MANAGEMENT DISCUSSION & ANALYSIS

Quarterly report for shareholders
Period ended November 30, 2012

The following comments are intended to provide a review and analysis of the operating results and financial position of Opsens Inc. as of November 30, 2012, and for the three-month period ended this date, in comparison with the corresponding period ended November 30, 2011. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes for the year ended August 31, 2012.

Unless stated otherwise, the interim 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 January 21, 2013. 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 technologies 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").

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 technologies are the keys to new production techniques improving the reliability of measuring equipment. Also, 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)	Three-month period ended November 30, 2012	Three-month period ended November 30, 2011
	$	$
Sales	2,533	2,495
Cost of sales	1,315	1,737
Gross margin	1,218	758
Administrative expenses	539	552
Marketing expenses	249	203
R&D expenses	387	308
Financial expenses (revenues)	22	(46)
	1,197	1,017
Earnings (loss) before income taxes	21	(259)
Net earnings (loss) and comprehensive income	21	(259)
Net earnings (loss) per share – Basic	0.00	(0.01)
Net earnings (loss) per share – Diluted	0.00	(0.01)

(In thousands of Canadian dollars)	As at November 30, 2012	As at August 31, 2012
	$	$
Current assets	9,863	5,895
Total assets	11,776	7,735
Current liabilities	1,523	1,595
Long-term liabilities	4,568	507
Shareholders' equity	5,685	5,633

No dividend was declared per share for each share class.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(In thousands of Canadian dollars)	Three-month period ended November 30, 2012	Three-month period ended August 31, 2012	Three-month period ended May 31, 2012	Three-month period ended February 29, 2012
	$	$	$	$
Revenues	2,533	1,416	2,174	2,377
Net earnings (loss) for the period	21	(639)	(357)	(675)
Net earnings (loss) per share – Basic	0.00	(0.01)	(0.01)	(0.01)
Net earnings (loss) per share – Diluted	0.00	(0.01)	(0.01)	(0.01)

(In thousands of Canadian dollars)	Three-month period ended November 30, 2011	Three-month period ended August 31, 2011	Three-month period ended May 31, 2011	Three-month period ended February 28, 2011
	$	$	$	$
Revenues	2,495	1,107	2,415	1,336
Net loss for the period	(259)	(718)	(378)	(669)
Net loss per share – Basic	(0.01)	(0.02)	(0.01)	(0.01)
Net loss per share – Diluted	(0.01)	(0.02)	(0.01)	(0.01)

PERFORMANCE INDICATORS

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

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

THREE-MONTH PERIODS ENDED NOVEMBER 30, 2012 AND 2011

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(In thousands of Canadian dollars, except for percentage data figures)	Three-month period ended November 30, 2012 $		Three-month period ended November 30, 2011 $
Revenues	2,533		2,495
Growth rate		1.5%	
Gross margin	1,218		758
Growth rate		60.7%	

The Company reported revenues of $2,533,000 for the three-month period ended November 30, 2012, compared with $2,495,000 in the comparative period in 2011, an increase of 1.5 %. Revenues were higher for Q1 2013 for all fields where Opsens is active.

Sales in the oil and gas sector totalled $1,886,000, compared with $1,838,000 in the comparative period. Rising income in oil and gas is due to the increase market acceptance of our products. 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.

The Company reported revenue of $23,000 for Q1 2013 compared with $239,000 for Q1 2012 under a manufacturing agreement in the high-power transformers field. This manufacturing agreement is terminated and Opsens will no longer be involved in the transformers field.

(In thousands of Canadian dollars, except for percentage data figures)	Quarter ended November 30, 2012	Quarter ended November 30, 2012	Quarter ended November 30, 2012	Quarter ended November 30, 2012
	Opsens Inc.'s reportable segment $	Opsens Solutions Inc.'s reportable segment $	Eliminations $	Consolidated financial statements $
Revenues	861	1,869	(197)	2,533
Cost of sales	492	1,020	(197)	1,315
Gross margin	369	849	-	1,218
Gross margin rate	43%	45%	-	48%

(In thousands of Canadian dollars, except for percentage data figures)	Quarter ended November 30, 2011	Quarter ended November 30, 2011	Quarter ended November 30, 2011	Quarter ended November 30, 2011
	Opsens Inc.'s reportable segment $	**Opsens Solutions Inc.'s reportable segment $**	**Eliminations $**	**Consolidated financial statements $**
Revenues	1,112	1,824	(441)	2,495
Cost of sales	907	1,271	(441)	1,737
Gross margin	205	553	-	758
Gross margin rate	18%	30%	-	30%

The gross margin and the gross margin rate rose sharply in the first quarter of 2013 compared to the first quarter of 2012 due to the completion of higher margin contracts in the oil and gas, laboratory and medical instrumentation sectors. Business arising from the manufacturing agreement in the high-power transformers field, where gross margin rate is below the minimum target of 40%, also had a negative impact on the gross margin rate for the quarter ended November 30, 2011.

