MANAGEMENT DISCUSSION & ANALYSIS

Annual report for shareholders
Fiscal year ended August 31, 2009

The following comments are intended to provide a review and analysis of the operating results and financial position of Opsens Inc. as of August 31, 2009, and for the three months and year ended this date, in comparison with the corresponding periods ended August 31, 2008. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes as of August 31, 2009.

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 November 6, 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 in conformity with ISO 9001:2000.

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 2010, Opsens expects revenue from product sales to be higher than a year earlier, despite the challenging economic environment. The recent order from a major Alberta oil and gas producer to instrument 26 wells with OPP-W fibre optic sensors, and the greater maturity of our products, will contribute significantly to increase revenues.

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.

Regarding cash management, the private placements that Opsens completed in 2008 and 2009 give the company the financial resources necessary to operate in 2010. 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 August 31, 2009, 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 2010.

Majors drivers that have changed as a result of the financial crisis

Credit availability and cost

The availability of credit has decreased as a result of the global financial crisis. Opsens' current assets are enough to execute its current short-term business plan. If additional equity financing is required, current fiscal incentives may help. It is uncertain what the impact of an equity financing on current shareholders would be compared with doing such a financing under more normal market conditions.

Customers

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.

Currency fluctuations

As for recent currency fluctuations, an appreciating American dollar against the Canadian dollar generally favours sales figures and gross margins, since most of Opsens' sales are made in U.S. dollars. Additional information is included below under the "Distribution, sales and long-term recurring revenues" and "Capital management" headings.

Commodity prices

The oil and gas market is a strategic one for Opsens. In spite of the recovery in the price of oil and gas, the high volatility of this commodity could affect negatively short-term investments in the oil and gas industry.

Counterparties

Because Opsens' revenues and purchases are diversified, the company doesn't anticipate any significant impact from decreased solvency of certain clients, suppliers and bankers.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year Ended August 31, 2009	Year Ended August 31, 2008	Year Ended August 31, 2007
	$	$	$
Sales	3,088	2,844	813
Cost of revenues	2,000	1,432	639
Gross margin	1,088	1,412	174
Administrative expenses	1,179	984	623
Marketing expenses	872	731	825
R&D expenses	828	699	591
Financial expenses (income)	(34)	(58)	(9)
Stock option-based compensation	229	253	345
Amortization of property, plant and equipment	164	100	72
Amortization of intangible assets	21	40	18
Write-off of intangible assets	-	-	12
Amortization of reported financing fees	-	-	10
	3,259	2,749	2,487
Loss before income taxes	(2,171)	(1,337)	(2,313)
Income taxes	-	-	-
Net loss	(2,171)	(1,337)	(2,313)
Net loss per share – Basic	(0.05)	(0.04)	(0.08)
Net loss per share - Diluted	(0.05)	(0.04)	(0.08)

(In thousands of Canadian dollars)	As at August 31, 2009	As at August 31, 2008	As at August 31, 2007
	$	$	$
Current assets	4,880	5,462	2,543
Total assets	6,450	6,852	3,029
Current liabilities	652	770	541
Long-term debt	256	253	499
Shareholders' equity	5,542	5,829	1,989

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. 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.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(In thousands of Canadian dollars)	Three months ended August 31, 2009	Three months ended May 31, 2009	Three months ended February 28, 2009	Three months ended November 30, 2008
	$	$	$	$
Revenues	591	1,279	606	612
Net loss for the period	(719)	(215)	(682)	(555)
Net loss per share - Basic	(0.02)	(0.01)	(0.02)	(0.01)
Net loss per share - Diluted	(0.02)	(0.01)	(0.02)	(0.01)

(In thousands of Canadian dollars)	Three-month period ended August 31, 2008	Three-month period ended May 31, 2008	Three-month period ended February 29, 2008	Three-month period ended November 30, 2007
	$	$	$	$
Revenues	748	890	637	569
Net loss for the period	(228)	(359)	(403)	(347)
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)

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

In the latest second quarter, Opsens incurred and recorded expenses related to the planned installation of two OPP-W sensors. The installation was delayed by the client until the third quarter, when the sensors were installed, and the revenue recorded.

FOURTH QUARTER 2009

Revenue totalled $591,000 for the quarter ended August 31, 2009, compared with $748,000 a year earlier. The decrease resulted from weakness in the oil and gas market. The company had anticipated to completing two installations from its oil and gas backlog in the fourth quarter, but the orders were postponed. Opsens expects to proceed with these installations in the first half of 2010, further boosting expected revenue growth.

