

Interim consolidated condensed financial statements

**Opsens Inc.**

Six-month periods ended February 29, 2012  
and February 28, 2011 (unaudited)

## **Notice**

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

# Opsens Inc.

February 29, 2012 and February 28, 2011

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# Opsens Inc.

## Consolidated statements of loss and comprehensive loss

Six-month periods ended February 29, 2012 and February 28, 2011

(unaudited)

	Second quarter		Six months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Revenues				
Sales	2,377,537	1,335,864	4,872,330	2,483,187
Cost of sales	1,659,194	1,013,822	3,395,987	1,882,156
Gross margin	718,343	322,042	1,476,343	601,031
Expenses (Revenues)				
Administrative	705,441	475,376	1,257,371	964,374
Marketing	239,576	144,772	442,362	271,243
Research and development	459,842	352,209	768,264	733,254
Financial charges (income) (Note 4)	(11,227)	18,537	(57,567)	5,277
	1,393,632	990,894	2,410,430	1,974,148
Net loss before income taxes	(675,289)	(668,852)	(934,087)	(1,373,117)
Income taxes	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>(675,289)</b>	<b>(668,852)</b>	<b>(934,087)</b>	<b>(1,373,117)</b>
<b>Net loss per share (Note 7)</b>				
Basic	(0.01)	(0.01)	(0.02)	(0.03)
Diluted	(0.01)	(0.01)	(0.02)	(0.03)

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 13 for more details.

# Opsens Inc.

## Consolidated statements of changes in equity

Period ended February 29, 2012

(unaudited)

	Common shares (number)	Warrants (number)	Stock options (number)	Total (number)	Common shares \$	Reserve - Warrants \$	Reserve - Stock option plan \$	Deficit \$	Total \$
Balance as at August 31, 2011	47,865,983	2,443,049	4,177,000	<b>54,486,032</b>	15,201,618	2,190,382	1,013,335	(10,979,265)	<b>7,426,070</b>
Options granted	-	-	970,000	<b>970,000</b>	-	-	-	-	-
Options cancelled	-	-	(1,447,500)	<b>(1,447,500)</b>	-	-	-	-	-
Warrants cancelled	-	(2,443,049)	-	<b>(2,443,049)</b>	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	81,075	-	<b>81,075</b>
Net loss and comprehensive loss	-	-	-	-	-	-	-	(934,087)	<b>(934,087)</b>
Balance as at February 29, 2012	47,865,983	-	3,699,500	<b>51,565,483</b>	15,201,618	2,190,382	1,094,410	(11,913,352)	<b>6,573,058</b>

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 13 for more details.

# Opsens Inc.

## Consolidated statements of changes in equity

Period ended February 28, 2011

(unaudited)

	Common shares (number)	Warrants (number)	Stock options (number)	Total (number)	Common shares \$	Reserve - Warrants \$	Reserve - Stock option plan \$	Deficit \$	Total \$
Balance as at									
September 1, 2010	47,865,983	2,647,216	4,140,500	<b>54,653,699</b>	15,201,618	2,190,382	851,606	(8,510,408)	<b>9,733,198</b>
Options granted	-	-	150,000	<b>150,000</b>	-	-	-	-	-
Options cancelled	-	-	(284,000)	<b>(284,000)</b>	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	81,233	-	<b>81,233</b>
Net loss and comprehensive loss	-	-	-	-	-	-	-	(1,373,117)	<b>(1,373,117)</b>
Balance as at									
February 28, 2011	47,865,983	2,647,216	4,006,500	<b>54,519,699</b>	15,201,618	2,190,382	932,839	(9,883,525)	<b>8,441,314</b>

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 13 for more details.

# Opsens Inc.

## Consolidated statements of financial position

(unaudited)

	February 29, 2012	August 31, 2011	September 1, 2010
	\$	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents (Note 8)	1,612,457	3,747,320	5,347,801
Trade and other receivables	2,197,832	585,174	2,055,923
Income tax credits receivable	406,415	269,147	152,080
Work in progress	-	-	40,000
Inventories	2,015,077	1,770,609	1,428,439
Prepaid expenses	104,563	130,644	144,338
Balance of purchase price to be received– short term	463,195	424,494	428,024
	6,799,539	6,927,388	9,596,605
Balance of purchase price to be received – long-term	-	-	398,013
Property, plant and equipment	836,050	741,648	552,239
Intangible assets	293,857	248,042	166,259
Goodwill	676,574	676,574	676,574
	8,606,020	8,593,652	11,389,690
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	1,316,952	971,108	1,370,389
Warranty provision	85,802	74,732	31,860
Current portion of long-term debt	138,997	91,355	125,001
	1,541,751	1,137,195	1,527,250
Long-term debt	491,211	30,387	129,242
	2,032,962	1,167,582	1,656,492
<b>Shareholders' equity</b>			
Share capital (Note 6a)	15,201,618	15,201,618	15,201,618
Reserve – Stock option plan (Note 6b)	1,094,410	1,013,335	851,606
Reserve - Warrants (Note 6c)	2,190,382	2,190,382	2,190,382
Deficit	(11,913,352)	(10,979,265)	(8,510,408)
	6,573,058	7,426,070	9,733,198
	8,606,020	8,593,652	11,389,690

The accompanying notes are an integral part of the interim consolidated condensed financial statements. Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 13 for more details.

