MANAGEMENT DISCUSSION & ANALYSIS

Annual report for shareholders
Fiscal year ended August 31, 2012

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, 2012, and for the three months and year ended this date, in comparison with the corresponding periods ended August 31, 2011. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes as at August 31, 2012.

Unless stated otherwise, the Management Discussion and Analysis has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a consolidated basis. This document was prepared on November 27, 2012. 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, supplier and installer of a wide range of fiber optic solutions based on proprietary patented technologies for the measurement of pressure, temperature and other parameters. The qualities of our sensors allow us to offer measuring instruments that are effective and durable in extreme conditions. Opsens is using its competitive advantages to focus primarily on two strong growth markets: oil and gas and FFR medical instrumentation.

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 2013, Opsens expects its net loss will increase from year 2012 due to verification and validation expenses for the OptoWire FFR device.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year Ended August 31, 2012	Year Ended August 31, 2011	Year Ended August 31, 2010
	$	$	$
Sales	8,462	6,005	5,281
Cost of sales	5,722	4,157	3,187
Gross margin	2,740	1,848	2,094
Administrative expenses	2,304	2,204	1,742
Marketing expenses	929	659	904
R&D expenses	1,534	1,543	1,233
Financial income	(97)	(89)	(41)
Gain on disposal	-	-	(2,375)
	4,670	4,317	1,463
Profit (Loss) before income taxes	(1,930)	(2,469)	631
Income taxes	-	-	-
Net Profit (Net loss)	(1,930)	(2,469)	631
Net Profit (Net loss) per share – Basic	(0.04)	(0.05)	0.01
Net Profit (Net loss) per share - Diluted	(0.04)	(0.05)	0.01

(In thousands of Canadian dollars)	As at August 31, 2012	As at August 31, 2011	As at September 1, 2010
	$	$	$
Current assets	5,895	6,927	9,597
Total assets	7,735	8,593	11,390
Current liabilities	1,595	1,137	1,527
Long-term debt	507	30	130
Shareholders' equity	5,633	7,426	9,733

No dividend was declared per share for each share class.

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

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, IFRS based, in thousands of Canadian dollars)	Three-month period ended August 31, 2012	Three-month period ended May 31, 2012	Three-month period ended February 29, 2012	Three-month period ended November 30, 2011
	$	$	$	$
Revenues	1,416	2,174	2,377	2,495
Net profit (net loss) for the period	(639)	(357)	(675)	(259)
Net profit (net loss) per share – Basic	(0.01)	(0.01)	(0.01)	(0.01)
Net profit (net loss) per share – Diluted	(0.01)	(0.01)	(0.01)	(0.01)

(Unaudited, IFRS based, 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 profit (net loss) for the period	(718)	(378)	(669)	(704)
Net profit (net loss) per share – Basic	(0.02)	(0.01)	(0.01)	(0.01)
Net profit (net loss) per share – Diluted	(0.02)	(0.01)	(0.01)	(0.01)

FOURTH QUARTER 2012

The Company recorded a net loss of $639,000 or 1 cent a share in the fourth quarter compared with a net loss of $718,000 or 2 cents a share a year earlier. The increase in net income, in the fourth quarter of fiscal 2012, compared with the comparative quarter is mainly due to the increase in revenues and the decrease in general spending in administrative, marketing and research and development expenses. Seasonal fluctuations and year-end adjustments had no impact on operating revenues and net loss for the fourth quarter 2012.

Revenue totalled $1,416,000 for the quarter ended August 31, 2012, compared with $1,107,000 a year earlier, following mainly an increase in oil and gas revenues.

Administrative expenses decreased at $493,000 for the latest quarter, compared with $651,000 for the same period in 2011. During the fourth quarter of 2011, the Company recorded a bad debt expense of $100,000 compared with an amount of less than $15,000 in the comparative quarter 2012. In addition, wages and payroll taxes were also lower due to the performance-based compensation.

Marketing expenses for the quarter were slightly lower at $182,000 versus $201,000 a year earlier mainly due to grants received from the provincial government.

