MANAGEMENT DISCUSSION & ANALYSIS
Annual report for shareholders
Fiscal year ended August 31, 2011

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

Unless stated otherwise, the Management Discussion and Analysis has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a consolidated basis. This document was prepared on November 15, 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 and ISO 13485:2003.

Opsens holds six (6) patents and has four (4) 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 consumers 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. Opsens' sales and marketing strategy aims to provide solutions for the various current niche markets and develop specific new markets. The Company's expertise, know-how, and patented technology are the keys to new production techniques improving the reliability of measuring equipment. Also, the Opsens production technique called MEMS (Micro-Electro-Mechanical-System) encourages penetration into markets traditionally occupied by conventional sensors through higher production volumes and reduced manufacturing costs.

In 2012, Opsens expects revenue from product sales to be higher than a year earlier. The enhanced development and increased market acceptance, will likely lead to increased revenues.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year Ended August 31, 2011	Year Ended August 31, 2010	Year Ended August 31, 2009
	$	$	$
Sales	6,005	5,281	3,088
Cost of revenues	4,095	3,173	2,000
Gross margin	1,910	2,108	1,088
Administrative expenses	2,036	1,521	1,179
Marketing expenses	645	870	872
R&D expenses	1,417	1,047	828
Financial income	(89)	(41)	(34)
Stock option-based compensation	185	282	229
Amortization of property, plant and equipment	200	179	164
Amortization of intangible assets	27	32	21
Gain on disposal	-	(2,375)	-
	4,421	1,515	3,259
Profit (Loss) before income taxes	(2,511)	593	(2,171)
Income taxes	-	-	-
Net Profit (Net loss)	(2,511)	593	(2,171)
Net Profit (Net loss) per share – Basic	(0.05)	0.01	(0.05)
Net Profit (Net loss) per share - Diluted	(0.05)	0.01	(0.05)

(In thousands of Canadian dollars)	As at August 31, 2011	As at August 31, 2010	As at August 31, 2009
	$	$	$
Current assets	6,927	9,597	4,880
Total assets	8,701	11,516	6,450
Current liabilities	1,137	1,527	652
Long-term debt	30	129	256
Shareholders' equity	7,534	9,860	5,542

No dividend was declared per share for each share class.

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 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 August 31, 2011	Three-month period ended May 31, 2011	Three-month period ended February 28, 2011	Three-month period ended November 30, 2010
	$	$	$	$
Revenues	1,107	2,415	1,336	1,147
Net loss for the period	(731)	(390)	(683)	(707)
Net loss per share - Basic	(0.02)	(0.01)	(0.01)	(0.01)
Net loss per share - Diluted	(0.02)	(0.01)	(0.01)	(0.01)

(In thousands of Canadian dollars)	Three-month period ended August 31, 2010	Three-month period ended May 31, 2010	Three-month period ended February 28, 2010	Three-month period ended November 30, 2009
	$	$	$	$
Revenues	1,695	1,469	1,047	1,070
Net profit (net loss) for the period	2,016	(341)	(586)	(496)
Net profit (net loss) per share – Basic	0.04	(0.01)	(0.01)	(0.01)
Net profit (net loss) per share – Diluted	0.04	(0.01)	(0.01)	(0.01)

FOURTH QUARTER 2011

The Company recorded a net loss of $731,000 or 2 cents a share in the fourth quarter compared with a net profit of $2,016,000 or 4 cents a share a year earlier. The decrease in net income, in the fourth quarter of fiscal 2011, compared with the comparative quarter is mainly due to the gain on disposal of high-power transformers activities recorded in 2010. Seasonal fluctuations and year-end adjustments had no impact on operating revenues and net loss for the fourth quarter 2011.

Revenue totalled $1,107,000 for the quarter ended August 31, 2011, compared with $1,695,000 a year earlier, following a widespread decline in revenues across all sectors of the Company. In oil and gas, revenue recognition for a few orders has been postponed following some customers' decision to delay installations until the first quarter 2012. The decrease in sales in the laboratory sector is attributed to the decrease in government spending for a number of applications of our products.

