OPEL

TECHNOLOGIES INC.

Unaudited Consolidated
Financial Statements
3-months ended March 31, 2013

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NOTICE TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(Unaudited and Expressed in US Dollars)

OPEL TECHNOLOGIES INC.

Auditors' involvement

The auditors of Opel Technologies Inc. have not performed a review of the condensed unaudited consolidated financial statements for the three months ended March 31, 2013 and March 31, 2012.

OPEL TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)

	March 31, 2013	(Audited) December 31, 2012
Assets		
Current		
Cash	**$ 6,892,718**	$ 1,435,762
Accounts and other receivable	**232,074**	96,749
Prepaids and other current assets	**3,179**	158,257
Marketable securities (Note 4)	**415**	426
Assets available for sale (Note 18)	**606,413**	606,413
	7,734,799	2,297,607
Property and equipment (Note 5)	**895,121**	26,670
Patents and licenses (Note 6)	**41,935**	42,983
	$ 8,671,855	$ 2,367,260
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 7)	**$ 805,117**	$ 231,903
Product warranty	**25,899**	25,899
Disposal group liabilities (Note 18)	**606,413**	606,413
	1,437,429	864,215
Shareholders' Equity		
Share capital (Note 8(b))	**42,817,820**	40,225,401
Special voting share (Note 9)	**100**	100
Warrants (Note 10)	**8,135,590**	3,850,685
Contributed surplus (Note 11)	**17,016,304**	16,361,282
Accumulated other comprehensive income	**126,712**	243,829
Deficit	**(60,862,100)**	(59,178,252)
	7,234,426	1,503,045
	$ 8,671,855	$ 2,367,260

Commitments and contingencies (Note 13)

On behalf of the Board of Directors

Director

Director

OPEL TECHNOLOGIES INC.

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

For the Three Months Ended March 31	**2013**	2012
Revenue	**$ 91,087**	$ -
Costs and expenses		
General and administration	**1,462,384**	580,590
Research and development	**312,551**	289,764
	1,774,935	870,354
Net loss from continuing operations	**(1,683,848)**	(870,354)
Loss from discontinued operations, net of taxes (Note 18)	**-**	(1,376,644)
Net loss	**(1,683,848)**	(2,246,998)
Deficit, beginning of period	**(59,178,252)**	(50,470,735)
Divestiture of non-controlling interest	**-**	(139,116)
Net loss	**(1,683,848)**	(2,246,998)
Deficit, end of period	**$(60,862,100)**	$(52,856,849)
Basic and diluted loss per share (Note 12)	**$ (0.01)**	$ (0.02)
Basic and diluted loss per share, continuing operations	**$ (0.01)**	$ (0.01)
Basic and diluted loss per share, discontinued operations	**$ -**	$ (0.01)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

March 31,	**2013**	2012
Net loss	**$ (1,683,848)**	$ (2,246,998)
Other comprehensive (loss) income - net of income taxes		
Exchange differences on translating foreign operations	**(117,117)**	8,527
Comprehensive loss	**$ (1,800,965)**	$ (2,238,471)

OPEL TECHNOLOGIES INC.
(Expressed in US Dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

