Interim Consolidated Financial Statements

Opsens Inc.

Six-month periods ended February 28, 2011 and 2010

Opsens Inc.

Notice

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

Opsens Inc.
February 28, 2011

Table of Contents

Opsens Inc.

Consolidated statements of loss and comprehensive loss
Periods ended February 28, 2011 and 2010

(unaudited)	Second quarter		Six months	
	2011	2010	2011	2010
	$	$	$	$
Sales	1,335,864	1,047,280	2,483,187	2,117,633
Cost of sales	998,036	720,613	1,852,091	1,341,969
Gross margin	337,828	326,667	631,096	775,664
Expenses (Revenues)				
Administrative	435,196	334,303	885,409	735,415
Marketing	140,589	214,493	263,255	419,257
Research and development	324,091	261,277	674,270	473,111
Stock option-based compensation (Note 4b)	52,198	46,640	90,206	102,297
Amortization of property, plant and equipment	44,399	43,560	90,150	85,942
Amortization of intangible assets	5,495	15,520	12,345	20,264
Financial charges (income) (Note 2)	18,537	(3,541)	5,277	21,306
	1,020,505	912,252	2,020,912	1,857,592
Loss before income taxes	(682,677)	(585,585)	(1,389,816)	(1,081,928)
Income taxes	-	-	-	-
Net loss and comprehensive income	(682,677)	(585,585)	(1,389,816)	(1,081,928)
Net loss per share (Note 5)				
Basic	(0.01)	(0.01)	(0.03)	(0.02)
Diluted	(0.01)	(0.01)	(0.03)	(0.02)

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

Opsens Inc.

Consolidated statements of shareholders' equity
Period ended February 28, 2011
(unaudited)

	Common shares	Warrants	Stock options	**Total**	Common shares	Warrants	Stock options	Contributed surplus	Deficit	**Total**
	(number)	(number)	(number)	**(number)**	$	$	$	$	$	**$**
Balance as at August 31, 2010	47,865,983	2,647,216	4,140,500	**54,653,699**	15,201,618	861,782	1,065,677	1,328,600	(8,597,742)	**9,859,935**
Options granted			150,000	**150,000**						
Options cancelled	-	-	(284,000)	**(284,000)**	-	-	(135,786)	135,786	-	**-**
Stock-based compensation	-	-	-	**-**	-	-	90,206	-	-	**90,206**
Net loss	-	-	-	**-**	-	-	-	-	(1,389,816)	**(1,389,816)**
Balance as at February 28, 2011	47,865,983	2,647,216	4,006,500	**54,519,699**	15,201,618	861,782	1,020,097	1,464,386	(9,987,558)	**8,560,325**

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 balance sheets

	February 28, 2011 (unaudited)	August 31, 2010 (audited)
	$	$
Assets		
Current		
Cash and cash equivalents (Note 6)	4,400,659	5,347,801
Accounts receivable	764,911	2,055,923
Income tax credits receivable	262,433	152,080
Work in progress	481,143	40,000
Inventories	1,416,206	1,428,439
Prepaid expenses	197,900	144,338
Balance of purchase price to be received – short term	452,210	428,024
	7,975,462	9,596,605
Balance of purchase price to be received – long term	387,331	398,013
Property, plant and equipment	695,326	670,059
Intangible assets	214,654	175,176
Goodwill	676,574	676,574
	9,949,347	11,516,427
Liabilities		
Current		
Accounts payable and accrued liabilities	943,784	1,402,249
Deferred revenues	268,000	-
Current portion of long-term debt	123,653	125,001
	1,335,437	1,527,250
Long-term debt	53,585	129,242
	1,389,022	1,656,492
Shareholders' equity		
Share capital (Note 4a)	15,201,618	15,201,618
Stock-options (Note 4b)	1,020,097	1,065,677
Warrants (Note 4c)	861,782	861,782
Contributed surplus	1,464,386	1,328,600
Deficit	(9,987,558)	(8,597,742)
	8,560,325	9,859,935
	9,949,347	11,516,427

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

Approved by the Board

Signed [Gordon Zive] Director

Signed [Pierre Carrier] Director

Opsens Inc.

