

## **MANAGEMENT DISCUSSION & ANALYSIS**

Quarterly report for shareholders

Fiscal year ended November 30, 2011

The following comments are intended to provide a review and analysis of the operating results and financial position of Opsens Inc. as of November 30, 2011, and for the three-month period ended this date, in comparison with the corresponding period ended November 30, 2010. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes as of August 31, 2011.

Unless stated otherwise, the interim Management Discussion and Analysis has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a consolidated basis. This document was prepared on January 18, 2012. All amounts are in Canadian dollars.

This report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not guarantees of our future results, and actual results could differ significantly from those foreseen by such statements due to several factors, including economic conditions, capital expenditures in the measuring instrument sector, currency exchange rate variation, and our ability to manage Opsens successfully under these uncertain conditions. Consequently, the reader should not place undue reliance on these forward-looking statements. These forward-looking statements are only valid as at the date of this document. The Company is under no obligation to revise or update these forward-looking statements in order to reflect the events or circumstances that occur after the date of this analysis, except when it is required by law.

### **CORPORATE OVERVIEW**

Opsens Inc. (the “Company”) is a leading developer, manufacturer, and supplier of a wide range of fiber optic sensors and associated signal conditioners based on proprietary patented and patent-pending technologies. Opsens’ sensors provide long-term accuracy and reliability in the harshest environments. Opsens provides sensors to measure pressure, temperature, strain, and displacement to original equipment manufacturers (OEM) and end-users in the oil and gas, medical, and laboratory fields. Opsens provides complete technical support, including installation, training, and after-sales service in conformity with ISO 9001:2008 and ISO 13485:2003.

Opsens holds six (6) patents and has four (4) patents pending covering its products and technologies provided to its markets, giving the Company freedom to operate. With its patented technologies and highly recognized expertise, Opsens meets consumer needs in the medical, oil and gas, and laboratory markets. Since December 11, 2007, activities in the oil and gas market have been performed by the wholly-owned subsidiary Opsens Solutions Inc. (“Opsens Solutions”), formerly Inflo Solutions Inc.

### **VISION, STRATEGY, AND OUTLOOK**

The worldwide market for fiber optic and conventional sensors is a multi-billion dollar market. Opsens’ sales and marketing strategy aims to provide solutions for the various current niche markets and develops specific new markets. The Company’s expertise, know-how, and patented technologies are the keys to new production techniques improving the reliability of measuring equipment. Also, Opsens’ production technique called MEMS (Micro-Electro-Mechanical-System) encourages penetration into markets traditionally occupied by conventional sensors through higher production volumes and reduced manufacturing costs.

In 2012, Opsens expects revenue from product sales to be higher than a year earlier. The enhanced development and increased market acceptance, will likely lead to increased revenues.

**SELECTED CONSOLIDATED FINANCIAL DATA**

(Unaudited, IFRS based, in thousands of Canadian dollars, except for information per share)	Three-month period ended November 30, 2011	Three-month period ended November 30, 2010
	\$	\$
<b>Sales</b>	2,495	1,147
Cost of revenues	1,737	868
<b>Gross margin</b>	758	279
Administrative expenses	552	489
Marketing expenses	203	126
R&D expenses	308	381
Financial expenses (income)	(46)	(13)
	1,017	983
<b>Loss before income taxes</b>	(259)	(704)
Income taxes	-	-
<b>Net loss and comprehensive loss</b>	(259)	(704)
<b>Net loss and comprehensive loss per share – Basic</b>	(0.00)	(0.01)
<b>Net loss and comprehensive loss per share – Diluted</b>	(0.00)	(0.01)

(Unaudited, IFRS based, in thousands of Canadian dollars)	As at November 30, 2011	As at August 31, 2011	As at September 1, 2011
	\$	\$	\$
Current assets	7,144	6,927	9,597
Total assets	8,907	8,593	11,390
Current liabilities	1,408	1,137	1,527
Long-term debt	286	30	130
Shareholders' equity	7,213	7,426	9,733

No dividend was declared per share for each share class.

On June 25, 2009, the Company completed a private placement of 2,916,667 units at a price of \$0.60 per unit for gross proceeds of \$1,750,000. On February 12, 2010, the Company completed a private placement 4,287,500 units at a price of \$0.85 per unit for gross proceeds of \$3,644,375.

## SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

The summary below presents the periods in which Opensens published unaudited interim financial statements.

(Unaudited, IFRS based, in thousands of Canadian dollars)	Three-month period ended	Three-month period ended	Three-month period ended	Three-month period ended
	November 30, 2011	August 31, 2011	May 31, 2011	February 28, 2011
	\$	\$	\$	\$
Revenues	2,495	1,107	2,415	1,336
Net profit (net loss) for the period	(259)	(718)	(378)	(669)
Net profit (net loss) per share – Basic	(0.00)	(0.02)	(0.01)	(0.01)
Net profit (net loss) per share – Diluted	(0.00)	(0.02)	(0.01)	(0.01)

(Unaudited, IFRS based, in thousands of Canadian dollars)	Three-month period ended	Three-month period ended	Three-month period ended	Three-month period ended
	November 30, 2010	August 31, 2010	May 31, 2010	February 28, 2010
	\$	\$	\$	\$
Revenues	1,147	1,695	1,469	1,047
Net loss for the period	(704)	2,052	(327)	(555)
Net profit (net loss) per share – Basic	(0.01)	0.04	(0.01)	(0.01)
Net profit (net loss) per share – Diluted	(0.01)	0.04	(0.01)	(0.01)

## PERFORMANCE INDICATORS

In order to evaluate the Company's performance and generate long-term value for its shareholders, the Company has identified the following financial and non-financial performance indicators:

- 1) Distribution, sales, and long-term recurring revenues;
- 2) Products and innovation;
- 3) Short-term financial performance and cash flows;
- 4) Strategic acquisitions and development of new projects.