The Company recorded a loss of $719,000 or 2 cents a share in the fourth quarter, compared with a loss of $228,000 or 1 cent a share a year earlier. The increased loss reflects lower sales, gross margins and financial income. Seasonal fluctuations and year-end adjustments had no impact on operating revenues and net loss for the fourth quarter 2009.

Administrative expenses were little changed at $285,000 for the latest quarter, compared with $275,000 for the same period in 2008.

Marketing expenses for the quarter were declined to $203,000 versus $222,000 a year earlier.

Research and development expenses totalled $201,000 for the quarter ended August 31, 2009, compared with $165,000 for the same period in 2008. The increased spending went towards a promising new project in medical instrumentation.

Historically, the Company's revenues have been little affected by seasons. 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.

YEARS ENDED AUGUST 31, 2009, AND AUGUST 31, 2008

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(In thousands of dollars except for percentage data figures)	Year Ended August 31, 2009		Year Ended August 31, 2008
	$		$
Revenues	3,088		2,844
Growth rate (%)		(8.5)	
Gross margin	1,088		1,412
Growth rate (%)		(-22.9)	

The Company reported revenue of $3,088,000 for the year ended August 31, 2009, compared with $2,844,000 a year earlier, an increase of 8.5%. The growth includes a sales increase of $800,000 in the high-power transformers market and an increase of close to $180,000 in the scientific and military laboratories markets. The growth is attributable to an emphasis on highlighting the added value of our products.

Sales in the oil and gas sector totalled $375,000, compared with $799,000 a year earlier ($207,000 accounted for within the Opsens Inc. reportable segment) for 2008. In general, the drop reflects our oil and gas clients' reluctance to make investments in an uncertain economy.

Sales in medical instrumentation were $285,000 in fiscal 2009 compared with $612,000 for 2008. In 2008, we made some major deliveries used for product evaluation that we expect will stimulate growth in this market in 2010.

(In thousands of Canadian dollars except for percentage data figures)	Year ended August 31, 2009	Year ended August 31, 2009	Year ended August 31, 2009	Year ended August 31, 2009
	Opsens Inc.'s reportable segment $	**Opsens Solutions Inc.'s reportable segment $**	**Eliminations $**	**Consolidated financial statements $**
Revenues	2,803	366	(81)	3,088
Cost of revenues	1,431	651	(81)	2,000
Gross margin	1,372	(285)	-	1,088
Gross margin rate (%)	49	(78)	-	35

The gross margin and the gross margin rate on product sales fell in fiscal 2009 from a year earlier, mostly because of the increase in general costs of production and in the number of production employees in the Opsens Solutions Inc. division, where the company is preparing for an expected growth in sales in coming quarters.

The company expects the gross margin rate for Opsens Solutions Inc. to go back to its minimum target of 40% next year, as sales increase.

As at August 31, 2009, the backlog amounted to $617,000, more than double the $295,000 in backlog on August 31, 2008.

Given that a large proportion of the Company's revenue is generated in U.S. dollars, while most costs are incurred in Canadian dollars, fluctuation in the exchange rate affects revenue. For the fiscal year ended August 31, 2009, the average exchange rate was higher than the previous year, which affected positively sales by $518,000 for the fiscal year ended August 31, 2009.

Market acceptance of fiber optic sensors is increasing in the company's markets, leading to higher sales, despite the recession. That said, some sectors, such as high-power transformers, 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 August 31, 2009 and 2008, 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 what it can offer to its customers. In fiscal 2009, the Company focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly oil and gas and medical devices.

During the first quarter, Opsens filed a provisionary patent to the USPTO for a strong potential medical application. Opsens was also awarded a $498,500 grant from the National Research Council Industrial Research Assistance Program ("NRC-IRAP") for this project. In addition to the technical advice provided by the NRC-IRAP, this financial assistance will help Opsens continue to develop this medical product. The innovative qualities of our application lead us to believe Opsens will make a major breakthrough in the medical sector in 2011.

Research and development expenses increased to $828,000 from $699,000 in fiscal 2008. The increase reflects an increase in the number of employees and higher prices for R&D supplies.

SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

Non-GAAP financial measure - EBITDA

EBITDA before stock-based compensation costs does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA before stock-based compensation costs provides investors and management burn rate related to operating activities of the Company.