Approved by the board

Signed [Jean Lavigueur] director

Signed [Pierre Carrier] director

# Opsens Inc.

## Consolidated statements of cash flows

Six-month periods ended February 29, 2012 and February 28, 2011

(unaudited)

	Second quarter ended		Six months ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss before income taxes	(675,289)	(668,852)	(934,087)	(1,373,117)
Adjustments for:				
Amortization of property, plant and equipment	57,491	42,168	113,200	83,017
Amortization of intangible assets	10,297	5,097	18,300	11,752
Stock option-based compensation	35,817	41,002	81,075	81,233
Implicit interest on balance of purchase price	(16,987)	(51,225)	(34,682)	(94,255)
Effect of foreign exchange rate changes on cash held in foreign currency	1,164	(4,329)	(8,532)	24,784
(Profit) loss of unrealized foreign exchange	13,709	61,878	(4,019)	80,751
Changes in non-cash operating working capital items (Note 8)	(342,428)	(232,475)	(1,611,399)	507,722
	(916,226)	(806,736)	(2,380,144)	(678,113)
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(82,882)	(41,715)	(207,602)	(115,417)
Acquisition of intangible assets	(28,736)	(22,360)	(64,115)	(51,823)
	(111,618)	(64,075)	(271,717)	(167,240)
<b>Financing activities</b>				
Increase in long-term debt	276,688	4,033	581,589	8,189
Reimbursement of long-term debt	(51,840)	(60,115)	(73,123)	(85,194)
	224,848	(56,082)	508,466	(77,005)
Effect of foreign exchange rate changes on cash held in foreign currency	(1,164)	4,329	8,532	(24,784)
Decrease in cash and cash equivalents	(804,160)	(922,564)	(2,134,863)	(947,142)
Cash and cash equivalents at beginning	2,416,617	5,323,223	3,747,320	5,347,801
<b>Cash and cash equivalents at end</b>	<b>1,612,457</b>	<b>4,400,659</b>	<b>1,612,457</b>	<b>4,400,659</b>

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 13 for more details.

Additional information is presented in Note 8.



# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 1. Description of business

Opsens inc. (the "Company") is incorporated under the Business Corporation Act (Quebec). The Company specializes in developing and manufacturing technical and scientific instruments. The Company's head office is located at 125-2014, Cyrille-Duquet, Quebec (Quebec), Canada.

### 2. Accounting policies, critical accounting estimates and judgements

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

#### *Statement of Compliance*

These interim consolidated condensed financial statements (the "consolidated condensed financial statements") were prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are in compliance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34). As these interim consolidated condensed financial statements represent part of the Company's first year of presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS 34"), Interim Financial Reporting and by IFRS 1 - First-Time Adoption of IFRS. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

In addition, a reconciliation between previous Generally Accepted Accounting Principles ("Canadian GAAP") and IFRS is available in note 13, as required by IFRS 1 in the year of adoption.

#### *Principles of consolidation*

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

#### *Unaudited interim consolidated condensed financial statements*

The interim consolidated condensed financial statements as at February 29, 2012 and for the three- and six-month periods ended February 29, 2012 and February 28, 2011 are unaudited. However, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, considered necessary for a fair presentation of the consolidated results of operations for the period presented, have been included. Consolidated results for the interim periods presented are not necessarily indicative of the results that may be expected for the year.

These consolidated condensed financial statements have been approved by the Board of Directors on April 23, 2012.

#### *Presentation Currency and Foreign Currency Translation*

The consolidated condensed financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities are translated at the exchange rates in effect at the financial position date, non-monetary assets and liabilities are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange gains or losses resulting from translation are carried to earnings.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 2. Accounting policies (continued)

#### *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*

The cost of inventories is essentially determined using the moving average method. The cost of work in progress and finished goods comprises the cost of raw materials and an applicable share of the cost of labour and manufacturing overhead based on normal production capability. Inventories are valued at the lower of cost and net realizable value.

When impairment is recognized, a new assessment of net realizable value is performed in each subsequent period. When the circumstances that justified writing down the inventories below cost no longer exist, or when there is a clear indication of an increase in net realizable value due to a change in the economic situation, the amount of the write-down is reversed such that the new carrying amount is the lower of the cost or the revised net realizable value.

#### *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 using the straight-line method, at the following annual rates:

#### *Property, plant and equipment and intangible assets*

Office furniture and equipment	10 years
Production equipment	7 years
Automotive equipment	7 years
Research and development equipment	7 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Lease term

#### *Intangible assets with limited lives*

Patents	Term of underlying patent, 5 to 20 years
Software	3 years

#### *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 or 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 its recoverable value, being the greater of fair value less cost to sell and value-in-use. An impairment loss is calculated as the excess of carrying value over recoverable value.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 2. Accounting policies (continued)

#### *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 loss in an amount equal to the excess. Goodwill is not deductible for tax purposes.

#### *Revenue recognition*

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

Opsens Solutions Inc. reportable segment revenues related to the sale of products and sensor installation services are recognized when persuasive evidence of an arrangement exists, on site installation has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. For contract revenues earned over a long period, revenues are recorded using the percentage of completion method. Therefore, these revenues are recognized proportionately with the degree of completion of the work. The Company uses the efforts expended method to calculate the degree of completion of work based on the number of hours incurred as at the balance sheet date compared to the estimated total number of hours. Work in progress is valued by taking into consideration the number of hours worked but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

#### *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.

#### *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 recognized through net income 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.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 2. Accounting policies (continued)

#### *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.

#### *Loss per share*

Loss per share is determined using the weighted average number of outstanding shares during the period. The Company uses the treasury stock method to calculate the diluting effect of share purchase options and warrants. Reconciliations of the numerators and the denominators used in the calculation of the basic and diluted loss are disclosed in accordance with the IFRS.

