Interim Consolidated Financial Statements

Opsens Inc.

Six-month periods ended February 28, 2010 and 2009

Opsens Inc.

Notice

These interim consolidated financial statements have not been reviewed by the Company's external auditors.

Opsens Inc.
February 28, 2010

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Opsens Inc.

Consolidated Statements of Loss and Comprehensive Loss
Periods ended February 28, 2010 and 2009

(unaudited)	Second quarter		Six months	
	2010	2009	2010	2009
	$	$	$	$
Sales	1,047,280	606,163	2,117,633	1,218,056
Cost of sales	720,613	464,417	1,341,969	885,913
Gross margin	326,667	141,746	775,664	332,143
Expenses (Revenues)				
Administrative	334,303	316,329	735,415	631,025
Marketing	214,493	242,805	419,257	437,222
Research and development	261,277	204,978	473,111	409,846
Stock option-based compensation (Note 5b)	46,640	59,491	102,297	126,811
Amortization of property, plant and equipment	43,560	38,740	85,942	74,519
Amortization of intangible assets	15,520	6,411	20,264	11,432
Financial charges (income) (Note 3)	(3,541)	(45,431)	21,306	(121,786)
	912,252	823,323	1,857,592	1,569,069
Loss before income taxes	(585,585)	(681,577)	(1,081,928)	(1,236,926)
Income taxes	-	-	-	-
Net loss and comprehensive income	(585,585)	(681,577)	(1,081,928)	(1,236,926)
Net loss per share (Note 6)				
Basic	(0.01)	(0.02)	(0.02)	(0.03)
Diluted	(0.01)	(0.02)	(0.02)	(0.03)

The accompanying notes are an integral part of the interim consolidated financial statements.

Opsens Inc.

Consolidated Statements of Shareholders' Equity
Period ended February 28, 2010
(unaudited)

	Common shares	Warrant	Stock options	**Total**	Common Shares	Warrant	Stock options	Contributed surplus	Deficit	**Total**
	(number)	(number)	(number)	**(number)**	$	$	$	$	$	**$**
Balance as at August 31, 2009	43,398,344	2,889,509	2,788,000	**49,075,853**	12,035,259	856,077	783,936	595,047	(8,728,706)	**5,541,613**
Share issuance – Private placement	4,287,500	2,143,750	-	**6,431,250**	2,958,375	686,000	-	-	-	**3,644,375**
Warrant issuance – Issuance expenses - Private placement	-	299,299	-	**299,299**	-	116,727	-	-	(116,727)	**-**
Share issuance – Warrants exercised	178,889	(178,889)	-	**-**	206,580	(63,469)	-	-	-	**143,111**
Share issuance – Stock options	1,250	-	(1,250)	**-**	1,404	-	(316)	-	-	**1,088**
Options granted	-	-	40,000	**40,000**	-	-	-	-	-	**-**
Options cancelled	-	-	(6,000)	**(6,000)**	-	-	-	-	-	**-**
Issuance expenses on equity component	-	-	-	**-**	**-**	-	-	-	(470,722)	**(470,722)**
Stock-based compensation	-	-	-	**-**	-	-	102,297	-	-	**102,297**
Net loss	-	-	-	**-**	-	-	-	**-**	(1,081,928)	**(1,081,928)**
Balance as at February 28, 2010	47,865,983	5,153,669	2,820,750	**55,840,402**	15,201,618	1,595,335	885,918	595,047	(10,281,356)	**7,996,561**

The accompanying notes are an integral part of the interim consolidated financial statements.

Opsens Inc.

