

XPEL Technologies Corp.

Condensed Interim Financial Statements

(Expressed in United States Dollars)

For the Three and Nine Months Ended September 30, 2011

XPEL TECHNOLOGIES CORP.**Balance Sheets**

(Expressed in United States Dollars)

(unaudited)

	Note	Sept 30, 2011	December 31, 2010 (note 4)
Assets			
Current			
Cash		\$ 343,653	\$ 157,833
Accounts receivable		554,470	365,102
Inventory		821,744	359,375
Prepaid expenses and sundry assets		58,012	40,117
Total current assets		<u>1,777,878</u>	<u>922,427</u>
Property, plant and equipment		243,616	216,069
Intangible assets		355,808	341,095
Deferred income tax asset		201,062	201,062
Total assets		<u>\$ 2,578,364</u>	<u>\$ 1,680,653</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		909,566	648,101
Deferred warranty revenue and deposits		19,850	15,750
Bank operating facility	5	150,000	-
		<u>1,079,416</u>	<u>663,851</u>
Deposit on shares		-	15,985
Total liabilities		<u>1,079,416</u>	<u>679,836</u>
Equity			
Equity	7	1,498,948	1,000,817
Total liabilities and equity		<u>\$ 2,578,364</u>	<u>\$ 1,680,653</u>

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 Sept 30,		Nine Months Ended Sept 30,	
		2011	2010	2011	2010
Revenue		\$ 1,693,140	\$ 1,160,767	\$ 4,233,593	\$ 3,178,389
Expenses					
Direct costs		935,774	575,930	2,180,353	1,491,640
General and administrative	6	481,674	404,046	1,317,313	1,219,191
Interest on long-term debt		1,075	7,564	2,810	13,784
Loss (gain) on sale of capital assets		-	(4,441)	-	(4,441)
Amortization of property, plant and equipment		13,420	14,397	39,710	39,621
Amortization of intangible assets		71,963	67,928	211,275	207,727
Equity loss on equity accounted investments	9	-	13,753	-	55,984
Total Expenses		1,503,906	1,079,177	3,751,462	3,023,506
Net income before income tax		189,234	81,590	482,131	154,883
Income tax					
Current income tax expense		64,339	-	163,925	-
Deferred income tax recovery		(64,339)	-	(163,925)	-
		-	-	-	-
Net Income and Comprehensive Income		\$ 189,234	\$ 81,590	\$ 482,131	\$ 154,883

XPEL TECHNOLOGIES CORP.**Statement of Changes in Equity**

(Expressed in United States Dollars)

(unaudited)

	Capital Stock		Contributed Surplus	Warrant Capital	Deficit	Total
	Number	Amount				
Balance as at January 1, 2010	25,720,950	\$ 6,619,133	\$ 2,101,111	\$ 64,019	\$ (8,209,256)	\$ 575,007
Net income and comprehensive income for the period	-	-	-	-	154,883	154,883
Expiration of warrants unexercised	-	-	58,848	(58,848)	0	-
Balance as at September 30, 2010	25,720,950	6,619,133	2,159,959	5,171	(8,054,373)	729,890
Net income and comprehensive income for the period	-	-	-	-	270,927	270,927
Expiration of warrants unexercised	-	-	5,171	(5,171)	0	-
Balance as at December 31, 2010	25,720,950	6,619,133	2,165,130	-	(7,783,446)	1,000,817
Net income and comprehensive income for the period	-	-	-	-	482,131	482,131
Issue of common shares	64,000	16,000	-	-	-	16,000
Balance as at September 30, 2011	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ -	\$ (7,301,315)	\$ 1,498,948

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

(Expressed in United States Dollars)

(unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities		
Net income	\$ 482,131	\$ 154,883
Add items not affecting cash		
Amortization of property, plant and equipment	41,663	39,620
Loss (gain) on disposition of property, plant and equipment	-	(4,441)
Amortization of intangible assets	211,275	207,728
Loss from equity accounted investment	-	55,984
Net cash provided by operating activities	735,069	453,774
Changes in non-cash working capital items		
Accounts receivable	(189,367)	(123,037)
Inventory	(462,369)	(34,251)
Prepaid expenses and sundry assets	(17,894)	1,483
Accounts payable and accrued liabilities	261,464	2,617
Deferred warranty revenue and deposits	4,115	(3,223)
	331,018	297,363
Cash flows from investing activity		
Purchase of property, plant and equipment	(69,210)	(51,607)
Proceeds from sale of property, plant and equipment	-	22,181
Collection of promissory note	-	240,540
Acquisition of intangible assets	(225,988)	(208,988)
Purchase of equity accounted investment	-	(88,384)
Net cash used in investing activities	(295,198)	(86,258)
Cash flows from financing activity		
Cash from bank operating facility	150,000	-
Repayment of long-term debt	-	(43,449)
Repayment of note payable	-	(87,673)
Net cash provided by (used in) financing activities	150,000	(131,122)
Increase in cash during the period	185,820	79,983
Cash at beginning of period	157,833	122,694
Cash at end of period	\$ 343,653	\$ 202,677

