XPEL Technologies Corp.

Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the Three Months and Six Months Ended June 30, 2014

XPEL TECHNOLOGIES CORP.

Condensed Consolidated Balance Sheet

(Expressed in United States Dollars)

(unaudited)

	Note	June 30, 2014	December 31, 2013
Assets			
Current			
Cash and cash equivalents		$ 2,128,305	$ 1,414,913
Accounts receivable		2,169,500	1,018,956
Inventory		3,240,743	2,716,612
Prepaid expenses and sundry assets		180,060	259,233
Total current assets		7,718,607	5,409,714
Property, plant and equipment		743,395	517,925
Intangible assets		625,371	518,559
Total assets		$ 9,087,373	$ 6,446,198
Liabilities			
Current			
Accounts payable and accrued liabilities		2,649,229	1,829,164
Customer deposits		12,350	12,350
Bank operating facility		200,000	-
Notes payable		78,101	68,505
Current tax expense		530,000	-
Total current liabilities		3,469,680	1,910,019
Deferred tax liability		248,000	221,000
Total liabilities		3,717,680	2,131,019
Equity			
Capital stock	4	6,635,133	6,635,133
Contributed surplus		2,165,130	2,165,130
Deficit		(3,430,571)	(4,485,084)
Total equity		5,369,692	4,315,179
Total liabilities and equity		$ 9,087,373	$ 6,446,198

Approved by Board of Directors:

/s/ Richard Crumly
Richard Crumly

/s/ John Constantine
John Constantine

XPEL TECHNOLOGIES CORP.
Condensed Consolidated Statements of Income and Comprehensive Income
(Expressed in United States Dollars)
(unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	**2014**	2013	**2014**	2013
Revenue		**$ 8,348,309**	$ 4,898,729	**$ 13,620,182**	$ 8,055,311
Expenses					
Direct costs	**7**	**5,881,637**	3,404,830	**9,374,375**	5,502,200
Selling, general and administrative expenses	**7**	**1,494,582**	908,193	**2,627,755**	1,564,926
Income from operations		**972,090**	585,706	**1,618,052**	988,185
Interest expense		**4,861**	433	**7,403**	733
Loss on sale of property, plant and equipment		**-**	-	**(865)**	1,855
		4,861	433	**6,538**	2,588
Net income before income taxes		**967,229**	585,273	**1,611,514**	985,597
Deferred income tax expense (recovery)		**40,000**	201,000	**27,000**	339,000
Current income tax expense		**332,000**	-	**530,000**	-
		372,000	201,000	**557,000**	339,000
Net income and comprehensive income		**$ 595,229**	$ 384,273	**$ 1,054,514**	$ 646,597
Earnings per Share					
Basic and diluted		**$ 0.023**	$ 0.015	**$ 0.041**	$ 0.025
Weighted Average Number of Common Shares					
Basic and diluted		**25,784,950**	25,784,950	**25,784,950**	25,784,950

XPEL TECHNOLOGIES CORP.

Condensed Consolidated Statement of Changes in Equity

(Expressed in United States Dollars)

(unaudited)

	Capital Stock								
	Number of Common Shares		Amount		Contributed Surplus		Deficit		Total
Balance as at January 1, 2013	25,784,950	$	6,635,133	$	2,165,130	$	(5,805,352)	$	2,994,911
Net income and comprehensive income for the period	-		-		-		646,597		646,597
Balance as at June 30, 2013	**25,784,950**		**6,635,133**		**2,165,130**		**(5,158,755)**		**3,641,508**
Net income and comprehensive income for the period	-		-		-		673,671		673,671
Balance as at December 31, 2013	**25,784,950**		**6,635,133**		**2,165,130**		**(4,485,084)**		**4,315,179**
Net income and comprehensive income for the period	-		-		-		1,054,514		1,054,514
Balance as at June 30, 2014	**25,784,950**	**$**	**6,635,133**	**$**	**2,165,130**	**$**	**(3,430,571)**	**$**	**5,369,692**

XPEL TECHNOLOGIES CORP.

