

XPEL TECHNOLOGIES CORP.

Interim Consolidated Financial Statements

These Interim Consolidated Financial Statements are unaudited and have not been reviewed by External Auditors

(Expressed in U.S. Dollars)

For the three months ended March 31, 2010 and 2009

XPEL TECHNOLOGIES CORP.**Balance Sheets**

(Expressed in United States Dollars)

	Note	March 31, 2010 (unaudited)	December 31, 2009 (audited)
Assets			
Current			
Cash		\$ 152,815	\$ 122,694
Accounts receivable		279,506	262,501
Inventory		185,818	222,888
Prepaid expenses and sundry assets		93,420	54,986
Promissory Note		244,954	321,071
Total current assets		956,514	984,140
Property, plant and equipment		256,927	245,244
Intangible assets		336,256	340,847
Total assets		\$ 1,549,698	\$ 1,570,231
Liabilities			
Current			
Accounts payable and accrued liabilities		837,399	827,831
Deferred warranty revenue and deposits		21,487	20,287
Current portion of long-term debt		25,104	43,448
Current portion of note payable		43,839	87,673
		927,829	979,239
Deposit on Shares		15,985	15,985
Total liabilities		943,814	995,224
Equity (Deficiency)			
Capital stock	5	6,619,133	6,619,133
Contributed surplus		2,101,111	2,101,111
Warrant capital		64,019	64,019
Deficit		(8,178,380)	(8,209,256)
Total equity		605,884	575,007
Total liabilities and equity		\$ 1,549,698	\$ 1,570,231

Approved by Board of Directors:

/s/ W. Rege Brunner
W. Rege Brunner/s/ Joseph P. Karpowicz
Joseph P. Karpowicz

XPEL TECHNOLOGIES CORP.**Statements of Operations**

(Expressed in United States Dollars)

		Three Months Ended	
	Note	2010	2009
			(unaudited)
Revenue			
Installation, kit and material sales		\$ 612,931	\$ 423,297
Design access fees		350,536	360,484
Other income		38,692	30,635
Total Operating Revenues		1,002,159	814,417
Expenses			
Cost of sales		469,202	300,026
General and administrative		416,262	388,248
Interest on long-term debt		2,839	7,897
Loss (gain) on sale of capital assets		-	(318)
Amortization of property, plant and equipment		12,049	13,173
Amortization of intangible assets		70,931	75,765
Total Expenses		971,283	784,791
Net earnings (loss) before income taxes and discontinued operations		30,876	29,626
Income tax		-	-
Net earnings (loss) from continuing operations		30,876	29,626
Loss from Discontinued Operations	4	-	(8,975)
Net Earnings (Loss)		30,876	20,651
Deficit at beginning of period		(8,209,256)	(7,642,844)
Deficit at end of period		\$ (8,178,380)	\$ (7,622,193)
Earnings (Loss) per Share			
Basic and Diluted - from continuing operations	8	0.0012	0.0012
Basic and Diluted - from discontinued operations	8	0.0000	(0.0003)
Basic and Diluted	8	0.0012	0.0008

XPEL TECHNOLOGIES CORP.**Comprehensive Income and Loss and Accumulated Other Comprehensive Income and Loss**

(Expressed in United States Dollars)

	Three Months Ended	
	2010	2009
	March 31,	
	(unaudited)	
Net income (loss) for the quarter	\$ 30,876	\$ 20,651
Other comprehensive income		
Unrealized loss on translating financial statements of self-sustaining foreign operations	-	\$ (12,636)
Comprehensive income (loss)	\$ 30,876	\$ 8,015
Accumulated other comprehensive income, beginning of quarter	\$ -	\$(112,927)
Other comprehensive income of discontinued operations	-	(12,636)
Accumulated other comprehensive income, end of quarter	\$ -	\$(125,563)

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

(Expressed in United States Dollars)

	Three Months Ended	
	March 31,	
	2010	2009
	(unaudited)	
Cash flows from operating activities		
Net earnings (loss) from continuing operations	\$ 30,876	\$ 29,626
Add items not affecting cash		
Amortization of property, plant and equipment	12,049	13,173
Gain (Loss) on disposition of property, plant & equipment	-	318
Amortization of intangible assets	70,931	75,765
Stock based compensation	-	4,034
Net cash provided by operating activities	113,856	122,916
Changes in non-cash working capital items		
Accounts receivable	(17,005)	(38,505)
Inventory	37,070	74,317
Prepaid expenses and sundry assets	(38,434)	(13,372)
Accounts payable and accrued liabilities	9,568	(1,612)
Deferred warranty revenue and deposits	1,200	(9,567)
	106,254	134,177
Cash flows from investing activity		
Purchase of property, plant and equipment	(23,734)	(445)
Proceeds from sale of property, plant and equipment	-	11,224
Collection of promissory note	76,117	-
Design templates	(66,339)	(62,271)
Security lease deposit	-	33,988
Net cash provided by (used in) investing activities	(13,956)	(17,504)
Cash flows from financing activity		
Repayment of long-term debt	(18,344)	(36,702)
Repayment of note payable	(43,834)	(32,879)
Net cash used in financing activities	(62,178)	(69,581)
Cash from discontinued operations	-	(40,622)
Increase (decrease) in cash during the period	30,121	6,470
Cash at beginning of period	122,694	74,760
Cash at end of period	\$ 152,815	\$ 81,230

XPEL Technologies Corp.
Notes to Consolidated Financial Statements
(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The consolidated financial statements include the operations of the Company and its wholly-owned subsidiary XPEL Canada Corp. ("XPEL Canada") up to the date of disposal (Note 4) and are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies followed in the preparation of these interim financial statements for the three months ended March 31, 2010 and 2009 are those used by the Company as set out in the audited financial statements for the year ended December 31, 2009. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2009 and management's discussion and analysis for the three month period ended March 31, 2010.