Management's Responsibility for Interim Financial Statements

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

The condensed 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 condensed 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 condensed 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 condensed 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 condensed unaudited interim financial statements and (ii) the condensed 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 condensed unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed 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 condensed 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 condensed 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

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of the Company is responsible for the preparation of the accompanying condensed unaudited interim financial statements. The condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor. These condensed unaudited financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

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 %AAP.U+.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared under International Financial Reporting Standards (%IFRS+) as issued by the International Accounting Standards Board (%IASB+) incorporating interpretations issued by the IFRS Interpretations Committee (%IFRICs+). These condensed interim financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 annual financial statements. These accounting policies are based on the IFRS and IFRICs that the Company expects to be applicable at that time. The condensed interim financial statements do not include all of the information required for full annual financial statements.

XPEL's financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (%Previous GAAP+) until December 31, 2010. Previous GAAP differs in some areas from IFRS. In preparing XPEL's condensed interim financial statements, management has amended certain accounting policies formerly applied in the Previous GAAP financial statements to comply with IFRS. The comparative figures in respect to 2010 were restated to reflect these adjustments.

Disclosures relating to the transition from Previous GAAP to IFRS are included in the transition to IFRS note (note 4).

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 (%VTPL+).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

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
Accounts payable and accrued liabilities	Other liabilities
Bank operating facility	Other liabilities

Deferred Leasehold Inducement

Deferred leasehold inducement, which is comprised of a rent free and reduced rent period, is being amortized as a reduction to rent expense on a straight-line basis over the initial term of the lease.

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.

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
September 30, 2011

4. TRANSITION TO IFRS

We adopted IFRS on January 1, 2011 and our condensed unaudited interim financial statements for the three and nine months ended September 30, 2011 are our third 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. This was presented in our condensed unaudited interim financial statements for the three months ended March, 31, 2011.

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	September 30, 2010
Equity in accordance with GAAP	\$ 729,890
IFRS adjustment to equity	-
Equity in accordance with IFRS	\$ 729,890

Reconciliation of net earnings	Three Months ended September 30, 2010	Nine months ended September 30, 2010
Net earnings in accordance with GAAP	\$ 81,590	\$ 154,883
IFRS adjustment to net earnings	-	-
Net earnings in accordance with IFRS	\$ 81,590	\$ 154,883

5. BANK OPERATING FACILITY

During the period, the Company 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.

As at September 30, 2011, the Company had drawn \$150,000 (2010 - \$NIL) on this bank operating facility.

XPEL Technologies Corp.
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6. DEFERRED LEASEHOLD INDUCEMENT

In 2011, the Company entered into a lease agreement relating to its new head office location that expires in 2017. Included in this agreement is a rent free period and reduced rent period valued at \$36,016, of which \$12,218 has been amortized into General and administrative expense through September 30, 2011.

7. 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

8. EQUITY ACCOUNTED INVESTMENT

During the three months ended September 30, 2010, the Company invested in and provided advances to XPEL Distribution Company (XDC), an entity in which the Company had a 30% interest that distributed XPEL Paint Protection products and accessories. On December 31, 2010, an agreement was made amongst the arms length shareholders of XDC to dissolve XDC.

9. RELATED PARTY TRANSACTIONS

During the three month period ending September 30, 2010, the company had losses of \$13,753 to a company in which XPEL had a 30% interest, as disclosed in Note 8.

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:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Salaries and benefits	\$ 102,901	\$ 99,266	\$ 306,460	\$ 298,728
Share-based benefits	-	-	-	-
Total Compensation	\$ 102,901	\$ 99,266	\$ 306,460	\$ 298,728

10. 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 had 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 three and nine months ended September 30, 2011.

Risk Disclosures

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

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates and its bank operating facility incurs interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations.

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 \$554,470, past due receivables in excess of 90 days as of the balance sheet date were approximately \$20,500. The Company is actively pursuing its efforts to collect these receivables.

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

Credit Risk (Contd)

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.

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.