Research and development expenses totalled $348,000 for the quarter ended August 31, 2012, compared with $391,000 for the same period in 2011. The variation is mainly explained by a grant regarding the development of the OptoWire for the measurement of FFR.

Historically, the Company’s revenues and net results have been little affected by seasons. Seasonal fluctuations have become more significant with the increase weighting of sales in the oil and gas field, 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, 2012, AND AUGUST 31, 2011

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(In thousands of dollars except for percentage data figures)	Year Ended August 31, 2012 $		Year Ended August 31, 2011 $
Revenues	8,462		6,005
Variation (%)		40.9 %	
Gross margin	2,740		1,848
Variation (%)		48.3 %	

The Company reported revenue of $8,462,000 for the year ended August 31, 2012, compared with $6,005,000 a year earlier, an increase of 40.9%. The growth includes a sales increase of close to $2,100,000 in the oil and gas market. Rising income in oil and gas is due to the increased market acceptance of our products. Also, income in the laboratory sector increased because of an improvement in the general economic conditions and government budgets for this sector.

Sales in the oil and gas sector totalled $6,300,000, compared with $4,200,000 for 2011. Management anticipates that revenues from oil and gas will continue to grow on a long-term basis as the OPP-W sensor becomes more mature and as we extend its applications and market other products.

Sales in medical instrumentation were close to $558,000 in fiscal 2012 compared with $430,000 for 2011. For the year ended August 31, 2012, 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 2013 in view of the development programs of OEM customers 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, 2012 Opsens Inc.'s reportable segment $	Year ended August 31, 2012 Opsens Solutions Inc.'s reportable segment $	Year ended August 31, 2012 Eliminations $	Year ended August 31, 2012 Consolidated financial statements $
Revenues	3,439	6,283	(1,260)	8,462
Cost of revenues	2,592	4,390	(1,260)	5,722
Gross margin	847	1,893	-	2,740
Gross margin rate (%)	25	30		32

(In thousands of Canadian dollars except for percentage data figures)	Year ended August 31, 2011	Year ended August 31, 2011	Year ended August 31, 2011	Year ended August 31, 2011
	Opsens Inc.'s reportable segment $	**Opsens Solutions Inc.'s reportable segment $**	**Eliminations $**	**Consolidated financial statements $**
Revenues	2,431	4,193	(619)	6,005
Cost of revenues	1,800	2,976	(619)	4,157
Gross margin	631	1,217	-	1,848
Gross margin rate (%)	26	29		31

The gross margin rate on product sales remained stable in fiscal 2012 from a year earlier. However, the rate remains below what is expected in the medium term, given the overhead costs to cope with the increase in expected medium term sales.

The Company expects the gross margin rate for Opsens Inc. and Opsens Solutions Inc. to move toward its minimum target of 40% as revenue grows.

As at August 31, 2012, the backlog amounted to $888,000 ($1,755,000 at August 31, 2011).

Given that a 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 and net income. For the fiscal year ended August 31, 2012, the average exchange rate was higher than the previous year, which affected sales positively by $28,000.

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, 2012 and 2011, pricing fluctuations did not have a significant impact on revenues. No product was launch during years ended August 31, 2012 and August 31, 2011.

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 2012, 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 amounted to $1,534,000 and $1,543,000 respectively for years 2012 and 2011. Although these expenses were stable in 2012, we are expecting an increase in R&D costs in 2013 since the OptoWire project will be in its last development steps before entering the regulatory approval process.

In oil and gas over the next year, Opsens will continue to develop its existing product line while improving its ability to respond to customer needs for multiple specifications in the measurement of pressure and temperature.

In 2011, Opsens Inc. unveiled its offering 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 significant opportunity for Opsens. Opsens intends to fully exploit this opportunity by an aggressive development of the OptoWire through the stages of preclinical, regulatory and commercialization. Opsens wants to proceed to commercialization of a FFR product in fiscal year 2014. The agreement signed with the Japanese distributor in November 2012 is the first step toward commercialization.