### THREE-MONTH PERIODS ENDED NOVEMBER 30, 2011, AND 2010

#### DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(Unaudited, IFRS based, In thousands of dollars except for percentage data figures)	Three-month period ended November 30, 2011	Three-month period ended November 30, 2010
	\$	\$
Revenues	2,495	1,147
Growth rate (%)		118
Gross margin	758	279
Growth rate (%)		172

The Company reported revenues of \$2,495,000 for the three-month period ended November 30, 2011, compared with \$1,147,000 in the comparative period in 2010, an increase of 118%. Revenues were higher for Q1 2012 for fields where Opsens is active.

Sales in the oil and gas sector totalled \$1,838,000, compared with \$750,000 in the comparative period. Rising income in oil and gas is due to the increase market acceptance of our products. Management anticipates that revenues from oil and gas will continue to grow as the OPP-W sensor becomes more mature and as we expand its applications and market other products.

The Company reported revenue of \$239,000 under a manufacturing agreement in the high-power transformers field. Management anticipates that this manufacturing agreement will be terminated at the latest in Q3 2012. At termination, Opsens will no longer be involved in the transformers field.

For up-coming quarters, Opsens expect sales to increase mainly in oil & gas and laboratory where high-growth opportunities are identified.

(Unaudited, IFRS based, in thousands of Canadian dollars except for percentage data figures)	Quarter ended November 30, 2011	Quarter ended November 30, 2011	Quarter ended November 30, 2011	Quarter ended November 30, 2011
	Opsens Inc.'s reportable segment \$	Opsens Solutions Inc.'s reportable segment \$	Eliminations \$	Consolidated financial statements \$
Revenues	1,112	1,824	(441)	2,495
Cost of revenues	907	1,271	(441)	1,737
Gross margin	205	553	-	758
Gross margin rate (%)	18	30	-	30

(Unaudited, IFRS based, in thousands of Canadian dollars except for percentage data figures)	Quarter ended November 30, 2010	Quarter ended November 30, 2010	Quarter ended November 30, 2010	Quarter ended November 30, 2010
	Opsens Inc.'s reportable segment \$	Opsens Solutions Inc.'s reportable segment \$	Eliminations \$	Consolidated financial statements \$
Revenues	524	748	(125)	1,147
Cost of revenues	403	589	(125)	867
Gross margin	121	159	-	280
Gross margin rate (%)	23	21	-	24

The gross margin and the gross margin rate on product sales increased for the quarter ended November 30, 2011, from the comparative quarter in 2010 because of the increase in consolidated revenues and higher sales in the scientific and laboratories markets where high margins are recorded.

The company targets the gross margin rate for Opsens Inc. and Opsens Solutions Inc. to move towards its target of 40% over the next quarters.

As at November 30, 2011, the backlog amounted to \$1,576,000 compared with a backlog of \$1,755,000 on August 31, 2011.

Given that a proportion of the Company's revenues are generated in U.S. dollars, while most costs are incurred in Canadian dollars, fluctuation in the exchange rate affects revenues. For the three-month period ended November 30, 2011, the average exchange rate was lower than the previous year, which affected negatively the sales by \$4,000.

Market acceptance of fiber optic sensors is increasing in the company's markets, leading to higher sales. That said some sectors, such as oil & gas, are seeing additional competition. Opsens is addressing the added competition by highlighting the performance characteristics of its products compared with those of its competitors. For the periods ended November 30, 2011 and 2010, pricing fluctuations and new product launches did not have a significant impact on revenues.

## PRODUCTS AND INNOVATION

The Company is constantly working to improve its position in terms of intellectual property and its product offering. For the three-month period ended November 30, 2011, the Company focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly medical devices and oil and gas.

Research and development expenses decreased to \$308,000 from \$381,000 for the three-month periods ended November 30, 2011 and 2010. The variation reflects a decrease in subcontracting and supplies spending.

In 2011, Opsens Inc. unveiled its complete offering for cardiologists to use in the measurement of Fractional Flow Reserve ("FFR"). FFR is an index of the functional severity of a coronary stenosis that is calculated from pressure measurements taken before and after a narrowing of the arteries during coronary arteriography. This increasingly used approach enables an "on the spot" diagnosis for a better assessment as to whether a stent is an appropriate intervention to improve blood circulation in the cardiovascular system.

A study published in 2009 in the New England Journal of Medicine, "Fractional Flow Reserve vs. Angiography for Multivessel Evaluation", found that a stent was not always an appropriate intervention, and that its overuse was actually doing patients more harm than good in some cases. Patients of doctors using FFR had fewer stents used and better outcomes overall, the study found.

The FFR market represents a real and significant opportunity for Opsens. Opsens intends to fully exploit this opportunity by aggressive development of the EasyWire and OptoWire through the stages of animal and human

testing, and then commercialization. For the year 2012, Opsens expects R&D expenses to increase by a few hundred thousands of dollars in comparison with the previous year because of work performed on the FFR opportunity. Opsens wants to proceed to commercialization of a FFR product in the year 2013 by securing an agreement with a partner who already has an established distribution network.

#### OptoWire for the Measurement of Fractional Flow Reserve

Unlike traditional guide wires, the OptoWire is a guide wire instrumented with a fiber optic pressure sensor, which is drift free and provides a high fidelity measurement of blood pressure in coronary arteries. In addition to more reliable measurement, the OptoWire offers better mechanical performance in terms of trackability, torquability and support over other existing pressure guide wires.

