OPEL

TECHNOLOGIES INC.

Consolidated Financial Statements
Years ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Opel Technologies Inc.

We have audited the accompanying consolidated financial statements of Opel Technologies Inc, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of operations and deficit, comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ["IFRS"], and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Opel Technologies Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with IFRS.

Marcum LLP

Hartford, CT
March 28, 2013

OPEL TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)

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

Commitments and contingencies (Note 17)

On behalf of the Board of Directors

Director

Director

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US Dollars)

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

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

OPEL TECHNOLOGIES INC.
(Expressed in US Dollars)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

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

OPEL TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

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

1. DESCRIPTION OF BUSINESS

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

The Company has working capital of $1,433,392 as of December 31, 2012 compared to working capital of $1,703,175 as of December 31, 2011. While the Company is in a position to cover its liabilities as they come due, continued operating losses cast doubt on the Company's ability to continue as a going concern. Due to the nature of the Company's operations, the Company will need to continue to seek debt or equity financing to fund its operations. Although the Company has been successful in obtaining such financings in the past, there is no assurance that it will be able do so in the future.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fair value through profit or loss financial assets are measured at fair value with gains and losses recognized in operations. Financial assets, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income .

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

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

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

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

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New

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

Old

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

Patents and licenses

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

Product warranty

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

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

Investment in Opel Solar Asia Company Limited

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

Impairment of long-lived assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Asset Retirement Obligation
Asset retirement obligation ("ARO") represents liabilities to the Company for which the amount or timing is uncertain. ARO is recognized when the Company has a constructive or legal obligation to decommission an asset, it is probable that such decommissioning will result in an outflow of resources and the amount can be reliably estimated. ARO is measured at the present value of the expected outflows to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The accretion in the obligation due to the passage of time is recognized as an expense. During 2012, the Company discontinued its solar operations, the ARO balance of $79,895 at Dececmber 31, 2012 was reclassified to disposal group liabilities. The asset associated with this liability is in the process of being sold. The asset is currently carried at a fair value of $606,413 which represents its fair value as at December 31, 2012.

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

Revenue recognition
Revenue is comprised of research and development (R&D) service revenue. Revenue under R&D contracts is recognized as services are provided. R&D costs are recognized as incurred; any unbilled revenue is recognized as services are provided under the terms of the contract. The Company, through ODIS, also provides services under "fixed price" and "cost plus" R&D contracts exclusively with the Department of Defense of the United States of America.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation

Stock options and warrants awarded to non employees are accounted for using the fair value of the instrument awarded or service provided whichever is considered more reliable. Stock options and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options and warrants granted is recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year after giving effect to potentially dilutive financial instruments. The dilutive effect of stock options and warrants is determined using the treasury stock method.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

(i) Financial instruments

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

(ii) Presentation of items of other comprehensive income ("OCI")

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

(iii) Disclosure of Interests in Other Entities

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

(iv) Fair value measurement

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

(v) Consolidated financial statements

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

(Expressed in US Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

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

4. INVENTORIES

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

5. MARKETABLE SECURITIES

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

6. PROPERTY AND EQUIPMENT

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

(Expressed in US Dollars)

7. PATENTS AND LICENSES

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

9. DEFERRED ENERGY CREDIT

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

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

(Expressed in US Dollars)

9. DEFERRED ENERGY CREDIT (Continued)

Changes to deferred energy credit were as follows:

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

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

10. ASSET RETIREMENT OBLIGATION

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

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

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

Changes in the asset retirement obligation are as follows:

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

(Expressed in US Dollars)

11. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares

1 Special voting share

(b) COMMON SHARES ISSUED

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

(Expressed in US Dollars)

11. SHARE CAPITAL (Continued)

During the year, the Company completed various brokered private placement financings for gross proceeds aggregating to $5,428,644 ($5,384,870 CAD). IBK Capital Corp. acted as agent in respect of the issuance and sale of 23,412,479 units, at a price of $0.225 ($0.23 CAD) per unit. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.34 ($0.35 CAD) per share for a year of three years. The agent received cash commissions in the aggregate of $371,862 ($368,941 CAD) and 2,341,247 compensation warrants in connection with these private placements. Each compensation warrant entitles the holder to purchase one common share of the Company at $0.225 ($0.23 CAD) per share for a year of four years. Additional issue costs amounted to $131,103 ($132,144 CAD).

