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 and six months ended June 30, 2010 and 2009

XPEL TECHNOLOGIES CORP.

Balance Sheets

(Expressed in United States Dollars)

	Note	June 30, 2010 (unaudited)	December 31, 2009 (audited)
Assets			
Current			
Cash		$ 166,065	$ 122,694
Accounts receivable		290,571	262,501
Inventory		203,162	222,888
Prepaid expenses and sundry assets		45,642	54,986
Promissory Note		156,387	321,071
Total current assets		861,826	984,140
Property, plant and equipment		252,356	245,244
Intangible assets		339,583	340,847
Equity accounted investment	4	13,784	-
Total assets		$ 1,467,548	$ 1,570,231
Liabilities			
Current			
Accounts payable and accrued liabilities		760,421	827,831
Deferred warranty revenue and deposits		21,227	20,287
Current portion of long-term debt		10,656	43,448
Current portion of note payable		10,960	87,673
		803,263	979,239
Deposit on Shares		15,985	15,985
Total liabilities		819,248	995,224
Equity (Deficiency)			
Capital stock	6	6,619,133	6,619,133
Contributed surplus		2,159,959	2,101,111
Warrant capital		5,171	64,019
Deficit		(8,135,963)	(8,209,256)
Total equity		648,300	575,007
Total liabilities and equity		$ 1,467,548	$ 1,570,231

Approved by Board of Directors:

/s/ Richard Crumly
Richard Crumly

/s/ John Constantine
John Constantine

XPEL TECHNOLOGIES CORP.

Statements of Operations

(Expressed in United States Dollars)

	Note	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
		(unaudited)		(unaudited)	
Revenue					
Installation, kit and material sales		**$ 578,524**	$ 644,390	**$ 1,191,455**	$ 1,067,687
Design access fees		**407,266**	433,880	**757,802**	794,364
Other income		**29,673**	33,109	**68,365**	63,744
Total Operating Revenues		**1,015,463**	1,111,378	**2,017,622**	1,925,795
Expenses					
Cost of sales		**446,509**	488,055	**915,711**	788,081
General and administrative		**398,882**	469,488	**815,144**	857,736
Interest on long-term debt		**3,381**	7,667	**6,220**	15,564
Loss (gain) on salė of capital assets		**-**	-	**-**	(318)
Amortization of property, plant and equipment		**13,174**	13,051	**25,223**	26,224
Amortization of intangible assets		**68,869**	75,419	**139,800**	151,184
Equity loss on equity accounted investments	**4**	**42,231**	-	**42,231**	-
Total Expenses		**973,046**	1,053,680	**1,944,329**	1,838,471
Net earnings from continuing operations	**5**	**42,417**	**57,698**	**73,293**	**87,324**
Gain (Loss) from Discontinued Operations	**5**	**-**	7,210	**-**	(1,765)
Net Earnings		**42,417**	64,908	**73,293**	85,559
Deficit at beginning of period		**(8,178,380)**	(7,622,193)	**(8,209,256)**	(7,642,844)
Deficit at end of period		**$(8,135,963)**	$ (7,557,285)	**$ (8,135,963)**	$ (7,557,285)
Earnings (Loss) per Share					
Basic and Diluted - from continuing operations	**9**	**0.0016**	0.0022	**0.0028**	0.0034
Basic and Diluted - from discontinued operations	**9**	**0.0000**	0.0003	**0.0000**	(0.0001)
Basic and Diluted	**9**	**0.0016**	0.0025	**0.0028**	0.0033

XPEL TECHNOLOGIES CORP.

Comprehensive Income and Loss and Accumulated Other Comprehensive Income and Loss

(Expressed in United States Dollars)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(unaudited)		(unaudited)	
Net income for the quarter	**$ 42,417**	$ 64,908	**$ 73,293**	$ 85,559
Other comprehensive income				
Unrealized loss on translating financial statements of self-sustaining foreign operations	-	$ 21,422	-	$ 8,786
Comprehensive income	**$ 42,417**	$ 86,330	**$ 73,293**	$ 94,345
Accumulated other comprehensive income, beginning of quarter	**$ -**	$(125,563)	**$ -**	$(112,927)
Other comprehensive income of discontinued operations	-	21,422	-	8,786
Accumulated other comprehensive income, end of quarter	**$ -**	$(104,141)	**$ -**	$(104,141)

XPEL TECHNOLOGIES CORP.