Administrative expenses increased at $601,000 for the latest quarter, compared with $400,000 for the same period in 2010. During the fourth quarter of 2011, the Company recorded a bad debt expense of $100,000. In addition, wages and payroll taxes were also higher due to the enhancement of the administrative team.

Marketing expenses for the quarter were slightly lower at $198,000 versus $218,000 a year earlier due to the sale of our high-power transformer business, which affected employment, levels.

Research and development expenses totalled $354,000 for the quarter ended August 31, 2011, compared with $228,000 for the same period in 2010. The variation is mainly explained by the absence of IRAP grants for the development of the OptoWire and EasyWire for the measurement of FFR.

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

PERFORMANCE INDICATORS

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

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

YEARS ENDED AUGUST 31, 2011, AND AUGUST 31, 2010

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(In thousands of dollars except for percentage data figures)	**Year Ended August 31, 2011**		**Year Ended August 31, 2010**
	$		**$**
Revenues	6,005		5,281
Variation (%)		13.7 %	
Gross margin	1,910		2,108
Variation (%)		- 9.4 %	

The Company reported revenue of $6,005,000 for the year ended August 31, 2011, compared with $5,281,000 a year earlier, an increase of 13.7%. The growth includes a sales increase of close to $1,800,000 in the oil & gas market. Rising income in oil and gas is due to the superior performance of our products. On the other hand, income in the laboratory sector declined following the reduction of government budgets for this sector. Some discussions at an advanced stage could bring growth back in the laboratory sector.

Sales in the oil and gas sector totalled $4,206,000, compared with $2,405,000 for 2010. Management anticipates that revenues from oil and gas will continue to grow as the OPP-W sensor becomes more mature and as we expend its applications and market other products.

Sales in medical instrumentation were close to $430,000 in fiscal 2011 compared with $483,000 for 2010. For the year ended August 31, 2011, a significant proportion of medical sales were made to OEM customers for pressure measurement for preclinical use. We expect sales to increase in this market in 2012 in view of the development programs of OEM customer and our more mature product line for pressure and temperature measurement.

(In thousands of Canadian dollars except for percentage data figures)	Year ended August 31, 2011 Opsens Inc.'s reportable segment $	Year ended August 31, 2011 Opsens Solutions Inc.'s reportable segment $	Year ended August 31, 2011 Eliminations $	Year ended August 31, 2011 Consolidated financial statements $
Revenues	2,431	4,193	(619)	6,005
Cost of revenues	1,769	2,945	(619)	4,095
Gross margin	662	1,248	-	1,910
Gross margin rate (%)	27	30		32

(In thousands of Canadian dollars except for percentage data figures)	Year ended August 31, 2010 Opsens Inc.'s reportable segment $	Year ended August 31, 2010 Opsens Solutions Inc.'s reportable segment $	Year ended August 31, 2010 Eliminations $	Year ended August 31, 2010 Consolidated financial statements $
Revenues	3,343	2,388	(450)	5,281
Cost of revenues	1,651	1,972	(450)	3,173
Gross margin	1,692	416	-	2,108
Gross margin rate (%)	51	17	-	40

The gross margin rate on product sales declined in fiscal 2011 from a year earlier, mostly because of decreased margins in the Opsens Inc. business unit. This decrease is mainly due to lower high margins sales in the laboratory sector and lower sales in general. For its part, Opsens Solutions has generated a substantial margin increase versus the prior year. However, the rate remains below what is expected in the medium term, given the overhead costs to cope with the increase in expected sales in coming quarters. The Company anticipates that the rates of consolidated gross margin for Opsens Inc. will move toward the minimum target of 40% over the next few quarters, as revenue grows.

As at August 31, 2011, the backlog amounted to $1,755,000 ($1,436,000 at 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 fiscal year ended August 31, 2011, the average exchange rate was lower than the previous year, which affected negatively sales by $96,000.