#### EasyWire for the Measurement of Fractional Flow Reserve

The EasyWire is a miniature catheter that slides over a vast variety of guide wires. The EasyWire provides a no-drift, highly accurate and reliable measurement of blood pressure in coronary arteries and gives cardiologists the freedom to use their favourite guide wire. With the EasyWire the cardiologist can reach the area under investigation faster and easier than with other products on the market, simplifying the procedure. Opsens obtained a Canadian patent for the EasyWire, "Eccentric Pressure Catheter with Guidewire Capability" and has filed applications in other jurisdictions for the same invention.

During Q1 2012, Opsens obtained the Canadian patent for its EasyWire. The granting of this patent defines the uniqueness of our product, demonstrates the legitimacy and strength of our intellectual property and supports our business plan in the medical sector.

#### Scientific Advisory Board

To support the development and refinement of the EasyWire and OptoWire, Opsens has put together a scientific advisory board of experts in the field of FFR and clinical research, composed of Drs. Morton Kern, Olivier F. Bertrand and Michael J. Lim. These leading cardiologists are advising the Company on the development, clinical studies and commercialization of the EasyWire and OptoWire.

#### Contingencies

On March 9, 2011, Opsens stated that it would vigorously defend itself against a lawsuit filed by ACIST Medical Systems Inc., a Delaware corporation (ACIST), alleging the improper use of alleged ACIST confidential information in connection with Opsens' EasyWire device and certain patent applications Opsens has filed, including U.S. Patent Application No. 12/725,951 and International Application No. PCT/CA2010/000396 (the "Applications"). ACIST's lawsuit seeks unspecified monetary damages, and further seeks that Opsens assign or abandon the Applications and cease development and testing of its EasyWire device.

Opsens has denied all of ACIST's legal claims in its Answer to the lawsuit filed in the United States District Court for the District of Minnesota. Opsens maintains that ACIST's lawsuit is entirely without merit and looks forward to proving its case in Court.

### **SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS**

#### Non-IFRS financial measure - EBITDAO

The Company uses its capital to finance marketing expenses, research and development activities, administrative and working capital and capital assets. Historically, the Company has financed activities through rounds of public and private financing, debt financing as well as government grants.

The Company quarterly reviews net loss and Earnings before Interest, Taxes, Depreciation, Amortization and Stock option-based compensation "EBITDAO". The EBITDAO has no normalized sense prescribed by the IFRS. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. The

EBITDAO is defined by the Company as the cash flows from operating activities without taking in consideration non-cash expenses and non-cash operating working capital items.

#### Reconciliation of EBITDAO to the Quarterly Results

(Unaudited, IFRS based, in Thousands of Canadian dollars)	<b>Three-month period ended November 30, 2011</b>	<b>Three-month period ended November 30, 2010</b>
	\$	\$
Net loss	(259)	(704)
Financial income	(46)	(13)
Amortization of property, plant and equipment	56	41
Amortization of intangible assets	8	7
<b>EBITDA</b>	<b>(241)</b>	<b>(669)</b>
Stock option-based compensation	45	40
<b>EBITDAO</b>	<b>(196)</b>	<b>(629)</b>

#### *Net loss*

For the three-month period ended November 30, 2011, net loss totalled \$259,000, compared with \$704,000 a year earlier. The improvement in net results and EBITDA for Q1 2012 compared with Q1 2011 mainly reflects the higher gross profit.

Fiscal 2012 results will be strongly influenced by product sales figures. The backlog of \$1,576,000 and the expansion of marketing activities within the oil and gas market following previous OPP-W installations, should contribute to an increase in the sales and a stability of the EBITDAO.

#### *Capital management*

The Company uses its capital to finance marketing expenses, research and development activities, administrative charges, working capital and capital assets. Historically, the Company has financed activities through rounds of public and private financing, debt financing as well as government grants.

The Company aims to improve these figures which positively varied for the period ended November 30, 2011, compared with the same period in 2010. The Company believes that its current liquid assets are sufficient to finance its activities for the short term.

The Company has an authorized line of credit for a maximum amount of \$200,000, \$50,000 of which is available at all times and which does not take into consideration the margining. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds \$100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of ensured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. These ratios also apply to long-



term debt valued of \$214,540 as of November 30, 2011. The covenants are met as of November 30, 2011. The credit line was not used at the end of the period.

The Company also has credit cards for a maximum amount of \$75,000 to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

## INFORMATION BY REPORTABLE SEGMENTS

### Segmented information

The Company's reportable segments are strategic business units managed separately; one is focused on developing, producing, and supplying fiber optic sensors (Opsens Inc.) and the other (Opsens Solutions Inc.) is specialized in the commercialization and installation of optical and conventional sensors for the oil and gas industry.

The same accounting policies are used for both reportable segments. Operations are carried out in the normal course of operations and are measured at the exchange value.