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 low-drift and will provide a high-fidelity measurement of blood pressure in coronary arteries. In addition to more reliable measurement, the OptoWire aims to offer better mechanical performances in terms of trackability, torquability and support over other existing pressure guide wires.

On November 19, 2012, the Company announced the granting of distribution and other rights to OptoWire and OptoMonitor, Opsens' products for measuring FFR. Under the terms of the agreement, the Company will receive:

- US$3 M for the distribution rights for its FFR products for Japan, Korea and Taiwan, which includes:
    - US$2 M at signing;
    - US$1 M once Opsens gets regulatory approval for its FFR devices in Japan;
- US$2 M in convertible debenture, at signing.

Scientific Advisory Board

To support the development and refinement of the 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 OptoWire.

SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

Non-IFRS financial measure - 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 quarterly reviews net loss and Earnings Before Interest, Taxes, Depreciation, Amortization and Stock option-based compensation "EBITDAO". EBITDAO has no normalized sense prescribed by the IFRS. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. EBITDAO is defined by the Company as the cash flows from operating activities without taking in consideration non-cash expenses and non-cash operating working capital items.

Reconciliation of EBITDAO to the Annual Results

(In thousands of Canadian dollars)	**Year Ended August 31, 2011**	**Year Ended August 31, 2011**	**Year Ended August 31, 2010**
	$	**$**	**$**
Net gain (loss) for the period	(1,930)	(2,469)	631
Financial expenses (income)	(97)	(89)	(41)
Amortization of property, plant, and equipment	230	182	195
Amortization of intangible assets	35	26	37
EBITDA	(1,762)	(2,350)	822
Stock-based compensation costs	137	162	223
EBITDAO	(1,625)	(2,188)	1,045
Gain on disposal	-	-	(2,375)
EBITDAO and gain on disposal	(1,625)	(2,188)	(1,330)

Net gain (net loss)

For the year ended August 31, 2012, net loss totalled $1,930,000, compared with a net loss of $2,469,000 a year earlier. The slight improvement in net results and EBITDAO for year 2012 compared with year 2011 mainly reflects higher gross profit with the counterbalancing effect of higher expenses for marketing, administration and other variations.

In fiscal 2013, net results and EBITDAO will be strongly influenced by product sales figures and R&D expenses. The expected increased R&D expenses should contribute to a negative variance of the EBITDAO despite the expansion of marketing activities within the oil and gas market following previous OPP-W installations.

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, 2012.

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 cashed an amount of $657,000 in year 2012. Opsens expects to receive the remaining cash proceeds of $256,590 in year 2013.

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.

The same accounting policies are used for both reportable segments. Operations are carried out in the normal course of operations and are measured at the exchange value.

	2012			2011		
		Opsens			Opsens	
	Opsens Inc.	**Solutions**	**Total**	Opsens inc.	Solutions	Total
	$	**$**	**$**	$	$	$
External sales	**2,179,251**	**6,282,679**	**8,461,930**	1,812,047	4,193,092	6,005,139
Internal sales	**1,260,182**	**-**	**1,260,182**	618,977	-	618,977
Amortization of property, plant and equipment	**148,492**	**81,632**	**230,124**	134,278	47,799	182,077
Amortization of intangible assets	**30,425**	**4,133**	**34,558**	22,065	3,341	25,406
Financial expenses	**(371,978)**	**275,611**	**(96,367)**	(311,484)	222,613	(88,871)
Net earnings (loss)	**(1,895,102)**	**(34,576)**	**(1,929,678)**	(2,120,405)	(348,452)	(2,468,857)
Acquisition of property, plant and equipment	**88,871**	**212,747**	**301,618**	153,401	218,085	371,486
Acquisition of intangible assets	**91,943**	**44,758**	**136,701**	85,724	21,465	107,189
Segment assets	**4,741,097**	**2,993,942**	**7,735,039**	6,021,838	2,571,814	8,593,652

Geographic segment's information

	2012	2011
	$	$
Revenue per geographic sector		
Canada	**6,396,767**	4,332,673
United States	**1,297,038**	1,020,566
Other	**768,125**	651,900
	8,461,930	6,005,139

Revenues are attributed to 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, 2012, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 47.4% (Opsens Solutions Inc.' reportable segment) and, 18.2% (Opsens Solutions Inc.' reportable segment).

