

XPEL Technologies Corp.

Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended March 31, 2011

XPEL TECHNOLOGIES CORP.**Balance Sheets**

(Expressed in United States Dollars)

(unaudited)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current				
Cash		\$ 236,499	\$ 157,833	\$ 122,694
Accounts receivable		338,022	365,102	262,501
Inventory		224,541	359,375	222,888
Prepaid expenses and sundry assets		53,325	40,117	54,986
Promissory Note		-	-	321,071
Total current assets		852,387	922,427	984,140
Property, plant and equipment	5	211,091	216,069	245,244
Intangible assets	6	338,973	341,095	340,847
Deferred income tax asset		201,062	201,062	-
Total assets		\$ 1,603,513	\$ 1,680,653	\$ 1,570,231
Liabilities				
Current				
Accounts payable and accrued liabilities	7	482,741	648,101	827,831
Deferred warranty revenue and deposits		17,750	15,750	20,287
Current portion of long-term debt	8	-	-	43,448
Current portion of note payable	9	-	-	87,673
		500,491	663,851	979,239
Deposit on shares		-	15,985	15,985
Total liabilities		500,491	679,836	995,224
Equity (Deficiency)				
Capital stock	10	6,635,133	6,619,133	6,619,133
Contributed surplus	11	2,165,130	2,165,130	2,101,111
Warrant capital	12	-	-	64,019
Deficit		(7,697,241)	(7,783,446)	(8,209,256)
Total equity		1,103,022	1,000,817	575,007
Total liabilities and equity		\$ 1,603,513	\$ 1,680,653	\$ 1,570,231

Approved by Board of Directors:

/s/ Richard Crumly
Richard Crumly/s/ John Constantine
John Constantine

XPEL TECHNOLOGIES CORP.
Statement of Comprehensive Income
(Expressed in United States Dollars)
(unaudited)

	Note	Three Months Ended March 31,	
		2011	2010
Revenue			
Installation, kit and material sales		\$ 645,669	\$ 612,931
Design access fees		393,085	350,536
Other revenue		24,310	38,692
Total Operating Revenues		1,063,065	1,002,159
Expenses			
Cost of installation, kit and material sales		506,445	469,202
General and administrative		387,646	416,262
Interest on long-term debt		875	2,839
Amortization of property, plant and equipment		12,718	12,049
Amortization of intangible assets		69,176	70,931
Total Expenses		976,860	971,283
Net income before income tax		86,205	30,876
Income tax			
Current income tax expense		29,310	
Deferred income tax recovery		(29,310)	
		-	-
Net Comprehensive Income		86,205	30,876
Deficit at beginning of period		(7,783,446)	(8,209,256)
Deficit at end of period		<u><u>\$ (7,697,241)</u></u>	<u><u>\$ (8,178,380)</u></u>
Earnings (Loss) per Share			
Basic and Diluted	14	0.003	0.001

XPEL TECHNOLOGIES CORP.**Statement of Changes in Equity for the Quarter Ended March 31, 2011**

(Expressed in United States Dollars)

(unaudited)

	Note	Capital Stock		Contributed Surplus	Warrant Capital	Deficit	Total
		Number	Amount				
Balance as at January 1, 2010	4	25,720,950	\$ 6,619,133	\$ 2,101,111	\$ 64,019	\$ (8,209,256)	\$ 575,007
Profit and total comprehensive income for the period		-	-	-	-	30,876	30,876
Balance as at March 31, 2010	4	25,720,950	6,619,133	2,101,111	64,019	(8,178,380)	605,883
Profit and total comprehensive income for the period		-	-	-	-	394,934	394,934
Expiration of warrants unexercised		-	-	64,019	(64,019)	0	-
Balance as at December 31, 2010	4	25,720,950	6,619,133	2,165,130	-	(7,783,446)	1,000,817
Profit and total comprehensive income for the period		-	-	-	-	86,205	86,205
Issue of common shares		64,000	16,000	-	-	-	16,000
Balance as at March 31, 2011		25,784,950	\$ 6,635,133	\$ 2,165,130	\$ -	\$ (7,697,241)	\$ 1,103,022

XPEL TECHNOLOGIES CORP.**Statements of Cash Flows**

(Expressed in United States Dollars)

(unaudited)

