OPEL SOLAR

INTERNATIONAL INC.

Unaudited Consolidated
Financial Statements
6-months ended June 30, 2011

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NOTICE TO SHAREHOLDERS
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(Unaudited and Expressed in US Dollars)

OPEL SOLAR INTERNATIONAL INC.

Auditors' involvement

The auditors of Opel Solar International Inc. have not performed a review of the unaudited consolidated financial statements for the three and six months ended June 30, 2011 and June 30, 2010.

OPEL SOLAR INTERNATIONAL INC.
(Formerly Opel International Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)

	June 30, 2011	December 31, 2010	January 1, 2010
Assets			
Current			
Cash	**$ 1,799,749**	$ 6,629,958	$ 5,027,892
Short-term investments (Note 3)	**3,103,519**	304,149	1,971,422
Accounts receivable	**754,994**	312,043	332,985
Prepaids and other current assets	**469,166**	507,635	793,842
Inventories (Note 4)	**5,633,968**	5,608,647	7,462,464
Marketable securities (Note 5)	**434**	423	403
	11,761,830	13,362,855	15,589,008
Property and equipment (Note 6)	**3,188,645**	3,315,081	1,627,077
Patents and licenses (Note 7)	**181,469**	192,968	225,475
	$ 15,131,944	$ 16,870,904	$ 17,441,560
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 24)	**$ 1,120,441**	$ 771,938	$ 1,856,026
Product warranty	**4,265**	-	-
Customer deposits (Note 16)	**-**	1,347,825	-
	1,124,706	2,119,763	1,856,026
Deferred energy credit (Note 8)	**632,000**	649,642	684,921
Asset retirement obligation (Note 9)	**71,622**	69,062	64,214
	1,828,328	2,838,467	2,605,161
Shareholders' Equity			
Share capital (Note 10(b))	**38,288,975**	34,330,441	29,939,171
Special voting share (Note 11)	**100**	100	100
Shares to be issued (Note 12)	**165,122**	276,833	648,861
Warrants (Note 13)	**5,474,314**	6,025,715	6,842,556
Contributed surplus (Note 14)	**8,503,367**	8,497,812	4,723,982
Accumulated other comprehensive income (loss)	**333,452**	233,495	(1,609)
Deficit	**(39,432,929)**	(35,309,009)	(27,316,662)
Non controlling interest	**(28,785)**	(22,950)	-
	13,303,616	14,032,437	14,836,399
	$ 15,131,944	$ 16,870,904	$ 17,441,560

Commitments and contingencies (Note 17)

On behalf of the Board of Directors

Director

Director

OPEL SOLAR INTERNATIONAL INC.
(Formerly Opel International Inc.)

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

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenue	**$ 1,166,070**	$ 447,432	**$ 2,652,572**	$ 792,750
Costs and expenses				
Cost of goods sold	**666,746**	72,536	**1,592,336**	131,095
General and administration	**1,688,836**	1,412,608	**3,338,467**	2,913,626
Research and development	**940,307**	759,242	**1,867,274**	1,459,869
Foreign currency translation loss	**-**	10,231	**-**	10,231
Loss on divestiture of ASM	**-**	40,572	**-**	40,572
Investment income, including interest	**(5,076)**	(6,130)	**(9,183)**	(21,699)
Other income	**(10,233)**	-	**(10,233)**	-
	3,280,580	2,289,059	**6,778,661**	4,533,694
Net loss	**(2,114,510)**	(1,841,627)	**(4,126,089)**	(3,740,944)
Net loss:				
Attributable to non-controlling interest	**(95)**	1,591	**(2,169)**	(7,066)
Attributable to equity shareholders	**(2,114,415)**	(1,843,218)	**(4,123,920)**	(3,733,878)
Net loss	**(2,114,510)**	(1,841,627)	**(4,126,089)**	(3,740,944)
Deficit, beginning of year	**(37,318,514)**	(29,207,322)	**(35,309,009)**	(27,316,662)
Net loss attributable to equity shareholders	**(2,114,415)**	(1,843,218)	**(4,123,920)**	(3,733,878)
Deficit, end of period	**$(39,432,929)**	$(31,050,540)	**$(39,432,929)**	$(31,050,540)
Basic and diluted loss per share (Note 15)	**$ (0.02)**	$ (0.03)	**$ (0.05)**	$ (0.06)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net loss	**$ (2,114,510)**	$ (1,841,627)	**$ (4,126,089)**	$ (3,740,944)
Other comprehensive income - net of income taxes				
Exchange differences on translating foreign operations	**45,046**	(77,150)	**96,291**	(63,101)
Comprehensive loss	**$ (2,114,510)**	$ (1,918,777)	**$ (4,029,798)**	$ (3,804,045)
Comprehensive loss:				
Attributable to non-controlling interest	**$ (1,012)**	$ (5,211)	**$ (5,835)**	$ (9,095)
Attributable to equity shareholders	**$ (2,113,498)**	$ (1,913,566)	**$ (4,023,963)**	$ (3,794,950)

OPEL SOLAR INTERNATIONAL INC.
(Formerly Opel International Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