Consolidated Statements of Shareholders' Equity
Period ended February 28, 2009
(unaudited)

	Common shares	Warrant	Stock options	**Total**	Common Shares	Warrant	Stock options	Contributed surplus	Deficit	Total
	(number)	(number)	(number)	**(number)**	$	$	$	$	$	**$**
Balance as at August 31, 2008	40,431,677	8,104,453	2,242,500	**50,778,630**	10,257,259	1,400,069	554,528	-	(6,382,486)	**5,829,370**
Share issuance – warrants exercised	50,000	(50,000)	-	**-**	28,000	(8,000)	-	-	-	**20,000**
Warrants cancelled	-	(5,369,111)	-	**(5,369,111)**	-	(595,047)	-	595,047	-	**-**
Options granted	-	-	300,000	**300,000**	-	-	-	-	-	**-**
Options cancelled	-	-	(10,000)	**(10,000)**	-	-	-	-	-	**-**
Stock-based compensation	-	-	-	**-**	-	-	126,811	-	-	**126,811**
Net loss	-	-	-	**-**	-	-	-	-	(1,236,926)	**(1,236,926)**
Balance as at February 28, 2009	40,481,677	2,685,342	2,532,500	**45,699,519**	10,285,259	797,022	681,339	595,047	(7,619,412)	**4,739,255**

The accompanying notes are an integral part of the interim consolidated financial statements.

Opsens Inc.

Consolidated Balance Sheets

	February 28, 2010 (unaudited)	August 31, 2009 (audited)
	$	$
Assets		
Current		
Cash and cash equivalents (Note 7)	4,598,957	2,887,085
Accounts receivable	983,368	573,310
Income tax credits receivable	281,534	214,624
Work in progress	60,000	-
Inventories	1,587,147	1,125,260
Prepaid expenses	62,157	80,198
	7,573,163	4,880,477
Property, plant and equipment	675,060	723,424
Intangible assets	166,628	169,799
Goodwill	676,574	676,574
	9,091,425	6,450,274
Liabilities		
Current		
Accounts payable and accrued liabilities	780,343	518,782
Current portion of long-term debt	135,619	133,440
	915,962	652,222
Long-term debt	178,902	256,439
	1,094,864	908,661
Shareholders' equity		
Share capital (Note 5a)	15,201,618	12,035,259
Stock-options (Note 5b)	885,917	783,936
Warrants (Note 5c)	1,595,335	856,077
Contributed surplus	595,047	595,047
Deficit	(10,281,356)	(8,728,706)
	7,996,561	5,541,613
	9,091,425	6,450,274

The accompanying notes are an integral part of the interim consolidated financial statements.

Approved by the Board

Signed [Mario Jacob] Director

Signed [Pierre Carrier] Director

Opsens Inc.

Consolidated Statements of Cash Flows
Periods ended February 28, 2010 and 2009

(unaudited)	Second quarter ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
	$	$	$	$
Operating activities				
Net loss	(585,585)	(681,577)	(1,081,928)	(1,236,926)
Adjustments for:				
Amortization of property, plant and equipment	43,560	38,740	85,942	74,519
Amortization of intangible assets	15,520	6,411	20,264	11,432
Premium payable to *Investissement Québec*	-	2,130	-	4,260
Stock-based compensation	46,640	59,491	102,297	126,811
Changes in non-cash operating working capital items (Note 7)	(246,771)	(225,462)	(719,253)	83,768
	(726,636)	(800,267)	(1,592,678)	(936,136)
Investing activities				
Acquisition of property, plant and equipment	(20,268)	(43,385)	(37,578)	(201,480)
Acquisition of intangible assets	(7,227)	(10,503)	(17,093)	(16,378)
	(27,495	(53,888)	(54,671)	(217,858)
Financing activities				
Increase in long-term debt	5,438	29,009	11,024	35,826
Reimbursement of long-term debt	(62 925)	(64,988)	(86,382)	(108,250)
Issuance of equity component	3,644,375	-	3,788,574	20,000
Issuance expenses on equity component	(353,995)	-	(353,995)	-
	3,232,893	(35,979)	3,359,221	(52,424)
Increase (decrease) in cash and cash equivalents	2,478,762	(890,134)	1,711,872	(1,206,418)
Cash and cash equivalents at beginning	2,120,195	3,426,236	2,887,085	3,742,520
Cash and cash equivalents at end	4,598,957	2,536,102	4,598,957	2,536,102

The accompanying notes are an integral part of the interim consolidated financial statements.
Additional information is presented in Note 7.