	Period ended November 30, 2011			Period ended November 30, 2010		
	Opsens Inc.	Opsens Solutions Inc.	Total	Opsens Inc.	Opsens Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	671,246	1,823,547	2,494,793	399,626	747,697	1,147,323
Internal sales	440,816	-	440,816	125,049	-	125,049
Amortization of property, plant and equipment	38,132	17,577	55,709	30,982	9,867	40,849
Amortization of intangible assets	7,152	851	8,003	6,013	642	6,655
Financial expenses (income)	(110,615)	64,275	(46,340)	(67,629)	54,369	(13,260)
Net profit (net loss)	(396,117)	137,319	(258,798)	(559,524)	(144,741)	(704,265)
Acquisition of property, plant and equipment	21,269	103,451	124,720	19,742	53,960	73,702
Acquisition of intangible assets	35,379	-	35,379	29,463	-	29,463

### Segmented assets

	As of November 30, 2011	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Opsens Inc.	5,745,622	6,021,838	8,480,957
Opsens Solutions Inc.	3,161,368	2,571,814	2,908,733
Total	8,906,990	8,593,652	11,389,690

*Information by geographic segments*

	Three-month period ended November 30,	
	2011	2010
	\$	\$
Revenue per geographic sector		
Canada	<b>1,938,554</b>	767,340
United States	<b>359,927</b>	267,489
Other	<b>196,312</b>	112,494
	<b>2,494,793</b>	1,147,323

Revenues are attributed to the geographic sector based on the clients' location.

Capital assets, which include property, plant and equipment and intangible assets, are all located in Canada.

During the three-month period ended November 30, 2011, revenues from three clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 38.4% (Opsens Solutions Inc.'s reportable segment), 14.5% (Opsens Solutions Inc.'s reportable segment) and 13.0% (Opsens Solutions Inc.'s reportable segment).

During the three month period ended November 30, 2010, revenues from four clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 30.8% (Opsens Solutions Inc.'s reportable segment), 23.0% (Opsens Solutions Inc.'s reportable segment), 15.4% (Opsens Inc.'s reportable segment) and 11.0% (Opsens Solutions Inc.'s reportable segment).

*Administrative expenses*

Administrative expenses were \$552,000 and \$489,000 respectively for the three-month periods ended November 30, 2011, and 2010.

The increase in administrative expenses is the result of an increase in legal fees related to the EasyWire lawsuit. In the coming quarters, administrative costs should be less than \$600,000 per quarter in spite of the additional legal fees.

*Sales and marketing expenses*

Sales and marketing expenses were \$203,000 for the period ended November 30, 2011, compared with \$126,000, for the period ended November 30, 2010. Sales and marketing increased due to the addition of human resources dedicated to sales in Opsens Solutions Inc. operating unit.

*Financial expenses (income)*

Financial income reached \$46,000 for the period Q1 2012 compared with financial income of \$13,000 for the period Q1 2011. The increase in financial income during fiscal 2012 is the result mainly of a favourable change of \$64,000 in the gain / loss on foreign exchange and a decreased interest income of \$30,000 generated by a lower balance of sale receivable from LumaSense.

### *Financing activities cash flow*

At the end of fiscal year ended August 31, 2011, the Company has received approval for financial support from the Ministry of Economic Development, Innovation and Export (“MDEIE”), in the form of a repayable contribution of \$413,590 for the development of a portfolio of products for FFR. Simultaneously, a loan worth \$500,000 was granted to the Company to support the project. Opsens expects to receive the cash proceeds from both loans in the year 2012. As of November 30, 2011, Opsens received \$277,516.

On February 12, 2010, the Company realized a private placement of 4,287,500 units at a price of \$0.85 per unit for gross proceeds of \$3,644,375. Each unit is comprised of one common share and one-half common share purchase warrant of the Company. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$1.15 for a period of 24 months following the closing of the offering. Opsens paid to the agents a cash commission equal to \$254,404 and issue broker compensation warrants entitling the agents to purchase 299,299 common shares of Opsens. The broker warrants shall be issuable at an exercise price per common share equal to the offering price for a period of 24 months from the closing of the offering. The net proceeds of the private placement will be used for marketing, general working capital purposes and potentially for acquisitions. Opsens will expand its sales and marketing activities and finalize main product development partnerships, which should provide long-term recurring revenues.

### *Warrants and Stock options exercised, granted and expired*

For the period ended November 30, 2011, the Company granted to some employees and Directors a total of 870,000 stock options with an exercise price of \$0.23, and cancelled 1,120,000 stock options with an exercise price of \$0.49 a share.

As at the date of this Management Discussion and Analysis, the following components of shareholders' equity are outstanding:

Common shares	47,865,983
Stock options	3,857,000
Warrants	2,443,049
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Securities on a fully diluted basis	54,166,032

### *Investing activities cash flow*

Opsens R&D, production and administrative equipment purchases amounted to \$125,000 for the period ended November 30, 2011. These acquisitions were made primarily to high-tech R&D and production equipment. Investments have been made especially to support FFR product development and commercial production.

As for intangible assets, Opsens invested \$35,000 for the period ended November 30, 2011. These investments involved software and patent protection for the Company's inventions.

### *Cash and cash equivalents*

On November 30, 2011, the Company had cash and cash equivalents of \$2,417,000, compared with \$3,747,000 as of August 31, 2011 and 5,348,000 as of September 1, 2010. Of this amount as at November 30, 2011, \$1,954,000 was invested in highly liquid, safe investments. The Company also has an available line of credit in the amount of \$200,000. This line of credit incurs interest at prime +2%. The restrictive clauses of the Company's financial institution are respected.

### *Financial position*

As at November 30, 2011, Opsens had a working capital of \$5,736,000 compared with a working capital of \$5,790,000 on August 31, 2011 and 8,070,000 on September 1, 2010. Based on the debt financing with MDEIE and its financial institution, the private placement completed on February 12, 2010, the use of proceeds from high-power

transformers sale, its cash and cash equivalents, its working capital, and its order backlog, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments, and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and debt. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section. Fluctuation in cash assets will depend particularly on the rate of revenue growth, for the coming quarters.

