

XPEL Technologies Corp.

Condensed Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended March 31, 2012

XPEL TECHNOLOGIES CORP.**Condensed Balance Sheet**

(Expressed in United States Dollars)

(unaudited)

	Note	March 31, 2012	December 31, 2011 (note 4)
Assets			
Current			
Cash		\$ 299,671	\$ 424,795
Accounts receivable		794,575	593,514
Inventory		1,118,025	1,161,548
Prepaid expenses and sundry assets		52,903	51,343
Total current assets		<u>2,265,174</u>	<u>2,231,200</u>
Property, plant and equipment		243,836	237,639
Intangible assets		361,875	359,899
Deferred income tax asset		408,000	408,000
Total assets		<u>\$ 3,278,885</u>	<u>\$ 3,236,738</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		1,184,601	1,386,284
Customer deposits		17,750	17,750
Bank operating facility	3	1,000	-
Total liabilities		<u>1,203,351</u>	<u>1,404,034</u>
Equity			
Capital stock	4	6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Deficit		(6,724,729)	(6,967,559)
Total liabilities and equity		<u>\$ 3,278,885</u>	<u>\$ 3,236,738</u>

Approved by Board of Directors:

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

XPEL TECHNOLOGIES CORP.**Condensed Statements of Income and Comprehensive Income**

(Expressed in United States Dollars)

(unaudited)

		Three Months Ended	
		March 31,	
	Note	2012	2011
Revenue		\$ 1,993,597	\$ 1,063,065
Expenses			
Direct costs	7	1,215,108	575,621
Selling, general and administrative expenses	7	<u>534,833</u>	<u>400,364</u>
Income from operations		243,656	87,080
Interest expense		<u>825</u>	<u>875</u>
		<u>825</u>	<u>875</u>
Net Income and Comprehensive Income		<u>\$ 242,831</u>	<u>\$ 86,205</u>

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

(Expressed in United States Dollars)

(unaudited)

	Capital Stock		Contributed	Deficit	Total
	Number	Amount	Surplus		
Balance as at January 1, 2011	25,720,950	\$ 6,619,133	\$ 2,165,130	\$ (7,783,446)	\$ 1,000,817
Net income and comprehensive income for the period	-	-	-	86,205	86,205
Issue of common shares	64,000	16,000	-	0	16,000
Balance as at March 31, 2011	25,784,950	6,635,133	2,165,130	(7,697,241)	1,103,022
Net income and comprehensive income for the period	-	-	-	729,682	729,682
Balance as at December 31, 2011	25,784,950	6,635,133	2,165,130	(6,967,559)	1,832,704
Net income and comprehensive income for the period	-	-	-	242,831	242,831
Balance as at March 31, 2012	25,784,950	\$ 6,635,133	\$ 2,165,130	\$ (6,724,729)	\$ 2,075,535

XPEL TECHNOLOGIES CORP.
Condensed Statement of Cash Flows
(Expressed in United States Dollars)
(unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 242,831	\$ 86,205
Add items not affecting cash		
Amortization of property, plant and equipment	11,999	13,369
Amortization of intangible assets	75,698	69,176
	<u>330,528</u>	<u>168,750</u>
Changes in non-cash working capital items		
Accounts receivable	(201,061)	27,080
Inventory	43,523	134,834
Prepaid expenses and sundry assets	(1,160)	(13,207)
Accounts payable and accrued liabilities	(201,687)	(165,360)
Customer deposits	-	2,015
Net cash used in operating activities	<u>(29,857)</u>	<u>154,111</u>
Cash flows used in investing activity		
Purchase of property, plant and equipment	(18,595)	(8,390)
Development of intangible assets	(77,672)	(67,055)
Net cash used in investing activities	<u>(96,267)</u>	<u>(75,445)</u>
Cash flows from financing activity		
Cash from bank operating facility	1,000	-
Net cash provided by financing activities	<u>1,000</u>	<u>-</u>
Increase (decrease) in cash during the period	(125,124)	78,666
Cash at beginning of period	424,795	157,833
Cash at end of period	<u>\$ 299,671</u>	<u>\$ 236,499</u>

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.

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2012

1. NATURE OF OPERATIONS

XPEL Technologies Corp. (the "Company") is based in San Antonio, Texas and manufactures and distributes after-market 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 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 included in its December 31, 2011 annual financial statements. These accounting policies are based on the IFRS and IFRICs applicable at that time. The condensed interim financial statements do not include all of the information required for full annual financial statements.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant estimates made by the Company include allowances for potentially uncollectable accounts receivable, useful life of property, plant and equipment and intangibles, measurement of warranty provision, recognition of deferred tax assets, valuation of property, plant and equipment and intangible assets for impairment, and fair value of financial instruments.

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2012

3. CREDIT FACILITIES

On March 28, 2011, 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. On December 2, 2011, the Board of Directors approved an increase to the existing limit to US\$250,000.

The Company must satisfy certain non-financial 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, 2013.

Subsequent to period end, on April 13, 2012, the Board of Directors approved an increase to the existing line of credit limit from US\$250,000 to US\$350,000.

4. 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

5. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

A total of \$101,644 (2011 - \$101,783) in salaries and other short-term benefits was paid to key members of management as compensation, of which \$92,691 (2011 - \$93,604) is included as part of selling, general and administrative expense and \$8,953 (2010 - \$8,179) was capitalized into deferred development costs for design templates.

XPEL Technologies Corp.
Notes to Financial Statements
(Expressed in United States Dollars)
March 31, 2012

6. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitment

The Company has entered into lease agreements for premises. The combined future minimum payments are as follows:

Less than 1 year	\$	144,006
1-5 years		620,311
	\$	764,317

(b) Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

7. EXPENSES BY NATURE

Direct costs incurred by nature are as follows:

	2012	2011
Employee salaries and benefits	\$ 31,932	\$ 17,624
Materials	981,530	405,583
Freight	24,755	10,654
Other	101,193	72,584
Amortization of intangible assets	75,698	69,176
	\$ 1,215,108	\$ 575,621

Selling, general and administrative expenses incurred by nature are as follows:

	2012	2011
Employee salaries and benefits	\$ 351,697	\$ 269,409
Sales and marketing	20,489	18,053
Occupancy	39,303	17,913
Professional fees	18,409	25,058
Filing fees	2,266	2,379
Insurance	9,561	11,300
Office and general	81,109	43,534
Amortization of property, plant and equipment	11,999	12,718
	\$ 534,833	\$ 400,364

8. ECONOMIC DEPENDENCY

The Company depends directly or indirectly on several sole suppliers to supply goods and services necessary for carrying on its core business, including a sole manufacturing facility, sole urethane supplier and sole adhesive supplier and other sole suppliers of other intermediate manufacturing elements. Approximately 90% of the Company's inventory purchases are dependent on these direct and indirect sole suppliers. If any of these suppliers were unwilling or unable to provide such products in the future, the Company's ability to provide products and services to its customers may be adversely affected and the Company might not be able to obtain similar products or services from alternate suppliers on a timely basis or on terms favorable to the Company.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.