Reconciliation of EBITDA to the Annual Results

(In thousands of Canadian dollars)	**Year Ended August 31, 2009**	**Year Ended August 31, 2008**	**Year Ended August 31, 2007**
	$	**$**	**$**
Net loss for the period	(2,171)	(1,337)	(2,313)
Financial expenses (income)	(34)	(58)	(9)
Amortization of property, plant, and equipment	164	100	72
Amortization of intangible assets	21	40	18
Write-off of intangible assets	-	-	12
Amortization of reported financing fees	-	-	10
EBITDA			
Stock-based compensation costs	(2,020)	(1,255)	(2,210)
EBITDA before stock-based compensation costs	229	253	345
	(1,791)	(1,002)	(1,865)

Net loss

For the year ended August 31, 2009, net loss totalled $2,171,000, compared with $1,337,000 a year earlier. This increase, as well as the EBITDA for FY2009, reflects an increase in administrative, commercialization and R&D expenses and a decrease in gross margin.

Fiscal 2010 results will be strongly influenced by product sales volume. The backlog, including the order for 26 OPP-W sensor systems received early in the year, and 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.

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 reviews net loss and EBITDA quarterly.

The Company aims to improve these ratios which negatively varied for the period ended August 31, 2009, compared with the same period in 2008. 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 is not limited by margin requirements. When using the line of credit in an amount varying from

$50,000 and $100,000, the available credit is limited to an amount 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. The covenants were met as of August 31, 2009.

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.

	2009			2008		
	Opsens inc.	**Opsens Solutions**	**Total**	Opsens inc.	Opsens Solutions	Total
	$	**$**	**$**	$	$	$
External sales	**2,721,088**	**366,728**	**3,087,816**	2,248,817	595,422	2,844,239
Internal sales	**81,481**	**-**	**81,481**	4,000	87,094	91,094
Amortization of property, plant and equipment	**147,940**	**16,520**	**164,460**	94,748	5,507	100,255
Amortization of intangible assets	**21,387**	**-**	**21,387**	20,340	20,000	40,340
Financial expenses	**(92,939)**	**58,252**	**(34,687)**	(71,787)	13,574	(58,213)
Net loss	**(1,212,563)**	**(958,069)**	**(2,170,632)**	(1,231,708)	(104,980)	(1,336,688)
Acquisition of property, plant and equipment	**256,792**	**76,912**	**333,704**	270,625	44,519	315,144
Acquisition of intangible assets	**31,418**	**-**	**31,418**	37,664	-	37,664
Segment assets	**5,182,350**	**1,267,924**	**6,450,274**	5,787,433	1,064,786	6,852,219

Information by geographic segments

	2009	2008
Revenue per geographic sector	**$**	$
Canada	**464,061**	651,875
United States	**754,214**	933,916
Germany	**363,586**	416,805
UK	**146,767**	285,465
Other	**1,359,188**	196,178
	3,087,816	2,844,239

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 period ended August 31, 2009, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. 15.92% (Opsens Inc.'s reportable segment), and 11.16% (Opsens Inc.'s reportable segment). For the period ended August 31, 2008, revenues from three clients represented respectively 18.09% (Opsens Solutions Inc.'s reportable segment), 17.62% (Opsens Inc.'s reportable segment), and 13.09% (Opsens Inc.'s reportable segment) of the Company's total revenues.

Administrative expenses

Administrative expenses were $1,179,000 and $984,000 respectively for the periods ended August 31, 2009, and 2008.

Administrative expenses increased mainly due to a rise in employment levels and communication expenses. In fiscal 2010, administrative expenses will continue to increase, particularly in light of a general rise in fees necessary to support the anticipated growth in sales.

Sales and marketing expenses

Sales and marketing expenses were $872,000 for FY2009, up from $731,000 a year earlier.

This increase is explained mainly higher salaries and benefits. The company expects these costs to rise again in fiscal 2010, considering our planned activities.

Financial expenses (income)

Financial income was $34,000 for the period ended August 31, 2009, compared with $58,000 a year earlier. The decrease resulted directly from a loss in the exchange rate compared with the year before. Financial income should continue to decrease in 2010, notably because of lower interest rates.

Financing activities cash flow

On June 25, 2009, the Company completed a private placement of 2,916,667 common shares at a price of $0.60 a share for gross proceeds of $1.75 million. Opsens also issued non-transferable warrants to the brokers entitling them to acquire 204,167 common shares of Opsens at $0.60 a share 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 exercised

During period ended August 31, 2009, 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 period, warrants entitling holders to buy 393,000 shares at $0.40 each, 111,111 at $0.55 and 4,865,000 shares at $0.60 each expired.