#### *Financial instruments*

Cash and cash equivalents, accounts receivable, balance of purchase price and income tax credits receivable are classified as loans and receivables. They are recorded at amortized 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.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 2. Accounting policies (continued)

#### *Critical accounting estimates and judgements*

In preparing these consolidated condensed financial statements under IFRS, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgments made by management in preparing the interim consolidated condensed financial statements using accounting policies of the Company and the main sources of estimation uncertainty should be the same as those that will be applied to the first IFRS annual consolidated financial statements.

The following are the critical judgements and key sources of estimation:

- Recoverability of intangible assets
- Inventory evaluation
- Useful lives of property, plant and equipment
- Government assistance and research and development tax credits

For all these items, relevant accounting policies are discussed in the other parts of Note 2.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

### 3. Future Accounting Changes

IFRS 9 - Financial Instruments, issued in November 2009, introduces new requirements for the classification and measurement of financial assets, financial liabilities and for derecognition. IFRS 9 will be effective for annual periods beginning on January 1, 2015, with earlier application permitted. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 - Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The Company is required to adopt IFRS 9 for the annual period beginning September 1, 2015. Since the Company does not expect to hold financial assets other than cash and cash equivalents, it does not expect that the adoption of IFRS 9 will have a significant impact on its financial statements.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 3. Future Accounting Changes (continued)

IFRS 13 - Fair value measurement, issued in May 2011, establishes a single framework for measuring fair value where such measure is required under other standards. IFRS 13 will be effective for the annual period beginning on September 1, 2013, with earlier application permitted. IFRS 13 will apply for both financial and nonfinancial items measured at fair value. Under IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company will adopt IFRS 13 for the annual period beginning September 1, 2013. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

In May 2011, the IASB issued IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Ventures, IFRS 12 - Disclosures of Involvement with Other Entities, and amended IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, all applicable for annual period beginning on or after September 1, 2013. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

In June 2011, the IASB published an amendment to IAS 19 - Employee Benefits. As the Company does not provide benefits in the scope of this amendment, there will be no impact.

In June 2011, the IASB also issued an amendment to IAS 1 - Presentation of Items of Other Comprehensive Income that will be effective for the annual period beginning on September 1, 2012. This amendment provides an option to present comprehensive income in either one single continuous statement or in two separate but consecutive statements. It also requires items of other comprehensive income items to be grouped into those that will and will not be reclassified to profit and loss in the future. Earlier application of this standard is permitted. The company is currently evaluating the impact of this standard.

### 4. 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 29, 2012, the Company was holding more than 94.0% (78.4% as at August 31, 2011; 81.4% as at September 1, 2010) of its cash equivalents in all time redeemable term-deposit.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 4. Financial instruments (continued)

#### *Financial charges (income)*

	Three-month period ended		Six-month period ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
	\$	\$	\$	\$
Interest and bank charges	5,510	3,847	11,992	6,637
Interest on long-term debt	8,667	5,231	11,759	10,859
Loss on foreign currency translation	4,773	68,298	(19,526)	108,232
Interest income	(30,177)	(58,839)	(61,792)	(120,451)
	(11,227)	18,537	(57,567)	5,277

#### *Credit risk*

The use of financial instruments can create a credit risk that is the risk of financial loss resulting from a counterparty's inability or refusal to fully discharge its contractual obligations. The Company's credit risk management policies include the authorization to carry out investment transactions with recognized financial institutions, with credit ratings of at least A and higher, in either bonds, money market funds or guaranteed investment certificates. Consequently, the Company manages credit risk by complying with established investment policies.

#### *Concentration risk*

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As of February 29, 2012, the Company was holding more than 94.0% (78.4% as at August 31, 2011; 81.4% as at September 1, 2010) 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. As at February 29, 2012, two major customers represent 74.2% (69.7% as at August 31, 2011; 66.1% as at September 1, 2010) of the Company's accounts receivable.

As at February 29, 2012, 15.5% (10.8% as at August 31, 2011; 23.8% as at September 1, 2010) of the accounts receivable were more than 90 days whereas 70.6% (55.8% as at August 31, 2011; 61.5% as at September 1, 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 February 29, 2012, the bad debt provision was established at \$4,500 (\$3,082 on August 31, 2011; \$6,110 on September 1, 2010).

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

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 4. Financial instruments (continued)

#### *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 29, 2012 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$717 and \$977 respectively on the net loss for the three-month and six-month period ended February 29, 2012. The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

#### *Foreign exchange risk*

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

For the three- and six-month periods ended February 29, 2012, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been respectively \$4,000 and \$57,000 lower. Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have had an equal but opposite effect.

As at February 29, 2012, August 31, 2011 and September 1, 2010, the risk to which the Company was exposed is established as follows:

	As of February 29, 2012	As of August 31, 2011	As of September 1, 1, 2010
	\$	\$	\$
Cash (US\$60,863)	60,224	232,191	509,164
Accounts receivable (US\$293,494)	290,412	118,200	501,350
Balance of purchase price to be received (US\$468,109)	463,195	424,493	826,037
Accounts payable and accrued liabilities (US\$307,185)	(303,960)	(48,217)	(93,826)
<b>Total</b>	<b>509,871</b>	<b>726,667</b>	<b>1,742,725</b>

#### *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.



# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 4. Financial instruments (continued)

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at February 29, 2012, August 31, 2011 and September 1, 2010:

February 29, 2012	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,402,754	1,402,754	-	-	-
Long-term debt	625,531	148,330	160,559	294,485	22,157
Commitments	355,824	186,213	166,954	2,657	-
<b>Total</b>	<b>2,384,109</b>	<b>1,737,297</b>	<b>327,513</b>	<b>297,142</b>	<b>22,157</b>