For the coming quarters, the Company does not expect to make an additional investment in accounts receivable and inventories.

#### *Commitments*

##### *Lease*

The Company leases offices in Quebec City under an operating lease expiring on January 31, 2014. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to \$318,082.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to \$75,429.

Future payments for the leases and other commitments, totalizing \$401,511, required in each of the next five years are as follows:

	\$
2012	186,096
2013	185,579
2014	29,836
2015	-
2016	-

##### *Licence*

Under an exclusive licence with a third party, the Company is committed to provide exclusive marketing of some of its products for a defined territory.

##### *Related-party transactions*

In the normal course of its operations, the Company has entered into transactions with related parties. These transactions have been measured at the exchange amount.

	Three-month period ended November 30,	
	2011	2010
	\$	\$
Professional fees to a company		
Controlled by a director	<b>13,442</b>	11,050
	<b>13,442</b>	11,050

Fees are incurred for the Company's FFR activities.

### *Financial instruments*

#### *Cash equivalents and temporary investments*

The Company is exposed to various types of risks in the management of its cash and cash equivalents, including those related to the use of financial instruments. To manage these risks, controls were put in place, particularly those related to investment policy. The investment policy is approved by the board of directors. The Company's investment policy aims primarily to protect capital, while considering return on investment and income taxes.

#### *Market risk*

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the parameters underlying their measurement, particularly interest rates and market prices.

#### *Interest rate risk*

Interest rate risk exists when interest rate fluctuations modify the cash flows of the Company's investments. The Company owns investments with fixed interest rates. As of November 30, 2011, the Company was holding more than 81.0% of its cash equivalents in all time redeemable term-deposit.

#### *Financial charges (income)*

	<b>Three-month period ended November 30, 2011</b>	Three-month period ended November 30, 2010
	\$	\$
Interest and bank charges	<b>6,481</b>	2,790
Interest on long-term debt	<b>3,092</b>	5,628
Loss (gain) on foreign currency translation	<b>(24,298)</b>	39,934
Interest income	<b>(31,615)</b>	(61,612)
	<b>(46,340)</b>	(13,260)

#### *Credit risk*

The use of financial instruments can create a credit risk that is the risk of financial loss resulting from a counterparty's inability or refusal to fully discharge its contractual obligations. The Company's credit risk management policies include the authorization to carry out investment transactions with recognized financial institutions, with credit ratings of at least A and higher, in either bonds, money market funds or guaranteed investment certificates. Consequently, the Company manages credit risk by complying with established investment policies.

#### *Concentration risk*

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As of November 30, 2011, the Company was holding more than 81.0% (78.4% as at August 31, 2011, and 81.4% as at September 1, 2010) of its cash equivalents portfolio in all time redeemable term-deposit.

#### *Operational credit risk*

The Company provides credit for a conventional period of 30 days to its customers in the normal course of business. Credit evaluations are performed on an ongoing basis of all its accounts receivable and an allowance for doubtful

accounts is recorded when those accounts are deemed uncollectible. As at November 30, 2011, three major customers represent 76.4% (69.7% as at August 31, 2011, and 66.1% as at September 1, 2010) of the Company's accounts receivable.

As at November 30, 2011, 0.4% of the accounts receivable were of more than 90 days whereas 84.4% of those were of less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On November 30, 2011, the bad debt provision was established at \$3,082 (\$3,082 on August 31, 2011 and \$6,110 on September 1, 2010).

Management considers that substantially all receivables are fully collectible as most of our customers are large corporations with good credit standing and no history or default.

#### *Interest rate and cash flow risk*

The Company is exposed to interest rate fluctuations on certain long-term debt that bears interest at variable rates. The Company does not actively manage this risk.

Assuming the cash equivalents and long-term debt as reported on November 30, 2011 and 2010 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$260 and \$201 on the net loss for the three-month period ended November 30, 2011 and 2010. The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

#### *Foreign exchange risk*

The Company realizes certain sales and purchases certain supplies and professional services in US dollars. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

For the three-month ended November 30, 2011 and 2010, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been respectively \$52,000 lower and \$3,000 higher. Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have been \$52,000 higher and \$3,000 lower for the same periods.

As at November 30, 2011, August 31, 2011 and September 1, 2010 the risk to which the Company was exposed is established as follows:

	As of November 30, 2011	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Cash (US\$241,087)	<b>245,981</b>	232,191	509,164
Accounts receivable (US\$251,482)	<b>256,596</b>	118,200	501,350
Balance of purchase price to be received (US\$450,766)	<b>459,917</b>	424,493	826,037
Accounts payable and accrued liabilities (US\$490,512)	<b>(500,494)</b>	(48,217)	(93,826)
<b>Total</b>	<b>462,000</b>	726,667	1,742,725

#### *Liquidity risk*

Liquidity risk represents the possibility of the Company not being able to raise the funds needed to meet financial commitments at the appropriate time and under reasonable conditions. The Company manages this risk by maintaining permanent and sufficient liquidity to meet current and future financial obligations, under both normal and exceptional circumstances. The funding strategies used to manage this risk include turning to capital markets to carry out issues of equity and debt securities.