Consolidated statements of cash flows
Periods ended February 28, 2011 and 2010

(unaudited)	Second quarter ended		Six months ended	
	February 28, 2011	February 28, 2010	February 28, 2011	February 28, 2010
	$	$	$	$
Operating activities				
Net loss	(682,677)	(585,585)	(1,389,816)	(1,081,928)
Adjustments for:				
Amortization of property, plant and equipment	44,399	43,560	90,150	85,942
Amortization of intangible assets	5,495	15,520	12,345	20,264
Implicit interest on balance of purchase price	10,653	-	(13,504)	-
Stock-based compensation	52,198	46,640	90,206	102,297
Changes in non-cash operating working capital items (Note 6)	(232,475)	(246,771)	507,722	(719,253)
	(802,407)	(726,636)	(702,897)	(1,592,678)
Investing activities				
Acquisition of property, plant and equipment	(41,715)	(20,268)	(115,417)	(37,578)
Acquisition of intangible assets	(22,360)	(7,227)	(51,823)	(17,093)
	(64,075)	(27,495)	(167,240)	(54,671)
Financing activities				
Increase in long-term debt	4,033	5,438	8,189	11,024
Reimbursement of long-term debt	(60,115)	(62 925)	(85,194)	(86,382)
Issuance of equity component	-	3,644,375	-	3,788,574
Issuance expenses on equity component	-	(353,995)	-	(353,995)
	(56,082)	3,232,893	(77,005)	3,359,221
Increase (decrease) in cash and cash equivalents	(922,564)	2,478,762	(947,142)	1,711,872
Cash and cash equivalents at beginning	5,323,223	2,120,195	5,347,801	2,887,085
Cash and cash equivalents at end	4,400,659	4,598,957	4,400,659	4,598,957

The accompanying notes are an integral part of the interim consolidated financial statements.
Additional information is presented in Note 6.

1. Accounting policies

The unaudited financial statements are consistent with the policies outlined in the Company's audited financial statements for the year ending August 31, 2010 and 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. from the acquisition date.

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 annual financial statements. However, they do not include all information required for annual consolidated financial statements. These consolidated interim financial statements should be read in conjunction with the most recent Company's annual audited financial statements.

The consolidated financial statements as at February 28, 2011 and for the three-month and six-month periods ended February 28, 2011 and 2010 are unaudited. However, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, considered necessary for a fair presentation of the consolidated results of operations for the period presented, have been included. Consolidated results for the interim periods presented are not necessarily indicative of the results that may be expected for the year.

All amounts are disclosed in Canadian dollars.

Use of estimates

The presentation of financial statements in accordance with Canadian GAAP 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.

1. **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 corresponding shareholders' equity account. When stock options or warrants are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Financial instruments

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

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

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

1. Accounting policies (continued)

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") 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 completed by January 1, 2011. On February 13, 2008, the AcSB 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 commercial activities, financial information systems and its consolidated financial statements.

2. 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, 2011, the Company was holding more than 85.2% of its cash equivalents in all time redeemable term-deposit.

Financial charges (income)

	Three months ended		Six months ended	
	February 28, 2011	February 28, 2010	February 28, 2011	February 28, 2010
	$	$	$	$
Interest and bank charges	3,847	6,037	6,637	10,283
Interest on long-term debt	5,231	6,294	10,859	13,453
Loss on foreign currency translation	68,298	(607)	108,232	26,291
Interest income	(58,839)	(15,265)	(120,451)	(28,721)
	18,537	(3,541)	5,277	21,306

2. **Financial instruments** (continued)

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, 2011, the Company was holding more than 85.2% of its cash equivalents portfolio in all time redeemable term-deposit.

Operational credit risk

The Company provides credit for a conventional period of 30 days to its customers in the normal course of business. Credit evaluations are performed on an ongoing basis of all its accounts receivable and an allowance for doubtful accounts is recorded when those accounts are deemed uncollectible. Two major customers represent 88.34% of the Company's accounts receivable as at February 28, 2011.

As at February 28, 2011, 18.03% of the accounts receivable were of more than 90 days whereas 71.25% 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, 2011, the bad debt provision was established at $4,081 ($6,110 on August 31, 2010).

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

Interest rate and cash flow risk

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

Assuming the cash equivalents and long-term debt as reported on February 28, 2011 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of $200 and $400 respectively on the net loss for the three-month period ended February 28, 2011 and 2010. The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

Foreign exchange risk

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

2. Financial instruments (continued)

For the three-month ended February 28, 2011, 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 $11,000 and $15,000 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 $11,000 and $15,000 higher for the same periods.

As at February 28, 2011, the risk to which the Company was exposed is established as follows:

	As of February 28, 2011	As of August 31, 2010
	$	$
Cash (US$276,295)	268,894	509,164
Accounts receivable (US$220,225)	213,767	501,350
Balance of purchase price to be received (US$864,259)	839,541	826,037
Accounts payable and accrued liabilities (US$125,537)	(121,947)	(93,826)
Total	1,200,255	1,742,725

Fair value

The fair value of cash and cash equivalents, accounts receivable, income tax credits receivable, balance of purchase price to be received 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.

