# MANAGEMENT DISCUSSION & ANALYSIS

Quarterly report for shareholders

Period ended February 28, 2011

The following comments are intended to provide a review and analysis of the operating results and financial position of Opsens Inc. as of February 28, 2011, and for the three and six-month periods ended this date, in comparison with the corresponding periods ended February 28, 2010. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes as of August 31, 2010.

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 April 6, 2011. All amounts are in Canadian dollars.

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

## CORPORATE OVERVIEW

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

Opsens holds four (4) patents and has five (5) 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 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 for its optic sensors. 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 2011, Opsens expects revenue from product sales to be higher than a year earlier, despite the exit from high-power transformers and the challenging economic environment. The greater maturity of our products, will contribute significantly to increase revenues.

## SELECTED CONSOLIDATED FINANCIAL DATA

| (In thousands of Canadian dollars, except for information per share) | Three-month period ended February 28, 2011 | Three-month period ended February 28, 2010 | Six-month period ended February 28, 2011 | Six-month period ended February 28, 2010 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Sales** | 1,336 | 1,047 | 2,483 | 2,117 |
| Cost of revenues | 998 | 721 | 1,852 | 1,342 |
| **Gross margin** | 338 | 326 | 631 | 775 |
| Administrative expenses | 436 | 334 | 886 | 735 |
| Marketing expenses | 141 | 214 | 263 | 419 |
| R&D expenses | 324 | 261 | 674 | 473 |
| Stock option-based compensation | 52 | 47 | 90 | 102 |
| Amortization of property, plant and equipment | 44 | 44 | 90 | 86 |
| Amortization of intangible assets | 5 | 16 | 12 | 21 |
| Financial expenses (income) | 19 | (4) | 6 | 21 |
| | 1,021 | 912 | 2,021 | 1,857 |
| **Loss before income taxes** | (683) | (586) | (1,390) | (1,082) |
| Income taxes | - | - | - | - |
| **Net loss** | (683) | (586) | (1,390) | (1,082) |
| **Net loss per share – Basic** | (0.01) | (0.01) | (0.03) | (0.02) |
| **Net loss per share – Diluted** | (0.01) | (0.01) | (0.03) | (0.02) |

| (In thousands of Canadian dollars) | As at February 28, 2011 | As at November 30, 2010 | As at, August 31, 2010 |
|---|---|---|---|
| | $ | $ | $ |
| Current assets | 7,975 | 8,685 | 9,597 |
| Total assets | 9,949 | 10,649 | 11,516 |
| Current liabilities | 1,335 | 1,360 | 1,527 |
| Long-term debt | 54 | 98 | 129 |
| Shareholders' equity | 8,560 | 9,191 | 9,860 |

No dividend was declared per share for each share class.

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. On February 12, 2010, the Company completed a private placement of 4,287,500 units at a price of $0.85 per unit for gross proceeds of $3,644,375.

## SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

| (In thousands of Canadian dollars) | **Three-month period ended February 28, 2011** | **Three-month period ended November 30, 2010** | **Three-month period ended August 31, 2010** | **Three-month period ended May 31, 2010** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Revenues | 1,336 | 1,147 | 1,695 | 1,469 |
| Net loss for the period | (683) | (707) | 2,016 | (341) |
| Net loss per share - Basic | (0.01) | (0.01) | 0.04 | (0.01) |
| Net loss per share - Diluted | (0.01) | (0.01) | 0.04 | (0.01) |

| (In thousands of Canadian dollars) | **Three-month period ended February 28, 2010** | **Three-month period ended November 30, 2009** | **Three-month period ended August 31, 2009** | **Three-month period ended May 31, 2009** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Revenues | 1,047 | 1,070 | 591 | 1,279 |
| Net loss for the period | (586) | (496) | (719) | (215) |
| Net loss per share - Basic | (0.01) | (0.01) | (0.02) | (0.01) |
| Net loss per share - Diluted | (0.01) | (0.01) | (0.02) | (0.01) |

As of August 2010, the Company sold its high-power transformer business. Consequently, revenues from transformers product line should decrease substantially in the year 2011.

