MANAGEMENT DISCUSSION & ANALYSIS
Quarterly report for shareholders
Period ended November 30, 2008

The following comments are intended to provide a review and analysis of the operating results of Opsens Inc. for the three months ended November 30, 2008, and the financial position at the end of that period, compared with the corresponding results a year earlier. They should be read and interpreted in conjunction with the audited financial statements, as well as the accompanying notes as of August 31, 2008.

Unless stated otherwise, the interim Management Discussion and Analysis has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a consolidated basis. This document was prepared on January 12, 2009. 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, transformers, and laboratory fields. Opsens provides complete technical support, including installation, training, and after-sales service.

Opsens holds three (3) patents and has three (3) patents pending covering its products and technology 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, high-power transformers, 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. The Opsens sales and marketing strategy aims to provide solutions for the various current niche markets and develop specific new markets. The Company's expertise, know-how, and patented technology are the keys to new production techniques improving the reliability of measuring equipment. Also, the 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 2009, Opsens expects revenue from product sales to be higher than a year earlier in the oil and gas, medical, high-power transformers, and laboratory markets despite challenging economic environment. The testing of the OPP-W sensor in the oil and gas market in fiscal 2008 and greater maturity of our products, particularly in the medical market, will contribute significantly to increased revenues. While recently lower oil prices could reduce investment in the oil and gas industry, we believe that lower prices will cause producers to seek out our technology to optimize their production, boosting commercialization of the OPP-W sensor in the mid-term.

Disclosures in volatile and uncertain times in the financial markets

Even in the current economic environment, Opsens continues to execute its business plan, targeting revenue growth in all of its markets. The company continues to hire in human resources to provide its clients with top-quality products and services. Given the controls in place in each of Opsens' units, the company isn't at this point taking any unusual measures. The current period of uncertainty and volatility has not required the company to change its method of dealing with credit, since Opsens' clients are primarily businesses with strong capitalization, distributors and government-related agencies.

As for recent currency fluctuations, an appreciating American dollar against the Canadian dollar generally favors sales figures and gross margins, since most of Opsens' sales are made in U.S. dollars.

Regarding cash management, the private placement that Opsens completed in 2008 gives the company the financial resources necessary to operate in 2009. The company has not changed its cash management strategy, which aims to protect its financial assets and defer spending that isn't essential to enacting Opsens' business plan in the near to medium term. If Opsens did need to raise money in the future, success would depend on revenue growth.

The accounting estimates used in the financial statements for the period ended November 30, 2008, were not modified for the current uncertain economic environment. These items are receivable tax credits, provisions for contractual guarantees and assumptions tied to the fair value of share options and warrants. Management doesn't anticipate an impact on the company's accounting estimates for fiscal 2009.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of dollars, except for information per share)	**Three-month period ended November 30, 2008**	**Three-month period ended November 30, 2007**
	$	**$**
Sales	612	569
Cost of sales	422	268
Gross margin	190	301
Administrative expenses	314	202
Marketing expenses	194	195
R&D expenses	205	163
Financial expenses (income)	(76)	14
Stock option-based compensation	67	51
Amortization of property, plant and equipment	36	18
Amortization of intangible assets	5	5
	745	648
Loss before income taxes	(555)	(347)
Income taxes	-	-
Net loss	(555)	(347)
Net loss per share - Basic	(0.01)	(0.01)
Net loss per share - Diluted	(0.01)	(0.01)

(In thousands of dollars)	As at November 30, 2008	As at August 31, 2008
	$	$
Current assets	5,104	5,462
Total assets	6,618	6,852
Current liabilities	968	770
Long-term debt	289	253
Shareholders' equity	5,361	5,829

No dividend was declared per share for each share class.