For the period ended August 31, 2009, the Company granted to some employees a total of 705,500 stock options with an average exercise price of $0.40, and cancelled 160,000 stock options with an exercise price of $0.52 a share.

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

Common shares	43,398,344
Stock options	2,788,500
Warrants	2,889,509
Securities on a fully diluted basis	49,075,853

Investing activities cash flow

Opsens performed leasehold improvements at its Quebec City manufacturing facility in 2009. Leasehold improvements, R&D and production equipment purchases amounted to $334,000 for the period ended August 31, 2009. These acquisitions were made primarily to gain access to space and high-tech R&D and production equipment.

As for intangible assets, Opsens invested $31,000 for the period ended August 31, 2009. These investments involved software and patent protection for the Company's inventions.

Cash and cash equivalents

On August 31, 2009, the Company had cash and cash equivalents of $2,887,000, compared with $3,743,000 as of August 31, 2008. Of this amount as at August 31, 2009, $2,465,000 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 August 31, 2009, Opsens had working capital of $4,228,000, compared with working capital of $4,691,000 on August 31, 2008. Based on the private placement completed on June 25, 2009, 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 debt. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and uncertainties section*. During fiscal 2010, fluctuation in cash assets will depend particularly on the rate of revenue growth.

In fiscal 2010, widespread sales growth should require the Company to make an additional investment of a few hundred thousand dollars in accounts receivable and inventory.

Commitments

- Leases

The Company leases office space 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 $523,477.

Opsens Solutions Inc. rents three vehicles under operating lease expiring in November 2010, September 2013, and October 2013. Future rent payments will amount to $81,509.

Future payments for the leases and other commitments, totalizing $749,986, required in the next years are as follows:

	$
2009	231,677
2010	177,966
2011	147,257
2012	138,757
2013	56,433

- 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

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.

	2009	2008
	$	$
Professional fees to		
A company controlled by a shareholder and director	**-**	30,000
	-	30,000

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 August 31, 2009, the Company was holding 85.4% of its cash equivalents portfolio in term deposits redeemable at any time.

Financial charges (income)

	Year Ended August 31, 2009	2008
	$	$
Interest and bank charges	25,599	13,173
Interest on long-term debt	42,684	48,964
Gain on foreign currency translation	(20,524)	(32,809)
Interest income	(82,446)	(87,541)
	(34,687)	(58,213)

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 August 31, 2009, the Company was holding more than 85.4% of its cash equivalents portfolio in term deposits redeemable at any time.

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. Four major customers represent 50.73% of the Company's accounts receivable as at August 31, 2009.

As at August 31, 2009, 23.66% of accounts receivable were older than 90 days, while 33.49% were less than 30 days old. The maximum exposure to the risk of credit for receivable corresponded to their book value. On August 31, 2009, the bad debt provision was established at $14,678 ($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 of 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 August 31, 2009, had been the same throughout the period, a hypothetical 1% interest rate increase would have had a favourable impact of $1,975 and $2,926 on the net loss respectively for years ended August 31, 2009 and 2008. The net result 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.

For the years ended August 31, 2009 and 2008, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, after-tax net income and other comprehensive income would have been $138,000 and $168,000 lower, respectively. Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar, with all other variables held constant, after-tax net income and other comprehensive income would have been $138,000 and $168,000 higher for the same periods.

As at August 31, the risk to which the Company was exposed is established as follows:

	$
Cash	78,752
Accounts receivable	471,847
Accounts payable and accrued liabilities	(30,545)
Total	520,054

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), as at August 31, 2009:

	Total	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	518,782	518,782	-	-	-
Long-term debt	423,573	150,072	137,952	135,549	-
Obligation under capital lease	88,827	33,904	22,829	32,094	-
Commitments	749,986	231,677	175,862	342,447	-
Total	1,781,168	934,435	336,643	510,090	

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. 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 comprised 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 were subject to a statutory four-month hold period that ended on April 12, 2008.

On April 8, 2008, a milestone was achieved, releasing 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, Inflo changed its name to Opsens Solutions Inc. ("Opsens Solutions").

The value attributed to the order backlog as part of the purchase price allocation has been amortized based on the realization of revenues from present contracts in the order backlog at the time of the acquisition. For the fiscal year ended August 31, 2008, there was $20,000 in intangible asset amortization for the order backlog. Goodwill is not deductible for the purposes of income taxes.