		2011		2010
Share Capital				
Beginning balance	$	34,330,441	$	29,939,171
Opel Inc. Exchangeable Shares, exchanged into common shares		111,711		80,619
Funds from the exercise of warrants		1,411,780		-
Funds from the exercise of stock options		1,119,049		-
Value assiged to stock options		764,593		-
Fair value of warrants and compensation warrants exercised		551,401		-
June 30,		38,288,975		30,019,790
Special Voting Share				
June 30,		100		100
Shares to be Issued				
Deferred share issue costs		276,833		648,861
Exchangeable Shares exchanged into common shares		(111,711)		(80,619)
June 30,		165,122		568,242
Warrants				
Beginning balance		6,025,715		6,842,556
Fair value of warrants and compensation warrants exercised		(551,401)		-
Fair value of expired warrants		-		(3,181,971)
June 30,		5,474,314		3,660,585
Contributed Surplus				
Beginning balance		8,497,812		4,723,982
Stock-based compensation		770,148		172,311
Fair value of stock options exercised		(764,593)		-
Fair value of expired warrants		-		3,182,026
June 30,		8,503,367		8,078,319
Accumulated Other Comprehensive Income (Loss)				
Beginning balance		233,495		(1,609)
Other comprehensive loss attributable to common shareholders		99,957		(72,196)
June 30,		333,452		(73,805)
Deficit				
Beginning balance		(35,309,009)		(27,316,662)
Net loss attributable to common shareholders		(4,123,920)		(3,733,878)
June 30,		(39,432,929)		(31,050,540)
Total shareholders' equity	$	13,332,401	$	11,202,691
Non-controlling interest				
Beginning balance	$	(22,950)	$	-
Net loss attributable to non-controlling interest		(2,169)		(7,066)
Other comprehensive income (loss) attributable to non-controlling interest		(3,666)		9,095
Ending balance	$	(28,785)	$	2,029
Total equity	$	13,303,616	$	11,204,720

OPEL SOLAR INTERNATIONAL INC.
(Formerly Opel International Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

For The Six Months Ended June 30,	2011	2010
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss	**$ (4,126,089)**	$ (3,740,944)
Adjustments for:		
Amortization of property and equipment	**128,098**	100,570
Amortization of patents and licenses	**11,499**	23,185
Amortization of deferred energy credit	**(17,642)**	(17,640)
Accretion of asset retirement obligation	**2,560**	2,490
Stock-based compensation (Note 14)	**770,148**	172,366
Loss on divestiture of ASM	**-**	40,572
	(3,231,426)	(3,419,401)
Net change in non-cash working capital accounts:		
Accounts receivable	**(442,951)**	113,005
Prepaid and other current assets	**38,458**	222,350
Inventories	**(25,321)**	53,662
Accounts payable and accrued liabilities	**348,503**	(274,376)
Product warranty	**4,265**	-
Customer deposits	**(1,347,825)**	-
	(4,656,297)	(3,304,760)
INVESTING ACTIVITIES		
(Purchase) sale of short-term investments	**(2,799,370)**	859,367
Loan receivable	**-**	(435,093)
Purchase of property and equipment	**(1,662)**	(423,394)
	(2,801,032)	880
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	**2,530,829**	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**96,291**	(63,101)
NET CHANGE IN CASH	**(4,830,209)**	(3,366,981)
CASH, beginning of period	**6,629,958**	5,027,892
CASH, end of period	**$ 1,799,749**	$ 1,660,911

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

1. DESCRIPTION OF BUSINESS

Opel Solar International Inc. is incorporated in the Province of Ontario. Opel Solar International Inc. and its subsidiary, Opel Inc. (collectively, the "Company") principally develop and market concentrating solar panels and solar tracking systems for commercial applications. Additionally, the Company continues to develop a gallium arsenide microchip and the process to produce it. The Company's research and development ("R&D") efforts relate to the commercialization of CPV solar panels, solar trackers; and optical laser and infrared detection using planar "opto" electronic technology ("POET"). The Company also provides services under "fixed price" and "cost plus" R&D contracts exclusively with the Department of Defense of the United States of America. Such services are provided to the U.S. Department of Defense through Opel Defense Integrated Systems Inc. ("ODIS"), a subsidiary of Opel Inc.

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

The Company has working capital of $10,637,124 as of June 30, 2011 compared to $11,243,092 as of December 31, 2010 and $13,732,982 as of January 1, 2010. The Company is in a position to cover its liabilities as they come due. However, the Company has had a history of losses and should such losses continue the Company will need to seek debt or equity financing to fund its operations. Although the Company has been successful in obtaining such financings in the past, there is no assurance that it will be able do so in the future. If the Company is unable to obtain such financing, it may not be in a position to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed unaudited interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with IAS 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of IFRS*. These condensed unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 audited consolidated financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented.

An explanation of how the transition from Canadian GAAP ("GAAP") to IFRS has affected the reported condensed unaudited interim; statements of financial position, statements of operations, comprehensive loss, and cash flows of the Company is provided in note 20. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net loss and comprehensive loss for comparable periods and equity at the date of transition to IFRS, January 1, 2010.

These condensed unaudited interim consolidated financial statements do not include all of the information required for full annual financial statement.

Prior to January 1, 2011, the Company's consolidated financial statements were prepared in accordance with GAAP, which differ in certain respects from IFRS. Accordingly, the Company has commenced reporting on an IFRS basis in these condensed unaudited interim consolidated financial statements.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation

These condensed unaudited interim consolidated financial statements are expressed in US dollars ("USD"). They include the accounts of Opel Solar International Inc and its subsidiaries. Betasol Energias Alternatives, S.L. ("Betasol") is considered a variable interest entities with either Opel Inc. or OSE as the primary beneficiary. As such, its accounts are consolidated with those of the Company. All intercompany balances and transactions have been eliminated on consolidation.