	Three Months Ended	
	March 31,	
	2011	2010
Cash flows from operating activities		
Net earnings	\$ 86,205	\$ 30,876
Add items not affecting cash		
Amortization of property, plant and equipment	13,369	12,049
Amortization of intangible assets	69,176	70,931
Net cash provided by operating activities	168,750	113,856
Changes in non-cash working capital items		
Accounts receivable	27,080	(17,005)
Inventory	134,834	37,070
Prepaid expenses and sundry assets	(13,207)	(38,434)
Accounts payable and accrued liabilities	(165,360)	9,568
Deferred warranty revenue and deposits	2,015	1,200
	154,111	106,255
Cash flows from investing activity		
Purchase of property, plant and equipment	(8,390)	(23,734)
Collection of promissory note	-	76,117
Acquisition of intangible assets	(67,055)	(66,339)
Net cash used in investing activities	(75,445)	(13,956)
Cash flows from financing activity		
Repayment of long-term debt	-	(18,344)
Repayment of note payable	-	(43,834)
Net cash used in financing activities	-	(62,178)
Increase in cash during the period	78,666	30,121
Cash at beginning of period	157,833	122,694
Cash at end of period	\$ 236,499	\$ 152,815

Management's Responsibility for Interim Financial Statements

The accompanying unaudited interim financial statements of XPEL Technologies Corp. (the "Company") are the responsibility of management.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Ryan L. Pape, CEO

1. NATURE OF OPERATIONS

XPEL Technologies Corp. (the "Company") is based in San Antonio, Texas and manufactures and distributes aftermarket automotive products. The focus of the Company is the aftermarket for automotive paint and headlight protection products which it serves through its offerings of bulk paint protection film (PPF) and pre-cut PPF and headlight protection kits.

The Company was incorporated by articles of incorporation in the state of Nevada, U.S.A. in October 2003 and its registered office is 618 W. Sunset Road, San Antonio, Texas, 78216. The Company is a public company listed on the TSX Venture Exchange trading under the symbol %DAP.U+.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and accounting policies we adopted in accordance with International Financial Reporting Standards (IFRS).

Our unaudited interim financial statements for the three months ended March 31, 2011 are our first financial statements prepared in accordance with IFRS and its interpretations adopted by the IASB, including IFRS 1, First-time Adoption of International Financial Reporting Standards. January 1, 2010 is the date of transition to IFRS (Transition Date). Previously, we prepared our financial statements in accordance with Canadian generally accepted accounting principles (GAAP). GAAP differs in some policies from IFRS. In accordance with the transition rules, we have retroactively applied IFRS to our comparative data for 2010.

These unaudited interim financial statements should be read in conjunction with our 2010 annual financial statements prepared in accordance with Canadian GAAP and the IFRS transition disclosures are set out in Note 4.

In Note 4, we present reconciliations and descriptions of the effect of transitioning from GAAP to IFRS on our equity, net loss and comprehensive loss. In Note 4, we have presented selected annual disclosures in accordance with IFRS to supplement our 2010 annual financial statements prepared in accordance with GAAP.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Preparation

The financial statements are presented in United States dollars.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments at fair value through profit and loss (FVTPL).

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing an opening IFRS balance sheet at January 1, 2010 for the purpose of transition to IFRS.

Changes in Accounting Policies and Disclosures (IAS 8)

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- Discontinued Operations [amendment of IFRS 5].
- Earnings per Share [replacement of IAS 3].
- First-time Adoption of IFRS [amendment of IFRS 1].
- Group Cash-settled Share-based Payment Transactions [amendment of IFRS 2].
- Management Commentary.

The following standard has been issued but is not yet effective:

- Financial Statement Presentation [amendment of IAS 1].
- Leases [replacement of IAS 17].
- Liabilities and Equity [replacement of IAS 32].
- Revenue Recognition [replacement of IAS 11 and IAS 18].

IFRS 9, Financial Instruments ("IFRS 9"):

In October 2010, the IASB issued IFRS 9, replacing IAS 39 and establishing principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company for its annual financial statements commencing January 1, 2013.

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures but expects that such impact will not be material.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Translation (IAS 21)

The Company's functional currency and the presentation currency is the United States dollar.

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

Inventory

Inventory, which is comprised primarily of materials, is recorded at the lower of cost and net realizable value, with cost determined on a first in, first out basis. Reversals of previous write-downs to net realizable value are permitted when there is a subsequent increase in the value of inventories.