Market acceptance of fiber optic sensors is increasing in the Company's markets, leading to higher sales. That said, some sectors, such as oil and 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 August 31, 2011 and 2010, pricing fluctuations and new product launches did not have a significant impact on revenues.

PRODUCTS AND INNOVATION

The Company is constantly working to improve its position in terms of intellectual property and what it can offer to its customers. In fiscal 2011, the Company focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly oil and gas and medical devices.

Research and development costs were increased respectively to $1,417,000 and $1,047,000 for the years 2011 and 2010. The change in research and development expenses during the period was generated primarily by the increasing number of employees and the reduction of subsidies.

In 2011, 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 OptoWire through the stages of animal and human testing, and then commercialization. For the year 2012, 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. Opsens wants to proceed to commercialization of a FFR product in the year 2013 by securing an agreement with a partner who already has an established distribution network.

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 obtained a Canadian patent for the EasyWire, "Eccentric Pressure Catheter with Guidewire Capability" and has filed applications in other jurisdictions for the same invention.

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

On March 9, 2011, Opsens stated that it would vigorously defend itself against a lawsuit filed by ACIST Medical Systems Inc., a Delaware corporation (ACIST), alleging the improper use of alleged ACIST confidential information in connection with Opsens' EasyWire device and certain patent applications Opsens has filed, including U.S. Patent Application No. 12/725,951 and International Application No. PCT/CA2010/000396 (the "Applications"). ACIST's lawsuit seeks unspecified monetary damages, and further seeks that Opsens assign or abandon the Applications and cease development and testing of its EasyWire device.

Opsens has denied all of ACIST's legal claims in its Answer to the lawsuit filed in the United States District Court for the District of Minnesota. Opsens maintains that ACIST's lawsuit is entirely without merit and looks forward to proving its case in Court.

SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

Non-GAAP financial measure – EBITDA, EBITDAO and EBITDAO and gain on disposal

EBITDA, EBITDA before stock-based compensation costs (EBITDAO) and EBITDAO before gain on disposal do not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. The Company defines the EBITDAO as the cash flows from operating activities without taking in consideration non-cash expenses and changes in non-cash operating working capital items. EBITDAO and gain on disposal provides investors and management burn rate related to operating activities of the Company.

Reconciliation of EBITDAO to the Annual Results

(In thousands of Canadian dollars)	**Year Ended August 31, 2011**	**Year Ended August 31, 2010**	**Year Ended August 31, 2009**
	$	**$**	**$**
Net gain (loss) for the period	(2,511)	593	(2,171)
Financial expenses (income)	(89)	(41)	(34)
Amortization of property, plant, and equipment	200	179	164
Amortization of intangible assets	27	32	21
EBITDA	(2,373)	763	(2,020)
Stock-based compensation costs	185	282	229
EBITDAO	(2,188)	1,045	(1,791)
Gain on disposal	-	(2,375)	-
EBITDAO and gain on disposal	(2,188)	(1,330)	(1,791)

Net gain (net loss)

For the year ended August 31, 2011, the net loss totalled $2,511,000, compared with a net profit of $593,000 a year earlier. The decrease in net income for fiscal 2011 compared with the previous year mainly reflects the non-recurring gain on disposal for 2010. In addition, when ignoring the gain on disposal, the negative variation of EBITDAO is the result of increased research and development costs, increased administrative costs and decreased gross profit.

Fiscal 2012 results will be strongly influenced by product sales figures. The backlog of $1,755,000 and the expansion of marketing activities within the oil and gas market following previous OPP-W installations, should contribute to an increase in the sales, to the stability of the EBITDAO.

Capital management

The Company uses its capital to finance marketing expenses, research and development activities, administrative charges, working capital and capital assets. Historically, the Company has financed activities through rounds of public and private financing, debt financing as well as government grants.

The Company reviews net loss and EBITDAO quarterly.

The Company anticipates stability of these performance indicators as the increase in gross margin and increased R&D expenses for the period ended August 31, 2011, compared with the same period in 2010. The Company believes that its current liquid assets are sufficient to finance its short-term activities.