## PERFORMANCE INDICATORS

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

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

**THREE AND SIX-MONTH PERIODS ENDED FEBRUARY 28, 2011 AND 2010**

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

| (In thousands of dollars except for percentage data figures) | Three-month period ended February 28, 2011 | Three-month period ended February 28, 2010 | Six-month period ended February 28, 2011 | Six-month period ended February 28, 2010 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenues | 1,336 | 1,047 | 2,483 | 2,117 |
| Growth rate (%) | 27.6 | | 17.3 | |
| Gross margin | 338 | 326 | 631 | 775 |
| Growth rate (%) | 3.7 | | (18.6) | |

The Company reported revenue of $1,336,000 for the three-month period ended February 28, 2011, compared with $1,047,000 in the comparative period, an increase of 27.6%. For the six-month period ended February 28, 2011, revenues were $2,483,000 compared with $2,117,000 in the comparative period, an increase of 17.3%. The growth includes a sales increase of more than $379,000 and $929,000 for the three- and six-month periods respectively in the oil and gas market. The growth is attributable to an increase market penetration in the oil & gas field.

Sales in the oil and gas field totalled $853,000 compared with $474,000 in the comparative three-month period. Sales in this field were 1,603,000 and 674,000 respectively for the six-month periods ended February 28, 2011 and 2010. An improved revenue growth for this sector is expected in the upcoming quarters for fiscal 2011 based on discussions with customers and general economic conditions of the oil and gas market.

| (In thousands of Canadian dollars except for percentage data figures) | Three-month period ended February 28, 2011 | Three-month period ended February 28, 2011 | Three-month period ended February 28, 2011 | Three-month period ended February 28, 2011 |
|---|---|---|---|---|
| | Opsens Inc.'s reportable segment $ | Opsens Solutions Inc.'s reportable segment $ | Eliminations $ | Consolidated financial statements $ |
| Revenues | 615 | 849 | (128) | 1,336 |
| Cost of revenues | 492 | 634 | (128) | 998 |
| Gross margin | 123 | 215 | - | 338 |
| Gross margin rate (%) | 20 | 25 | - | 25 |

| (In thousands of Canadian dollars except for percentage data figures) | Three-month period ended February 28, 2010 | Three-month period ended February 28, 2010 | Three-month period ended February 28, 2010 | Three-month period ended February 28, 2010 |
|---|---|---|---|---|
| | Opsens Inc.'s reportable segment $ | Opsens Solutions Inc.'s reportable segment $ | Eliminations $ | Consolidated financial statements $ |
| Revenues | 610 | 471 | (34) | 1,047 |
| Cost of revenues | 339 | 416 | (34) | 721 |
| Gross margin | 271 | 55 | - | 326 |
| Gross margin rate (%) | 44 | 12 | - | 31 |

| (In thousands of Canadian dollars except for percentage data figures) | Six-month period ended February 28, 2011 | Six-month period ended February 28, 2011 | Six-month period ended February 28, 2011 | Six-month period ended February 28, 2011 |
|---|---|---|---|---|
| | Opsens Inc.'s reportable segment $ | Opsens Solutions Inc.'s reportable segment $ | Eliminations $ | Consolidated financial statements $ |
| Revenues | 1,140 | 1,596 | (253) | 2,483 |
| Cost of revenues | 887 | 1,218 | (253) | 1,852 |
| Gross margin | 253 | 378 | - | 631 |
| Gross margin rate (%) | 22 | 24 | - | 25 |

| (In thousands of Canadian dollars except for percentage data figures) | Six-month period ended February 28, 2010 | Six-month period ended February 28, 2010 | Six-month period ended February 28, 2010 | Six-month period ended February 28, 2010 |
|---|---|---|---|---|
| | Opsens Inc.'s reportable segment $ | Opsens Solutions Inc.'s reportable segment $ | Eliminations $ | Consolidated financial statements $ |
| Revenues | 1,568 | 663 | (114) | 2,117 |
| Cost of revenues | 806 | 650 | (114) | 1,342 |
| Gross margin | 762 | 13 | - | 775 |
| Gross margin rate (%) | 49 | 2 | - | 37 |

The gross margin on product sales decreased for the three and six-month periods ended February 28, 2011 from the comparative semester in 2010 mainly because of the decrease in sales in the scientific and laboratories market where high margins are recorded. On the other hand, the Opsens Solutions Inc. reportable segment generated an improved gross margin since higher sales.

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

As at February 28, 2011, the backlog amounted to $1,512,000 compared with a backlog of $1,436,000 on August 31, 2010.

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 three and six-month periods ended February 28, 2011, the average US exchange rate was lower than the previous year, which affected negatively sales by $24,000 and $42,000 respectively.