For the Three Months Ended March 31,	**2013**	2012
Share Capital		
Beginning balance	$ 40,225,401	$ 38,507,720
OPEL Solar Inc. Exchangeable Shares, exchanged into common shares	-	-
Funds from the exercise of warrants	37,111	-
Funds from the exercise of stock options	100,542	2,400
Value assigned to stock options	79,693	1,626
Funds from private placements	7,189,200	-
Share issue costs	(529,222)	-
Fair value of warrants and compensation warrants exercised	23,387	-
Fair value of warrants and compensation warrants issued	(4,308,292)	-
Common shares issued as finance costs	-	-
March 31,	42,817,820	38,511,746
Special Voting Share		
March 31,	100	100
Shares to be Issued		
Deferred share issue costs	-	27,521
Exchangeable Shares exchanged into common shares	-	-
March 31,	-	27,521
Warrants		
Beginning balance	3,850,685	1,813,729
Fair value of warrants and compensation warrants issued	4,308,292	-
Fair value of warrants and compensation warrants exercised	(23,387)	-
March 31,	8,135,590	1,813,729
Contributed Surplus		
Beginning balance	16,361,282	13,162,981
Stock-based compensation	734,715	364,397
Fair value of stock options exercised	(79,693)	(1,626)
Fair value of expired warrants	-	-
March 31,	17,016,304	13,525,752
Accumulated Other comprehensive income		
Beginning balance	243,829	278,263
Other comprehensive (loss) income attributable to common shareholders	(117,117)	8,527
March 31,	126,712	286,790
Deficit		
Beginning balance	(59,178,252)	(50,470,735)
Divestiture of non-controlling interest	-	-
Net loss attributable to common shareholders	(1,683,848)	(2,246,998)
March 31,	(60,862,100)	(52,717,733)
Total shareholders' equity	$ 7,234,426	$ 1,447,905
Non-controlling interest		
Beginning balance	$ -	$ (139,116)
Net loss attributable to non-controlling interest	-	-
Other comprehensive loss attributable to non-controlling interest	-	-
Divestiture of non-controlling interest	-	139,116
March 31,	$ -	$ -
Total equity	$ 7,234,426	$ 1,447,905

OPEL TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

For the Three Months Ended March 31,	**2013**	2012
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss	**$ (1,683,848)**	$ (2,246,998)
Adjustments for:		
Depreciation of property and equipment	**1,500**	791
Amortization of patents and licenses	**1,048**	1,048
Stock-based compensation (Note 11)	**734,715**	364,397
Discontinued operations, net of tax	**-**	1,376,644
	(946,585)	(504,118)
Net change in non-cash working capital accounts:		
Accounts and other receivable	**(135,325)**	26,115
Prepaid and other current assets	**155,089**	(601)
Accounts payable and accrued liabilities	**573,214**	185,837
Cash flows from operating activities, continuing operations	**(353,607)**	(292,767)
Cash flows from operating activities, discontinued operations	**-**	(867,482)
	(353,607)	(1,160,249)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(869,951)**	(27,664)
Cash flow from investing activities, continuing operations	**(869,951)**	(27,664)
Cash flow from investing activities, discontinued operations	**-**	-
	(869,951)	(27,664)
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	**6,797,631**	2,400
Cash flow from financing activities, continuing operations	**6,797,631**	2,400
Cash flow from financing activities, discontinued operations	-	-
	6,797,631	2,400
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(117,117)**	8,527
NET CHANGE IN CASH, continuing operations	**5,456,956**	(309,504)
NET CHANGE IN CASH , discontinued operations	**-**	(867,482)
CASH AND CASH EQUIVALENT, beginning of period	**1,435,762**	1,330,141
CASH AND CASH EQUIVALENT, end of period	**$ 6,892,718**	$ 153,155

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's head office is located at 121 Richmond Street West, Suite 501, Toronto, Ontario, Canada M5H 2K1. These condensed unaudited consolidated financial statements of the Company were approved Board of Directors of the Company on May 21, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed unaudited 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").

These condensed unaudited interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated audited financial statements for the year ended December 31, 2012.

The preparation of financial statements in accordance with IAS 34 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 and other receivable, accounts payable and accrued liabilities. The Company designated its cash as fair value through profit or loss, its accounts and other receivable as loans and receivables, and its accounts payable and accrued liabilities as other financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

	New
Machinery and equipment	Straight Line, 5 years
Office equipment	Straight Line, 5 years

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In 2013 the Company did not record an impairment loss on long-lived assets (2012 - $414,570).

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 and NASA.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following new accounting policies were adopted on January 1, 2013:

(i) 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 was no impact to the financial statements as a result of adopting IFRS 12.

(ii) 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. There was no impact to the financial statements as a result of adopting IFRS 13.