The Company has an authorized line of credit for a maximum amount of $200,000, $50,000 of which is available at all times and which is not limited by margin requirements. When using the line of credit in an amount varying from $50,000 and $100,000, the available credit is limited to an amount equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds $100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of ensured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios related to the maintenance of a maximum ratio of 3 to 1 for total debt to equity, and a ratio of at least than 1.5 to 1 for debt to working capital, with a minimum working capital of $200,000. The covenants were met as of August 31, 2011.

At the end of fiscal year ended August 31, 2011, the Company has received approval for financial support from the Ministry of Economic Development, Innovation and Export, in the form of a repayable contribution of $413,590 for the development of a portfolio of products for FFR. Simultaneously, a loan worth $500,000 was granted to the Company to support the project. Opsens expects to receive the cash proceeds from both loans in the year 2012.

INFORMATION BY REPORTABLE SEGMENTS

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 commercialization and 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.

			2011			2010
	Opsens Inc.	**Opsens Solutions Inc**	**Total**	Opsens Inc.	Opsens Solutions Inc	Total
	$	**$**	**$**	$	$	$
External sales	**1,812,047**	**4,193,092**	**6,005,139**	2,892,819	2,387,897	5,280,716
Internal sales	**618,977**	**-**	**618,977**	450,211	-	450,211
Amortization of property, plant and equipment	**148,131**	**51,433**	**199,564**	151,961	26,793	178,754
Amortization of intangible assets	**24,282**	**2,661**	**26,943**	30,146	1,720	31,866
Financial expenses	**(311,484)**	**222,613**	**(88,871)**	(45,923)	5,084	(40,839)
Net loss before gain on disposal	**(2,159,948)**	**(351,405)**	**(2,511,353)**	(1,317,306)	(464,429)	(1,781,735)
Gain on disposal	**-**	**-**	**-**	2,375,107	-	2,375,107
Net earnings (loss)	**(2,159,948)**	**(351,405)**	**(2,511,353)**	1,057,801	(464,429)	593,372
Acquisition of property, plant and equipment	**153,401**	**218,085**	**371,486**	65,023	60,366	125,389
Acquisition of intangible assets	**85,724**	**21,465**	**107,189**	29,159	8,084	37,243
Segment assets	**6,137,333**	**2,564,032**	**8,701,365**	8,612,521	2,903,906	11,516,427

Geographic segment's information

	2011	2010
	$	$
Revenue per geographic sector		
Canada	**4,332,673**	2,601,958
United States	**1,020,566**	906,916
Germany	**-**	298,152
United Kingdom	**-**	181,953
Other	**651,900**	1,291,737
	6,005,139	5,280,716

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 year ended August 31, 2011, revenues from four clients represent individually 35.5% (Opsens Solutions Inc.' reportable segment), 14.8% (Opsens Solutions Inc.' reportable segment), 11.8% (Opsens Solutions Inc.' reportable segment) and 10.0% (Opsens Inc.' reportable segment).

During the year ended August 31, 2010, revenues from two clients represent individually 28.6% (Opsens Solutions Inc.' reportable segment) and 11.3% (Opsens Solutions Inc.' reportable segment).

Administrative expenses

Administrative expenses were $2,036,000 and $1,521,000 respectively for the years ended August 31, 2011, and 2010.

The increase in administrative expenses is the result of an increase in wages expenses in both operating units (Opsens Inc. and Opsens Solutions Inc.), the bad debt expense of $100,000 and legal fees related to the EasyWire lawsuit. In the coming quarters, administrative costs should be less than $600,000 per quarter in spite of the additional legal fees.

Sales and marketing expenses

Sales and marketing expenses were $645,000 for FY2011, compared to $870,000 a year earlier, a $224,000 reduction. Sales and marketing decreased due to the sale of our high-power transformer business, which affected employment levels. Sales and marketing expenses should remain relatively stable in 2012.

Sales and marketing expenses should increase over fiscal 2012 given the increased resources allocated to sales in the Opsens Solutions business unit.