Foreign currency translation

The consolidated financial statements are presented in U.S. dollars, 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 income statement.

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. 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, short-term investments, marketable securities, and accounts payable and accrued liabilities and customer deposits. The Company designated its cash and short-term investments as fair value through profit or loss, its marketable securities as available-for-sale, its accounts receivable as loans and receivables, and its account payable and accrued liabilities and customer deposits 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 held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

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

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term investments
Short-term investments are classified as fair value through profit or loss and are stated at fair value. Unrealized holding gains or losses are recognized in operations.

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

Inventories
Inventories are valued at the lower of cost or net realizable value, with cost determined on a first in, first-out basis. Inventories comprise raw materials; work in process and finished goods. Inventories comprising finished goods relate to solar panels produced to the Company's specifications. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories include the cost of materials purchased and the cost of conversion, as well as other costs required to bring the inventories to their present location and condition.

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

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

Old	
Machinery and equipment	28.6% to 40%, Declining Balance
Furniture and fixtures	28.6% to 40%, Declining Balance
Office equipment	28.6% to 40%, Declining Balance
Leasehold improvements	Straight Line Over The Remaining Term of the Lease

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period. 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 There were no significant indicators of impairment of the carrying values of long-lived assets at June 30, 2011, December 31, 2010 or January 1, 2010.

Deferred energy credit

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

Asset Retirement Obligation

Asset retirement obligation ("ARO") represents liabilities to the Company for which the amount or timing is uncertain. ARO is recognized when the Company has a 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.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are provided on differences between the financial reporting and income tax bases of assets and liabilities and on income tax losses available to be carried forward to future years for tax purposes. Deferred income taxes are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Valuation allowances are provided to reduce deferred income tax assets to the amount expected to be realized.

Revenue recognition

Revenue is comprised of research and development (R&D) service revenue and product sales. Revenue under R&D contracts is recognized as services are provided. R&D costs are recognized as incurred; any unbilled revenue is recognized as services are provided under the terms of the contract. Revenue from product sales is recognized when ownership is transferred to customers for orders with the selling price both fixed and determinable and for which collectability is reasonably assured.

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period incurred. Development costs are also expensed in the period 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.

Recent accounting pronouncements
In November 2009, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement, with a new standard. Per recent updates to IFRS 9, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

3. SHORT-TERM INVESTMENTS

	June 30, 2011	December 31, 2010	January 1, 2010
European bank guarantee	**$ -**	$ -	$ 510,828
Corporate bonds (Coupon rate - 0.67%)	**-**	-	98,946
Canadian government bonds (Coupon rate - 3.375%)	**-**	203,000	256,410
US certificate of deposit (Coupon rates between 0.625% and 1.25%)	**3,103,519**	101,149	1,105,238
Balance	**$ 3,103,519**	$ 304,149	$ 1,971,422

(Expressed in US Dollars)

4. INVENTORIES

	June 30, 2011	December 31, 2010	January 1, 2010
Raw materials	**$ 4,925,331**	$ 4,926,278	$ 4,644,513
Work in process	**45,464**	16,184	585,489
Finished goods	**663,173**	666,185	2,232,462
Balance	**$ 5,633,968**	$ 5,608,647	$ 7,462,464

5. MARKETABLE SECURITIES

Marketable securities consist of small investments in three companies carrying a market value of $434 as of June 30, 2011 and $423 as of December 31, 2010 and $403 as of January 1, 2010.

6. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture and fixture	Office equipment	Leasehold improvements	Solar installations	Construction in progress	Total
Cost							
Balance, January 1, 2010	$ 755,388	$ 137,254	$ 77,279	$ 44,761	$ 1,327,791	$ -	$ 2,342,473
Additions	416,548	-	6,878	-	-	1,501,692	1,925,118
Balance, December 31, 2010	1,171,936	137,254	84,157	44,761	1,327,791	1,501,692	4,267,591
Additions	-	1,662	-	-	-	-	1,662
Disposals	-	-	(11,732)	-	-	-	(11,732)
Balance, June 30, 2011	1,171,936	138,916	72,425	44,761	1,327,791	1,501,692	4,257,521
Accumulated Depreciation							
Balance, January 1, 2010	511,539	64,264	46,345	2,918	90,330	-	715,396
Depreciation for the year	118,554	16,424	10,593	1,239	90,304	-	237,114
Balance, December 31, 2010	630,093	80,688	56,938	4,157	180,634	-	952,510
Depreciation for the period	93,103	7,434	5,022	591	21,948	-	128,098
Disposals	-	-	(11,732)	-	-	-	(11,732)
Balance, June 30, 2011	723,196	88,122	50,228	4,748	202,582	-	1,068,876
Carrying Amounts							
At January 1, 2010	$ 243,849	$ 72,990	$ 30,934	$ 41,843	$ 1,237,461	$ -	$ 1,627,077
At December 31, 2010	$ 541,843	$ 56,566	$ 27,219	$ 40,604	$ 1,147,157	$ 1,501,692	$ 3,315,081
At June 30, 2011	$ 448,740	$ 50,794	$ 22,197	$ 40,013	$ 1,125,209	$ 1,501,692	$ 3,188,645

(Expressed in US Dollars)