On October 3, 2006, Opsens completed a qualifying transaction under the rules of the TSX Venture Exchange Corporate Finance Manual. On April 8, 2008, the Company completed a private placement of 4,711,126 units at a price of $0.80 per unit for gross proceeds of $ 3,768,901.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(In thousands of dollars)	Three-month period ended November 30, 2008	Three-month period ended August 31, 2008	Three-month period ended May 31, 2008	Three-month period ended February 29, 2008
	$	$	$	$
Revenues	612	748	890	637
Net loss for the period	555	228	359	403
Net loss per share - Basic	0.01	0.01	0.01	0.01
Net loss per share - Diluted	0.01	0.01	0.01	0.01

(In thousands of dollars)	Three-month period ended November 30, 2007	Three-month period ended August 31, 2007	Three-month period ended May 31, 2007	Three-month period ended February 28, 2007
	$	$	$	$
Revenues	569	187	187	266
Net loss for the period	347	531	700	520
Net loss per share - Basic	0.01	0.02	0.02	0.02
Net loss per share - Diluted	0.01	0.02	0.02	0.02

The acquisition of Inflo Solutions on December 11, 2007, stimulated sales in the oil and gas sector beginning in the second quarter of fiscal 2008.

In the first quarter of 2009, the Company performed leasehold improvements to its Quebec facilities, which temporarily affected production and hence revenues, and increased the Company’s loss.

Historically, the Company's revenues have been little affected by seasonalities. Seasonal fluctuations will become more significant as the weighting of sales to the oil and gas field increases, since business activity is generally greater in the winter quarter for this sector.

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, 2008 AND 2007

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(In thousands of dollars except for percentage data figures)	**Three-month period ended November 30, 2008**	**Three-month period ended November 30, 2007**
	$	**$**
Revenues	612	569
Growth rate (%)	8	
Gross margin	190	301
Growth rate (%)	(37)	

The Company generated $612,000 in sales for the period ended November 30, 2008, compared to $569,000 for the comparative period a year earlier, an increase of 8%. For the first quarter of 2009, the Company performed leasehold improvements to its Quebec facilities which temporarily affected production, and hence revenues. Sales to the laboratory field were the biggest contributors to total revenue in the first quarters of both 2009 and 2008. Oil and gas revenues in fiscal 2009 included a small portion of the recently announced order from Nexen Inc. for the installation of our OPP-W sensors for continuous downhole pressure and temperature measurement at high temperatures. Opsens will fulfill the rest of the Nexen contract in upcoming quarters.

The gross margin rate and the gross margin on product sales decreased for the period ended November 30, 2008, in relation to the previous fiscal year, as the company increased overhead costs and manufacturing employees to prepare for expected growth in coming quarters. The gross margin rate target is 40% for 2009. As at November 30, 2008, the backlog amounted to $735,000.

Given that a large proportion of the Company's revenue is generated in U.S. dollars, while most costs are priced in Canadian dollars, fluctuation in the exchange rate affects revenue. For the quarter ended November 30, 2008, the average exchange rate was higher than the previous year, increasing sales by $76,000.

Market acceptance of fiber optic sensors is increasing in various sectors. Consequently, some sectors, such as high-power transformers, are seeing additional competition. To face this competition, Opsens is working to highlight the performance characteristics of its products compared to competitors.

PRODUCTS AND INNOVATION

The Company is constantly working to improve its position in terms of intellectual property and what it can offer to its customers. In fiscal 2009, the Company will focus on improvements to its technology in markets with the highest perceived potential payoff, particularly oil and gas and medical devices.

R&D expenses increased to $205,000 in the first quarter of 2009 from $163,000 in the comparative period. The change in R&D expenses during the period was generated mainly by increased in employment levels and R&D supplies.

SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

Net loss

Reconciliation of EBITDA to the Annual Results

(In thousands of dollars)	**Three-month period ended November 30, 2008**	**Three-month period ended November 30, 2007**
	$	**$**
Net loss for the period	(555)	(347)
Financial expenses (income)	(76)	14
Amortization of property, plant, and equipment	36	18
Amortization of intangible assets	5	5
EBITDA[1]	(590)	(310)
Stock-based compensation costs	67	50
EBITDA before stock-based compensation costs	(523)	(260)

(1) The Company uses only one financial measure that is not consistent with Canadian GAAP, namely earnings before interest, income taxes, depreciation and amortization (EBITDA). Such a measure is used because management believes that it provides meaningful information about the Company's performance and operating results. Such a non-GAAP measure has no standardized meaning as prescribed by GAAP and is not necessarily comparable to similarly titled measures presented by other companies. Accordingly, it should not be considered independently of other figures.