The Company now considers the activities of Opsens Solutions as a reportable segments as defined by the CICA Handbook. Opsens Solutions operates in the oil and gas market.

CAPACITY TO PRODUCE RESULTS

As discussed in the section regarding financial position, the Company has the required financial resources for its short-term operations, to fulfill its commitments, to support its growth plan and for the development of its activities. In a mid-term perspective, it is possible that additional financing, through the issuance of shares or through debt financing, might be required.

During the next year, the generalized growth in sales should require an additional investment of a few additional hundreds of thousands of dollars in accounts receivable and inventories. Also, investments in capital 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 filed 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' interest with corporate executives' interest. This long-term vision stimulates innovation and the development of recurrent revenues.

CHANGES IN ACCOUNTING POLICIES

Changes applied for the exercise ended August 31, 2008

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 without restatement of comparative financial statements.

Inventories

Section 3031 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.

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. This new policy has no impact on the current consolidated financial statements.

Capital Disclosures

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.

Financial Instruments

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.

Changes applied for the exercise ended August 31, 2008

On September 1, 2007, the Company adopted the new accounting standards issued by the 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.

Financial Instruments – Recognition and measurement

Short-term investments

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 income in the statement of loss.

The fair value of financial instruments represents the amount at which the financial instruments could be traded knowingly and voluntarily between the parties involved. The fair value is based on market prices (buyer-seller prices) in an active market. If this is not the case, the fair value is based on market prices prevailing for instruments with similar risk profiles or characteristics or on internal or external valuation models that use observable market data.

Derivative financial instruments

Derivative financial instruments must be recorded at fair value unless they are specifically designated in an effective hedging relationship, and the change in fair value will be recorded directly in net earnings.

Long-term debt

The long-term debt is classified as "other liabilities" and is 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 statement of loss.

Other comprehensive income (loss)

According to the new accounting standards, the Company must present a comprehensive income statement. Since the Company has classified all of its financial instruments as financial instruments "held for trading", except for the long-term debt which is classified as "other liabilities", there is no element to be disclosed distinctively in other comprehensive income. Consequently, the net earnings (net loss) also represents the results of the comprehensive income (loss).

Future accounting changes

The CICA has issued new accounting standards:

a) 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.

b) In January 2009, the CICA issued Handbook Section 1582, Business Combinations, replacing Section 1581, Business Combinations. The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. As this section is consistent with IFRS, it will be applied in accordance with our IFRS conversion framework.

c) In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, non-controlling interests, which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. As these sections are consistent with IFRS, they will be applied in accordance with our IFRS conversion framework.

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 changeover date applies to the annual and interim financial statements opened from January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules.

The Company is currently assessing the future impact of these new standards on its financial information systems and its consolidated financial statements.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following policies:

Principles of consolidation

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

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.

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, except for patents, which are amortized using the straight-line method, at the following annual rates:

Property, plant and equipment and intangible assets

Office furniture and equipment	20%
Production equipment	20%
Automotive equipment	30%
Research and development equipment	20%
Research and development computer equipment	30%
Computer equipment	30%
Leasehold improvements	Lease Term

Intangible assets with limited lives

Patents	Term of underlying patent, 5 to 20 years
Software	30%

Service contracts are intangible assets with definite useful life which were accounted for at cost. Amortization was based on the fair value of the contracts on the total value of the contracts portfolio acquired. The service contracts were fully amortized during the year.

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 of 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 the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

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.

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 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.

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 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 or 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 worded but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

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.

The long-term debt is classified as "other liabilities" and is 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.

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 for warranty and the assumptions used in the determination of the fair value of the stock options and warrants. Actual results could differ from those estimates.

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 risks and uncertainties listed below are not the only risks and uncertainties that could impact the Company.

Capital requirements

Additional financing may be required for operating and investment activities. There is no guarantee that additional capital would be available for situations that would be acceptable for Opsens and favourable for its growth.

Revenues

Opsens draws most of its revenue from the sale of readout devices and fiber optic sensors. The company feels that the revenue from these products will continue to represent a significant share of Opsens' revenue for the foreseeable future. Consequently, Opsens is particularly vulnerable to fluctuations in the demand for its products. Therefore, if demand for Opsens products decreases significantly, the company and the operating results could be unfavourably affected.