Market acceptance of fiber optic sensors is increasing in the company's markets, leading to higher sales. That said some sectors, such as oil & gas, are seeing additional competition. Opsens is addressing the added competition by highlighting the performance characteristics of its products compared with those of its competitors. For the periods ended February 28, 2011 and 2010, pricing fluctuations did not have a significant impact on revenues. The launches of a distributed temperature sensing system for oil and gas market contributed to sales growth.

## 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. For the three-month and six-month periods ended February 28, 2011, the Company focused on continuous improvements to its technology in markets with the highest perceived opportunity, particularly oil and gas and medical devices.

Research and development expenses increased to $324,000 from $261,000 for the three-month periods ended February 28, 2011 compared to the same period in 2010. Research and development expenses increased to $674,000 from $473,000 for the six-month periods ended February 28, 2011 compared to the same period in 2010. The variation reflects an increase in the number of employees, an increase in subcontracting expenses and higher prices for R&D supplies.

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

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

The FFR market represents a real and significant opportunity for Opsens. Opsens intends to fully exploit this opportunity by aggressive development of the EasyWire and the OptoWire through the stages of animal and human testing, and then commercialization. For the year 2011, Opsens expects R&D expenses to increase by a few hundred thousands of dollars in comparison with the previous year because of work performed on the FFR opportunity.

EasyWire for the Measurement of Fractional Flow Reserve

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

OptoWire for the Measurement of Fractional Flow Reserve

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

Scientific Advisory Board

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

Contingencies

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.

## SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

*Non-GAAP financial measure - EBITDAO*

The Company uses its capital to finance marketing expenses, research and development activities, administrative expenses 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.

Reconciliation of EBITDAO to the Quarterly Results (in Thousands of Canadian dollars)

| | Three-month period ended February 28, 2011 | Three-month period ended February 28, 2010 | Six-month period ended February 28, 2011 | Six-month period ended February 28, 2010 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Net loss** | (683) | (586) | (1,390) | (1,082) |
| Financial charges (income) | 19 | (4) | 6 | 21 |
| Amortization of property, plant and equipment | 44 | 44 | 90 | 86 |
| Amortization of intangible assets | 5 | 16 | 12 | 21 |
| EBITDA | (615) | (530) | (1,282) | (954) |
| Stock option-based compensation | 52 | 47 | 90 | 102 |
| **EBITDAO** | (563) | (483) | (1,192) | (852) |

*Net loss*

For the three-month period ended February 28, 2011, net loss totalled $683,000, compared with $586,000 a year earlier. The net loss remained stable while the increase gross margin was offset by the increase in administrative expenses.

For the six-month period ended February 28, 2011, net loss totalled $1,390,000, compared with $1,082,000 a year earlier. This decline in the net result reflects an increase in R&D expenses, an increase in administrative expenses, a decrease in gross margin and other variations.

The net results for the next quarters will be strongly influenced by product sales volume. The backlog and the expansion of marketing activities within the oil and gas market following the OPP-W installations performed previously should contribute to an increase in EBITDAO.

*Capital management*

The Company uses its capital to finance marketing expenses, research and development activities, administrative expenses, 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 EBITDAO quarterly.

The Company aims to improve these figures which negatively varied for the six-month periods ended February 28, 2011, compared with the same period in 2010. The Company believes that its current liquid assets are sufficient to finance its activities for the short term.

The Company has an authorized line of credit for a maximum amount of $200,000, $50,000 of which is available at all times and which 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 1.5 to 1 for debt to working capital, with a minimum working capital of $200,000. The covenants were met as of February 28, 2011.

## 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.

| | 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 |

| | 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 |

*Information by geographic segments*

| | Three-month period ended | | Six-month period ended | |
|---|---|---|---|---|
| | February 28 2011 | February 28 2010 | February 28 2011 | February 28 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 |
| Others | 105,620 | 384,972 | 218,114 | 901,462 |
| | 1,335,864 | 1,047,280 | 2,483,187 | 2,117,633 |

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).

*Administrative expenses*

Administrative expenses were $436,000 and $334,000 respectively for the three-month periods ended February 28, 2011 and 2010. Administrative expenses were $886,000 and $735,000 respectively for the six-month periods ended February 28, 2011 and 2010.

Administrative expenses increased mainly due to a rise in employment levels within the two reportable segments (Opsens Inc. and Opsens Solutions Inc.) and insurance expenses. In the coming quarters, administrative expenses should slightly increase due to legal expenses.

*Sales and marketing expenses*

Sales and marketing expenses were $141,000 and 214,000 respectively for the three-month periods ended February 28, 2011 and 2010. Sales and marketing expenses were $263,000 and 419,000 respectively for the six-month periods ended February 28, 2011 and 2010.