Property, Plant and Equipment

(a) Assets owned by the Company

Property, plant and equipment are carried at historical cost less any accumulated amortization and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. Amortization is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

Subsequent to initial recognition, the cost model is applied to property, plant and equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, Plant and Equipment (Cont'd)

(c) Amortization

Amortization is charged to the income statement on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Furniture and fixtures	- 20%
Computer equipment	- 20%
Motor vehicles	- 20%
Shop equipment	- 20%
Leasehold improvements	- 20%

Intangible Assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets using the following rates:

Design templates	- 2 years
Patents	- 10 years

Research and Development

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred. During the quarter the Company deferred \$67,054 (2010 - \$66,339) of costs associated with the design templates. These costs are being amortized over a period of two years from commencement of commercial use.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairments (IAS 36)

When events or changes in the economic environment indicate a risk of impairment of property, plant and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

In addition, asset impairment tests are subject to the following provisions, pursuant to IAS 36:

- Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the group of assets.
- Value in use is determined based on cash flow projections consistent with the most recent budget and business plan approved by management. The discount rate applied reflects current assessments by the market of the time value of money and the risks specific to the asset or group of assets.
- Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, value attributed in recent transactions and stock market prices), or in the absence of reliable data based on discounted future cash flows.
- If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded in priority against goodwill.
- Impairment losses recognized in respect of property, plant and equipment may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Conversely, impairment losses recognized in respect of goodwill cannot be reversed.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Interest-bearing Debt and Other Borrowings

Interest-bearing debt and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions (IAS 37)

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Trade and Other Payables

Trade and other payables are stated at cost.

Product Warranty Costs

Warranty expense is reflected as a charge against cost of goods sold.

Revenue Recognition

The Company recognizes revenue at the time persuasive evidence of an agreement exists, the price is fixed and determinable, the product or service is delivered to the customer and collectibility is reasonably assured.

- (i) Revenue from installations, kit and material sales is recognized upon the delivery of the goods and performance of the service.
- (ii) Revenue from design access fees is recognized at the time the design is delivered.
- (iii) Other revenue consists of fees for training programs and the sale of equipment. Revenue earned from training programs is recognized when the services are rendered and the revenue from the sale of equipment is recognized when the equipment is shipped.

Share-based Compensation

The Company maintains stock option incentive plans that grant subscription and purchase options on its common shares to certain senior executives and employees and also to certain employees of equity affiliates. The purpose of these stock option plans is to align management interests with those of shareholders by providing an additional incentive to improve company performance and increase the share price on a long-term basis. The grant of stock option plans represents a benefit given to management, employees and retirees and constitutes additional compensation borne by the Company. This is valued at the fair value of the Company's stock options. The compensation expense is equal to the value of the option at grant date, measured using a Black-Scholes pricing model. This compensation paid is recorded as an employee cost, offset against equity, and recognized over the vesting period of the benefit granted.

The dilutive effect of the stock option plans in the process of vesting for management and employees is reflected in the calculation of the diluted earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Temporary differences between the income tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax assets or liabilities. Deferred income tax assets or liabilities are calculated using enacted or substantively enacted income tax rates expected to apply in the years that the assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is probable that deferred income tax assets will not be realized.

Earnings Per Share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Balance Sheet

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity's normal operating cycle, usually equal to 12 months, are recorded as current assets or liabilities.

Statement of Cash Flows

The Company prepares its statement of cash flows using the indirect method.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability, as described below:

Financial Assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price which are measured at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial Liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	Held for trading
Accounts receivable	Loans and receivables
Promissory note	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Note payable	Other liabilities

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the allowances for potentially uncollectible accounts receivable, useful life of property, plant and equipment and intangibles, valuation of warranty provision, measurement of share-based compensation, impairment of property, plant and equipment and intangibles, provisions and contingencies and deferred income taxes.

4. TRANSITION TO IFRS

We adopted IFRS on January 1, 2011 and our unaudited interim financial statements for the three months ended March 31, 2011 are our first interim financial statements prepared in accordance with IFRS, including IFRS 1. In accordance with IFRS 1, we have applied IFRS retroactively to our comparative data as of January 1, 2010, the Transition Date. In preparing these unaudited interim financial statements, we also applied certain exceptions and exemptions available under IFRS 1 to our conversion from GAAP to IFRS as discussed below.

Estimates

Hindsight was not used to create or revise estimates. The estimates previously made by us under GAAP were not revised for IFRS except where necessary to reflect differences in accounting policies.

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2011

4. TRANSITION TO IFRS (Contd)

Summary of Exceptions and Exemptions

(a) Business combinations

IFRS 1 allows us to apply IFRS 3 (revised), Business Combinations, on a prospective or retrospective basis. We have elected to apply this standard on a prospective basis for all business combinations completed subsequent to the Transition Date.

(b) Fair value or revaluation as deemed cost

IFRS 1 allows us to measure certain assets of property, plant and equipment at fair value at the Transition Date or revalue amounts previously determined under GAAP. We have elected to use the carrying value as determined under IFRS as our deemed cost as at January 1, 2011.