The Company defines the fair value hierarchy under which its financial instruments are valued as follows:

Cash and cash equivalents are classified under Level 1, that is the valuation based on active market price in determining fair value.

2. Financial instruments (continued)

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 February 28, 2011:

	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	943,784	943,784	-	-	-
Long-term debt	165,256	127,443	37,813	-	-
Obligation under capital lease	40,209	16,753	11,729	11,727	-
Commitments	561,005	259,545	158,072	143,388	-
Total	1,710,254	1,347,525	207,614	155,115	-

3. 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 GAAP. 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.

3. **Capital management** (continued)

	Three months ended		Six months ended	
	February 28, 2011	February 28, 2010	February 28, 2011	February 28, 2010
	$	$	$	$
Net loss	(682,677)	(585,585)	(1,389,816)	(1,081,928)
Financial charges (income)	18,537	(3,541)	5,277	21,306
Amortization of property, plant and equipment	44,399	43,560	90,150	85,942
Amortization of intangible assets	5,495	15,520	12,345	20,264
Stock option-based compensation	52,198	46,640	90,206	102,297
	(562,048)	(483,406)	(1,191,838)	(852,119)

The Company targets to improve these ratios which negatively vary for the first semester 2011 compare to first semester 2010. 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 $19,843 as of February 28, 2011. The covenants are met as of February 28, 2011.

4. 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	47,865,983	15,201,618
Balance as at February 28, 2011	47,865,983	15,201,618

b) *Stock options*

The Company changed the stock option plan on January 19, 2009. 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 1,000,000 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, 2011 is $90,206 ($102,297 for the period ended February 28, 2010).

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

The situation of the outstanding stock option plan and the changes that took place during the six-month period ended February 28, 2011 are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at beginning of year	4,140,500	0.54
Options granted	150,000	0.38
Options cancelled	(284,000)	0.81
Outstanding at end of the period	4,006,500	0.51
Options exercisable at end of the period	2,321,063	0.56

4. 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, 2011:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
$			
0.36	209,750	80,000	4.35
0.37	259,250	64,813	3.14
0.38	1,250,000	300,000	4.55
0.40	90,000	45,000	2.77
0.42	50,000	25,000	2.89
0.45	50,000	50,000	0.76
0.50	1,060,000	1,055,000	0.62
0.60	50,000	12,500	3.33
0.64	50,000	12,500	3.30
0.72	500,000	375,000	1.78
0.80	150,000	137,500	1.41
0.87	247,500	123,750	2.15
1.15	40,000	40,000	3.72
	4,006,500	2,321,063	2.65

4. 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, 2011 are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding at beginning of year	2,647,216	1,07
Outstanding at end of period	2,647,216	1,07
Warrants exercisable at end of period	2,647,216	1,07

The table below provides information on the outstanding warrants as at February 28, 2011:

Exercise price	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
$			
0.60	204,167	204,167	0.32
0.85	299,299	299,299	0.96
1.15	2,143,750	2,143,750	0.96
1.07	2,647,216	2,647,216	0.91

5. 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	
	2011	2010	2011	2010
	$	$	$	$
Numerator				
Net loss	(682,677)	(585,585)	(1,389,816)	(1,081,928)
Amount available for calculating the loss per share	(682,677)	(585,585)	(1,389,816)	(1,081,928)
Denominator				
Number of shares				
Weighted average number of shares outstanding	47,865,983	41,374,038	47,865,983	40,913,684
Weighted average number of shares outstanding on diluted basis	47,865,983	41,374,038	47,865,983	40,913,684
Amount per share				
Net loss per share				
Basic	(0.01)	(0.01)	(0.03)	(0.02)
Diluted	(0.01)	(0.01)	(0.03)	(0.02)

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 $0.36 and $0.37, would have been dilutive and would have resulted in the addition of 20,615 shares and 13,273 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, 2011 (- and 2,468 as at February 28, 2010).

6. Additional information on the Statements of Cash Flows

	Second quarter		Six-month period	
	2011	2010	2011	2010
	$	$	$	$
Changes in non-cash operating working capital items				
Accounts receivable	277,391	(56,136)	1,291,012	(410,058)
Income tax credits receivable	(64,644)	(25,870)	(110,353)	(66,910)
Work in progress	(429,640)	(60,000)	(441,143)	(60,000)
Inventories	82,877	(281,883)	12,233	(461,887)
Prepaid expenses	(85,310)	12,294	(53,562)	18,041
Accounts payable and accrued liabilities	(145,583)	164,824	(458,465)	261,561
Deferred revenues	132,434	-	268,000	-
	(232,475)	(246,771)	507,722	(719,253)
Other information				
Interests paid	1,324	7,108	2,797	15,973
Cash	651,654	441,282	651,654	441,282
Short-term investments	3,749,005	4,157,675	3,749,005	4,157,675
	4,400,659	4,598,957	4,400,659	4,598,957

7. 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 $345,692.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to $102,840.