The fair value of the warrants and compensation warrants was estimated using the Black-scholes option pricing model with the following assumptions: dividend yield of 0%, interest rate of 1.08% and 1.17%, volatility of 109% and 120.55% and estimated life of 3 and 4 years. The estimated fair value assigned to the warrants and compensation warrants was $3,186,039 ($3,160,685 CAD) and $422,444 ($419,083 CAD) respectively.

12. SPECIAL VOTING SHARE

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

13. SHARES TO BE ISSUED

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

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

14. WARRANTS

The following table reflects the continuity of warrants:

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

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

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

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

15. STOCK OPTIONS AND CONTRIBUTED SURPLUS

Stock Options

On June 21, 2011, shareholders of the Company approved amendments to the Company's fixed 20% stock option plan (as amended, referred to as the "2011 Plan"). Under the 2011 Plan, the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and consultants. The 2011 Plan provides that the number of common shares issuable pursuant to options granted under the 2011 Plan and pursuant to other previously granted options is limited to 18,472,000 (the “Number Reserved”). Any subsequent increase in the Number Reserved must be approved by shareholders of the Company and cannot exceed 20% of the number of issued and outstanding shares. Options granted under the 2011 Plan generally vest 25% immediately and 25% every six months from the date of issue, however, the directors may, at their discretion, specify a different vesting year.

(Expressed in US Dollars)

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

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

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

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

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

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

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

(Expressed in US Dollars)

15. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Contributed Surplus

The following table reflects the continuity of contributed surplus:

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

16. LOSS PER SHARE

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

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

(Expressed in US Dollars)

17. COMMITMENTS AND CONTINGENCIES

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

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

2013	27,433

18. RELATED PARTY TRANSACTIONS

Compensation to key management personnel were as follows:

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

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

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

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

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

19. SEGMENT INFORMATION

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

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

(Expressed in US Dollars)

19. SEGMENT INFORMATION (Continued)

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

ODIS Inc. ("ODIS")

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

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

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

Assets and capital expenditures at December 31,

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

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

(Expressed in US Dollars)

19. SEGMENT INFORMATION (Continued)

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

2012

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

2012

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

2011

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

2011

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

(Expressed in US Dollars)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company has classified financial assets as follows:

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

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

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

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 receivable. The Company has accounts receivable from both governmental and non-governmental agencies that are currently concentrated in North America. While economic factors can affect credit risk, the Company manages risk by providing credit terms on a case by case basis. The Company has not experienced any significant instances of non-payment from its customers.

Exchange Rate Risk
The functional currency of each of the entities included in the accompanying consolidated financial statements is the local currency where the entity is domiciled. Functional currencies include the US and Canadian dollar. Most transactions are conducted in functional currencies. As such, none of the entities included in the consolidated financial statements engage in hedging activities. The Company is exposed to a foreign currency risk with the Canadian dollar. A 10% change in the Canadian dollar would increase or decrease other comprehensive income by $25,853.

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

21. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders equity (excluding accumulated other comprehensive income, deficit and non controlling interest) and cash. The capital of the Company was $61,873,230 at December 31, 2012. The Company's objective in managing capital is to ensure that financial flexibility is present to increase shareholder value through organic growth and responding to changes in economic and/or market conditions; to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and to safeguard the Company’s ability to obtain financing should the need arise.

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

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

22. LOAN PAYABLE

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

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

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

(Expressed in US Dollars)

23. DISCONTINUED OPERATIONS

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

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

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

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

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

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

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

(Expressed in US Dollars)

23. DISCONTINUED OPERATIONS (Continued)

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

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

24. INCOME TAXES

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

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

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

		2012		2011
Resource assets	**$**	**621,000**	$	621,000
Share issue costs		**184,000**		133,000
Canadian non-capital losses		**793,000**		615,000
Canadian capital losses		**391,000**		429,000
US non-capital losses		**18,835,000**		16,132,000
		20,824,000		17,930,000
Valuation allowance		**(20,824,000)**		(17,930,000)
Future income tax assets recognized	**$**	**-**	$	-

24. INCOME TAXES (Continued)

In addition to capital losses of $3,064,000 and resource pools of $1,111,000 which have no expiry date, the Company had United States and Canadian tax loss carryforwards of $45,939,000 and $2,849,000 respectively, which will expire between 2014 and 2030 if not used.

25. SUBSEQUENT EVENTS

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

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