7. PATENTS AND LICENSES

	Patents	Licenses	Total
Cost			
Balance, January 1, 2010	$ 224,444	$ 137,475	$ 361,919
Disposals	-	(750)	(750)
Balance, December 31, 2010	224,444	136,725	361,169
Balance, June 30, 2011	224,444	136,725	361,169
Accumulated Depreciation			
Balance, January 1, 2010	94,610	41,834	136,444
Depreciation for the year	14,964	16,793	31,757
Balance, December 31, 2010	109,574	58,627	168,201
Depreciation for the period	7,482	4,017	11,499
Balance, June 30, 2011	117,056	62,644	179,700
Carrying Amounts			
At January 1, 2010	$ 129,834	$ 95,641	$ 225,475
At December 31, 2010	$ 114,870	$ 78,098	$ 192,968
At June 30, 2011	$ 107,388	$ 74,081	$ 181,469

8. DEFERRED ENERGY CREDIT

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

Changes to deferred energy credit were as follows:

	Cost	Accumulated Amortization	Balance
Balance, January 1, 2010	$ 705,588	$ (20,667)	$ 684,921
Amortization	-	(35,279)	(35,279)
Balance, December 31, 2010	705,588	(55,946)	649,642
Amortization for the period	-	(17,642)	(17,642)
Balance, June 30, 2011	$ 705,588	$ (73,588)	$ 632,000

(Expressed in US Dollars)

9. ASSET RETIREMENT OBLIGATION

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

Changes in the asset retirement obligation are as follows:

	Cost	Accumulated Accretion	Balance
Balance, January 1, 2010	$ 60,410	$ 3,804	$ 64,214
Amortization	-	4,848	4,848
Balance, December 31, 2010	60,410	8,652	69,062
Amortization for the period	-	2,560	2,560
Balance, June 30, 2011	$ 60,410	$ 11,212	$ 71,622

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

10. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share, carrying 810,000 votes

(b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, January 1, 2010	58,302,862	$ 29,939,171
Opel Inc. Exchangeable Shares, exchanged into common shares	1,824,987	372,029
Shares issued on private placements	25,164,665	7,178,965
Share issue costs	-	(794,593)
Value assigned to warrants and compensation warrants	-	(2,365,131)
Balance, December 31, 2010	85,292,514	34,330,441
Opel Inc. Exchangeable Shares, exchanged into common shares	548,000	111,711
Shares issued on the exercise of stock options	3,129,000	1,119,049
Fair value of stock options exercised	-	764,593
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
Balance, June 30, 2011	92,188,421	$ 38,288,975

11. 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 Solar International Inc, OPEL Inc. and Equity Transfer & Trust Company. The special voting share carried 810,000 and 1,358,000 votes as at June 30, 2011 and December 31, 2010 respectively.

12. SHARES TO BE ISSUED

Pursuant to a RTO agreement, the Company was obligated to issue 5,972,000 shares to common shareholders of Opel Inc. in exchange for their 5,972,000 Exchangeable Shares of Opel Inc. The value ascribed to the 5,972,000 shares to be issued was $1,217,408. Fair value of the remaining 810,000 outstanding Exchangeable Shares at June 30, 2011 was $165,121.

13. WARRANTS

The following table reflects the continuity of warrants:

	Average Exercise Price	Number of Warrants	Historical Fair value
Balance, January 1, 2010	$ 1.31	18,022,582	$ 6,842,556
Issued	0.48	12,582,333	1,830,631
Compensation warrants issued	0.29	2,476,134	534,500
Expired	0.90	(10,522,582)	(3,181,972)
Balance, December 31, 2010	0.92	22,558,467	6,025,715
Exercised	0.41	(3,218,907)	(551,401)
Balance, June 30, 2011	$ 1.01	19,339,560	$ 5,474,314

As at June 30, 2011 the following warrants were outstanding:

Number of Warrants	Historical Fair Value ($)	Exercise Price ($)	Expiry Date
7,500,000	3,660,584 (1)	1.88	December 13, 2011 (2)
10,544,002	1,534,070 (1)	0.48	July 21, 2012
1,295,558	279,660 (1)	0.29	July 21, 2014
19,339,560	5,474,314	1.01	

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

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS

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 period.

(Expressed in US Dollars)

14. 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, January 1, 2010	7,596,000	$ 0.69
Expired/cancelled	(127,500)	0.32
Granted	3,634,000	0.31
Balance, December 31, 2010	11,102,500	0.58
Expired/cancelled	(1,759,250)	0.97
Exercised	(3,129,000)	0.38
Granted	1,450,000	0.98
Balance, June 30, 2011	7,664,250	$ 0.65

During the period, the Company granted 1,450,000 (2010 - 1,344,000) stock options to officers, employees and consultants of the Company to purchase common shares at a weighted average exercise price of $0.98 (2010 - $0.28) per share. The fair value assigned to the 1,450,000 (2010 - 1,344,000) options granted during the period was $1,340,383 (2010 - $351,524).

During the period, the Company recorded stock-based compensation of $770,148 (2010 - $172,366) relating to vested stock options.