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	-	-
Commitments	449,696	185,479	186,446	77,771	-
<b>Total</b>	<b>1,603,813</b>	<b>1,320,924</b>	<b>205,118</b>	<b>77,771</b>	<b>-</b>

September 1, 2010	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,402,249	1,402,249	-	-	-
Long-term debt	263,252	136,620	80,035	46,597	-
Commitments	649,604	276,091	157,886	215,627	-
<b>Total</b>	<b>2,315,105</b>	<b>1,814,960</b>	<b>237,921</b>	<b>262,224</b>	<b>-</b>

# Opsens Inc.

## Notes to the consolidated condensed financial statements

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(unaudited)

### 4. Financial instruments (continued)

#### 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.

### 5. Capital management

The Company uses its capital to finance marketing expenses, research and development activities, administrative, 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 believes that its current liquid assets are sufficient to finance its activities in the short-term.

The Company has an authorized line of credit for a maximum amount of \$200,000, \$50,000 of which is available at all times and which does not take into consideration the margining. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds \$100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of ensured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. These ratios also apply to long-term debt valued of \$430,201 as of February 29, 2012. The covenants are met as of February 29, 2012. The credit line was not used at the end of the period.

The Company also has credit cards for a maximum amount of \$87,000 to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

### 6. Share capital, stock-options and warrants

#### a) Share capital

*Authorized*, unlimited number

Common shares, voting and participating, without par value

# Opsens Inc.

## Notes to the consolidated condensed financial statements

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(unaudited)

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

#### a) Share capital (continued)

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

##### *Issued and fully paid*

	Number	Amount
		\$
Balance as at September 1, 2010	47,865,983	15,201,618
Balance as at August 31, 2011	47,865,983	15,201,618
Balance as at February 29, 2012	47,865,983	15,201,618

#### b) Stock options

The Shareholders approved the stock option plan on January 16, 2012. The number of common shares reserved by the board of directors for options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The plan is available to the Company's directors, consultants, officers and employees.

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by the TSX Venture Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 610,000 outstanding options granted which are completely vested at grant.

The compensation expense in regards to the stock option plan for the three- and six-month periods ended February 29, 2012 is respectively \$35,817 and \$81,075 (\$41,002 and \$81,233 for the same comparative periods ended February 28, 2011).

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

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

#### b) Stock options (continued)

The situation of the outstanding stock option plan and the changes that took place between September 1, 2010 and February 2012 are as follows:

	Number of options	Weighted Average exercise price
		\$
Outstanding as at September 1, 2010	4,140,500	0.54
Options granted	453,000	0.36
Options cancelled	(416,500)	0.68
Outstanding as at August 31, 2011	4,177,000	0.51
Options granted	970,000	0.23
Options cancelled	(1,447,500)	0.50
Outstanding as at February 29, 2012	3,699,500	0.43
Options exercisable as at February 29, 2012	1,772,563	0.55

The table below provides information on the outstanding stock options as at February 29, 2012:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.20	100,000	100,000	4.88
0.23	870,000	100,000	4.71
0.35	278,000	60,000	4.35
0.36	135,250	50,688	3.36
0.37	191,250	100,625	2.12
0.38	1,050,000	412,500	3.52
0.40	90,000	67,500	1.77
0.50	10,000	7,500	1.64
0.60	50,000	25,000	2.33
0.64	50,000	25,000	2.30
0.72	500,000	500,000	0.78
0.80	150,000	150,000	0.41
0.87	215,000	163,750	1.14
1.15	10,000	10,000	2.72
	3,699,500	1,772,563	3.10

# Opsens Inc.

## Notes to the consolidated condensed financial statements

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(unaudited)

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

#### c) Warrants

The situation of the outstanding warrants and the changes that took place between September 1, 2010 and February 29, 2012 are as follows:

	Number of warrants	Weighted average exercise price
Outstanding as at September 1, 2010	2,647,216	\$ 1.07
Warrants expired	(204,167)	0.60
Outstanding as at August 31, 2011	2,443,049	1.11
Warrants expired	(2,443,049)	1.11
Outstanding as February 29, 2012	-	-
Warrants exercisable as at February 29, 2012	-	-

### 7. Loss per share

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

	Three-month period ended		Six-month period ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
	\$	\$	\$	\$
<b>Numerator</b>				
Net loss	(675,289)	(668,852)	(934,087)	(1,373,117)
Amount available for calculating the loss per share	(675,289)	(668,852)	(934,087)	(1,373,117)
<b>Denominator</b>				
Weighted average number of shares outstanding	47,865,983	47,865,983	47,865,983	47,865,983
Weighted average number of shares outstanding on diluted basis	47,865,983	47,865,983	47,865,983	47,865,983
<b>Amount per share</b>				
Net loss per share				
Basic	(0.01)	(0.01)	(0.02)	(0.03)
Diluted	(0.01)	(0.01)	(0.02)	(0.03)

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

However, should the Company's basic earnings per share have been positive, some options and warrants, at an exercise price of \$0.20 and \$0.23 would have been dilutive and would have resulted in the addition of 23,104 shares and 15,220 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for the three- and six-month periods ended February 29, 2012 (20,615 and 13,273 as at February 28, 2011).