Labour and key personnel

Opsens depends on the services of its engineers, technical employees, and key management personnel. The loss of one of these people could have a significant unfavourable impact on the company, its operating results, and its financial position. The success of Opsens is largely dependent upon its ability to identify, hire, train, motivate, and retain highly skilled management employees, engineers, technical employees, and sales and marketing personnel. Competition for its employees can be intense, and Opsens can not ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its ability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have an unfavourable impact on its growth and future profitability. Opsens may be obligated to increase the compensation paid to current or new employees, which could substantially increase operating expenses.

Growth management and market development

There is no guarantee that Opsens can develop its market significantly, thus affecting its profitability. Opsens' expected rapid growth may create significant pressure on management, operations, and technical resources. Opsens foresees increased operating and personnel expenses in the future. In order to manage its growth, Opsens may need to increase the size of its technical and operational staff and manage its personnel while maintaining many effective relationships with third parties. There is no guarantee that Opsens will be able to manage its business growth. The inability of Opsens to establish consistent management systems, add economic resources, or manage its expansion adequately would have a significant, unforeseeable effect on its activities and operating results.

Pricing policies

The competitive market in which Opsens operates could force it to reduce its prices. If its competitors offer large discounts on certain products and services in order to gain market share or sell products and services, Opsens may need to lower its prices and offer other favourable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavourable impact on its operating results. Some of Opsens' competitors could offer products and services that compete with theirs for promotional purposes or as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices that Opsens may charge for its products and services. If Opsens cannot offset these price reductions with a corresponding increase in sales or decreased expenses, the decreased revenues from products and services could unfavourably affect its profit margins and operating results.

Product failures and mistakes

Opsens products are complex and therefore may contain failures and mistakes that could be detected at any time in a product's life cycle. Failures and mistakes in its products could have a significant unfavourable impact on its reputation, open it up to significant costs, delay product launch dates, and harm its ability to sell its products in the future. The costs of correcting a failure or mistake in one of these products could be significant and could negatively affect its operating margins. Although Opsens expects to continue to test products to detect failures and mistakes and to work with its customers through its support and maintenance services in order to find and correct failures and mistakes, they could appear in its products in the future.

Warranties, recalls, and legal proceedings

Opsens is exposed to warranty expenses, product recalls, and other claims, particularly if the products prove to be defective, which would harm business development and the Company's reputation.

Intellectual property and exclusive rights

In order to protect its intellectual property rights, Opsens relies on a combination of laws related to patents and trademarks, trade secrets, confidentiality procedures, and contractual provisions. Despite Opsens' best efforts to protect its intellectual property rights, unauthorized individuals may attempt to copy certain aspects of Opsens products or obtain information that Opsens considers to be its property. The monitoring of the unauthorized use of exclusive technologies, if applicable, may prove difficult, time consuming, and expensive. In addition, the laws of certain countries in which Opsens products will be sold do not protect their products and their related intellectual property rights in the same way as the laws of Canada and the United States. There is no certainty that Opsens will successfully protect its intellectual property rights, which could unfavourably affect it. Patents applications, claims, PCTs, and Continuations in Part files by Opsens could be incomplete, invalid, circumvented, or deemed not applicable. Legal proceedings could prove necessary to carry out patent applications, claims, PCTs, and Continuations in Part. These cases could lead to considerable expenses without any guarantee of success. Despite Opsens' best efforts to ensure its right to market its products on its target markets, competitor patents could impede the sales potential of certain products.

Competition and technological obsolescence

Competitors and new companies could launch new products. In order to remain on the cutting edge of technology, Opsens may need to launch a new generation of fiber optic sensors and develop its related products and services. Whether it is competition from development companies and/or marketing of fiber optic sensors or a merger or acquisition of existing companies, competition within certain fiber optic sensor industry sectors offering solutions similar to what Opsens offers is vigorous and could increase. Some of Opsens' competitors have significantly greater financial, technical, distribution, and marketing resources than Opsens. Technological progress and product development could make Opsens products obsolete or reduce their value.

Currency exchange rate

Since Opsens makes most of its sales in U.S. dollars, while a large part of its operating expenses are incurred in Canadian dollars, exchange rate fluctuations between the two currencies may have an unfavourable impact on its activities, financial position, and operating results. Based on outlooks and its expected penetration in the oil and gas market, the weighting of Canadian sales should increase during the coming fiscal years and, consequently, reduce Opsens' currency exchange risk.

Restrictive clauses

The Company has restrictive clauses regarding indebtedness and working capital in the agreement with its financial institution. If these restrictive clauses are not respected, Opsens may need to allocate a portion of its working capital to repaying the LFPEC loan, valued at $77,132 as at 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

November 18, 2009