(iii) 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. There was no impact to the financial statements as a result of adopting IFRS 10

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) Financial instruments

IAS 32, *Financial Instruments; Offsetting Financial Assets and Financial Liabilities*
The amendment provides further clarification on the application of the offsetting requirements. The Company will start the application of IAS 32 in the financial statements effective from January 1, 2014. The Company has not yet evaluated the impact on the financial statements

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. MARKETABLE SECURITIES

Marketable securities consist of small investments in three companies carrying a market value of $415 as of March 31, 2013 and $426 as of December 31, 2012.

5. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture and fixture	Office equipment	Leasehold improvements	Solar installations	Construction in progress/committed assets	Total
Cost							
Balance, January 1, 2012	$ 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
Additions	-	-	1,734	-	-	868,217	869,951
Balance, March 31, 2013	27,500	-	4,069	-	-	868,217	899,786
Accumulated Depreciation							
Balance, January 1, 2012	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
Depreciation / impairment for the year	1,375	-	125	-	-	-	1,500
Balance, March 31, 2013	4,125	-	540	-	-	-	4,665
Carrying Amounts							
At December 31, 2012	$ 24,750	$ -	$ 1,920	$ -	$ -	$ -	$ 26,670
At March 31, 2013	$ 23,375	$ -	$ 3,529	$ -	$ -	$ 868,217	$ 895,121

6. PATENTS AND LICENSES

	Patents	Licenses	Total
Cost			
Balance, January 1, 2012	$ 224,444	$ 136,725	$ 361,169
Additions	-	-	-
Disposals	(224,444)	(73,825)	(298,269)
Balance, December 31, 2012 and March 31, 2013	-	62,900	62,900
Accumulated Depreciation			
Balance, January 1, 2012	124,538	66,660	191,198
Amortization/impairment	(124,538)	(46,743)	(171,281)
Balance, December 31, 2012	-	19,917	19,917
Amortization	-	1,048	1,048
Balance, March 31, 2013	-	20,965	20,965
Carrying Amounts			
At December 31, 2012	$ -	$ 42,983	$ 42,983
At March 31, 2013	$ -	$ 41,935	$ 41,935

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2013	December 31, 2012
Trade payable	**$ 92,388**	$ 86,689
Payroll related liabilities	**74,821**	60,567
Accrued liabilities	**19,966**	84,647
Committed assets	**617,942**	-
	$ 805,117	$ 231,903

8. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
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
Shares issued on the exercise of warrants and compensation warrants	140,000	37,111
Fair value of warrants and compensation warrants exercised	-	23,387
Shares issued on the exercise of stock options	406,250	100,542
Fair value of stock options exercised	-	79,693
Shares issued on private placements	14,400,000	7,189,200
Fair value of warrants and compensation warrants issued	-	(4,308,292)
Share issue costs	-	(529,222)
Balance, March 31, 2013	132,474,865	$ 42,817,820

During the 2012, 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 period of four years. Additional issue costs amounted to $131,103 ($132,144 CAD).

8. SHARE CAPITAL (Continued)

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.

On February 14, 2013, the Company completed a brokered private placement financing for gross proceeds aggregating to $7,189,200 ($7,200,000 CAD). The Company issued 14,400,000 units, at a price of $0.499 ($0.50 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 $0.748 ($0.75 CAD) per share for a year of two years. The agents received cash commissions in the aggregate of $503,244 ($504,000 CAD) and 1,440,000 compensation warrants in connection with the private placement. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.499 ($0.50 CAD) per share for a period of three years. Additional issue costs amounted to $25,978 ($26,017 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 1.16% and 1.24%, volatility of 121% and 111.35% and estimated life of 2 and 3 years. The estimated fair value assigned to the warrants and compensation warrants was $3,825,178 ($3,844,400 CAD) and $483,114 ($483,840 CAD) respectively.

9. 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 March 31, 2013. Going forward, the special voting share will carry no votes.