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 8. Additional information on the statements of cash flows

	Second quarter		Six-month period	
	2012	2011	2012	2011
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Accounts receivable	(282,034)	277,391	(1,612,658)	1,291,012
Income tax credits receivable	(65,177)	(64,644)	(137,268)	(110,353)
Work in progress	-	(429,640)	-	(441,143)
Inventories	(149,166)	82,877	(244,468)	12,233
Prepaid expenses	40,295	(85,310)	26,081	(53,562)
Accounts payable and accrued liabilities	113,654	(145,583)	356,914	(458,465)
Deferred revenues	-	132,434	-	268,000
	(342,428)	(232,475)	(1,611,399)	507,722
<i>Other information</i>				
Interests paid	9,567	1,324	11,635	2,797
Cash	97,058	651,654	97,058	651,654
Short-term investments	1,515,399	3,749,005	1,515,399	3,749,005
	1,612,457	4,400,659	1,612,457	4,400,659

### 9. Commitments

#### *Lease*

The Company leases offices in Quebec City 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 \$281,533.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to \$66,291.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 9. Commitments (continued)

Future payments for the leases and other commitments, totaling \$355,824, required in each of the next five years are as follows:

	\$
2013	186,213
2014	166,954
2015	2,657
2016	-
2017	-

#### *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.

### 10. Contractual guarantees

During the normal course of business, the Company replaces defective parts under warranties offered at the sale of the products. The term of the warranties is 12 months. During the three and six-month periods ended February 29, 2012, the Company recognizes an expense related to guarantees for \$8,070 and \$45,070 respectively (expense of \$2,183 and \$140 for the three- and six-month periods ended February 28, 2011).

The provision for guarantees amounts to \$85,802 as at February 29, 2012 (\$74,732 as at August 31, 2011; \$31,860 as at September 1, 2010). This provision estimate is based on past experience and is presented in liabilities under "Warranty provision." The actual costs that the Company may incur, as well as the moment when the parts should be replaced, can differ from the estimated amount.

### 11. Segmented information

#### *Sector's information*

The Company's reportable segments are strategic business units managed separately as one is focused on developing, producing, and supplying fiber optic sensors (Opsens Inc.) and the other (Opsens Solutions Inc.) is specialized in the commercialization and the installation of optical and conventional sensors for the oil and gas industry.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 11. Segmented information (continued)

*Sector's information* (continued)

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 29, 2012			Three-month period ended February 28, 2011		
	Opsens			Opsens		
	Opsens inc.	Solutions Inc.	Total	Opsens inc.	Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	544,749	1,832,788	2,377,537	487,280	848,584	1,335,864
Internal sales	479,838	-	479,838	127,654	-	127,654
Amortization of property, plant and equipment	36,898	20,593	57,491	32,011	10,157	42,168
Amortization of intangible assets	9,273	1,024	10,297	4,173	924	5,097
Financial charges (income)	(84,350)	73,123	(11,227)	(37,888)	56,425	18,537
Net profit (net loss)	(743,943)	68,654	(675,289)	(558,992)	(109,860)	(668,852)
Acquisition of property, plant and equipment	16,603	66,279	82,882	32,328	9,387	41,715
Acquisition of intangible assets	26,869	1,867	28,736	5,930	16,430	22,360

	Six-month period ended February 29, 2012			Six-month period ended February 28, 2011		
	Opsens			Opsens		
	Opsens inc.	Solutions Inc.	Total	Opsens inc.	Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	1,215,995	3,656,335	4,872,330	886,906	1,596,281	2,483,187
Internal sales	920,654	-	920,654	252,703	-	252,703
Amortization of property, plant and equipment	75,029	38,171	113,200	62,993	20,024	83,017
Amortization of intangible assets	16,425	1,875	18,300	10,186	1,566	11,752
Financial charges (income)	(194,965)	137,398	(57,567)	(105,518)	110,795	5,277
Net profit (net loss)	(1,140,060)	205,973	(934,087)	(1,116,966)	(256,151)	(1,373,117)
Acquisition of property, plant and equipment	37,871	169,731	207,602	52,070	63,347	115,417
Acquisition of intangible assets	62,248	1,867	64,115	35,393	16,430	51,823



# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 11. Segmented information (continued)

	As of February 29, 2012	As of August 31, 2011	As of September 1, 2010
<i>Segmented assets</i>			
	\$	\$	\$
Opsens Inc.	4,648,841	6,021,838	8,480,957
Opsens Solutions Inc.	3,957,179	2,571,814	2,908,733
<b>Total</b>	<b>8,606,020</b>	<b>8,593,652</b>	<b>11,389,690</b>

#### *Geographic sector's information*

	Three-month period ended		Six-month period ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
	\$	\$	\$	\$
Revenues per geographic sector				
Canada	1,792,716	878,234	3,731,270	1,645,574
United States	423,660	352,010	783,587	619,499
Others	161,161	105,620	357,473	218,114
	<b>2,377,537</b>	<b>1,335,864</b>	<b>4,872,330</b>	<b>2,483,187</b>

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 29, 2012, revenues from three clients represent individually more than 10% of the total revenues of the company, i.e. approximately 59.3% (Opsens Solutions Inc.'s reportable segment), 13.0% (Opsens Inc.'s reportable segment) and 10.9% (Opsens Solutions Inc.'s reportable segment).

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 61.8% (Opsens Solutions Inc.'s reportable segment) and 15.5% (Opsens Inc.'s reportable segment).

During the six-month period ended February 29, 2012, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 48.6% (Opsens Solutions Inc.'s reportable segment) and 12.8% (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 48.9% (Opsens Solutions Inc.'s reportable segment) and 15.5% (Opsens Inc.'s reportable segment).

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 12. 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 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
	\$	\$	\$	\$
Professional fees to a company controlled by a director	5,965	10,010	19,407	21,060
	5,965	10,010	19,407	21,060

### 13. First-time adoption of IFRS

The Company adopted IFRS on September 1, 2011, with a date of transition on September 1, 2010.