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at November 30, 2011:

<b>November 30, 2011</b>	<b>Total</b>	<b>0 to 12 months</b>	<b>1 year to 2 years</b>	<b>2 years to 5 years</b>	<b>More than 5 years</b>
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,211,368	1,211,368	-	-	-
Long-term debt	374,512	121,024	89,882	141,449	22,157
Commitments	401,511	186,096	185,579	29,836	-
<b>Total</b>	<b>1,987,391</b>	<b>1,518,488</b>	<b>275,461</b>	<b>171,285</b>	<b>22,157</b>

  

August 31, 2011	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,045,840	1,045,840	-	-	-
Long-term debt	108,277	89,605	18,672	-	-
Commitments	449,696	185,479	186,446	77,771	-
<b>Total</b>	<b>1,603,813</b>	<b>1,320,924</b>	<b>205,118</b>	<b>77,771</b>	<b>-</b>

  

September 1, 2010	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and	1,402,249	1,402,249	-	-	-
Long-term debt	263,252	136,620	80,035	46,597	-
Commitments	649,604	276,091	157,886	215,627	-
<b>Total</b>	<b>2,315,105</b>	<b>1,814,690</b>	<b>237,921</b>	<b>262,224</b>	<b>-</b>

#### *Fair value*

The fair value of accounts receivable, income tax credits receivable, balance of purchase price receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

The fair value of long-term debt is based on the discounted value of future cash flows under the current financial arrangements at the interest rate the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of long-term debt approximates its carrying value due to the current market rates.

## STRATEGIC ACQUISITIONS AND NEW PROJECT DEVELOPMENT

In its business plan, Opsens has identified means to grow through acquisitions. To maximize value creation for shareholders and depending on opportunities, Opsens could make strategic acquisitions. The Company remains ready for opportunities that may arise at any moment.

On August 16, 2010, Opsens reached an agreement to license through an Intellectual Property and Assignment Agreement (“The Agreement”) its technology in the high-power transformers business to a subsidiary of LumaSense Technologies Inc., of Santa Clara, California, representing Opsens’ exit from that line of business.

The Agreement gives LumaSense exclusive rights to use Opsens’ technology in the transformer business. LumaSense will also have access to Opsens’ existing distribution channels for its transformer business. LumaSense has paid Opsens US\$2.2 million in cash upon closing and will pay a further US\$500,000 in one year and US\$500,000 two years after closing.

The Agreement was recorded as a disposal. Gain on disposal calculation had been calculated as following:

	Amount
	\$
<b>Proceeds</b>	
Cash received at closing	2,190,720
Balance of purchase price to be received as of August 16, 2011 (nominal value of 500,000 \$US)**	443,360
Balance of purchase price to be received as of August 16, 2012 (nominal value of 500,000 \$US)	376,856
	3,010,936
<b>Disposal expenses</b>	
Inventory and purchases credit	150,000
Other expenses and accrued expenses	265,829
Deferred revenues – manufacturing agreement*	220,000
	635,829
<b>Gain on disposal</b>	2,375,107

\* Opsens engaged in a manufacturing agreement with terms and conditions that are beneficial to LumaSense.

\*\* Amount received as at August 31, 2011.

## CAPACITY TO GENERATE RESULTS

As we explained in the section relative to financial position, Opsens has the financial resources for its short term operations, for the fulfillment of commitments, for the maintenance of its growth plan and for its development activities. On a mid-term perspective, it is possible that additional financing through the issuance of shares or debt financing may be required.

During the next year, the generalized growth in sales should not require an additional investment in working capital. Investments in property, plant and equipment of a few hundreds of thousands of dollars will be needed to respond to Opsens’ operational needs.

From the point of view of human resources, the main corporate executive positions are filled within the Company. However, additional production personnel will be required in Quebec and Alberta. Taking into account the employment market in Canada, Opsens is confident in its capacity to recruit qualified human resources in a timely fashion.

Regarding the strategy on corporate executive remuneration, it is oriented towards creation of long-term value for the shareholders. Several corporate executives hold an important share and share-purchase option position, with rights to be acquired over a four-year period in order to align shareholders' interests with corporate executives' interests. This long-term vision stimulates innovation and the development of recurrent revenues.

## **ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

See note 2 of our interim consolidated condensed financial statements for the period ended November 30, 2011 for a detailed presentation of accounting policies, critical accounting judgments and key source of estimation uncertainty.

### *Adoption of IFRS - Impact*

As stated by the Canadian Accounting Standards Board, the Company is required to adopt the IFRS for its interim consolidated condensed and annual financial statements September 1, 2011 and to provide a restated comparative statement in accordance with IFRS.

The following paragraphs explain in detail the impacts of IFRS adoption on the consolidated financial statements of the Company and are intended to supplement the information and reconciliation tables presented in the accompanying note 13 of the interim consolidated condensed financial statements for the period ended November 30, 2011.

### *Initial elections upon adoption*

Notes 2 and 13 explain in detail the choices made by the management regarding the IFRS 1 - First-time adoption of International Financial Reporting Standards. These choices concern the stock option costs, the deemed cost of property, plant and equipment, the designation of financial instruments on the transition date and the business combination accounting treatment, and have been made considering accounting policies already used. For this reason these choices have no significant impact for the Company.

### *Presentation and reclassifications*

One of the changes brought about by the IFRS standards concerns the presentation of transactions affecting the contributed surplus in the shareholders' equity. In our previous presentation conforming to Canadian Generally Accepted Accounting Principles (GAAP), these transactions were presented in the contributed surplus in the statement of deficit. In our new presentation, requested by the IFRS, the Company has reviewed the nature of the elements comprising the balance of contributed surplus and deficit at September 1, 2010, the transition date, and has reclassified these items in separate sections according to their nature. The statement of changes in equity presents four distinct headings: Share Capital, Reserve related to stock options plan, Reserve related to warrants and Deficit. Other headings may be added in the future according to the transactions to be realized.