The stock options granted during 2011 and 2010 were valued using the Black-Scholes option pricing model using the following assumptions;

	2011	2010
Weighted average risk-free interest rate	**3.22%**	3.45%
Weighted average dividend yield	**0%**	0%
Weighted average volatility	**114%**	116%
Weighted average estimated life	**10 years**	10 years

(Expressed in US Dollars)

14. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at June 30, 2011 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	493,250	$ 0.16	2.52	493,250	$ 0.16
$0.29 - $0.31	935,250	$ 0.28	8.31	649,250	$ 0.27
$0.34 - $0.37	1,905,000	$ 0.33	9.03	825,000	$ 0.33
$0.38 - $0.86	1,423,750	$ 0.62	5.31	898,750	$ 0.54
$0.87 - $1.50	2,907,000	$ 1.11	3.33	2,382,000	$ 1.11
	7,664,250	$ 0.65	5.77	5,248,250	$ 0.69

Contributed Surplus

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 1, 2010	$ 4,723,982
Stock-based compensation	591,859
Warrants expired	3,181,971
Balance, December 31, 2010	8,497,812
Stock-based compensation	770,148
Fair value of stock options exercised	(764,593)
Balance, June 30, 2011	$ 8,503,367

(Expressed in US Dollars)

15. LOSS PER SHARE

	Three Months Ended June 30, **2011**	Three Months Ended June 30, 2010	Six Months Ended June 30, **2011**	Six Months Ended June 30, 2010
Numerator				
Net loss attributable to equity shareholders	**$ (2,114,415)**	$ (1,843,218)	**$ (4,123,920)**	$ (3,733,878)
Denominator				
Weighted average number of common shares outstanding	**90,940,768**	58,696,610	**88,532,276**	58,617,263
Weighted average number of common shares outstanding - diluted	**90,940,768**	58,696,610	**88,532,276**	58,617,623
Basic and diluted loss per share	**$ (0.02)**	$ (0.03)	**$ (0.05)**	$ (0.06)

The effect of common share purchase options, warrants, broker warrants and shares to be issued on the net loss in 2011 and 2010 is not reflected as it is anti-dilutive.

16. CUSTOMER DEPOSITS

The Company has a policy of collecting prepaid service or product fees on large scale purchases. Prepaid fees are then allocated to revenue once there has been performance. The Company had $nil in customer deposits at June 30, 2011, $1,347,825 at December 31, 2010 and $nil at January 1, 2010.

17. COMMITMENTS AND CONTINGENCIES

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

Rent expense under these leases was $79,467 and $156,486 for the three and six months ended June 30, 2011 (2010 - $65,661 and $125,821 respectively). Remaining minimum annual rental payments to the lease expiration dates are as follows:

2011	$ 192,628
2012 to 2014	263,006
	$ 455,634

(Expressed in US Dollars)

18. RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

	Three Months Ended June 30, **2011**	Three Months Ended June 30, 2010	Six Months Ended June 30, **2011**	Six Months Ended June 30, 2010
Salaries	**$ 248,000**	$ 299,000	**$ 496,000**	$ 598,000
Share-based payments (1)	**237,250**	27,689	**326,697**	52,929
Total	**$ 485,250**	$ 326,689	**$ 822,697**	$ 650,929

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

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

Opel Inc.
Opel designs, manufactures and markets high performance concentrating photovoltaic ("HCPV") panels and multi-axis solar tracking systems to transform solar energy into electricity for worldwide application. Opel's HCPV panels can generate up to 40% more kilowatt-hours than conventional flat plate silicon solar panels, resulting in more cost effective electricity generated from the sun. Opel's tracking systems is capable of increasing the output of any of solar power by 20 - 40%.

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.

(Expressed in US Dollars)

19. SEGMENT INFORMATION (Continued)

Segmented information for the six months ended June 30, 2011 and June 30, 2010 is as follows:

	2011			2010		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	**$ 1,998,096**	**$ 654,476**	**$ 2,652,572**	$ 221,643	$ 571,107	$ 792,750
Interest income	**4,625**	**-**	**4,625**	2,934	-	2,934
Cost of goods sold	**1,592,336**	**-**	**1,592,336**	131,095	-	131,095
Operating expenses	**3,207,264**	**897,293**	**4,104,557**	3,136,622	735,363	3,871,985
Amortization	**119,819**	**2,136**	**121,955**	121,659	2,096	123,755
Loss attributable to non controlling interest	**2,169**	**-**	**2,169**	7,066	-	7,066
Loss on divestiture of asm	**-**	**-**	**-**	40,572	-	40,572
Segment loss	**2,914,529**	**244,953**	**3,159,482**	3,198,305	166,352	3,364,657
Corporate operations			**964,438**			369,221
Net loss			**$ 4,123,920**			$ 3,733,878

Segmented information for the three months ended June 30, 2011 and June 30, 2010 is as follows:

	2011			2010		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Revenue	**$ 849,374**	**$ 316,696**	**$ 1,166,070**	$ 157,494	$ 289,938	$ 447,432
Interest income	**2,731**	**-**	**2,731**	567	-	567
Cost of goods sold	**666,746**	**-**	**666,746**	72,841	-	72,841
Operating expenses	**1,559,649**	**444,605**	**2,004,254**	1,404,885	403,606	1,808,491
Amortization	**60,786**	**1,068**	**61,854**	76,119	1,048	77,167
Loss attributable to non controlling interest	**95**	**-**	**95**	(1,591)	-	(1,591)
Loss on divestiture of asm	**-**	**-**	**-**	40,572	-	40,572
Segment loss	**1,434,981**	**128,977**	**1,563,958**	1,437,947	114,716	1,552,663
Corporate operations			**550,119**			245,015
Net loss			**$ 2,114,077**			$ 1,797,678

Assets and capital expenditures at June 30,

	2011			2010		
	Opel	**ODIS**	**Total**	Opel	ODIS	Total
Total assets	**$ 11,469,538**	**$ 213,881**	**$ 11,683,419**	$ 14,189,211	$ 312,328	$ 14,501,539
Capital expenditures	**$ -**	**$ -**	**$ -**	$ 423,394	$ -	$ 423,394

