxes	**(4,488,271)**	(11,898,225)
Loss on divestiture of Opel Solar Asia Company Limited, net of taxes (3)	**(197,178)**	
Net loss from discontinued operation, net of taxes	**(4,685,449)**	(11,898,225)
Loss attributable to non-controlling interest	**-**	107,662
Loss from discontinued operation, attributable to equity shareholders	**$ (4,685,449)**	$ (11,790,563)

(1) Cost of goods sold includes inventory write-down of	$ 1,143,011	$ 3,570,406
(2) General and administration includes the following:		
Impairment of long lived assets	414,570	1,501,692
Uncollectible accounts receivable	195,774	-
Prepaid expenses	127,602	-

(3) The Company divested itself of its interest in Opel Solar Asia Company Limited because it was unable to identify a buyer for this investment. The Company therefore recorded a loss on divestiture of $197,178.

24. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 27% for 2012 (2011 - 28%) and United States statutory income tax rate of 43% for 2012 (2011 - 43%) to the amounts recognized in operations.

For the Year Ended December 31,		**2012**		2011
Net loss, continuing operations	**$**	**3,882,952**	$	3,263,501
Net loss, discontinued operations		**4,685,449**		11,898,225
Net loss		**8,568,401**		15,161,726
Expected income tax recovery at combined statutory rates:				
Continuing operations	**$**	**1,249,000**	$	913,780
Discontinued operations		**2,050,440**		3,361,220
		3,299,440		4,275,000
Changes from:				
Amounts not deductible for tax purposes		**(737,000)**		(927,000)
Other non-deductible items		**108,273**		-
Deductible share issuance costs		**70,000**		275,000
Effect of tax rate reduction		**(28,713)**		-
Change in valuation allowance		**(2,894,000)**		(4,697,000)
Foreign tax differential		**182,000**		1,074,000
Income tax recovery recognized	**$**	**-**	$	-

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

		2012		2011
Resource assets	**$**	**621,000**	$	621,000
Share issue costs		**184,000**		133,000
Canadian non-capital losses		**793,000**		615,000
Canadian capital losses		**391,000**		429,000
US non-capital losses		**18,835,000**		16,132,000
		20,824,000		17,930,000
Valuation allowance		**(20,824,000)**		(17,930,000)
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 $45,939,000 and $2,849,000 respectively, which will expire between 2014 and 2030 if not used.

25. SUBSEQUENT EVENTS

On February 14, 2013, the Company completed a $7,200,000 private placement which was oversubscribed from a previously announced $5,500,000. The financing consisted of 14,400,000 Units at a price of $0.50 per unit. Each unit comprises one common share and one common share purchase warrant. One full warrant allows the holder to acquire one common share of the Company at an exercise price of $0.75 per share until February 14th, 2015. The Company paid a cash commissions of 7% of the funds raised and issued a number of Compensation warrants equal to 10% of the units raised. Each broker warrant allows the holder to acquire one common share of the Company at a price of $0.50 until February 14th, 2016.

CORPORATE INFORMATION

DIRECTORS:

Mark Benadiba, *Chairman*
Dr. Adam Chowaniec
Peter Copetti, *Executive Director* (1) (2) (3)
John F. O'Donnell (3)
Dr. Samuel Peralta (1) (2) (3)
Leon M. Pierhal
Dr. Geoff Taylor
Chris Tsiofas (2)

(1) *current members of audit committee*
(2) *current members of compensation committee*
(3) *current member of corporate governance & nominating committee*

OFFICERS:

Leon M. Pierhal
PRESIDENT & CHIEF EXECUTIVE OFFICER

Kevin Barnes
CHIEF FINANCIAL OFFICER & TREASURER

Lee Shepherd
VICE PRESIDENT, TECHNOLOGY

Michel J. Lafrance
SECRETARY

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OTC QX
Symbol: OPELF

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SHARE CAPITAL (as at April 30, 2013):

Common Shares
Authorized: Unlimited
Issued: 132,474,865

ANNUAL MEETING:

The Annual General Meeting of OPEL Technologies Inc. will be held at 9:00 a.m. on Friday, June 21st, 2013, in Nathan Hale Inn and Conference Center located at 855 Bolton Road, Storrs, CT, USA 06268.

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