Financial expenses (income)

Financial income reached $89,000 for the year ended August 31, 2011 compared with financial income of $41,000 the previous year. The increase in financial income during fiscal 2011 is the direct result of increased interest income of over $160,000 generated by interest earned on the balance of sale receivable and an unfavourable change of $115,000 in the gain / loss on foreign exchange.

Financing activities cash flow

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 net proceeds of the private placement will be used for marketing, general working capital purposes and potentially for acquisitions. Opsens will expand its sales and marketing activities and finalize main product development partnerships, which should provide long-term recurring revenues.

Warrants exercised and expired

During the year ended August 31, 2011, 204,167 warrants entitling their holders to acquire one common share of the Company at a price of $0.60 expired.

During the year ended August 31, 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.

During the year ended August 31, 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.

Stock options exercised, granted and expired

For the period ended August 31, 2011, the Company granted to some employees and Directors a total of 453,000 stock options with an average exercise price of $0.36, and cancelled 416,500 stock options with an exercise price of $0.68 a share.

During the year ended August 31, 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.

For the year ended August 31, 2010, the Company granted to some employees and Directors a total of 1,359,750 stock options with an average exercise price of $0.40, and cancelled 6,000 stock options with an exercise price of $0.68 a share.

On November 15, 2011, the following components of shareholders' equity are outstanding:

Common shares	47,865,983
Stock options	3,877,000
Warrants	2,443,049
Securities on a fully diluted basis	54,186,032

Investing activities cash flow

Opsens purchases amounted, for each of its segmented units R&D equipment, production equipment and administrative equipment, to $371,000 for the year ended August 31, 2011. Investments have been made especially to support FFR product development and commercial production.

As for intangible assets, Opsens invested $107,000 for the period ended August 31, 2011. These investments involved software and patent protection for the Company's inventions.

Cash and cash equivalents

On August 31, 2011, the Company had cash and cash equivalents of $3,747,000, compared with $5,348,000 as of August 31, 2010. Of this amount as at August 31, 2011, $2,939,000 was invested in highly liquid, safe investments. The Company also has an available line of credit in the amount of $200,000. This line of credit incurs interest at prime +2%. The restrictive clauses of the Company's financial institution are respected.

Financial position

As at August 31, 2011, Opsens had a working capital of $5,790,000, compared with a 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, the exercised warrants, its cash and cash equivalents, its working capital, and its order backlog, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments, and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and debt. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and uncertainties section*. During fiscal 2012, fluctuation in cash assets will depend particularly on the rate of revenue growth.

For the year 2012, the Company does not anticipate additional investment into the working capital.

Commitments

Leases

The Company leases offices in Québec 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 $354,631.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to $84,565.

Future payments for the leases and other commitments, totalizing $449,696, required in each of the next five years are as follows:

	$
2012	185,479
2013	186,446
2014	77,771
2015	-
2016	-

Licence

Under an exclusive licence with a third party, the Company is committed to provide exclusive distribution 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.

	2011	2010
	$	$
Professional fees to a company		
Controlled by a director	50,511	-
	50,511	-

Fees are incurred for the Company's FFR activities.

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 Board of Directors approves the investment policy. The Company's investment policy aims primarily to protect capital, while considering return on investment and income taxes.

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the parameters underlying their measurement, particularly interest rates and market prices.

Interest Rate Risk

Interest rate risk exists when interest rate fluctuations modify the cash flows of the Company's investments. The Company owns investments with fixed interest rates. As of August 31, 2011, the Company was holding more than 78.4% of its cash equivalents in all time redeemable term deposit.

Financial charges (income)

	2011	2010
	$	$
Interest and bank charges	22,107	20,033
Interest on long-term debt	18,187	23,457
Loss (gain) on foreign currency translation	100,880	(14,200)
Interest income	(230,045)	(70,129)
	(88,871)	(40,839)

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 August 31, 2011, the Company was holding more than 78.4% 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 69.7% of the Company's accounts receivable as at August 31, 2011 (66.1% as at August 31, 2010).