10. WARRANTS

The following table reflects the continuity of warrants:

	Average Exercise Price	Number of Warrants	Historical Fair value
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
Warrants issued	0.75	14,400,000	3,825,178
Compensation warrants issued	0.50	1,440,000	483,114
Exercised	0.17	(140,000)	(23,387)
Balance, March 31, 2013	$ 0.48	42,478,569	$ 8,135,590

10. WARRANTS (Continued)

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
	2,770,044	365,143	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
	14,400,000	3,825,178	0.75	February 14, 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	522,209	94,597	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
Compensation warrants	1,440,000	483,114	0.50	February 14, 2016
	42,478,569	8,135,590	0.48	

These warrants were issued in Canadian dollars and are exercisable at prices ranging from $0.23 CAD and $0.75 CAD.

11. 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.

11. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

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

	Number of Options	Weighted average Exercise Price
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
Expired/cancelled	(222,500)	0.44
Exercised	(406,250)	0.25
Granted	50,000	0.52
Balance, March 31, 2013	17,024,000	$ 0.36

During the period, the Company granted 50,000 (2012 - 2,280,000) stock options to officers, employees and consultants of the Company to purchase common shares at an average price of $0.53 (2012 - $0.22) per share.

During the year, the Company recorded stock-based compensation of $734,715 (2012 - $364,397) relating to vested stock options.

The stock options granted during 2013 and 2012 were valued using the Black-Scholes option pricing model using the following assumptions;

	2013	2012
Weighted average risk-free interest rate	**1.41%**	2.02%
Weighted average dividend yield	**0%**	0%
Weighted average volatility	**116%**	115%
Weighted average estimated life	**5 years**	10 years

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at March 31, 2013 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	6,826,250	$ 0.22	4.85	3,812,500	$	0.22
$0.28 - $0.31	786,250	$ 0.27	5.33	536,250	$	0.28
$0.34 - $0.37	942,500	$ 0.33	7.39	942,500	$	0.33
$0.38 - $0.86	8,269,000	$ 0.46	5.19	1,619,000	$	0.56
$0.87 - $1.21	200,000	$ 1.20	8.11	200,000	$	1.20
	17,024,000	$ 0.35	5.21	7,110,250	$	0.34

11. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Contributed Surplus

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 1, 2012	$ 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
Stock-based compensation	734,715
Fair value of stock options expired	(79,693)
Balance, March 31, 2013	$ 17,016,304

12. LOSS PER SHARE

	March 31, 2013	2012
Numerator		
Net loss from continuing operations	**$ (1,683,848)**	$ (870,354)
Net loss from discontinued operations	**$ -**	$ (1,376,644)
Net loss	**$ (1,683,848)**	$ (2,246,998)
Denominator		
Weighted average number of common shares outstanding	**125,042,807**	93,033,640
Weighted average number of common shares outstanding - diluted	**125,042,807**	93,033,640
Basic and diluted loss per share, continuing operations	**$ (0.01)**	$ (0.01)
Basic and diluted loss per share, discontinued operations	**$ -**	$ (0.01)
Basic and diluted loss per share	**$ (0.01)**	$ (0.02)

The effect of common share purchase options, warrants, compensation warrants and shares to be issued on the net loss in 2013 and 2012 is not reflected as they are anti-dilutive.

13. COMMITMENTS AND CONTINGENCIES

The Company has an operating lease for office and research facilities expiring 2013.

Rent expense under this lease was $4,623 for the period (2012 - $75,198).

14. RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

	March 31, 2013	2012
Salaries	**$ 136,400**	$ 222,000
Share-based payments (1)	**165,242**	206,289
Total	**$ 301,642**	$ 428,289

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

Prepaids and other current assets include $100,000 advanced to the CEO of the Company. The advance is non-interest bearing and short-term in nature.

During the period, the Company paid a cumulative total of $73,200 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.

15. SEGMENT INFORMATION

The Company and its subsidiary operates in a single segment; the design of semi-conductor products for military and industrial applications. In prior years, the Company had two operating segments, however, in 2012, management made a decision to discontinue one segment. The Company's operating and reporting segment reflects 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. A summary of the Company's operating segment is below:

ODIS Inc. ("ODIS")
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.