A further impact relates to the presentation of the statement of loss and comprehensive loss. The Company had the choice between a presentation by function or a presentation based on the nature of expenses. The Company retained the presentation by function, as it considers that it allows a better understanding of the specific activities of the Company. This presentation, similar to the one previously used, resulted in the reclassification of items included under headings such as Stock-based compensation, depreciation and amortization.

Finally, the Company has presented separately, in the statement of financial position, the accounting provision related to the warranty, conforming to the requirements of IAS 37 – Provisions, contingent liabilities and contingent assets.

### *Changes in accounting policies and financial adjustments*

During the last few months, and as explained in the MD&A for the year ended August 31, 2011, the Company has determined the impact of certain accounting modifications required by the IFRS and has made the necessary adjustments on the opening balance of the deficit of September 1, 2010, when judged material.

Under IFRS 2 – Share-based payment, the Company has recalculated the cumulative stock-based compensation expense related to the options granted since October 10, 2006, taking into account a reserve for stock options for which the rights will never be acquired. This reserve has been calculated from historical data established by employee class (regular employees, administrators and managers). Based on these calculations, the Company determined that the impact would be significant and consequently, made adjustment on the opening balance of Deficit for September 1, 2010.

Under IAS 16 – Property, plant and equipment, the Company has the obligation to separately amortize the different parts of property, plant and equipment according to their specific useful life. After detailed analysis of the tangible and intangible assets held on the transition date on September 1, 2010, the management has concluded that there is no significant component having a useful life expectancy different from the remainder of the assets.

The Company has decided to change its current diminishing balance method used for tangible and intangible assets for the straight-line method. The management considers that the straight-line method provides more reliable and relevant information about the real effect of the consumption of assets' future economic benefits requested by IAS 16. For this reason, the modification of the depreciation method has been considered as a change in accounting policies and has been applied retrospectively. The financial impact of this change is \$126,737 on the opening balance of Deficit on September 1, 2010.

The significant accounting policies used to prepare these financial statements are summarized below.

### *Statement of Compliance*

The interim consolidated condensed financial statements were prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are in compliance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34").

### *Principles of consolidation*

The interim consolidated condensed financial statements include the accounts of the Company and those of its wholly-owned subsidiary Opsens Solutions Inc. from the acquisition date.

### *Unaudited interim financial statements*

The interim consolidated condensed financial statements as at November 30, 2011 and for the three-month periods ended November 30, 2011 and 2010 are unaudited. However, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, considered necessary for a fair presentation of the consolidated results of operations for the period presented, have been included. Consolidated results for the interim periods presented are not necessarily indicative of the results that may be expected for the year.

### *Presentation Currency and Foreign Currency Translation*

The interim consolidated condensed financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities are translated at the exchange rates in effect at the financial position date, non-monetary assets and liabilities are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange gains or losses resulting from translation are carried to earning.

*Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments redeemable anytime or with a maturity of three months or less beginning on the acquisition date.

*Inventories*

The cost of inventories is essentially determined using the moving average method. The cost of work in progress and finished goods comprises the cost of raw materials and an applicable share of the cost of labour and manufacturing overhead based on normal production capability. Inventories are valued at the lower of cost and net realizable value.

When impairment is recognized, a new assessment of net realizable value is performed in each subsequent period. When the circumstances that justified writing down the inventories below cost no longer exist, or when there is a clear indication of an increase in net realizable value due to a change in the economic situation, the amount of the write-down is reversed such that the new carrying amount is the lower of the cost or the revised net realizable value.

*Property, plant and equipment and intangible assets*

Property, plant and equipment and intangible assets with finite lives are recorded at their acquisition cost. Amortization is provided using the declining balance method based on their useful lives using the straight-line method, at the following annual rates:

*Property, plant and equipment and intangible assets*

Office furniture and equipment	10 years
Production equipment	7 years
Automotive equipment	7 years
Research and development equipment	7 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Lease term

*Intangible assets with limited lives*

Patents	Term of underlying patent, 5 to 20 years
Software	3 years

*Intangible assets with indefinite lives*

Intangible assets with indefinite lives are recorded at cost and are tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment in value. The excess of the carrying value over the fair value is recorded in loss.

*Impairment of long-lived assets*

Long-lived assets held are reviewed annually or more frequently when events or changes in circumstances cause its carrying value to exceed its recoverable value, being the greater of fair value less cost to sell and value-in-use. An impairment loss is calculated as the excess of carrying value over recoverable value..

*Goodwill*

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of loss in an amount equal to the excess. Goodwill is not deductible for tax purposes.

### *Revenue recognition*

Opsens Inc. reportable segment revenues related to the sale of products are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Opsens Solutions Inc. reportable segment revenues related to the sale of products and sensor installation services are recognized when persuasive evidence of an arrangement exists, on site installation has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. For contract revenues earned over a long period, revenues are recorded using the percentage of completion method. Therefore, these revenues are recognized proportionately with the degree of completion of the work. The Company uses the efforts expended method to calculate the degree of completion of work based on the number of hours incurred as at the balance sheet date compared to the estimated total number of hours. Work in progress is valued by taking into consideration the number of hours worked but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

### *Government assistance and income tax credits for research and development*

Government grants are recorded when there is reasonable assurance that the Company has complied with and will continue to comply with all the conditions of the grant. Non-repayable grants or contributions related to operating expenses are included in the statement of loss when the related expenses are incurred. Grants related to capital expenditures are netted against the related assets when acquired.