As at August 31, 2011, 10.8% (23.8% as at August 31, 2010) of the accounts receivable were of more than 90 days whereas 55.8% (61.5% as at August 31, 2010) of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On August 31, 2011, the bad debt provision was established at $3,082 ($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 August 31, 2011 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of $589 on the net loss for the year ended August 31, 2011 and $1,029 on the net profit for the year ended August 31, 2010. The net loss (net profit in 2010) 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 and 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 years ended August 31, 2011 and 2010, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been $6,000 higher (net income would have been $142,000 lower in 2010). Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have been $6,000 lower (net income would have been $142,000 higher in 2010) for the same periods.

As at August 31, 2011, the risk to which the Company was exposed is established as follows:

	2011	2010
	$	$
Cash (US$237,074)	232,191	509,164
Accounts receivable (US$120,686)	118,200	501,350
Balance of purchase price to be received (US$433,422)	424,493	826,037
Accounts payable and accrued liabilities (US$49,156)	(48,217)	(93,826)
Total	726,667	1,742,725

Liquidity Risk

Liquidity risk represents the possibility of the Company not being able to raise the funds needed to meet financial commitments at the appropriate time and under reasonable conditions. The Company manages this risk by maintaining permanent and sufficient liquidity to meet current and future financial obligations, under both normal and exceptional circumstances. The funding strategies used to manage this risk include turning to capital markets to carry out issues of equity and debt securities.

The following are the contractual maturities of the financial liabilities, principal and interest (assuming current interest rates), as at August 31, 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	1,045,840	1,045,840	-	-	-
Long-term debt	108,277	89,605	18,672	-	-
Obligation under capital lease	32,184	15,434	10,047	6,703	-
Commitments	449,696	185,479	186,446	77,771	-
Total	1,635,997	1,336,358	215,165	84,474	-

Fair value

The fair value of accounts receivable, income tax credits receivable, balance of purchase price receivable and accounts payable and accrued liabilities approximates 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.

STRATEGIC ACQUISITIONS AND NEW PROJECT DEVELOPMENT

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

On August 16, 2010, Opsens reached an 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 following:

	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.
** Amount received as at August 31, 2011.

CAPACITY TO PRODUCE RESULTS

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

During the next year, the generalized growth in sales should not require an additional investment in working capital. Investments in capital of a few hundreds of thousands of dollars will be needed to respond to Opsens' operational needs.

From the point of view of human resources, the main corporate executive positions are filed within the Company. However, additional production personnel will be required in Quebec and Alberta. Taking into account the employment market in Canada, Opsens is confident in its capacity to recruit qualified human resources in a timely fashion.

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

CHANGES IN ACCOUNTING POLICIES

Changes applied for the exercise ended August 31, 2010

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

Section 3064, "Goodwill and intangible assets," replacing Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs." 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 consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board ("AcSB") 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 January 1, 2011. On February 13, 2008, the AcSB confirmed 2011 as the official changeover date from current Canadian generally accepted accounting principles ("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 will be required to use International Financial Reporting Standards (IFRS) for its interim and annual financial statements beginning on September 1, 2011 and to provide a restated comparative statement in accordance with IFRS.

To prepare for the adoption of IFRS, the Company has developed an IFRS conversion plan. The Company completed the diagnostic phase in 2010, which involved a high-level review of the differences between current Canadian GAAP and IFRS, as well as a review of the alternatives available on adoption. Phase 2 of the plan, which was completed by the end of 2011, allowed the Company to evaluate the detailed consequences of the transition and helped the Company to implement the required changes to its information systems and internal control mechanisms. In fact, no major changes were required to the Company's information systems and internal control mechanisms.

The last phase, which consists of preparing the opening balance sheet, the financial results (current and comparative), reconciliation notes as well as additional notes under IFRS, started at the end the last quarter of 2011 and will be completed during the first quarter of 2012.

The following table presents certain choices made by management pertaining to the Standard IFRS 1 (First-time adoption of IFRS).