Statements of Cash Flows

(Expressed in United States Dollars)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(unaudited)		(unaudited)	
Cash flows from operating activities				
Net earnings from continuing operations	**$ 42,417**	$ 57,698	**$ 73,293**	$ 87,324
Add items not affecting cash				
Amortization of property, plant and equipment	**13,174**	13,051	**25,223**	26,224
Gain on disposition of property, plant & equipment	**-**	-	**-**	318
Amortization of intangible assets	**68,869**	75,419	**139,800**	151,184
Stock based compensation	**-**	1,500	**-**	5,534
Loss from equity accounted investment	**42,231**	-	**42,231**	-
Net cash provided by operating activities	**166,691**	147,668	**280,547**	270,584
Changes in non-cash working capital items				
Accounts receivable	**(11,065)**	(45,257)	**(28,070)**	(83,762)
Inventory	**(4,083)**	1,997	**32,987**	76,314
Prepaid expenses and sundry assets	**34,519**	(14,854)	**(3,915)**	(28,226)
Accounts payable and accrued liabilities	**(76,979)**	61,763	**(67,411)**	60,151
Deferred warranty revenue and deposits	**(260)**	(9,235)	**940**	(18,802)
	108,823	142,082	**215,077**	276,259
Cash flows from investing activity				
Purchase of property, plant and equipment	**(8,603)**	(1,178)	**(32,337)**	(1,623)
Proceeds from sale of property, plant and equipment	**-**	-	**-**	11,224
Collection of promissory note	**88,568**	-	**164,685**	-
Design templates	**(72,195)**	(66,083)	**(138,534)**	(128,354)
Security lease deposit	**-**	-	**-**	33,988
Purchase of equity accounted investment	**(56,015)**	-	**(56,015)**	-
Net cash used in investing activities	**(48,245)**	(67,261)	**(62,201)**	(84,765)
Cash flows from financing activity				
Repayment of long-term debt	**(14,449)**	(13,283)	**(32,793)**	(49,985)
Repayment of note payable	**(32,879)**	(32,879)	**(76,713)**	(65,758)
Net cash used in financing activities	**(47,328)**	(46,162)	**(109,506)**	(115,743)
Cash from discontinued operations	**-**	12,759	**-**	(27,863)
Increase in cash during the period	**13,250**	41,418	**43,371**	47,888
Cash at beginning of period	**152,815**	81,230	**122,694**	74,760
Cash at end of period	**$ 166,065**	$ 122,648	**$ 166,065**	$ 122,648

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 5) 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 and six months ended June 30, 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 and six month period ended June 30, 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 June 30, 2010 the Company has a positive working capital of $58,564 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. SIGNIFICANT ACCOUNTING POLICIES

Equity Investments

Investments in shares of invest companies in which the Company's ownership and rights provide the ability to exercise significant influence are accounted for using the equity method. When there has been a loss in the value of an equity-accounted investment that is other than a temporary decline, the investment is written down to recognize the loss. The write-down is included in earnings (loss).

4. EQUITY ACCOUNTED INVESTMENT

	June 30, 2010	December 31, 2009
XPEL Distribution Company		
Investment (30%)	$56,015	$ -
Share of equity loss	(42,231)	-
	$13,784	$ -

5. DISCONTINUED OPERATIONS

On September 1, 2009, the Company disposed of its subsidiary XPEL Canada, based in Calgary, Alberta. 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 June 30, 2010, the remaining balance is due in six 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 June 30,	
	2010	2009
Revenue	$ -	$ 736,584
Expenses	-	729,374
Discontinued operations	$ -	$ 7,210

6. CAPITAL STOCK

The following table shows XPEL's common share activity to date during 2010:

Issued and outstanding	Common Shares	Value
Balance @12/31/09	25,720,950	$6,619,133
Activity in period	0	0
Balance @ 06/30/10	25,720,950	$6,619,133

7. STOCK OPTION AND WARRANTS

During the quarter ended June 30, 2010, there were 75,000 options that expired unexercised. No options were issued or exercised. Total options outstanding at June 30, 2010 were 487,635.

During the quarter ended June 30, 2010, there were 83,333 warrants that expired unexercised. No warrants were issued, forfeited or exercised. Total warrants outstanding at June 30, 2010 were 184,440.

8. STOCK-BASED COMPENSATION

There was no stock compensation expense relating to options recognized during the quarter ended June 30, 2010.

9. EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share have been calculated based on weighted average number of common shares outstanding of 25,720,950 for the three and six months ended June 30, 2010 as compared to 25,720,950 for the three and six months ended June 30, 2009.

10. 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 and six months ended June 30, 2010 as compared to the year ended December 31, 2009.

11. 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 $290,571, past due receivables in excess of 90 days as of the balance sheet date were approximately $21,974. 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 5), 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 June 30, 2010, the Company had current assets of approximately $861,826 to settle current liabilities of approximately $803,262 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:

	June 30, 2010	December 31, 2009
Note receivable	$165,857	$336,000
Accounts payable and accrued liabilities	$53,901	$52,500
	$219,758	$388,500

A 5% change in the Canadian dollar against the US dollar currency would affect equity and net income by approximately $10,988. This analysis assumes that all other variables remain constant.