(c) Share-based payment

IFRS 2 permits the application of IFRS 1 only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2010. As permitted we have applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

Reconciliation of GAAP to IFRS

The following tables set forth, for the periods indicated, a reconciliation from GAAP to IFRS, of our equity, net earnings and comprehensive income:

Reconciliation of shareholders' equity	January 1, 2010	March 31, 2010	December 31, 2010
Equity in accordance with GAAP	\$ 575,007	\$ 605,883	\$ 1,000,817
IFRS adjustment to equity	-	-	-
Equity in accordance with IFRS	\$ 575,007	\$ 605,883	\$ 1,000,817

Reconciliation of net earnings	Three Months ended March 31, 2010	Year ended December 31, 2010
Net earnings in accordance with GAAP	\$ 30,876	\$ 425,810
IFRS adjustment to net earnings	-	-
Net earnings in accordance with IFRS	\$ 30,876	\$ 425,810

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2011

4. TRANSITION TO IFRS (Contd)

Transition Adjustments

(a) Stock-based compensation:

Under GAAP, each grant was treated as a single arrangement and compensation expense was determined at the time of grant and amortized over the vesting period, generally three years, on a straight-line basis. IFRS requires a separate calculation of compensation expense for awards that vest in installments. Under IFRS, compensation expense differs from GAAP based on the changing fair values used for each installment and the timing of recognizing compensation expense. Generally, this results in accelerated expense recognition under IFRS. On the Transition Date, we determined that there was no change in compensation expense in the first quarter because of applying IFRS.

(b) Cash flow

The adoption of IFRS did not significantly affect our cash flows compared to GAAP. There were no changes to overall net cash flows.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and fixtures	Computer equipment	Motor vehicles	Shop equipment	Leasehold improvements	Total
Balance at beginning	\$ 126,489	\$ 198,981	\$ 145,599	\$ 40,337	\$ 18,730	\$ 530,136
Additions	4,510	3,880	-	-	-	8,390
Disposals	-	-	-	-	-	-
Balance at end	\$ 130,999	\$ 202,861	\$ 145,599	\$ 40,337	\$ 18,730	\$ 538,526
Accumulated Amortization						
Balance at beginning	\$ 72,874	\$ 101,114	\$ 104,142	\$ 22,082	\$ 13,855	\$ 314,067
Additions	2,900	5,046	2,072	913	2,437	13,368
Disposals	-	-	-	-	-	-
Balance at end	\$ 75,774	\$ 106,160	\$ 106,214	\$ 22,995	\$ 16,292	\$ 327,435

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2011

5. PROPERTY, PLANT AND EQUIPMENT (Contd)

Net Book Value	Furniture and fixtures	Computer equipment	Motor vehicles	Shop equipment	Leasehold improvements	Total
December 31, 2010	\$ 53,615	\$ 97,867	\$ 41,457	\$ 18,255	\$ 4,875	\$ 216,069
March 31, 2011	\$ 55,225	\$ 96,702	\$ 39,385	\$ 17,342	\$ 2,438	\$ 211,091

6. INTANGIBLE ASSETS

Cost	Design templates	Patent	Total
Balance at beginning	\$ 1,121,680	\$ 100,000	\$ 1,221,680
Additions	67,055	-	67,055
Disposals	-	-	-
Balance at end	\$ 1,188,735	\$ 100,000	\$ 1,288,735
Accumulated amortization			
Balance at beginning	\$ 850,585	\$ 30,000	\$ 880,585
Additions	66,677	2,500	69,177
Disposals	-	-	-
Balance at end	\$ 917,262	\$ 32,500	\$ 949,762
Net Book Value			
December 31, 2010	\$ 271,095	\$ 70,000	\$ 341,095
March 31, 2011	\$ 271,473	\$ 67,500	\$ 338,973

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2011

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	December 31, 2010
Accounts payable	\$ 370,324	\$ 547,347
Accrued liabilities	112,417	100,754
	\$ 482,741	\$ 648,101

8. LONG-TERM DEBT

The Company had various financing arrangements for office equipment and vehicles. As at January 1, 2010, the weighted average effective interest rate for the above long-term debt obligations was 17.13%. As at December 31, 2010, the Company had no long-term debt obligations.

9. NOTE PAYABLE

As at December 31, 2010, the note payable was fully paid off. The note payable bore an interest rate of 8%, was unsecured and was repayable in twenty-four equal monthly payments of \$10,960 starting on August 1, 2008.

