XPEL Technologies Corp.

Interim Financial Statements

(Expressed in United States Dollars)

For the Three and Six Months Ended June 30, 2011

XPEL TECHNOLOGIES CORP.

Balance Sheets

(Expressed in United States Dollars)

(unaudited)

	Note	June 30, 2011	December 31, 2010
Assets			
Current			
Cash		$ 190,729	$ 157,833
Accounts receivable		431,672	365,102
Inventory		403,662	359,375
Prepaid expenses and sundry assets		101,767	40,117
Total current assets		1,127,830	922,427
Property, plant and equipment		230,603	216,069
Intangible assets		345,691	341,095
Deferred income tax asset		201,062	201,062
Total assets		$ 1,905,186	$ 1,680,653
Liabilities			
Current			
Accounts payable and accrued liabilities		527,021	648,101
Deferred warranty revenue and deposits		18,450	15,750
Bank operating facility	5	50,000	-
		595,471	663,851
Deposit on shares		-	15,985
Total liabilities		595,471	679,836
Equity			
Capital stock	7	6,635,133	6,619,133
Contributed surplus		2,165,130	2,165,130
Deficit		(7,490,548)	(7,783,446)
Total equity		1,309,715	1,000,817
Total liabilities and equity		$ 1,905,186	$ 1,680,653

Approved by Board of Directors:

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

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

	Note	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenue					
Installation, kit and material sales		**$ 1,011,317**	$ 578,524	**$ 1,656,986**	$ 1,191,455
Design access fees		**437,775**	407,266	**830,860**	757,802
Other revenue		**28,297**	29,673	**52,607**	68,365
Total Operating Revenues		**1,477,388**	1,015,463	**2,540,453**	2,017,622
Expenses					
Cost of installation, kit and material sales		**738,134**	446,509	**1,244,579**	915,711
General and administrative	**6**	**447,993**	398,882	**835,639**	815,144
Interest on long-term debt		**861**	3,381	**1,736**	6,220
Amortization of property, plant and equipment		**13,572**	13,174	**26,289**	25,223
Amortization of intangible assets		**70,136**	68,869	**139,313**	139,800
Equity loss on equity accounted investments	**9**	**-**	42,231	**-**	42,231
Total Expenses		**1,270,695**	973,046	**2,247,555**	1,944,329
Net income before income tax		**206,693**	42,417	**292,898**	73,293
Income tax					
Current income tax expense		**70,276**	-	**99,585**	-
Deferred income tax recovery		**(70,276)**	-	**(99,585)**	-
		-	-	**-**	-
Net Comprehensive Income		**$ 206,693**	$ 42,417	**$ 292,898**	$ 73,293
Earnings per Share					
Basic and Diluted		**0.008**	0.002	**0.011**	0.003
Weighted Average Number of Common Shares					
Basic and Diluted		**25,784,950**	25,720,950	**25,778,939**	25,720,950

XPEL TECHNOLOGIES CORP.

Statement of Changes in Equity for the Quarter Ended June 30, 2011
(Expressed in United States Dollars)
(unaudited)

	Capital Stock Number	Capital Stock Amount	Contributed Surplus	Warrant Capital	Deficit	Total
Balance as at January 1, 2010	25,720,950	$ 6,619,133	$ 2,101,111	$ 64,019	$ (8,209,256)	$ 575,007
Profit and total comprehensive income for the period	-	-	-	-	73,293	73,293
Expiration of warrants unexercised	-	-	58,848	(58,848)	0	-
Balance as at June 30, 2010	**25,720,950**	**6,619,133**	**2,159,959**	**5,171**	**(8,135,963)**	**648,300**
Profit and total comprehensive income for the period	-	-	-	-	352,517	352,517
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**
Profit and total comprehensive income for the period	-	-	-	-	292,898	292,898
Issue of common shares	64,000	16,000	-	-	-	16,000
Balance as at June 30, 2011	**25,784,950**	**$ 6,635,133**	**$ 2,165,130**	**$ -**	**$ (7,490,548)**	**$ 1,309,715**

XPEL TECHNOLOGIES CORP.

Statements of Cash Flows

(Expressed in United States Dollars)

(unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities		
Net earnings	**$ 292,898**	$ 73,293
Add items not affecting cash		
Amortization of property, plant and equipment	**27,591**	25,223
Amortization of intangible assets	**139,313**	139,800
Loss from equity accounted investment	**-**	42,231
Net cash provided by operating activities	**459,802**	280,547
Changes in non-cash working capital items		
Accounts receivable	**(66,570)**	(28,070)
Inventory	**(84,036)**	32,987
Prepaid expenses and sundry assets	**(21,900)**	(3,915)
Accounts payable and accrued liabilities	**(121,081)**	(67,411)
Deferred warranty revenue and deposits	**2,715**	940
	168,930	215,077
Cash flows from investing activity		
Purchase of property, plant and equipment	**(42,126)**	(32,337)
Collection of promissory note	**-**	164,685
Acquisition of intangible assets	**(143,908)**	(138,534)
Purchase of equity accounted investment	**-**	(56,015)
Net cash used in investing activities	**(186,034)**	(62,201)
Cash flows from financing activity		
Cash from bank operating facility	**50,000**	-
Repayment of long-term debt	**-**	(32,793)
Repayment of note payable	**-**	(76,713)
Net cash provided by (used in) financing activities	**50,000**	(109,506)
Increase in cash during the period	**32,896**	43,371
Cash at beginning of period	**157,833**	122,694
Cash at end of period	**$ 190,729**	$ 166,065

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

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 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 unaudited interim financial statements. The 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 interim financial statements by an entity’s auditor. These 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 ĩDAP.Uò

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).

These unaudited interim financial statements should be read in conjunction with our unaudited interim financial statements for the three months ended March, 31, 2011 prepared in accordance with IFRS and 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 income and comprehensive income.

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 (ĩFVTPLò).

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 (Contœd)

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:

Financial Instrument	Classification
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 Companyœ 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 Companyœ 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.

(Expressed in United States Dollars)

4. TRANSITION TO IFRS

We adopted IFRS on January 1, 2011 and our unaudited interim financial statements for the three and six months ended June 30, 2011 are our second 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 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	June 30, 2010
Equity in accordance with GAAP	$ 648,300
IFRS adjustment to equity	-
Equity in accordance with IFRS	$ 648,300

Reconciliation of net earnings	**Three Months ended June 30, 2010**	Six months ended June 30, 2010
Net earnings in accordance with GAAP	**$ 42,417**	$ 73,293
IFRS adjustment to net earnings	**-**	-
Net earnings in accordance with IFRS	**$ 42,417**	$ 73,293

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 June 30, 2011, the Company had drawn $50,000 (2010 - $NIL) on this bank operating facility.

(Expressed in United States Dollars)

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 $9,650 has been amortized into General and administrative expense through June 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 June 30, 2010, the Company invested in and provided advances to XPEL Distribution Company (XDC), a new 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 June 30, 2010, the company had losses of $42,231 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 June 30,		**Six months ended June 30,**	
	2011	2010	**2011**	2010
Salaries and benefits	**$ 101,777**	$ 99,368	**$ 203,560**	$ 199,462
Share-based benefits	**-**	-	**-**	-
Total Compensation	**$ 101,777**	$ 99,368	**$ 203,560**	$ 199,462

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 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, 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 $431,672, past due receivables in excess of 90 days as of the balance sheet date were approximately $6,000. The Company is actively pursuing its efforts to collect these receivables.

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IFRS 7) (Cont'd)

Credit Risk (Cont'd)

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.