The Corporation's IFRS accounting policies presented in Note 2 have been consistently applied in preparing the interim consolidated condensed financial statements for the reporting three-month and six-month periods ended February 29, 2012, the comparative information and the opening consolidated statement of financial position at the date of transition.

The Company has applied the requirements of IFRS 1 in preparing these first IFRS consolidated interim condensed financial statements. The effects of the transition to IFRS on equity and total comprehensive loss are presented in this section and are further explained in the notes that accompany the tables.

#### *First-time adoption exemptions applied*

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date with all adjustments to assets and liabilities taken to retained earnings unless certain IFRS 1 optional exemptions are applied from full retrospective application. The Company has applied the following choices relating to the optional exemptions permitted by IFRS 1 to its opening statement of financial position dated September 1, 2010:

#### *Share-based payment transactions*

IFRS 1 encourages, but does not require, first-time adopters to retrospectively apply IFRS 2 Share-based Payments to equity instruments that were granted subsequent to November 7, 2002, and vested before September 1, 2010. The Company has elected not to apply IFRS 2 to awards that were granted and vested prior to September 1, 2010.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

#### *Deemed costs*

IFRS 1 includes an optional exemption that relieves first-time adopters from the requirement to recreate cost information for property, plant and equipment and intangible assets. Given the type of capital assets held, the Company did not use this exemption and accounted for them as at the transition date at their amortized cost in accordance with IAS 16 – Property, Plant and Equipment (“IAS 16”), rather than at their fair value on this date. The adjustments are explained in the reconciliations thereafter.

#### *Designation of previously recognized financial instruments*

IFRS 1 permits first-time adopters to re-designate financial instruments on the transition date. The company reviewed the classification of its financial instruments and decided to maintain its prior designation under IFRS.

#### *Business Combination*

IFRS 1 permits first-time adopters not to retrospectively apply IFRS 3 - Business Combinations to past business combinations (business combinations that occurred before the date of transition to IFRS and for which purchase price allocation was finalized). For this reason, the Company decided not to retrospectively restate business combinations that occurred prior to September 1, 2010.

#### *First-time adoption mandatory exceptions applied*

#### *Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of September 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

#### *Reconciliations and presentation differences*

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the following tables show the total effect of the transition on the Company's Canadian GAAP statement of comprehensive income and the statement of financial position and show reconciliations of the comprehensive loss and the equity to IFRS, with the resulting differences explained.

Certain presentation differences between previous GAAP and IFRS have no impact on reported income or total equity. As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected.

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP.

Impairment tests performed under IAS 36 - Impairment of assets as of September 1, 2010 and August 31, 2011 did not give rise to any impairment loss.

An explanation of how the transition from GAAP to IFRS has affected the Company's statement of financial position and comprehensive income is set out as follows:

# Opsens Inc.

## Notes to the consolidated condensed financial statements

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(unaudited)

### 13. First-time adoption of IFRS (continued)

Reconciliation of Consolidated Statement of Financial Position as of September 1, 2010

	Canadian GAAP Balance August 31, 2010 Audited	IFRS Reclassification	IFRS Adjustments	IFRS Balance September 1, 2010	IFRS Accounts Balance September 1, 2010
	\$	\$	\$	\$	
<b>Assets</b>					<b>Assets</b>
<i>Current</i>					<i>Current</i>
Cash and cash equivalents	5,347,801	-	-	5,347,801	Cash and cash equivalents
Accounts receivable	2,055,923	-	-	2,055,923	Trade and other receivables
Income tax credits receivable	152,080	-	-	152,080	Investment tax credits receivable
Work in progress	40,000	-	-	40,000	Work in progress
Inventories	1,428,439	-	-	1,428,439	Inventories
Prepaid expenses	144,338	-	-	144,338	Prepaid expenses
Balance of purchase price to be received – short-term	428,024	-	-	428,024	Balance of purchase price to be received – short-term
	9,596,605			9,596,605	
Balance of purchase price to be received – long-term	398,013	-	-	398,013	Balance of purchase price to be received – long-term
Property, plant and equipment	670,059	-	(117,820)	552,239	Property, plant and equipment
Intangible assets	175,176	-	(8,917)	166,259	Intangible assets
Goodwill	676,574	-	-	676,574	Goodwill
	11,516,427	-	(126,737)	11,389,690	
<b>Liabilities</b>					
<i>Current</i>					
Accounts payable and accrued liabilities	1,402,249	(31,860)	-	1,370,389	Accounts payable
Warranty provision	-	31,860	-	31,860	Warranty provision
Current portion of long-term debt	125,001	-	-	125,001	Current portion of long-term debt
	1,527,250	-	-	1,527,250	
Long-term debt	129,242	-	-	129,242	Long-term debt
	1,656,492	-	-	1,656,492	
Share capital	15,201,618	-	-	15,201,618	Share capital
Stock options	1,065,677	-	(214,071)	851,606	Reserve - Stock option plan
Warrants	861,782	1,328,600	-	2,190,382	Reserve - Warrants
Contributed surplus	1,328,600	(1,328,600)	-	-	Contributed surplus
Deficit	(8,597,742)	-	(126,737)		
		-	214,071	(8,510,408)	Deficit
	9,859,935	-	(126,737)	9,733,198	
	11,516,427	-	(126,737)	11,389,690	

# Opsens Inc.

## Notes to the consolidated condensed financial statements

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### 13. First-time adoption of IFRS (continued)