(Expressed in US Dollars)

19. SEGMENT INFORMATION (Continued)

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

2011

As of June 30,	**US**	**Canada**	**Europe**	**Consolidated**
Current assets	**$ 7,320,468**	**$ 3,536,448**	**$ 904,914**	**$ 11,761,830**
Property and equipment	**1,686,953**	**-**	**1,501,692**	**3,188,645**
Patents and licenses	**181,469**	**-**	**-**	**181,469**
	$ 9,188,890	**$ 3,536,448**	**$ 2,406,606**	**$ 15,131,944**

2011

	US	**Canada**	**Europe**	**Consolidated**
Three months ended June 30,				
Revenue	**$ 2,652,572**	**$ -**	**$ -**	**$ 2,652,572**
Cost of goods sold	**1,592,336**	**-**	**-**	**1,592,336**
General and administration	**2,346,376**	**975,202**	**16,889**	**3,338,467**
Research and development	**1,867,274**	**-**	**-**	**1,867,274**
Investment income	**(1,736)**	**(4,558)**	**(2,889)**	**(9,183)**

2010

As of June 30,	US	Canada	Europe	Consolidated
Current assets	$ 8,562,029	$ 1,942,029	$ 824,463	$ 11,328,521
Property and equipment	1,999,026	-	-	1,999,026
Patents and licenses	202,290	-	-	202,290
	$ 10,763,345	$ 1,942,029	$ 824,463	$ 13,529,837

2010

	US	Canada	Europe	Consolidated
Three Months ended June 30,				
Revenue	$ 791,418	$ -	$ 1,332	$ 792,750
Cost of goods sold	130,766	-	329	131,095
General and administration	2,515,621	369,221	28,784	2,913,626
Research and development	1,459,869	-	-	1,459,869
Investment income	(2,934)	(18,559)	(206)	(21,699)

During 2011, $1,537,879 or 57% of the Company's revenues depended on two customers in OPEL. (2010 - $289,938 or 81% of the Company's revenues depended on a single customer of ODIS).

20. TRANSITION TO IFRS

In preparing its opening IFRS Statement of Financial Position and comparative information for 2010, the Company adjusted amounts reported previously in financial statements prepared in accordance with GAAP. A reconciliation and explanation of how the transition from GAAP to IFRS has affected the Company's financial position, performance and cash flows is presented below. Under IFRS 1, the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to shareholders' equity unless certain exemptions are applied.

The accounting policies in note 2 have been applied in preparing:

(i) the condensed interim unaudited conolidated financial statements for the three and six months ended June 30, 2011 and June 30, 2010;
(ii) its opening balance sheet on the transition date, January 1, 2010 and;
(iii) the balance sheet as at December 31, 2010.

In preparing these statements, comparative financial results for the three and six months ended June 30, 2010 and the balance sheet as at June 30, 2010 and December 31, 2010 have been adjusted to comply with IFRS from amounts previously reported in accordance with GAAP.

The guidance for first-time adopters of IFRS is set out in IFRS 1, which provides for certain mandatory exceptions and optional exemptions. In preparing these interim financial statements, the Company applied the following:

Optional Exemptions:

Business combinations
IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to exercise this election.

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

Share-based payment transactions
IFRS 1 encourages but does not require first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002 and vested before the transition date. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

Mandatory Exceptions:

Estimates
Hindsight is not used to create or revise estimates. The estimates previously made by the Company under GAAP were not revised upon adoption of IFRS except where necessary to reflect any differences in accounting policies.

20. TRANSITION TO IFRS (Continued)

Explanation of effect of transition from GAAP to IFRS

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical GAAP accounting policies and the current IFRS polices applied by the Company.

(a) Share-based Payments
IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010; and,
- From January 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in note 1.

Recognition of Expense
GAAP - For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS - Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition

This change had a recognition, measurement and disclosure impact on the Company, accordingly, Contributed Surplus decreased by $3,906 with a corresponding decrease to deficit.

(b) Asset Retirement Obligations (Decommissioning Liabilities)
Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. IFRS requires re-measurement of the liability at each reporting date whereas GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. IFRS also requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate.

At transition date, the Company re-measured its Asset Retirement Obligation. The estimated change as a result of re-measurement is decrease in Asset Retirement Obligation of $66,765 and a corresponding decrease in property and equipment.

(c) Foreign Currency Translation Adjustment
As discussed above, IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising prior to the transition date. The Company has chosen to reset its cumulative translation balance to zero at transition date. The impact on the Company was an increase in accumulated comprehensive income of $2,894,659 and a similar increase to deficit at transition date.

(Expressed in US Dollars)

20. TRANSITION TO IFRS (Continued)

(d) Impairment of Long Lived Assets

IFRS requires a write-down of assets if the higher of the fair value and the value-in-use of a group of assets is less than its carrying value. Value-in-use is determined using discounted estimated future cash flows. Under current Canadian GAAP a write down to estimated fair value is only required when the undiscounted estimated future cash flows of a group of assets are less than its carrying value. This change had no impact on the Company.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods:

Reconciliaition of Equity

	December 31, 2010	June 30, 2010	January 1, 2010
Total equity under GAAP	$ 14,030,667	$ 11,203,835	$ 14,836,399
Differences increasing (decreasing) reported shareholders equity			
Contributed surplus	(152,847)	(45,868)	(3,906)
Deficit	(2,651,111)	(2,690,552)	(2,890,753)
Accumulated other comprehensive loss	2,803,917	2,732,189	2,894,659
Non-controlling interest	1,811	5,116	-
	1,770	885	-
Total equity under IFRS	$ 14,032,437	$ 11,204,720	$ 14,836,399