1. Changes in accounting policies

Changes applied for the exercise ended August 31, 2010

On September 1, 2009, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

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 adopted 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 adoption of this new Section did not have a material impact on its interim and annual consolidated financial statements.

Changes applied for the exercise ended August 31, 2009

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.

1. Changes in accounting policies (continued)

Future accounting changes

The CICA has issued new accounting standards:

a) 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.

b) 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 beginning on or after 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.

2. Accounting policies

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

Principles of consolidation

The interim consolidated 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 most recent Company’s annual audited financial statements.

The consolidated financial statements as at February 28, 2010 and for the three-month and six-month periods ended February 28, 2010 and 2009 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 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.

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.

2. Accounting policies (continued)

Revenue recognition

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

Opsens Solutions Inc. reportable segment revenues related to the sale 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.

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.

3. 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 February 28, 2010, the Company was holding more than 90.4% of its cash equivalents in all time redeemable term-deposit.

Financial charges (income)

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
	$	$	$	$
Interest and bank charges	6,037	4,210	10,283	8,968
Interest on long-term debt	6,294	5,955	13,453	13,513
Gain on foreign currency translation	(607)	(35,920)	26,291	(95,830)
Interest income	(15,265)	(19,676)	(28,721)	(48,437)
	(3,541)	(45,431)	21,306	(121,786)

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 February 28, 2010, the Company was holding more than 90.4% of its cash equivalents portfolio in all time redeemable term-deposit.

3. **Financial instruments** (continued)

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. Two major customers represent 58.34% of the Company's accounts receivable as at February 28, 2010.

As at February 28, 2010, 20.46% of the accounts receivable were of more than 90 days whereas 63.71% of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On February 28, 2010, the bad debt provision was established at $14,678 ($14,678 on August 31, 2009).

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 February 28, 2010 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of $328 and $699 respectively on the net loss for the three-month period ended February 28, 2010 and 2009. The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

Foreign exchange risk

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

For the three-month ended February 28, 2010, 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 respectively $24,000 and $16,000 lower. 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 $24,000 and $16,000 higher for the same periods.

As at February 28, 2010, the risk to which the Company was exposed is established as follows:

	2010
	$
Cash	234,867
Accounts receivable	366,109
Accounts payable and accrued liabilities	(176,113)
Total	424,863

3. Financial instruments (continued)

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.

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities, principal and interest (assuming current interest rates), as at February 28, 2010:

	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	792,943	792,943	-	-	-
Long-term debt	325,327	145,024	122,923	57,380	-
Obligation under capital lease	71,830	31,622	16,754	23,454	-
Commitments	689,531	229,572	164,757	295,202	-
Total	1,879,631	1,199,161	304,434	376,036	-

4. 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 Earnings before Interest, Taxes, Depreciation, Amortization and Stock option-based compensation "EBITDAO". The EBITDAO has no normalized sense prescribed by the CICA. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. The EBITDAO is defined by the Company as the cash flows from operating activities without taking in consideration changes in non-cash operating working capital items.

	Three months ended		Six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
	$	$	$	$
Net loss	(585,585)	(681,577)	(1,081,928)	(1,236,926)
Financial charges (income)	(3,541)	(45,431)	21,306	(121,786)
Amortization of property, plant and equipment	43,560	38,740	85,942	74,519
Amortization of intangible assets	15,520	6,411	20,264	11,432
Stock option-based compensation	46,640	59,491	102,297	126,811
	(483,406)	(622,366)	(852,119)	(1,145,950)

The Company targets to improve these ratios which negatively vary for the first and second quarter 2010 compare to first and second quarter 2009. 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 for debt to working capital, with a minimum working capital of $200,000. These ratios apply to long-term debt valued at $43,655 as of February 28, 2010. The covenants are met as of February 28, 2010.