In the opinion of management, these interim consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements, which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year ended December 31, 2009 have been omitted.

Certain comparative figures have been reclassified to conform with the current period's financial statement presentation reflecting the subsidiary that was sold during the year ended December 31, 2009 and classified as discontinued operations.

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.

As at March 31, 2010 the Company has a positive working capital of \$28,685 and net income from continuing operations however, the Company is reliant on maintaining profitable earnings and positive cash flows from operations in order to continue as a going concern. If the Company is not able to do this management will have to raise funds through private placements or seek debt financing. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate.

2. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

- a. In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards (“IFRS”). The Company must prepare its interim and annual financial statements in accordance with IFRS for periods beginning on January 1, 2011. Management is still assessing the impact this will have on the Company's financial statements.
- b. The CICA has recently issued CICA Handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-Controlling Interests. These new sections replace the currently existing standards in CICA Handbook section 1581, Business Combinations, and section 1600, Consolidated Financial Statements. These new standards are effective for fiscal periods beginning on or after January 1, 2011, however, early adoption is permitted. Once adopted, these standards will be harmonized with international financial reporting standards.

Section 1582 amends the standards for measurement, presentation and disclosure of a business combination. A number of changes are specified, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition related costs as expenses.

These standards will require a change in the measurement and presentation of non-controlling interest. As a result of these changes, net earnings will include 100% of the subsidiary's results and non-controlling interest will be presented as part of shareholders' equity on the balance sheet.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

3. DISCONTINUED OPERATIONS

On September 1, 2009, the Company disposed of its subsidiary XPEL Canada, based in Calgary, Alberta, back to its founder and President. Under the terms of the sale XPEL will receive net proceeds of \$737,071USD consisting of cash of approximately \$221,700CDN, intercompany balances converted to a guaranteed, interest free promissory note due December 2010 of approximately \$587,700CDN. The Company incurred costs of \$28,363USD related to the sale of the subsidiary. As at March 31, 2010, the remaining balance is due in nine equal monthly payments of \$30,714CDN, net of withholding taxes.

The following table sets forth the results of operations associated with the subsidiary, reported as discontinued operations:

	Quarter Ending March 31,	
	2010	2009
Revenue	\$ -	\$ 457,081
Expenses	-	466,056
Discontinued operations	\$ -	\$ (8,975)

4. CAPITAL STOCK

The following table shows XPEL's common share activity to date during 2009:

Issued and outstanding	Common Shares	Value
Balance @12/31/09	25,720,950	\$6,619,133
Activity in quarter	0	0
Balance @ 03/31/10	25,720,950	\$6,619,133

5. STOCK OPTION AND WARRANTS

During the quarter ended March 31, 2010, there were 50,000 options that expired unexercised. No options were issued or exercised. Total options outstanding at March 31, 2010 were 562,635.

During the quarter ended March 31, 2010, no warrants were issued, forfeited or exercised. Total warrants outstanding at March 31, 20 were 267,773.

6. STOCK-BASED COMPENSATION

There was no stock compensation expense relating to options recognized during the quarter ended March 31, 2010.

7. EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share has been calculated based on weighted average number of common shares outstanding of 25,720,950 for the quarter ended March 31, 2010 as compared to 25,720,950 for the three months ended March 31, 2009.

8. 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 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 three months ended March 31, 2010 as compared to the year ended December 31, 2009.

9. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to

monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivables and the promissory note are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, long-term debt and the note payable are classified as other financial liabilities, which are also measured at amortized cost.

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 \$279,506, past due receivables in excess of 90 days as of the balance sheet date were approximately \$15,667. The Company is actively pursuing its efforts to collect these receivables.

The Company has cash and cash equivalents. 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.

The Company's promissory note receivable (Note 4), is personally secured by the vendor and therefore, management had determined there is minimal credit risk associated with the promissory note. In addition, the vendor is current with all payments under this promissory note.

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.

As of March 31, 2010, the Company had current assets of approximately \$956,514 to settle current liabilities of approximately \$927,829 resulting in a positive working capital. The Company will strive to maintain positive working capital through the management of future operating cash flows and the Company will consider other mechanisms to raise cash through private placements or seek debt financing, if necessary.

Currency Risk

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

The Company has the following balances in Canadian dollars:

	March 31, 2010	December 31, 2009
Note receivable	\$248,786	\$336,000
Accounts payable and accrued liabilities	\$25,472	\$52,500
	<u>\$274,258</u>	<u>\$388,500</u>

A 5% change in the Canadian dollar against the US dollar currency would affect equity and net income by approximately \$13,713. This analysis assumes that all other variables remain constant.