(Expressed in US Dollars)

20. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Balance Sheet as of January 1, 2010

	Note	GAAP Balance	IFRS Adjustments	IFRS Balance
Assets				
Current				
Cash		$ 5,027,892	$ -	$ 5,027,892
Short-term investments		1,971,422	-	1,971,422
Accounts receivable		332,985	-	332,985
Prepaids and other current assets		793,842	-	793,842
Inventories		7,462,464	-	7,462,464
Marketable securities		403	-	403
		15,589,008	-	15,589,008
Property and equipment	b	1,693,842	(66,765)	1,627,077
Patents and licenses		225,475	-	225,475
		$ 17,508,325	$ (66,765)	17,441,560
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 1,856,026	$ -	1,856,026
		1,856,026	-	1,856,026
Deferred energy credit		684,921	-	684,921
Asset retirement obligation	b	130,979	(66,765)	64,214
		2,671,926	(66,765)	2,605,161
Shareholders' Equity				
Share capital		29,939,171	-	29,939,171
Special voting share		100	-	100
Special warrants and shares to be issued		648,861	-	648,861
Warrants		6,842,556	-	6,842,556
Contributed surplus	a	4,727,888	(3,906)	4,723,982
Accumulated other comprehensive loss	c	(2,896,268)	2,894,659	(1,609)
Deficit	a/c	(24,425,909)	(2,890,753)	(27,316,662)
		14,836,399	-	14,836,399
		$ 17,508,325	$ (66,765)	$ 17,441,560

(Expressed in US Dollars)

20. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Balance Sheet as of December 31, 2010

	Note	GAAP Balance	IFRS Adjustments	IFRS Balance
Assets				
Current				
Cash		$ 6,629,958	$ -	$ 6,629,958
Short-term investments		304,149	-	304,149
Accounts receivable		312,043	-	312,043
Prepaids and other current assets		507,635	-	507,635
Inventories		5,608,647	-	5,608,647
Marketable securities		423	-	423
		13,362,855	-	13,362,855
Property and equipment	b	3,381,846	(66,765)	3,315,081
Patents and licenses		192,968	-	192,968
		$ 16,937,669	$ (66,765)	16,870,904
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 771,938	$ -	771,938
Customer deposits		1,347,825	-	1,347,825
		2,119,763	-	2,119,763
Deferred energy credit		649,642	-	649,642
Asset retirement obligation	b	137,597	(68,535)	69,062
		2,907,002	(68,535)	2,838,467
Shareholders' Equity				
Share capital		34,330,441	-	34,330,441
Special voting share		100	-	100
Special warrants and shares to be issued		276,833	-	276,833
Warrants		6,025,715	-	6,025,715
Contributed surplus	a	8,650,659	(152,847)	8,497,812
Accumulated other comprehensive loss	c	(2,570,422)	2,803,917	233,495
Deficit	a/c	(32,657,898)	(2,651,111)	(35,309,009)
Non controlling interest		(24,761)	1,811	(22,950)
		14,030,667	1,770	14,032,437
		$ 16,937,669	$ (66,765)	$ 16,870,904

(Expressed in US Dollars)

20. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Operations for the Six Months Ended June 30, 2010

	GAAP Balance	IFRS Adjustment	IFRS Balance
Revenue	$ 792,750	$ -	$ 792,750
Costs and expenses			
Cost of goods sold	131,095	-	131,095
General and administration	2,956,473	(42,847)	2,913,626
Research and development	1,459,869	-	1,459,869
Foreign currency translation gain	163,606	(153,375)	10,231
Loss on divestiture of ASM	40,572	-	40,572
Investment income, including interest	(21,699)	-	(21,699)
	4,729,916	(196,222)	4,533,694
Net loss	(3,937,166)	196,222	(3,740,944)
Net loss:			
Attributable to non-controlling interest	(3,087)	(3,979)	(7,066)
Attributable to equity shareholders	(3,934,079)	200,201	(3,733,878)
Net loss	$ (3,937,166)	$ 196,222	$ (3,740,944)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For The Six Months Ended June 30, 2010

Net loss	$ (3,937,166)	$ 196,222	$ (3,740,944)
Other comprehensive income - net of income taxes			
Exchange differences on tranlating foreign operations	90,274	(153,375)	(63,101)
Comprehensive loss	$ (3,846,892)	$ 42,847	$ (3,804,045)
Comprehensive loss:			
Attributable to non-controlling interest	$ (3,087)	$ (6,008)	$ (9,095)
Attributable to equity shareholders	$ (3,843,805)	$ 48,855	$ (3,794,950)

(Expressed in US Dollars)

20. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Operations for the Three Months Ended June 30, 2010

	GAAP Balance	IFRS Adjustment	IFRS Balance
Revenue	$ 447,432	$ -	$ 447,432
Costs and expenses			
Cost of goods sold	72,536	-	72,536
General and administration	1,429,136	(16,527)	1,412,609
Research and development	759,242	-	759,242
Foreign currency translation gain	100,514	(90,283)	10,231
Loss on divestiture of ASM	40,572	-	40,572
Investment income, including interest	(6,131)	-	(6,131)
	2,395,869	(106,810)	2,289,059
Net loss	(1,948,437)	106,810	(1,841,627)
Net loss:			
Attributable to non-controlling interest	(1,232)	2,823	1,591
Attributable to equity shareholders	(1,947,205)	103,987	(1,843,218)
Net loss	$ (1,948,437)	$ 106,810	$ (1,841,627)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For The Three Months Ended June 30, 2010