5. Share capital, stock-options and warrants

a) *Share capital*

Authorized, unlimited number

Common shares, voting and participating without par value

Outstanding shares and the changes occurred during the year are as follows:

Issued and fully paid

	Number	Amount
		$
Balance at beginning of year	43,398,344	12,035,259
Share issuance – Warrants exercised (Note 5a)i)	178,889	206,580
Share issuance – Stock options exercised (Note 5a)ii)	1,250	1,404
Share issuance – Private placement (Note 5a)iii)	4,287,500	2,958,375
Balance as at February 28, 2010	47,865,983	15,201,618

i) Warrants exercised

During the period ended February 28, 2010, 178,889 warrants entitling their holders to acquire one common share of the Company at a price of $0.80 per share were exercised for a total amount of $143,111. The book value of the exercised warrants was transferred to Share capital for an amount of $63,469.

ii) Stock options exercised

During the period ended February 28, 2010, 1,250 stock options entitling their holders to acquire one common share of the Company at a price of $0.87 per share were exercised for a total amount of $1,088. The book value of the exercised warrants was transferred to Share capital for an amount of $316.

iii) Private Placement

On February 12, 2010, the Company realized a private placement of 4,287,500 units at a price of $0.85 per unit for gross proceeds of $3,644,375. Each unit is comprised of one common share and one-half common share purchase warrant of the Company. Each warrant will entitle the holder to purchase one common share of the Company at a price of $1.15 for a period of 24 months following the closing of the Offering. Opsens paid to the Agents a cash commission equal to $254,404 and issue broker compensation warrants entitling the Agents to purchase 299,299 common shares of Opsens. The Broker Warrants shall be issuable at an exercise price per common share equal to the Offering Price for a period of 24 months from the closing of the Offering. The securities issued pursuant to the Offering will be subject to a 4-month restricted period expiring on June 13, 2010.

5. Share capital, stock-options and warrants (continued)

b) Stock options

The Company changed the stock option plan on January 19, 2010. The number of common shares reserved by the Board of Directors for options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The plan is available to the Company's directors, consultants, officers and employees.

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by TSX Venture Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 620,000 outstanding options granted which are completely vested at grant.

The compensation expense in regards to the stock option plan included in the administrative expenses for the six-month period ended February 28, 2010 is $102,297 ($126,811 for the period ended February 28, 2009).

The situation of the outstanding stock option plan and the changes that took place during the six-month period ended February 28, 2010 are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at beginning of year	2,788,000	0.52
Options granted	40,000	1.15
Options exercised (Note 5a)ii)	(1,250)	0.87
Options cancelled	(6,000)	0.68
Outstanding at end of the period	2,820,750	0.60
Options exercisable at end of the period	1,544,375	0.64

5. **Share capital, stock-options and warrants** (continued)

b) Stock options (continued)

The table below provides information on the outstanding stock options as at February 28, 2010:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
$			
0.37	303,250	40,000	4.14
0.40	90,000	12,500	3.77
0.42	50,000	-	3.89
0.45	50,000	37,500	1.76
0.50	1,060,000	790,000	1.62
0.60	70,000	5,000	4.09
0.64	50,000	-	4.30
0.72	500,000	250,000	2.78
0.80	150,000	125,000	2.41
0.87	257,500	94,375	3.15
0.95	200,000	100,000	2.13
1.15	40,000	40,000	4.72
	2,820,750	1,544,375	2.51

5. **Share capital, stock-options and warrants** (continued)

c) Warrants

The situation of the outstanding warrants and the changes that took place during the period ended February 28, 2010 are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding at beginning of year	2,889,509	1.03
Warrants exercised (Note 5a)i)	(178,889)	0.80
Warrants issued, private placement (Note 5a)iii)	2,443,049	1,11
Outstanding at end of period	5,153,669	1.03
Warrants exercisable at end of period	5,153,669	1.03