For the period ended November 30, 2008, net loss totalled $555,000, compared to $347,000 for the period ended November 30, 2007. This increase in net loss as well as the EBITDA before stock-based compensation costs for first quarter 2009 compared with a year earlier mainly reflects the decrease in gross margin, combined with an increase in administrative expenses.

Results in coming quarters will be strongly influenced by product sales volume. The expansion of marketing activities within the oil and gas market following the OPP-W installations in 2008 and 2009 should contribute to an increase in EBITDA.

INFORMATION BY REPORTABLE SEGMENTS

The company's reportable segments are strategic business units managed separately. One, Opsens Inc., focuses on developing, producing, and supplying fiber optic sensors to the medical, high-power transformerd and laboratory fields, while the other, Opsens Solutions Inc., specializes in the marketing and installation of optical and conventional sensors for the oil and gas industry.

	First quarter 2009			First quarter 2008		
	Opsens Inc.	Opsens Solutions	Total	Opsens Inc.	Opsens Solutions	Total
	$	$	$	$	$	$
External sales	516,906	94,987	611,893	568,709	-	568,709
Internal sales	20,724	-	20,724	-	-	-
Amortization of property, plant and equipment	33,455	2,324	35,779	18,572	-	18,572
Amortization of intangible assets	5,021	-	5,021	4,854	-	4,854
Financial expenses	(84,399)	8,044	(76,355)	14,070	-	14,070
Net loss	(337,723)	(217,626)	(555,349)	(347,097)	-	(347,097)
Acquisition of property, plant and equipment	151,223	6,872	158,095	16,595	-	16,595
Acquisition of intangible assets	5,875	-	5,875	12,278	-	12,278

These operating units generate revenue in various geographic segments as follows:

	First quarter 2009	First quarter 2008
	$	$
Revenue per geographic sector		
Canada	115,663	14,112
United States	285,810	333,889
Germany	39,527	53,424
United Kingdom	54,734	148,913
Other	116,159	18,371
	611,893	568,709

Revenue is attributed to geographic segments based on the customer's 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, 2008, revenues from three clients represent individually more than 10% of the total revenues of the Company, i.e. about 19.93% (Opsens Inc.'s reportable segment), 17.46% (Opsens Inc.'s reportable segment) and 10.95% (Opsens Inc.'s reportable segment). For the period ended November 30, 2007, revenues from one client represented 26.18% (Opsens Inc.'s reportable segment) of the Company's total revenues.

Administrative expenses

Administrative expenses were $314,000 for the period ended November 30, 2008, compared to $202,000 for the same period last year.

Administrative expenses increased mainly due to the administrative expenses generated by the new subsidiary Opsens Solutions and a rise in employment levels. In coming quarters, administrative expenses should remain stable with the first quarter of 2009.

Sales and marketing expenses

Sales and marketing expenses were stable for the first quarter of 2009 at $194,000 compared $195,000 for the last year comparative period.

Main expenses are salaries and conference participation. Sales and marketing expenses for the next quarters of 2009 will increase in relation to the previous year now that we have a dedicated sales force in both of our locations.

Financial income (expenses)

Financial income was $76,000 for the period ended November 30, 2008, compared to expenses for $14,000 for the same period last year. The increase resulted from exchange rate gains due to the appreciation of the American dollar against the Canadian dollar.

Financing activities cash flow

The Company did not complete any significant financing in the latest quarter. The net proceeds of the private placement in fiscal 2008 will be used for marketing, general working capital purposes and also, if any, for acquisition. Opsens will expand its sales and marketing activities and finalize three main product development partnerships, which should provide long-term recurring revenues.