Standards	Topic	International standards	Management's comments
IFRS 1 First-time Adoption of IFRS	Deemed cost of property, plant and equipment	An entity may elect to measure an item of property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date.	Given the type of capital assets held, management plans to account for them as at the transition date at their depreciated cost in accordance with IFRS rather than at their fair value on this date.
	Stock option costs	A first-time adopter is encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and that vested before the date of transition to IFRS.	Management intends to make this choice in order to avoid revising calculations of equity instruments on which the rights were vested before September 1, 2010.
	Designation of financial instruments	Possibility of redesignating financial instruments on the transition date	Management reviewed the classification of its financial instruments and decided to maintain its prior designation after the transition.
	Business combinations	Costs incurred to effect a business combination are expensed in the period incurred.	The Corporation plans to elect not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations will not be restated.

The following are some of our key changes in accounting policies and their impacts with respect to the recognition and measurement of certain balance sheet and income statement items. Unless otherwise indicated, all changes in accounting policy will be applied retrospectively and the cumulative significant impact will affect opening balance of deficit as of September 1, 2010.

Standards	International standards	Management's comments
IFRS 2 Share-based Payment	Entities must estimate at the end of each period the number of equity instruments expected to vest and revise that estimate, if necessary.	Historical information by employee class was collected to support estimates of future vesting and integrated in our calculations. At the date of transition, Opsens determined that financial impact. A retrospective application has been made and the opening balance of Deficit as of September 1, 2010 has been adjusted. As a result, the balance of deficit has been decreased of $214,071.
IAS 16 Property, Plant and Equipment	Following initial recognition, property, plant and equipment may be carried at their depreciated cost or their fair value in accordance with the accounting policy adopted by management.	Given the nature of the capital assets, management plans to use the depreciated cost model. Management does not believe that presentation at fair value has significant benefits, given the difficulties associated with determining fair value and managing fair value in accounting systems
	Parts of an item must be depreciated separately, each over the length of its useful life.	Management performed an analysis of the Company's property, plant and equipment and none of the assets is considered to have significant parts with a specific useful life. Also, the Company is presently reviewing its depreciation methods for its assets and their estimated useful lives. Determination of the financial impact of these changes is in progress.
IAS 36 Impairment of assets	IAS 36 requires that an entity assess at each reporting date whether there is any indication that an asset may be impaired, and if any such indication exists, that the entity estimate the recoverable amount of the asset. Under IAS 36, an impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of its fair value less costs to sell and its value in use.	The level of impairment consideration has been identified at the asset and cash generating unit level. To date there are no impairment indicators realized in the Corporation's cash generating units.

Reconciliation of Equity as of September 1st, 2010

	Canadian GAAP Balance August 31, 2010 Audited	IFRS Reclassification	IFRS Adjustments	IFRS Balance September 1, 2010
	$	$	$	$
Share capital	15,201,618	-	-	15,201,618
Stock options	1,065,677	-	ii) (214,071)	851,606
Warrants	861,782	1,328,600	-	2,190,382
Contributed surplus	1,328,600	(1,328,600)	-	-
Deficit	(8,597,742)	-	i) (126,737)	
		-	ii) 214,071	(8,510,408)
	9,859,935	-	(126,737)	9,733,198

The contributed surplus has been reclassified according to the nature of the different elements of which it consists. An amount of $1,328,600 was recorded in the contributed surplus under Canadian GAAP following the expiry of warrants. This amount has been reclassified in accordance with IFRS requirements.

i) The adjustment results from a change in accounting policies for property, plant and equipment. The Company has decided to change its current diminishing balance method for tangible assets for the straight-line method. A retrospective application has been made and the opening balance of Deficit as of September 1, 2010 has been adjusted. As a result, the balance of property, plant and equipment has been reduced by $126,737.

ii) The adjustment results from stock options costs. A retrospective application has been made and the opening balance of Deficit as of September 1, 2010 has been adjusted. As a result, the balance of deficit has been decreased by $214,071.