The table below provides information on the outstanding warrants as at February 28, 2010:

Exercise price	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
$			
0.60	204,167	204,167	1.32
0.80	150,890	150,890	0.11
0.85	299,299	299,299	1.96
1.10	2,355,563	2,355,563	0.11
1.15	2,143,750	2,143,750	1.96
	5,153,669	5,153,669	0.92

6. Loss per share

The table below presents a reconciliation between the basic net loss and the diluted net loss per share:

	Three-month period ended February 28		Six-month period ended February 28	
	2010	2009	2010	2009
	$	$	$	$
Numerator				
Net loss	(585,585)	(681,577)	(1,081,928)	(1,236,926)
Amount available for calculating the loss per share	(585,585)	(681,577)	(1,081,928)	(1,236,926)
Denominator				
Number of shares				
Weighted average number of shares outstanding	41,374,038	40,481,677	40,913,684	40,468,694
Dilutive effect of stock options and warrants	-	-	-	-
Weighted average number of shares outstanding on diluted basis	41,374,038	40,481,677	40,913,684	40,468,694
Amount per share				
Net loss per share				
Basic	(0.01)	(0.02)	(0.02)	(0.03)
Diluted	(0.01)	(0.02)	(0.02)	(0.03)

The calculation of dilution effects excludes options and warrants that have an anti-diluting effect.

However, should the Company's basic earnings per share have been positive, some options and warrants, at an exercise price of $0.37, $0.40, $0.42, $0.45, $0.50, $0.60, $0.64, $0.72, $0.80, $0.85 and $0.87, would have been dilutive and would have resulted in the addition of 1,358,986 shares and 1,139,290 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for the respective three-month and six-month period ended February 28, 2010 (- and 2,468 as at February 29, 2009).

7. Additional information on the Statements of Cash Flows

	Second quarter		Six-month period	
	2010	2009	2010	2009
	$	$	$	$
Changes in non-cash operating working capital items				
Accounts receivable	(56,136)	210,295	(410,058)	224,910
Income tax credits receivable	(25,870)	(47,340)	(66,910)	(96,846)
Work in progress	(60,000)	24,530	(60,000)	202,781
Inventories	(281,883)	(138,102)	(461,887)	(279,954)
Prepaid expenses	12,294	139	18,041	39,970
Accounts payable and accrued liabilities	164,824	(274,984)	261,561	(7,093)
	(246,771)	(225,462)	(719,253)	83,768
Other information				
Interests paid	7,108	6,327	15,973	18,842
Cash	441,282	146,706	441,282	146,706
Short-term investments	4,157,675	2,389,396	4,157,675	2,389,396
	4,598,957	2,536,102	4,598,957	2,536,102

Non-cash transactions

On February 12, 2010, Opsens issued broker compensation warrants entitling the Agents to purchase 299 299 common shares of Opsens at an exercise price of $0.85 per share for a book value of $116 727.

8. 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 $493,846.

Opsens Solutions Inc. rents three vehicles under operating lease expiring in November 2010 and October 2013. Future rent payments will amount to $68,685.

Future payments for the leases and other commitments, totalizing $689,531, required in each of the next five years are as follows:

	$
2011	229,572
2012	164,757
2013	138,257
2014	132,191
2015	24,754

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.

9. Contractual guarantees

During the normal course of business, the Company replaces defective parts under warranties offered at the sale of the products. The term of the warranties is generally 12 months. During the three-month period ended February 28, 2010, the Company recognized an expense for $465 ($462 for the three-month period ended February 28, 2009) for guarantees. A provision for $29,519 ($27,321 as at August 31, 2009) was recorded for guarantees. This provision estimate is based on past experience and is presented in liabilities under "Accounts payable and accrued liabilities". The actual costs that the Company may incur, as well as the moment when the parts should be replaced, can differ from the estimated amount.