Warrants exercised

During the quarter ended November 30, 2008, 50,000 warrants entitling their holders to acquire common shares at $0.40 each were exercised, for a total of $20,000. The book value of the exercised warrants transferred to share capital was $8,000.

In the latest quarter, warrants entitling holders to buy 393,000 shares at $0.40 each and 4,865,000 shares at $0.60 each expired.

For the period ended November 30, 2008, the Company granted to some employees a total of 210,000 stock options with an average exercise price of $0.48 and cancelled 10,000 stock options with an exercise price of $0.87 per share.

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

Common shares	40,481,677
Stock options	2,442,500
Warrants	2,796,453
Securities on a fully diluted basis	45,720,630

Subsequent events

After November 30, 2008, 111,111 warrants, entitling the holder to acquire common shares of the Company at $0.55 each, expired.

Investing activities cash flow

Opsens performed leasehold improvements at its Quebec City manufacturing facility during the first quarter of 2009. Leasehold improvements, R&D and production equipment purchases amounted to $158,000 in the quarter. These acquisitions were made primarily to gain access to space and high-tech R&D and production equipment.

As for intangible assets, Opsens invested $6,000 and $13,000 in the first quarters of 2009 and 2008, respectively. These investments involved patent protection for the Company's inventions.

Cash and cash equivalents

On November 30, 2008, the Company had cash and cash equivalents of $3,426,000, compared to $3,743,000 as of August 31, 2008. Of the balance at the end of the latest first quarter, $3,121,000 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, 2008, Opsens had working capital of $4,136,000, compared to working capital of $4,691,000 as at August 31, 2008. Based on the private placement completed on April 8, 2008, the exercised warrants, 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 debts. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and uncertainties* section in the Management Discussion and Analysis for the year ended August 31, 2008. During the coming quarters, fluctuation in cash assets will depend particularly on the rate of revenue growth.

For the next quarters, widespread sales growth should require the Company to make an additional investment of a few hundred thousand dollars in accounts receivable and inventory.

Commitments

Lease

The Company leases offices 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 $611,485.

Opsens Solutions rents an office in Alberta with respect to an operating lease expiring on May 30, 2009. Future lease payments will amount to $6,000.

Opsens Solutions rents two vehicles under operating leases expiring in November 2010 and October 2013. Future rent payments will amount to $52,958.

Future payments for the leases and other commitments, totalling $912,443, required in each of the next five years are as follows:

	$
2009	278,585
2010	221,789
2011	130,869
2012	128,369
2013	128,257
Thereafter	24,574

The Company expects to meet its short-term cash needs with its working capital position.

License

According to an exclusive license agreement with a third party, the Company has committed to providing exclusivity for the marketing of some of its products for a defined territory.

Related-party transactions

During the normal course of business, management and professional fees have been incurred from related parties. These transactions have been valued at the exchange amount agreed by the parties. Professional fees were disbursed in exchange for administrative support and management consulting.

	Three-month period ended November 30, 2008	Three-month period ended November 30, 2007
	$	$
Professional fees to a company controlled by a shareholder and director	-	15,000
	-	15,000

Capital management

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 quarterly burn rate. Quarterly burn rate is defined by the Company as the quarterly cash flows from operating activities without taking in consideration changes in non-cash operating working capital items. For the three-month period ended November 30, 2008, the net loss and the quarterly burn-rate were respectively $555,349 and approximately $445,099. The Company targets to improve these ratios which negatively vary for the first quarter 2009 compare to first quarter 2008. The Company believes that its current liquid assets are sufficient to finance its activities on 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. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios related to the maintenance of a maximum ratio of 3 to 1 for total debt to equity, and a ratio of at least than 1.5 to 1 for debt to working capital, with a minimum working capital of $200,000. These ratios apply equally to long-term debt valued at $72,859. Another loan, valued at $33,621, is subject to a maximum total debt to equity ratio of 2.5 to 1, and a ratio of at least 1.5 to 1 for working capital. The covenants are met as of November 30, 2008.