The Company is also eligible for income tax credits for scientific research and experimental development (SR&ED) awarded by the federal and provincial governments. The portion of SR&ED credits immediately receivable is accounted for in the year during which the related costs or capital expenses are incurred. The portion of SR&ED credits not immediately receivable is accounted for in the year during which these costs or expenses are incurred, provided the Company has reasonable assurance that these credits will be recovered.

Income tax credits are applied against expenses or related assets. Recorded income tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities.

### *Stock-based compensation and other stock-based payments*

The Company uses the fair value method to assess the fair value of stock options or warrants as at their date of allocation. The fair value is determined using the Black-Scholes option pricing model and is recognized through net results over the vesting period with an offset to the corresponding shareholder's equity account. When stock options or warrants are exercised, the corresponding account and the proceeds received by the Company are credited to share capital.

### *Income taxes*

The Company accounts for income taxes using the tax liability method. Under this method, future income tax assets and liabilities are recognized for deductible or taxable temporary differences between the carrying value and the tax value of the assets and liabilities based on the enacted or substantially enacted tax rates expected to apply to the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

### *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date while non-monetary items are translated at the historical rate. Revenues and expenses denominated in foreign currencies are recorded at the average rate of exchange prevailing during the period, except

for depreciation and amortization, which is translated at the historical rate. Foreign exchange gains or losses are included in expenses for the year.

#### *Loss per share*

Loss per share is determined using the weighted average number of outstanding shares during the period. The Company uses the treasury stock method to calculate the diluting effect of share purchase options and warrants. Reconciliations of the numerators and the denominators used in the calculation of the basic and diluted loss are disclosed in accordance with the IFRS.

#### *Revenue recognition and work in progress*

Opsens Inc. reportable segment revenues related to the sale of products are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Opsens Solutions Inc. reportable segment revenues related to the sale of products and sensor installation services are recognized when persuasive evidence of an arrangement exists, on site installation has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. For contract revenues earned over a long period, revenues are recorded using the percentage of completion method. Therefore, these revenues are recognized proportionately with the degree of completion of the work. The Company uses the efforts expended method to calculate the degree of completion of work based on the number of hours incurred as at the balance sheet date compared to the estimated total number of hours. Work in progress is valued by taking into consideration the number of hours worked but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

#### *Financial instruments*

Cash and cash equivalents, accounts receivable, balance of purchase price and income tax credits receivable are classified as loans and receivables. They are recorded at amortized cost, which, at initial recognition corresponds to fair value. Subsequent revaluations of accounts receivable are recorded at amortized cost, which generally corresponds to the initially recognized amount less any allowance for doubtful accounts.

The Company has chosen to classify its financial liabilities (accounts payable, accrued liabilities, and long-term debt) as other liabilities. Financial liabilities are initially measured at cost, and subsequent revaluations are recorded at amortized cost using the effective interest rate method.

Transaction fees related to “other liabilities” are capitalized and presented against long-term debt. They are amortized using the effective interest rate and are recorded in the income statement.

#### *Critical accounting estimates and judgements*

In preparing these interim consolidated condensed financial statements under IFRS, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgments made by management in preparing the interim consolidated condensed financial statements using accounting policies of the Company and the main sources of estimation uncertainty should be the same as those that will be applied to the first IFRS annual consolidated financial statements.

The following are the critical judgements and key sources of estimation:

- Recoverability of intangible assets
- Inventory evaluation
- Useful lives of property, plant and equipment

Government assistance and research and development tax credits

For all these items, relevant accounting policies are discussed in the other parts of Note 2.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

## **FUTURE ACCOUNTING CHANGES**

IFRS 9 - Financial Instruments, issued in November 2009, introduces new requirements for the classification and measurement of financial assets, financial liabilities and for derecognition. IFRS 9 will be effective for annual periods beginning on January 1, 2015, with earlier application permitted. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 - Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The Company is required to adopt IFRS 9 for the annual period beginning September 1, 2015. Since the Company does not expect to hold financial assets other than cash and cash equivalents, it does not expect that the adoption of IFRS 9 will have a significant impact on its financial statements.

IFRS 13 - Fair value measurement, issued in May 2011, establishes a single framework for measuring fair value where such measure is required under other standards. IFRS 13 will be effective for the annual period beginning on September 1, 2013, with earlier application permitted. IFRS 13 will apply for both financial and nonfinancial items measured at fair value. Under IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company will adopt IFRS 13 for the annual period beginning September 1, 2013. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

In May 2011, the IASB issued IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Ventures, IFRS 12 - Disclosures of Involvement with Other Entities, and amended IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, all applicable for annual period beginning on or after September 1, 2013. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

In June 2011, the IASB published an amendment to IAS 19 - Employee Benefits. As the Company does not provide benefits in the scope of this amendment, there will be no impact.

In June 2011, the IASB also issued an amendment to IAS 1 - Presentation of Items of Other Comprehensive Income that will be effective for the annual period beginning on September 1, 2012. This amendment provides an option to present comprehensive income in either one single continuous statement or in two separate but consecutive statements. It also requires items of other comprehensive income items to be grouped into those that will and will not be reclassified to profit and loss in the future. Earlier application of this standard is permitted. The company is currently evaluating the impact of this standard.

## **RISK FACTORS AND UNCERTAINTIES**

Opens operates in an industry that is subject to various risks and uncertainties. The Company's business, financial position, and operating results could be impacted negatively by these risks and uncertainties. The most important risks and uncertainties are described in the management discussion and analysis for the year ended August 31, 2011.

**OTHER INFORMATION**

Updated information on the Company can be found on the SEDAR Web site at <http://www.sedar.com>.

On behalf of management,  
Chief Financial Officer and Secretary

*(s) Louis Laflamme*

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January 18, 2012