Condensed Consolidated Statement of Cash Flows

(Expressed in United States Dollars)

(unaudited)

	Six Months Ended June 30, 2014	2013
Cash flows from operating activities		
Net income	**$ 1,054,514**	$ 646,597
Add items not affecting cash		
Amortization of property, plant and equipment	**61,639**	37,891
Amortization of intangible assets	**158,447**	140,709
Deferred income tax expense (recovery)	**27,000**	339,000
	1,301,600	1,164,197
Changes in non-cash working capital items		
Accounts receivable	**(1,149,948)**	(543,426)
Inventory	**(524,130)**	356,308
Prepaid expenses and sundry assets	**73,047**	(150,928)
Accounts payable and accrued liabilities	**819,474**	(188,858)
Current income tax expense	**530,000**	-
Net cash provided by (used in) operating activities	**1,050,043**	637,293
Cash flows used in investing activity		
Purchase of property, plant and equipment	**(287,116)**	(116,512)
Development of intangible assets	**(259,131)**	(139,822)
Net cash used in investing activities	**(546,248)**	(256,334)
Cash flows from financing activity		
Cash from bank operating facility	**200,000**	-
Proceeds from notes payable	**18,692**	33,802
Repayment of notes payable	**(9,096)**	(1,552)
Net cash provided by financing activities	**209,596**	32,250
Increase (decrease) in cash during the period	**713,392**	413,209
Cash and cash equivalent at beginning of period	**1,414,913**	1,396,300
Cash and cash equivalent at end of period	**$ 2,128,305**	$ 1,809,509

Management's Responsibility for Interim Financial Statements

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

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

The Board of Directors is responsible for reviewing and approving the condensed consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated unaudited interim financial statements. The condensed consolidated 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 consolidated interim financial statements by an entity's auditor. These condensed consolidated unaudited interim 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 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 consolidated interim financial statements have been prepared under International Financial Reporting Standards (ñIFRSò) as issued by the International Accounting Standards Board (ñIASBò) incorporating interpretations issued by the IFRS Interpretations Committee (ñIFRICsò). These condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in its December 31, 2013 annual financial statements. These accounting policies are based on the IFRS and IFRICs applicable at that time. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Basis of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary XPEL Ltd. Intercompany transactions and balances are eliminated on consolidation.

Significant accounting judgments and estimates

The preparation of these condensed consolidated interim 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 condensed consolidated interim 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.

(Expressed in United States Dollars)

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 May 22, 2014, the Board of Directors approved an increase to the existing limit to US$2,000,000.

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 1.5 per cent with a floor of 6 per cent and matures on June 28, 2015.

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 condensed consolidated interim financial statements.

A total of $127,067 (2013 - $122,236) in salaries and other short-term benefits was paid to key members of management as compensation in the second quarter of 2014, of which $117,028 (2013 - $112,227) is included as part of selling, general and administrative expense and $10,039 (2013 - $10,009) was capitalized into deferred development costs for design templates.

6. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitment

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

Less than 1 year	$	217,061
1-5 years		318,571
	$	**535,632**

(Expressed in United States Dollars)

6. COMMITMENTS AND CONTINGENCIES (Cont'd)

(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.

(c) Supply Agreement

During the year ended December 31, 2013, the Company signed an exclusive supply and distribution agreement with the supplier of their material. The agreement requires the Company to purchase a minimum of $300,000 of material each month. The agreement is for a two year term with the option for further two year renewal terms. The supplier agrees to provide exclusivity to the Company for the purchase of the material.

7. EXPENSES BY NATURE

Direct costs incurred by nature are as follows:

	Three months ending June 30,	
	2014	2013
Employee salaries and benefits	**$ 178,817**	$ 84,062
Materials	**5,339,455**	3,014,210
Freight	**109,877**	40,399
Other	**183,685**	195,951
Amortization of intangible assets	**69,803**	70,208
	$ 5,881,637	$ 3,404,830

	Six months ending June 30,	
	2014	2013
Employee salaries and benefits	**$ 290,352**	$ 145,957
Materials	**8,471,563**	4,809,665
Freight	**168,833**	72,272
Other	**305,477**	333,597
Amortization of intangible assets	**138,150**	140,709
	$ 9,374,375	$ 5,502,200

(Expressed in United States Dollars)

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

	Three months ending June 30, **2014**	2013
Employee salaries and benefits	**$ 877,812**	$ 586,311
Sales and marketing	**100,338**	56,486
Occupancy	**91,529**	47,117
Professional fees	**144,683**	52,630
Filing fees	**12,249**	5,132
Insurance	**26,317**	19,156
Office and general	**208,975**	121,376
Amortization of property, plant and equipment	**32,679**	19,985
	$ 1,494,582	$ 908,193

	Six months ending June 30, **2014**	2013
Employee salaries and benefits	**$ 1,543,897**	$ 994,636
Sales and marketing	**183,642**	80,705
Occupancy	**158,738**	92,401
Professional fees	**201,871**	87,477
Filing fees	**16,308**	7,467
Insurance	**51,411**	33,347
Office and general	**410,249**	231,002
Amortization of property, plant and equipment	**61,639**	37,891
	$ 2,627,755	$ 1,564,926

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.