10. Segmented information

Sector's information

The Company's reportable segments are strategic business units managed separately as 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 the installation of optical and conventional sensors for the oil and gas industry.

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.

	Three-month period ended February 28, 2010			Three-month period ended February 28, 2009		
	Opsens inc.	Opsens Solutions Inc.	Total	Opsens inc.	Opsens Solutions Inc.	Total
	$	$	$	$	$	$
External sales	576,268	471,012	1,047,280	493,326	112,837	606,163
Internal sales	34,000	-	34,000	29,355	-	29,355
Amortization of property, plant and equipment	37,650	5,910	43,560	36,117	2,623	38,740
Amortization of intangible assets	15,111	409	15,520	6,411	-	6,411
Financial charges (income)	(39,045)	35,504	(3,541)	(55,560)	10,129	(45,431)
Net loss	(449,374)	(136,211)	(585,585)	(412,663)	(268,914)	(681,577)
Acquisition of property, plant and equipment	18,401	1,867	20,268	38,710	4,675	43,385
Acquisition of intangible assets	4,315	2,912	7,227	10,503	-	10,503
Segment assets	7,304,441	1,786,984	9,091,425	4,807,926	878,921	5,686,847

10. Segmented information (continued)

	Six-month period ended February 28, 2010			Six-month period ended February 28, 2009		
	Opsens inc.	Opsens Solutions Inc.	Total	Opsens inc.	Opsens Solutions Inc.	Total
	$	$	$	$	$	$
External sales	1,454,331	663,302	2,117,633	1,010,232	207,824	1,218,056
Internal sales	114,268	-	114,268	50,079	-	50,079
Amortization of property, plant and equipment	74,284	11,658	85,942	69,572	4,947	74,519
Amortization of intangible assets	19,467	797	20,264	11,432	-	11,432
Financial charges (income)	(43,616)	64,922	21,306	(139,959)	18,173	(121,786)
Net loss	(731,019)	(350,909)	(1,081,928)	(750,386)	(486,540)	(1,236,926)
Acquisition of property, plant and equipment	32,993	4,585	37,578	189,933	11,547	201,480
Acquisition of intangible assets	9,009	8,084	17,093	16,378	-	16,378
Segment assets	7,304,441	1,786,984	9,091,425	4,807,926	878,921	5,686,847

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

	Three-month period ended February 28		Six-month period ended February 28	
	2010	2009	2010	2009
	$	$	$	$
Revenues per geographic sector				
Canada	535,291	115,902	751,192	231,565
United States	127,017	88,182	464,979	373,992
Germany	43,035	225,848	144,485	265,375
Mexico	6,834	36,505	22,570	128,284
Other	335,103	139,726	734,407	218,840
	1,047,280	606,163	2,117,633	1,218,056

10. Segmented information (continued)

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

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

During the three-month period ended February 28, 2010, revenues from one client represent individually more than 10% of the total revenues of the company, i.e. approximately 35.63% (Opsens Solutions Inc.'s reportable segment). For the three-month period ended February 28, 2009, revenues from two clients represent approximately 36.86% (Opsens Inc.'s reportable segment) and 16.86% (Opsens Inc.'s reportable segment).

During the six-month period ended February 28, 2010, revenues from one client represent individually more than 10% of the total revenues of the company, i.e. approximately 26.24% (Opsens Solutions Inc.'s reportable segment). For the six month-period ended February 28, 2009, revenues from two clients represent approximately 13.23% (Opsens Inc.'s reportable segment) and 21.59% (Opsens Inc.'s reportable segment).

11. Subsequent events

After the end of the second quarter 2010, 150,890 and 2,355,563 warrants entitling its holder to acquire one common share of the Company at a price of $0.80 and $1.10 per share respectively expired.

12. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current period.