Sales and marketing decreased due to the sell of high-power transformer business which affected employment levels. Sales and marketing expenses should remain relatively stable in the coming quarters in relation to the first semester of 2011.

*Financial expenses (income)*

Financial expenses was $19,000 for the three-month period ended February 28, 2011, compared with financial income of $4,000 for the same period in 2010, a negative impact of $23,000. An increase of loss on foreign currency in 2011 compare to the second quarter 2010 in the amount of $69,000 were partially offset by a growth of more than $43,000 from interest income mainly composed of implicit interest earned on the balance of purchase price to be received.

Financial expenses was $6,000 for the six-month period ended February 28, 2011, compared with financial expenses of $21,000 for the same period in 2010, a positive impact of $15,000. An increase of loss on foreign currency for the six-month ended February 28, 2011 in the amount of $82,000 were partially offset by a growth of more than $92,000 from interest income mainly composed of implicit interest earned on the balance of purchase price to be received.

*Financing activities cash flow*

On February 12, 2010, the Company completed 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 of Opsens and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder thereof to purchase one common share of the Company at a price of $1.15 per common share for a period of 24 months following the closing date of the Private Placement. Opsens paid a cash commission of $254,404 to the brokers and issued 299,299 non transferable warrants to acquire one common share of Opsens at $0.85 for a period of 24 months from the closing of the Private Placement. The net proceeds of the Private Placement will be used for working capital purposes and potential acquisitions. With this financing Opsens will expand its marketing activities and finalize main product development partnerships, which should provide long-term recurring revenues.

In 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.

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

| | |
|---|---|
| Common shares | 47,865,983 |
| Stock options | 4,006,500 |
| Warrants | 2,647,216 |
| Securities on a fully diluted basis | 54,519,699 |

*Investing activities cash flow*

Opsens R&D, production and administrative equipment purchases amounted to $115,000 for the first semester ended February 28, 2011. These acquisitions were made primarily to gain access to high-tech R&D environment and production equipment.

As for intangible assets, Opsens invested $52,000 for the six-month period ended February 28, 2011. These investments involved software and patent protection for the Company's inventions.

*Cash and cash equivalents*

On February 28, 2011, the Company had cash and cash equivalents of $4,401,000, compared with $5,348,000 as of August 31, 2010. Of this amount as at February 28, 2011, $3,749,000 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 February 28, 2011, Opsens had working capital of $6,733,000, compared with working capital of $8,069,000 on August 31, 2010. Based on the private placement completed on February 12, 2010, the use of proceeds from high-power transformers sale, its cash and cash equivalents, its working capital, and its order backlog, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments, and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and debt. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section. Fluctuation in cash assets will depend particularly on the rate of revenue growth, for the coming quarters.

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

*Commitments*

*Lease*

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

*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 | - |

*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.

Details of financial charges (income)

| | Three-month period ended | | Six-month period 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 |
| Gain/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 |

*Credit Risk*

The use of financial instruments can create a credit risk that is the risk of financial loss resulting from 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 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. 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 accounts receivable were older than 90 days, while 71.25% were less than 30 days old. 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 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 February 28, 2011, had been the same throughout the period, a hypothetical 1% interest rate increase would have an impact of $200 and $400 for the three and six-month periods ended February 28, 2011. 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 February 28, 2011 and 2010, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, after-tax net loss and other comprehensive income would have been $11,000 and $15,000 higher, respectively. Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar, with all other variables held constant, after-tax net loss and other comprehensive income would have been $11,000 and $15,000 lower 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.

*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 | - |

**STRATEGIC ACQUISITIONS AND NEW PROJECT DEVELOPMENT**

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

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

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

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

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

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

**CAPACITY TO GENERATE RESULTS**

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

During the next quarters, 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 competitive employment market in Canada, Opsens is confident of its capacity to recruit qualified human resources in a timely fashion.

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

## CHANGES IN ACCOUNTING POLICIES

The unaudited financial statements for the three and six-months periods ended February 28, 2011 are consistent with the policies outlined in the Company's audited financial statements for the year ending August 31, 2010.

*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 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.

## RISK FACTORS AND UNCERTAINTIES

Opsens operates in an industry that is subject to various risks and uncertainties. The Company's business, financial position, and operating results could be impacted negatively by these risks and uncertainties. The most important risks and uncertainties are described in the management discussion and analysis for the year ended August 31, 2010.

## 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

April 19, 2011