10. CAPITAL STOCK

Authorized	100,000,000	common shares with par value of \$0.001 per share
	10,000,000	preferred shares with par value of \$0.001 per share

11. CONTRIBUTED SURPLUS

	March 31, 2011	December 31, 2010
Balance, beginning of period	\$ 2,165,130	\$ 2,101,111
Expiration of warrants unexercised	-	64,019
Balance, end of period	\$ 2,165,130	\$ 2,165,130

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2011

12. WARRANT CAPITAL

	March 31, 2011	December 31, 2010
Balance, beginning of period	\$ -	\$ 64,019
Expiration of warrants unexercised	-	(64,019)
Balance, end of period	\$ -	\$ -

13. STOCK OPTIONS AND WARRANTS

(a) Stock Options

The Company has an Incentive Stock Option Plan (the "Plan"). The Plan provides for options to be granted to the benefit of employees, directors and third parties. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 10% of the common shares issued and outstanding (on a non-diluted basis) at any time. The exercise price of options granted under the Stock Option Plan will be determined by the directors, but will at least be equal to the closing trading price of the common shares on the last trading day prior to the grant and otherwise the fair market price as determined by the Board of Directors. The term of any option granted shall not exceed five years. Except as otherwise provided elsewhere in the Stock Option Plan, the options shall be cumulatively exercisable in installments over the option period at a rate to be fixed by the Board of Directors. The Company will not provide financial assistance to any optionee in connection with the exercise of options.

The Company had issued stock options to acquire common shares as follows:

	March 31, 2011		December 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	287,635	\$ 1.44	612,635	\$ 1.01
Cancelled/expired	(287,635)	\$ 1.44	(325,000)	\$ 0.63
Outstanding, end of period	-	\$ -	287,635	\$ 1.44
Exercisable	-	\$ -	287,635	\$ 1.44

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2011

13. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants

The Company had issued warrants to acquire common shares as follows:

	March 31, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	\$ -	267,773	\$ 2.10
Expired	-	\$ -	(267,773)	\$ 2.31
Outstanding, end of period	-	\$ -	-	\$ -

14. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been calculated based on weighted average number of common shares outstanding at March 31, 2011 of 25,784,950 (2010 - 25,720,950).

15. RELATED PARTY TRANSACTIONS

There were no related party transactions during the three months ended March 31, 2011 and 2010.

Key management compensation

Key management includes the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. All directors who are compensated are independent. The compensation paid or payable to key management is as shown:

	March 31, 2011	March 31, 2010
Salaries and benefits	\$ 101,783	\$ 100,094
Share-based benefits	-	-
Total Compensation	\$ 101,783	\$ 100,094

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IFRS 7)

Capital Management

The Company's objectives in terms of capital management are to maintain a sound financial position and to ensure financial flexibility in order to maintain its capacity for growth. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's capital is composed of its shareholders' equity and its primary uses are to finance acquisitions, increase working capital and fund capital expenditures for expansion and/or research and development. The Company currently has positive working capital. The Company has operated for an extended period of time with negative working capital. Should the Company be unable to preserve its positive working capital position, the Company may seek to raise capital for its short-term needs through all available means. There were no changes in the Company's approach to capital management during the period ended March 31, 2010.

Risk Disclosures

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Company's business.

Interest Rate Risk

The Company has no significant exposure to interest rate risk as the Company does not have debt.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and vendor and bank references. While the Company does not require collateral in respect of trade and other receivables, on certain product lines, the Company requires a valid credit card as back-up for any amount purchased on terms. The Company has no significant concentration of credit risk arising from customers. Out of total receivables of \$338,022, past due receivables in excess of 90 days as of the balance sheet date were approximately \$20,000. The Company is actively pursuing its efforts to collect these receivables.

The Company has cash. The Company's current policy is to invest excess cash in money market accounts in credit worthy banking institutions. The Company periodically monitors the accounts and is satisfied with the credit ratings of its banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IFRS 7) (Contd)

Currency Risk

The Company's functional currency is the US dollar. Certain of the Company's monetary assets, liabilities, revenues, and expenses are denominated in Canadian dollars and therefore subject to gains and losses due to fluctuations in these currencies. In respect of these monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level.

17. SUBSEQUENT EVENTS

XPEL Technologies Corp. entered into a US\$150,000 revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs.

The Company must satisfy certain loan covenants on a continuing basis. The Bank of San Antonio has been granted a security interest in substantially all of the company's current and future assets. The line has a variable interest rate of the Wall Street Journal prime rate plus 2 per cent with a floor of 6 per cent and matures on March 28, 2012.