Net loss	$ (1,948,437)	$ 106,810	$ (1,841,627)
Other comprehensive income - net of income taxes			
Exchange differences on tranlating foreign operations	13,133	(90,283)	(77,150)
Comprehensive loss	$ (1,935,304)	$ 16,527	$ (1,918,777)
Comprehensive loss:			
Attributable to non-controlling interest	$ (1,232)	$ (6,008)	$ (7,240)
Attributable to equity shareholders	$ (1,934,072)	$ 22,535	$ (1,911,537)

(Expressed in US Dollars)

20. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Operations for the Year Ended December 31, 2010

	GAAP Balance	IFRS Adjustment	IFRS Balance
Revenue	$ 1,647,638	$ -	$ 1,647,638
Costs and expenses			
Cost of goods sold	434,627	-	434,627
General and administration	5,583,619	(150,711)	5,432,908
Research and development	3,791,062	-	3,791,062
Foreign currency translation gain	94,098	(83,867)	10,231
Loss on divestiture of ASM	40,572	-	40,572
Investment income, including interest	(39,590)	-	(39,590)
	9,904,388	(234,578)	9,669,810
Net loss	(8,256,750)	234,578	(8,022,172)
Net loss:			
Attributable to non-controlling interest	(24,761)	(5,064)	(29,825)
Attributable to equity shareholders	(8,231,989)	239,642	(7,992,347)
Net loss	$ (8,256,750)	$ 234,578	$ (8,022,172)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For The Year Ended December 31, 2010

Net loss	$ (8,256,750)	$ 234,578	$ (8,022,172)
Other comprehensive income - net of income taxes			
Exchange differences on tranlating foreign operations	325,846	(83,867)	241,979
Comprehensive loss	$ (7,930,904)	$ 150,711	$ (7,780,193)
Comprehensive loss:			
Attributable to non-controlling interest	$ (24,761)	$ 1,811	$ (22,950)
Attributable to equity shareholders	$ (7,906,143)	$ 148,900	$ (7,757,243)

Reconciliation of Consolidated Statement of Cash Flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of consolidated income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

(Expressed in US Dollars)

21. 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:

	June 30, 2011	December 31, 2010	January 31, 2010
Fair value through profit or loss, measured at fair value:			
Cash	**$ 1,799,749**	$ 6,629,958	$ 5,027,892
Short-term investments	**3,103,519**	304,149	1,971,422
Loans and receivable, measured at amortized cost:			
Accounts receivable	**754,994**	312,043	332,985
Available-for-sale, measured at fair value:			
Marketable securities	**434**	423	403
	$ 5,658,696	$ 7,246,573	$ 7,332,702

Credit Risk

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

	June 30, 2011	December 31, 2010	January 31, 2010
Within 30 days	**$ 648,036**	$ 303,628	$ 260,033
31 to 60 days	**52,340**	8,415	-
61 to 90 days	**-**	-	22,479
Over 90 days	**54,618**	-	50,473
	$ 754,994	$ 312,043	$ 332,985

Exchange Rate Risk

The functional currency of each of the entities included in the accompanying consolidated financial statements is the local currency where the entity is domiciled. Functional currencies include the US and Canadian dollar and the Euro. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. Currencies in which the Company's exposure to foreign currencies mainly include the Canadian dollar and the Euro. A 10% change in the Canadian dollar and the Euro would increase or decrease other comprehensive income (loss) by $142,263.

(Expressed in US Dollars)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

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

Market Risk
Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its short-term investments and marketable securities. The Company's other financial instruments (cash, cash equivalents, accounts receivable and accounts payable and accrued liabilities) are not subject to market risk, due to the short-term nature of these instruments. A 1% change in fair values of short-term investments and marketable securities would decrease or increase net loss by $31,035.

22. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income (loss), deficit and non controlling interest), cash and short-term investments. The capital of the Company was $57,335,146 at June 30, 2011. The Company's objective in managing capital is to ensure that financial flexibility is present to increase shareholder value through organic growth and responding to changes in economic and/or market conditions; to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and to safeguard the Company's ability to obtain financing should the need arise.

Currently, the Company has no outstanding debt or covenants, and therefore has no externally or internally imposed capital requirements. As soon as the Company is able to raise debt financing on favourable terms, it may consider this form of capital compared to equity financing, allowing for minimum dilution and maximum shareholder value.

In maintaining its capital, the Company has a strict investment policy which includes investing its surplus capital only in highly liquid, highly rated financial instruments.

The Company reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year.

23. ECONOMIC DEPENDENCE

The Company has a long-term supply contract with a vendor relating to procurement of solar cells. The Company's product sales are significantly dependent on the production and supply volumes of the vendor.

24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2011	December 31, 2010	January 1, 2010
Trade payable	**$ 936,724**	$ 626,778	$ 1,711,474
Payroll related liabilities	**131,803**	112,975	116,039
Accrued liabilities	**51,914**	32,185	28,513
	$ 1,120,441	$ 771,938	$ 1,856,026

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OPEL SOLAR INTERNATIONAL INC.
Suite 501, 121 Richmond Street West
Toronto, Ontario M5H 2K1
Tel: 416-368-9411 Fax: 416-861-0749
http://www.opelinc.com