ACCOUNTING POLICIES

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

Principles of consolidation

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

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments redeemable anytime or with a maturity of three months or less beginning on the acquisition date.

Inventories

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

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite lives are recorded at their acquisition cost. Amortization is provided using the declining balance method based on their useful lives, except for patents, which are amortized using the straight-line method, at the following annual rates:

Property, plant and equipment and intangible assets	
Office furniture and equipment	20%
Production equipment	20%
Automotive equipment	30%
Research and development equipment	20%
Research and development computer equipment	30%
Computer equipment	30%
Leasehold improvements	Lease Term
Intangible assets with limited lives	
Patents	Term of underlying patent, 5 to 20 years
Software	30%

Intangible assets with indefinite lives

Intangible assets with indefinite lives are recorded at cost and are tested for impairment annually or more frequently if events of changes in circumstances indicate a potential impairment in value. The excess of the carrying value over the fair value is recorded in loss.

Impairment of long-lived assets

Long-lived assets held are reviewed annually or more frequently when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

Government assistance and income tax credits for research and development

Government grants are recorded when there is reasonable assurance that the Company has complied with and will continue to comply with all the conditions of the grant. Non-repayable grants or contributions related to operating expenses are included in the statement of loss when the related expenses are incurred. Grants related to capital expenditures are netted against the related assets when acquired.

The Company is also eligible for income tax credits for scientific research and experimental development (SR&ED) awarded by the federal and provincial governments. The portion of SR&ED credits immediately receivable is accounted for in the year during which the related costs or capital expenses are incurred. The portion of SR&ED credits not immediately receivable is accounted for in the year during which these costs or expenses are incurred, provided the Company has reasonable assurance that these credits will be recovered.

Income tax credits are applied against expenses or related assets. Recorded income tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities.

Earnings (Loss) per share

Earnings (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 earnings (loss) are disclosed in accordance with the GAAP.

Stock-based compensation and other stock-based payments

The Company uses the fair value method to assess the fair value of stock options or warrants as at their date of allocation. The fair value is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to the corresponding shareholder's equity account. When stock options or warrants are exercised, the corresponding account and the proceeds received by the Company are credited to share capital.

Income taxes

The Company accounts for income taxes using the tax liability method. Under this method, future income tax assets and liabilities are recognized for deductible or taxable temporary differences between the carrying value and the tax value of the assets and liabilities based on the enacted or substantially enacted tax rates expected to apply to the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date while non-monetary items are translated at the historical rate. Revenues and expenses denominated in foreign currencies are recorded at the average rate of exchange prevailing during the period, except for depreciation and amortization, which is translated at the historical rate. Foreign exchange gains or losses are included in expenses for the year.

Goodwill

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

Revenue recognition and work in progress

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

Opsens Solutions Inc. reportable segment revenues related to the sale or products and sensor installation services are recognized when persuasive evidence of an arrangement exists, onsite 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 worked but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

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, balance of purchase price and income tax credits receivable 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.

Use of estimates

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

RISK FACTORS AND UNCERTAINTIES

Opsens operates in an industry that is subject to various risks and uncertainties. The Company's business, financial position, and operating results could be impacted negatively by these risks and uncertainties. The risks and uncertainties listed below are not the only risks and uncertainties that could impact the Company.

Capital requirements

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

Revenues

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

Labour and key personnel

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

Growth management and market development

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

Pricing policies

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

Product failures and mistakes

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

Warranties, recalls, and legal proceedings

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

Intellectual property and exclusive rights

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

Competition and technological obsolescence

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

Currency exchange rate

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

Restrictive clauses

The Company has restrictive clauses regarding indebtedness and working capital in the agreement with its financial institution. If these restrictive clauses are not respected, Opsens may need to allocate a portion of its working capital to repaying the LFPEC loan, valued at $7,937 as at August 31, 2011.

OTHER INFORMATION

Updated information on the Company can be found on the SEDAR Web site at http://www.sedar.com.

On behalf of management,
Chief Financial Officer and Secretary

(s) Louis Laflamme

November 15, 2011