During the year ended August 31, 2011, revenues from four clients represent individually more than 10% of the total revenues of the company, i.e. approximately 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).

Administrative expenses

Administrative expenses were $2,304,000 and $2,204,000 respectively for the years ended August 31, 2012, and 2011. The increase in administrative expenses is the result of an increase in legal fees related to the EasyWire lawsuit settled on March 1, 2012 and other variations.

Sales and marketing expenses

Sales and marketing expenses were $929,000 for year 2012, compared to $659,000 a year earlier, a $270,000 variance. Sales and marketing expenses increased due to the addition of head count supporting sales in the Opsens Solutions Inc. operating unit. Sales and marketing expenses should remain relatively stable in 2013.

Financial expenses (income)

Financial income reached $97,000 for the year ended August 31, 2012 compared with financial income of $89,000 the previous year. The increase in financial income during fiscal 2012 is the direct result of a mainly favourable change of $135,000 in the gain / loss on foreign exchange and an unfavourable change in interest income of $110,000.

Financing activities cash flow

On February 12, 2010, the Company closed 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 issued 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, 2012, 2,443,049 warrants entitling their holders to acquire one common share of the Company at an average price of $1.11 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 year ended August 31, 2012, the Company granted to some employees and Directors a total of 1,684,000 stock options with an average exercise price of $0.22, and cancelled or forfeited 2,442,000 stock options with an exercise price of $0.47 a share.

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 27, 2012, the following components of shareholders' equity are outstanding:

Common shares	47,865,983
Stock options	3,499,000
Convertible debenture	4,000,000
Securities on a fully diluted basis	55,364,983

The number of shares that would be issued upon conversion of the debenture may vary depending on various parameters such as the exchange rate and the conversion price per share. In the table above, the conversion was carried out on the assumption that the Canadian dollar is even with the U.S. dollar and the conversion price is equal to the minimum conversion price which is $ 0.50 per share.

Investing activities cash flow

Opsens purchases amounted, for each of its segmented units R&D equipment, production equipment and administrative equipment, to $302,000 for the year ended August 31, 2012. Investments have been made especially to support Opsens Solutions' revenue growth.

As for intangible assets, Opsens invested $137,000 for the period ended August 31, 2012. These investments involved software and patent protection for the Company's inventions.

Cash and cash equivalents

On August 31, 2012, the Company had cash and cash equivalents of $2,577,000, compared with $3,747,000 as of August 31, 2011. Of this amount as at August 31, 2012, $1,284,000 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, 2012, Opsens had a working capital of $4,300,000, compared with a working capital of $5,790,000 as at August 31, 2011. Based on the private placement completed on February 12, 2010, the use of proceeds from the 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 2013, fluctuation in cash assets will depend particularly on the rate of revenue growth.

For 2013, the Company does not anticipate additional investment into the working capital.

Subsequent event

On November 19, 2012, the Company announced the granting of distribution and other rights to OptoWire and OptoMonitor and received at closing US$4 M.

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 $208,202.

The Company leases offices in Alberta under an operating lease expiring on April 30, 2015. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to $347,039.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to $77,228.

Future payments for the leases and other commitments, totalizing $632,469, required in each of the next five years are as follows:

	$
2013	323,601
2014	212,927
2015	95,941
2016	-
2017	-

In 2012, the offices lease expense is $295,221 ($254,296 in 2011).

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.

	2012	2011
	$	$
Professional fees to a company		
Controlled by a director	34,937	50,511
	34,937	50,511

Fees are incurred for the Company's FFR activities.

Financial instruments

Cash equivalents

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, foreign exchange 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, 2012, the Company was holding more than 49.8% (78.4% as at August 31, 2011; 81.4% as at September 1, 2010) of its cash equivalents in all time redeemable term-deposit.