Future payments for the leases and other commitments, totalizing $561,005, required in each of the next five years are as follows:

	$
2012	259,545
2013	158,072
2014	140,731
2015	2,657
2016	-

Licence

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

8. 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 and six-month periods ended February 28, 2011, the Company increase the guarantees for $2,183 and $140 respectively (increase of $465 and $2,197 for the three and six-month periods ended February 28, 2010) for guarantees. A provision for $32,000 ($31,860 as at August 31, 2010) 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.

9. 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, 2011			Three-month period ended February 28, 2010		
	Opsens inc.	Opsens Solutions Inc.	Total	Opsens inc.	Opsens Solutions Inc.	Total
	$	$	$	$	$	$
External sales	487,280	848,584	1,335,864	576,268	471,012	1,047,280
Internal sales	127,654	-	127,654	34,000	-	34,000
Amortization of property, plant and equipment	34,085	10,314	44,399	37,650	5,910	43,560
Amortization of intangible assets	4,745	750	5,495	15,111	409	15,520
Financial charges (income)	(37,888)	56,425	18,537	(39,045)	35,504	(3,541)
Net loss	(572,834)	(109,843)	(682,677)	(449,374)	(136,211)	(585,585)
Acquisition of property, plant and equipment	32,328	9,387	41,715	18,401	1,867	20,268
Acquisition of intangible assets	5,930	16,430	22,360	4,315	2,912	7,227
Segment assets	7,451,819	2,497,528	9,949,347	7,304,441	1,786,984	9,091,425

9. Segmented information (continued)

	Six-month period ended February 28, 2011			Six-month period ended February 28, 2010		
	Opsens inc.	Opsens Solutions Inc.	Total	Opsens inc.	Opsens Solutions Inc.	Total
	$	$	$	$	$	$
External sales	886,906	1,596,281	2,483,187	1,454,331	663,302	2,117,633
Internal sales	252,703	-	252,703	114,268	-	114,268
Amortization of property, plant and equipment	69,916	20,234	90,150	74,284	11,658	85,942
Amortization of intangible assets	11,112	1,233	12,345	19,467	797	20,264
Financial charges (income)	(105,518)	110,795	5,277	(43,616)	64,922	21,306
Net loss	(1,133,788)	(256,028)	(1,389,816)	(731,019)	(350,909)	(1,081,928)
Acquisition of property, plant and equipment	52,070	63,347	115,417	32,993	4,585	37,578
Acquisition of intangible assets	35,393	16,430	51,823	9,009	8,084	17,093
Segment assets	7,451,819	2,497,528	9,949,347	7,304,441	1,786,984	9,091,425

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

	Three-month period ended February 28		Six-month period ended February 28	
	2011	2010	2011	2010
	$	$	$	$
Revenues per geographic sector				
Canada	878,234	535,291	1,645,574	751,192
United States	352,010	127,017	619,499	464,979
Other	105,620	384,972	218,114	901,462
	1,335,864	1,047,280	2,483,187	2,117,633

9. 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, 2011, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 61.81% (Opsens Solutions Inc.'s reportable segment) and 15.54% (Opsens Inc.'s reportable segment).

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).

During the six-month period ended February 28, 2011, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 48.89% (Opsens Solutions Inc.'s reportable segment) and 15.49% (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).

10. Related party transactions

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

	Three-month period ended		Six-month period ended	
	February 28 2011	February 28 2010	February 28 2011	February 28 2010
	$	$	$	$
Professional fees to a company controlled by a shareholder and director	10,010	-	21,060	-
	10,010	-	21,060	-

11. Subsequent events

In March 2011, ACIST Medical Systems, Inc. ("ACIST") filed a lawsuit against Opsens in federal district court in Minnesota, alleging Opsens' improper use of ACIST's confidential information. ACIST asks money damages and that Opsens assign or abandon its U.S. Patent Application No. 12/725,951 and International Application No. PCT/CA2010/000396 (the "Applications"), and cease development and testing of its EasyWire device. Opsens believes that the claims against it, alleging improper use of ACIST's confidential information in the Applications and in the EasyWire device, are entirely without merit but is unable to predict the ultimate outcome in court. This action does not involve the OptoWire.