Segmented information for the three months ended March 31, 2013 and March 31, 2012 is as follows:

	2013			2012		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	**$ -**	**$ 91,087**	**$ 91,087**	$ -	$ -	$ -
Operating expenses	**-**	**781,816**	**781,816**	-	402,445	402,445
Amortization	**-**	**1,048**	**1,048**	-	1,048	1,048
Loss from discontinued operations	**-**	**-**	**-**	1,376,644	-	1,376,644
Segment loss	**-**	**691,777**	**691,777**	1,376,644	403,493	1,780,137
Corporate operations			**992,071**			466,861
Net loss			**$ 1,683,848**			$ 2,246,998

15. SEGMENT INFORMATION (Continued)

Assets and capital expenditures at March 31,

	2013			2012		
	Opel (1)	**ODIS**	**Total**	Opel	ODIS	Total
Total assets	**$ 3,908,095**	**$ 1,016,834**	**$ 4,924,929**	$ 3,927,359	$ 75,451	$ 4,002,810
Capital expenditures	**$ -**	**$ 869,951**	**$ 869,951**	$ -	$ 27,664	$ 27,664

(1) Includes cash of $3,157,574, accounts and other receivable of $144,108 and assets available for sale of $606,413.

(2) The Company has assets of $3,746,926 at its corporate office not included above.

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

2013

As of December 31,	**US**	**Canada**	**Europe**	**Consolidated**
Current assets	**$ 3,987,873**	**$ 3,746,926**	**$ -**	**$ 7,734,799**
Property and equipment	**895,121**	**-**	**-**	**895,121**
Patents and licenses	**41,935**	**-**	**-**	**41,935**
	$ 4,924,929	**$ 3,746,926**	**$ -**	**$ 8,671,855**

2013

	US	**Canada**	**Europe**	**Consolidated**
Three months ended March 31,				
Revenue	**$ 91,087**	**$ -**	**$ -**	**$ 91,087**
General and administration	**470,314**	**992,070**	**-**	**1,462,384**
Research and development	**312,551**	**-**	**-**	**312,551**

2012

As of March 31,	US	Canada	Europe	Consolidated
Current assets	$ 1,856,485	$ 49,422	$ 40,925	$ 1,946,832
Property and equipment	1,756,621	-	-	1,756,621
Patents and licenses	164,439	-	-	164,439
Investment in Opel Solar Asia Company Limited	197,178	-	-	197,178
	$ 3,974,723	$ 49,422	$ 40,925	$ 4,065,070

2012

	US	Canada	Europe	Consolidated
For the three months ended March 31,				
Revenue	$ -	$ -	$ -	$ -
General and administration	113,728	464,490	-	578,218
Research and development	289,764	-	-	289,764
Investment income	-	(578)	-	(578)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, short-term investments, accounts and other 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:

	March 31, 2012	December 31, 2012
Fair value through profit or loss, measured at fair value:		
Cash	**$ 6,892,718**	$ 1,435,762
Loans and receivable, measured at amortized cost:		
Accounts and other receivable	**232,074**	96,749
Available-for-sale, measured at fair value:		
Marketable securities	**415**	426
Assets available for sale	**606,413**	606,413
	$ 7,731,620	$ 2,139,350

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.

Cash and marketable securities were determined using level 1 inputs, assets available for sale were determined using a level 3 input. The level 3 input for the available for sale asset was based on negotiations with a third party interested in acquiring the asset.

Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist of accounts and other receivable. The Company has accounts and other receivable from a governmental agency that 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 never 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 $360,764.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 and other receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments.

17. 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 $74,862,532 at March 31, 2013. 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.

18. 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 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. 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

18. DISCONTINUED OPERATIONS (Continued)

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:

	March 31, 2013	2012
Revenue	**$ -**	$ 43,195
Costs and expenses		
Cost of goods sold	**-**	43,242
General and administration	**-**	993,347
Research and development	**-**	384,891
Investment income, including interest	**-**	(1,642)
	-	1,419,838
Net operating results from discontinued operations, net of taxes	**-**	(1,376,643)

19. SUBSEQUENT EVENTS

Subsequent to the period end, the Company completed the sale of its assets available for sale and the respective disposal group liabilities.

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