Financial charges (income)

	2012	2011
	$	$
Interest and bank charges	34,500	22,107
Interest on long-term debt	27,634	18,187
Loss (gain) on foreign currency translation	(34,184)	100,880
Interest income	(124,317)	(230,045)
	(96,367)	(88,871)

Credit risk

The use of financial instruments, such as cash and cash equivalents, receivables and balance of purchase price to be received 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 August 31, 2012, the Company was holding more than 49.8% (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 with the same financial institution.

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 71.4% of the Company's accounts receivable as at August 31, 2012 (69.7% as at August 31, 2011; 66.1% as at September 1, 2010).

As at August 31, 2012, 25.1% (10.8% as at August 31, 2011; 23.8% as at September 1, 2010) of the accounts receivable were of more than 90 days whereas 60.5% (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 August 31, 2012, the bad debt provision was established at $21,861 ($3,082 on August 31, 2011; $6,110 as at 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 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, 2012 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of $3,386 on the net loss for the year ended August 31, 2012 ($589 on the net loss for the year ended August 31, 2011). 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 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, 2012 and 2011, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been $39,000 higher (net loss would have been $6,000 lower for the year ended August 31, 2011). Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have been $39,000 lower for the year ended August 31, 2012 (net loss would have been $6,000 higher for the year ended August 31, 2011).

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

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	$	$	$
Cash (US$505,784)	498,551	232,191	509,164
Accounts receivable (US$208,368)	205,388	118,200	501,350
Balance of purchase price to be received (US$-)	-	424,493	826,037
Accounts payable and accrued liabilities (US$296,434)	(292,195)	(48,217)	(93,826)
Total	411,744	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, 2012, August 31, 2011 and September 1, 2010:

August 31, 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	1,343,905	1,343,905	-	-	-
Long-term debt	837,302	195,523	164,247	327,906	149,626
Total	2,181,207	1,539,428	164,247	327,906	149,626

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	971,108	971,108	-	-	-
Long-term debt	140,460	106,040	27,719	6,701	-
Total	1,111,568	1,077,148	27,719	6,701	-

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	1,370,389	1,370,389	-	-	-
Long-term debt	341,727	154,117	90,039	97,571	-
Total	1,712,116	1,524,506	90,039	97,571	-

Fair value

The fair value of cash and cash equivalents, accounts receivable, short-term 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.
***Amount received as at August 31, 2012.

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. On 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 activity level should not require 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 human resources' perspective, there are no vacancies in the major executive and technical positions 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.

ADOPTION OF IFRS - IMPACTS

International Financial Reporting Standards

As stated by the Canadian Accounting Standards Board ("CASB"), the Company was required to adopt International Financial Reporting Standards ("IFRS"). The Company will be required to use IFRS for its interim and annual financial statements beginning on September 1, 2011 and to provide a restated comparative statement in accordance with IFRS.

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 accounted 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 made the choice not to apply IFRS 2 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 elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations will not be restated.

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

Principles of consolidation

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

These consolidated financial statements have been approved by the Board of Directors on November 27, 2012.

Presentation Currency and Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company as this is the principal currency of the economic environment in which it operates.

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 earning.

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 realisable value.

When impairment is recognized, a new assessment of net realisable 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 realisable value.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite lives are recorded at their acquisition cost. Depreciation is recorded using the straight-line method based on estimated useful lives taking into account any residual value, as follows:

Property, plant and equipment	
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 finite lives	
Patents	Term of underlying patent, 5 to 20 years
Software	3 years

Depreciation methods, residual values and useful lives of property, plant and equipment, and intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimates.

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.

Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Company's current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of earnings on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

Impairment of long-lived assets

At the end of each reporting period, assets are reviewed for indication of any impairment. In such case, the asset's recoverable value is calculated to establish the amount of the impairment loss, if any. If it is not possible to determine the recoverable value for an individual asset, then the recoverable value of the assets is determined on the basis of its cash generating unit to which the asset belongs.