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, 2008, the Company was holding more than 91.8% of its cash equivalents portfolio in all time redeemable term-deposit.

Financial charges (income)

	First quarter	
	2008	2007
	$	$
Interest and bank charges	4,758	2,483
Interest on long-term debt	7,557	22,118
Gain on foreign currency translation	(28,761)	(17,792)
Interest income	(59,909)	7,261
	(76,355)	14,070

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, 2008, the Company was holding more than 91.8% 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. Three major customers represent 48% of the Company's accounts receivable as at November 30, 2008.

As at November 30, 2008, a little more than 34% of the credit customers were of more than 90 days whereas more than 53% of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On November 30, 2008, the bad debt provision was established at $14,031 ($14,031 on August 31, 2008).

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, 2008 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of $1,000 on the net loss for the three-month periods ended November 30, 2008. 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 U.S. dollars. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

To illustrate the potential impact of currency fluctuations, for the quarter ended November 30, 2008, if the Canadian dollar had been 10% stronger against the U.S. dollar, reported net income would have been $26,000 lower, all other variables held constant. Conversely, if the Canadian dollar been 10% weaker against the U.S. dollar, net income would have been $26,000 higher.

As at November 30, 2008, the Company held the following exposure to U.S. dollars expressed here in Canadian dollars:

	$
Cash	82,680
Accounts receivable	565,609
Accounts payable and accrued liabilities	(63,565)
	584,724

Fair value

The fair value of cash and cash equivalents, accounts receivable, income tax credits receivable and accounts payable and accrued liabilities approximate 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.

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), at November 30, 2008:

	Total	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	815,095	815,095	-	-	-
Long-term debt	449,263	164,317	113,907	171,039	-
Obligation under capital lease	25,439	7,363	7,363	10,713	-
Commitments	912,443	278,585	221,789	387,495	24,574
Total	2,202,240	1,265,360	343,059	569,247	24,574

STRATEGIC ACQUISITIONS AND NEW PROJECT DEVELOPMENT

In its business plan, Opsens has identified some acquisition targets for growth. In order to maximize value creation for our shareholders, and based on the opportunities, Opsens may make strategic acquisitions during the next fiscal year. Opsens remains open to any business opportunities that could occur at any time.

On December 11, 2007, the Company concluded the acquisition of all outstanding shares of Inflo Solutions Inc. ("Inflo"), a company dedicated to the design and installation of reservoir surveillance solutions based on optical and conventional sensors to the oil and gas market. The purchase price is comprised of 1,199,997 Opsens common shares and $120,000 cash. At the closing, 510,000 shares out of the first 600,000 shares were paid into escrow and will be released over a 48-month period. The balance of the shares and the cash, represented by a series of promissory notes, have also been paid in escrow, to be released or cancelled, as applicable, over a 48-month period ending December 11, 2011, following the achievement or non achievement of certain performance milestones. The Company has also committed to invest up to $350,000 into the working capital of Inflo during the 48-month period following the acquisition. The shares issued at closing are subject to a statutory 4-month hold period ending on April 12, 2008.

On April 8, 2008, a milestones had been achieved which had effect to release a series of promissory notes for a total value of $60,000. This amount had been booked as goodwill.

On August 31, 2008, the Company renegotiated the agreement made on December 11, 2007. The revised agreement eliminated the possibility of cancelling 499,997 shares against an escrow ending on December 11, 2011.

The acquisition has been accounted for using the purchase method, and the results of operations have been included in the consolidated financial statements of the Company from the date of acquisition. The purchase price allocation shown below is based on the fair value estimate made by the Company :

	Amount
	$
Assets	
Cash	6,029
Current assets	42,024
Service contracts	20,000
	68,053
Liabilities	
Current liabilities	44,377
Net identifiable assets acquired	23,676
Goodwill*	676,574
Purchase price	700,250
Less :	
Cash acquired	6,029
Issuance of shares in connection with the acquisition	525,574
Net cash used for the acquisition	168,647

* Goodwill is not deductible for income taxes calculation.