Reconciliation of Consolidated Statement of Financial Position as of August 31, 2011

	Canadian GAAP August 31, 2011 Audited	IFRS Reclassification	IFRS Adjustments	IFRS August 31, 2011	IFRS Accounts September 1, 2010
<b>Assets</b>	\$	\$	\$	\$	<b>Assets</b>
<i>Current</i>					<i>Current</i>
Cash and cash equivalents	3,747,320	-	-	3,747,320	Cash and cash equivalents
Accounts receivable	585,174	-	-	585,174	Trade and other receivables
Income tax credits receivable	269,147	-	-	269,147	Investment tax credits receivable
Work in progress	-	-	-	-	Work in progress
Inventories	1,770,609	-	-	1,770,609	Inventories
Prepaid expenses	130,644	-	-	130,644	Prepaid expenses
Balance of purchase price to be received – short-term	424,494	-	-	424,494	Balance of purchase price to be received – short-term
	6,927,388			6,927,388	
Balance of purchase price to be received – long-term	-	-	-	-	Balance of purchase price to be received – long-term
Property, plant and equipment	841,981	-	(100,333)	741,648	Property, plant and equipment
Intangible assets	255,422	-	(7,380)	248,042	Intangible assets
Goodwill	676,574	-	-	676,574	Goodwill
	8,701,365	-	(107,713)	8,593,652	
<b>Liabilities</b>					
<i>Current</i>					
Accounts payable and accrued liabilities	1,045,840	(74,732)	-	971,108	Accounts payable
Warranty provision	-	74,732	-	74,732	Warranty provision
Current portion of long-term debt	91,355	-	-	91,355	Current portion of long-term debt
	1,137,195	-	-	1,137,195	
Long-term debt	30,387	-	-	30,387	Long-term debt
	1,167,582	-	-	1,167,582	
Share capital	15,201,618	-	-	15,201,618	Share capital
Stock options	1,109,752	141,126	(237,543)	1,013,335	Reserve - Stock option plan
Warrants	802,727	1,387,655	-	2,190,382	Reserve - Warrants
Contributed surplus	1,528,781	(1,528,781)	-	-	Contributed surplus
Deficit	(11,109,095)	-	(107,713)	(10,979,265)	Deficit
	7,533,783	-	(107,713)	7,426,070	
	8,701,365	-	(107,713)	8,593,652	

# Opsens Inc.

## Notes to the consolidated condensed financial statements

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(unaudited)

### 13. First-time adoption of IFRS (continued)

Reconciliation of Statement of Loss and Comprehensive Loss for the year ended August 31, 2011

	Canadian GAAP Balance	IFRS Reclassification	IFRS Adjustments	IFRS Balance
	\$	\$	\$	\$
Sales	6,005,139	-	-	6,005,139
Cost of sales	4,094,791	72,661	(10,555)	4,156,897
<b>Gross margin</b>	<b>1,910,348</b>	<b>(72,661)</b>	<b>10,555</b>	<b>1,848,242</b>
Expenses (Revenues)				
Administrative	2,036,263	175,637	(8,314)	2,203,586
Marketing	645,564	15,982	(2,057)	659,489
Research and development	1,417,037	147,428	(21,570)	1,542,895
Stock option-based compensation	185,201	(185,201)	-	-
Amortization of property, plant and equipment	199,564	(199,564)	-	-
Amortization of intangible assets	26,943	(26,943)	-	-
Financial charges (income)	(88,871)	-	-	(88,871)
	4,421,701	(72,661)	(31,941)	4,317,099
Loss before income taxes	(2,511,353)	-	42,496	(2,468,857)
Income taxes	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>(2,511,353)</b>	<b>-</b>	<b>42,496</b>	<b>(2,468,857)</b>

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

Reconciliation of Statement of Loss and Comprehensive Loss for the three-months period ended February 28, 2011

	Canadian GAAP Balance	IFRS Reclassification	IFRS Adjustments	IFRS Balance
	\$	\$	\$	\$
Sales	1,335,864	-	-	1,335,864
Cost of sales	998,036	18,772	(2,986)	1,013,822
<b>Gross margin</b>	<b>337,828</b>	<b>(18,772)</b>	<b>2,986</b>	<b>322,042</b>
Expenses (revenues)				
Administrative	435,196	44,999	(4,819)	475,376
Marketing	140,589	5,325	(1,142)	144,772
Research and development	324,091	32,996	(4,878)	352,209
Stock option-based compensation	52,198	(52,198)	-	-
Amortization of property, plant and equipment	44,399	(44,399)	-	-
Amortization of intangible assets	5,495	(5,495)	-	-
Financial charges	18,537	-	-	18,537
	1,020,505	(18,772)	(10,839)	990,894
Loss before income taxes	(682,677)	-	13,825	(668,852)
Income taxes	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>(682,677)</b>	<b>-</b>	<b>13,825</b>	<b>(668,852)</b>

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

Reconciliation of Statement of Loss and Comprehensive Loss for the six-months period ended February 28, 2011

	Canadian GAAP Balance	IFRS Reclassification	IFRS Adjustments	IFRS Balance
	\$	\$	\$	\$
Sales	2,483,187	-	-	2,483,187
Cost of sales	1,852,091	33,914	(3,849)	1,882,156
<b>Gross margin</b>	<b>631,096</b>	<b>(33,914)</b>	<b>3,849</b>	<b>601,031</b>
Expenses (revenues)				
Administrative	885,409	79,583	(618)	964,374
Marketing	263,255	8,919	(931)	271,243
Research and development	674,270	70,285	(11,301)	733,254
Stock option-based compensation	90,206	(90,206)	-	-
Amortization of property, plant and equipment	90,150	(90,150)	-	-
Amortization of intangible assets	12,345	(12,345)	-	-
Financial charges	5,277	-	-	5,277
	2,020,912	(33,914)	(12,850)	1,974,148
Loss before income taxes	(1,389,816)	-	16,699	(1,373,117)
Income taxes	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>(1,389,816)</b>	<b>-</b>	<b>16,699</b>	<b>(1,373,117)</b>



# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

As the presentation of the consolidated statements of loss and comprehensive loss are now presented by function, under IFRS, the Company was required to reclassify certain expenses on the face of the consolidated statements of net loss and comprehensive loss to their related function. In addition, the adjustments to the financial statements are as a result of the following changes realized on transition to IFRS:

#### a) Share-based payments

Under Canadian GAAP, forfeitures on stock options were recognized only once the forfeitures were realized. Under IFRS, the Company is required to estimate, at grant date, the number of forfeitures expected to occur during the vesting period. The Company shall not subsequently reverse the amount recognized for services received from an employee if the equity instruments are later forfeited.

The effects on the financial statements of the above adjustments related to share-based payments were as follows:

- i) The adjustments to the statements of financial position as at September 1, 2010 and August 31, 2011 resulted in a decrease in Reserve for Stock option plan and a corresponding decrease in deficit in the amount of \$214,071 and \$237,543, respectively.
- ii) The adjustments to the statement of net loss and comprehensive loss for the three-month and six-month periods ending February 28, 2011 and twelve-month period ending August 31, 2011 resulted in the following reclassifications and adjustments:

	Three-month period ended February 28, 2011	Six-month Period February 28, 2011	Year ended August 31, 2011
	\$	\$	\$
Stock option-based compensation	52,198	90,206	185,201
Cost of sales	5,865	10,842	15,460
Administrative	27,063	53,113	113,290
Marketing	4,183	7,988	13,925
Research and development	3,891	9,290	19,054
Stock option-based compensation - IFRS	41,002	81,233	161,729
IFRS adjustments	11,196	8,973	23,472

As described above, the Company has elected not to apply IFRS 2 to awards that were granted and vested prior to September 1, 2010.

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

- b) Stock option-based compensation, Amortization of property, plant and equipment and amortization of intangible assets

The Company reclassified amortization of property, plant and equipment and amortization of intangible assets to cost of sales, administrative expenses, marketing expenses and research and development expenses as following:

	Three-month period ended February 28, 2011	Six-month period ended February 28, 2011	Year ended August 31, 2011
	\$	\$	\$
Amortization of property, plant and equipment	44,399	90,150	199,564
Cost of sales	9,921	19,223	46,646
Administrative	13,117	25,852	54,033
Marketing	-	-	-
Research and development	19,130	37,942	81,398
Amortization of property, plant and equipment - IFRS	42,168	83,017	182,077
IFRS adjustments	2,231	7,133	17,487

	Three-month period ended February 28, 2011	Six-month period ended February 28, 2011	Year ended August 31, 2011
	\$	\$	\$
Amortization of intangible assets	5,495	12,345	26,943
Cost of sales	-	-	-
Administrative	-	-	-
Marketing	-	-	-
Research and development	5,097	11,752	25,406
Amortization of intangible assets - IFRS	5,097	11,752	25,406
IFRS adjustments	398	593	1,537

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

#### c) Reconciliation of Shareholders' equity

	As of August 31, 2011	As of February 28, 2011	As of September 1, 2010
	\$	\$	\$
Shareholders' equity under Canadian GAAP, as reported	7,533,783	8,560,325	9,859,935
i) Adjustments to Shareholders' equity under IFRS	(107,713)	(119,011)	(126,737)
Shareholders' equity under IFRS, as reported	7,426,070	8,441,314	9,733,198

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 and intangible assets has been reduced by \$126,737 as of September 1, 2010.

#### d) Reconciliation of Total Comprehensive income

Note	For the three-month period ended on February 28, 2011	For the six-month period ended on February 28, 2011	For the twelve-month period ended on August 31, 2011
	\$	\$	\$
Total Comprehensive income (loss) under Canadian GAAP, as reported	(682,677)	(1,389,816)	(2,511,353)
Adjustments on net income (loss)			
13a)ii)	11,196	8,973	23,472
13b)	2,231	7,133	17,487
13b)	398	593	1,537
Total adjustments on net income (loss)	13,825	16,699	42,496
Total adjustments on comprehensive income (loss)	-	-	-
Total Comprehensive income (loss) under IFRS, as reported	(668,852)	(1,373,117)	(2,468,857)

# Opsens Inc.

## Notes to the consolidated condensed financial statements

February 29, 2012 and February 28, 2011

(unaudited)

### 13. First-time adoption of IFRS (continued)

#### e) Contributed surplus

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 as of September 1, 2010. An amount of \$1,387,655 has also been reclassified to "Reserve – Warrants" as of August 31, 2011. An amount of \$141,126 has also been reclassified to "Reserve – Stock option plan" as of August 31, 2011.

### 14. Contingencies

On March 9, 2011, Opsens received a lawsuit alleging the improper use of confidential information in connection with Opsens' EasyWire device and certain patent applications. Opsens and the plaintiff entered into a confidential settlement agreement. Following the settlement, on March 1, 2012, the United States District Court for the District of Minnesota issued an Order that the action "is dismissed with prejudice and on the merits," without disbursements of costs or attorney fees to either party.

### 15. Subsequent event

On March 28, 2012, the Company received the sum of US\$500,000 for the balance of purchase price to be received.