The recoverable value is the higher of an asset's fair value less the cost to sell and its value in use. Value in use is the present value of estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the asset for which estimated future cash flows were not adjusted.

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.

Warranty Provision

The Company offers a standard 12-month warranty for the surface materials. For the downhole materials, Opsens guarantees that the downhole materials shall be free from defects but given that the downhole environmental conditions are not exactly known, Opsens does not guarantee the performance of the downhole materials once entered the wellbore. The estimated cost of the warrant is based on the history of defective products and accessories, the probability that these defects will arise and the costs to repair them.

Revenue recognition

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

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

Stock-based compensation and other stock-based payments

The Company offers a stock option plan which is determined as an equity-settled plan and issues from time to time warrants to certain investors.

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.

Income taxes

The Company accounts for income taxes using the tax liability method. Under this method, deferred 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 deferred income tax assets if, based on available information, it is more likely than not that some or all the deferred income tax assets will not be realized.

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.

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 IFRS.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Cash and cash equivalents, accounts receivable and balance of purchase price are classified as loans and receivables. They are recorded at amortized cost using the effective interest method which, at initial recognition, corresponds to fair value.

The Company classifies 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.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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.

Critical accounting estimates and judgments

In preparing these consolidated 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 following are the critical judgments and key sources of estimation made by management:

- Recoverability of intangible assets and goodwill

The main judgments made by management as part of the impairment test are the following:

  - Determining discounted cash flow projections based on management's best estimate of the range of economic conditions that will exist over the remaining useful life of the intangible assets;

  - Determining a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Company.

- Inventory measurement

On a regular basis, the Company assesses the value of its inventories. The obsolescence and the net realisable value are reviewed on an ongoing basis by management, based on its experience and knowledge of the current market conditions.

- Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

- Government assistance and research and development tax credits

Government assistance is recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all of the conditions necessary to obtain the assistance. In general, the Company recognizes 80 % of the amount that it expects to receive.

- Warranty provision

The Company estimated warranty provision based on the history of defective products and the probability that these defects will arise and the related costs.

- Revenue recognition

For all sales, the Company uses a binding purchase order as evidence that sales arrangement exists. Delivery generally occurs when the product is handed over to a transporter for shipment. At the time of the transaction, the Company assesses whether the price associated with its revenue transaction is fixed or determinable and whether or not collection is reasonably assured. The Company assesses collection based on a number of factors, including past transaction history and the creditworthiness of the customer.

- Stock-based compensation

The Company uses judgment in assessing expected life, volatility, risk-free interest rate as well as the estimated number of options that will ultimately vest.

- Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labor, materials and other costs of providing services.

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.

FUTURE ACCOUNTING CHANGES

IFRS 9, Financial Instruments, simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.
The Company is required to adopt IFRS 9 for the annual period beginning September 1, 2015. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

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 January 1, 2013, with earlier application permitted. IFRS 13 will apply for both financial and non-financial 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.

IFRS 10, Consolidated Financial Statements, replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 11, Joint Arrangements, replaces IAS 31, Interests in Joint Ventures, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interest in joint ventures. The new standard requires that such interests be recognized using the equity method. IFRS 11 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 12, Disclosure of Interests in Other Entities, is a new and comprehensive standard on disclosures requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles. IFRS 12 is effective from periods beginning January 1, 2013 with early adoption permitted.

IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures, were amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12. IAS 27 amended and IAS 28 amended are applicable for periods beginning on or after January 1, 2013 with early adoption permitted if the entity early adopts also IFRS 10, IFRS 11 and IFRS 12.

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 July 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.

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 in the oil and gas field

Opsens draws most of its revenue from the sale of readout devices and fiber optic sensors in the oil and gas field. 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. 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 expects recording significant sales in U.S. dollars, while a large part of its operating expenses are incurred in Canadian dollars, the exchange rate fluctuations between the two currencies may have an unfavourable impact on its activities, financial position, and operating results. Based on outlooks 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 a debt valued at $456,382 as at August 31, 2012.

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 27, 2012