On December 11, 2007, the Company Inflo changed its name for Opsens Solutions Inc. ("Opsens Solutions").

CHANGE IN ACCOUNTING POLICIES

Impact of adopting the new Financial instruments standards

On September 1, 2008, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding Capital Disclosures (Section 1535), Inventories (Section 3031), Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (section 3863). The new standards were applied prospectively without restatement of comparative financial statements.

a) Section 3031, Inventories. This Section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Management has reviewed the new standard and does not expect the adoption of this standard will have a significant impact on the Company's consolidated financial statements.

Since this standard came into effect, the Company has been recording its raw materials inventory at the lower of cost and net realizable value. In the past, the Company recorded raw materials inventory at the lower of cost and replacement value.

b) Section 1535 "Capital Disclosures", established standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. Since the standard came into effect, the Company has been presenting relevant information about capital management in the "Capital Management" note.

c) Sections 3862 and 3863 place heightened importance on disclosure, enabling financial statement users to assess the nature and extent of the risks associated with the financial instruments to which the Company is exposed and the manner in which it manages these risks.

On September 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding Financial instruments- Recognition and measurement (Section 3855), Financial Instruments – Disclosure and presentation (Section 3861), Hedges (Section 3865) and Comprehensive Income (section 1530). Information released prior to September 1, 2007 was not restated.

On September 1, 2007, the Company made the following adjustments in order to conform to the new accounting standards:

	Amount
	$
Decrease	
Balance Sheet	
Assets	
Deferred financing costs	4,336
Liabilities	
Long-term debt	78,023
Statement of deficit	
Change in accounting policies	73,687

SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

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

Unaudited interim financial statements

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements, and they are consistent with the accounting policies and methods used in the preparation of the Company's most recent audited financial statements. However, they do not include all information required for annual consolidated financial statements. These unaudited consolidated interim financial statements and related notes should be read in conjunction with the Company's most recent annual audited financial statements.

The consolidated financial statements as at November 30, 2008, and for the three-month periods ended November 30, 2008 and 2007 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.

All amounts are disclosed in Canadian dollars.

Use of estimates

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The main accounting estimates relate to the income tax credit receivable, the provision of warranties and the assumptions used in the determination of the fair value of the stock options and warrants. Actual results could differ from those estimates.

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

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method.

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 earnings in an amount equal to the excess.

Revenue recognition

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.

Sensor installation services, contract revenues earned over a long period, and partnership 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 worded but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

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 GAAP.

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 amortized to earnings over the vesting period with an offset to contributed surplus. When stock options or warrants are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Financial instruments

Short-term investments are classified as financial instruments “held for trading”. As such, these financial instruments are recorded at their fair values. Changes in the fair value of held for trading instruments are recorded as investment income and disclosed as financial expenses in the income statement.

Accounts receivable are classified as loans and receivables, and are recorded at amortized cost.

Accounts payable, accrued liabilities and long-term debt are classified as “other liabilities” and are recorded at amortized cost.

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.

FUTURE ACCOUNTING CHANGES

The CICA has issued new accounting standards:

The above standards will be effective for the Company as of September 1, 2008.

Section 3064, “Goodwill and intangible assets”, replacing Section 3062, “Goodwill and other intangible assets” and Section 3450, “Research and development costs”. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning September 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its interim and annual consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will converge to International Financial Reporting Standards ("IFRS") over a transition period that is expected to be complete by 2011. On February 13, 2008, the CICA confirmed 2011 as the official changeover date from current Canadian GAAP to IFRS. The Company will convert to these new standards according to the timetable set with these new rules.

The Company has not begun to assess the future impact of these new standards on its interim and annual consolidated financial statements.

RISK FACTORS AND UNCERTAINTIES

Opsens 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, 2008.

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

January 22, 2009