The Company expects the gross margin rate for Opsens Inc. and Opsens Solutions Inc. to come closer to its target of 40% over the next quarters.

As at November 30, 2012, the backlog amounted to $1,827,000 compared with a backlog of $888,000 on August 31, 2012.

Given that a proportion of the Company's revenues are generated in U.S. dollars, while most costs are incurred in Canadian dollars, fluctuations in the exchange rate affect revenues and net earnings. For the three-month period ended November 30, 2012, the average exchange rate was lower than the previous year, which affected negatively the sales by $16,000 (negative impact of $4,000 for the three-month period ended November 30, 2011).

Market acceptance of fiber optic sensors is increasing in the Company's markets, leading to higher sales. That being 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 November 30, 2012 and 2011, pricing fluctuations did not have a significant impact on revenues. No product was launched during Q1 2013 and Q1 2012.

PRODUCTS AND INNOVATION

The Company is constantly working to improve its position in terms of intellectual property and what it can offer to its customers. For the three-month period ended November 30, 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 expenses increased to $387,000 from $308,000 for the three-month periods ended November 30, 2012 and 2011. The variation reflects higher staffing levels and lower R&D grants.

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

The Company quarterly reviews net earnings (loss) and Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based compensation costs ("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 Quarterly Results

(In thousands of Canadian dollars)	Three-month period ended November 30, 2012 $	Three-month period ended November 30, 2011 $
Net earnings (loss)	21	(259)
Financial expenses (revenues)	22	(46)
Depreciation of property, plant and equipment	60	56
Amortization of intangible assets	7	8
EBITDA	110	(241)
Stock-based compensation costs	31	45
EBITDAO	141	(196)

Net Earnings (Loss)

For the three-month period ended November 30, 2012, net earnings totalled $21,000, compared with a net loss of $259,000 a year earlier. The increase in net earnings and EBITDAO for Q1 2013 compared with Q1 2012 mainly reflects the increase in gross profit of $460,000 partly offset by higher R&D, marketing, administration and financial expenses.

Fiscal 2013 results will be strongly influenced by product sales figures and R&D expenses. We expect higher gross margin and gross margin rate in comparison to last year. However, the expected increase in R&D expenses should contribute to a negative variance of the EBITDAO for fiscal 2013.

Capital management

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

The Company believes that its current liquid assets are sufficient to finance its activities on the short-term.

The Company has an authorized line of credit for a maximum amount of $200,000, $50,000 of which is available at all times and which does not take into consideration the margining. When using the line of credit in an amount varying from $50,000 and $100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds $100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of insured 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 $423,667 as of November 30, 2012 ($456,381 as of August 31, 2012). The covenants were met as of November 30, 2012 and August 31, 2012. The credit line was not used at the end of any period presented.

The Company also has credit cards for a maximum amount of $97,000 ($87,000 as of August 31, 2012) to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

INFORMATION BY REPORTABLE SEGMENTS

Segmented information

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

Same accounting policies are used for both reportable segments. Operations are carried out in the normal course of operations.

	Period ended November 30, 2012			Period ended November 30, 2011		
	Opsens Inc.	**Opsens Solutions Inc.**	**Total**	Opsens Inc.	Opsens Solutions Inc.	Total
	$	**$**	**$**	$	$	$
External sales	**664,243**	**1,868,506**	**2,532,749**	671,246	1,823,547	2,494,793
Internal sales	**196,792**	**-**	**196,792**	440,816	-	440,816
Depreciation of property, plant and equipment	**106,510**	**23,663**	**130,173**	38,132	17,577	55,709
Amortization of intangible assets	**9,182**	**1,402**	**10,584**	7,152	851	8,003
Financial expenses (revenues)	**(43,533)**	**65,206**	**21,673**	(110,615)	64,275	(46,340)
Net profit (loss)	**(350,484)**	**371,713**	**21,229**	(396,117)	137,319	(258,798)
Purchase of property, plant and equipment	**19,147**	**111,026**	**130,173**	21,269	103,451	124,720
Additions to intangible assets	**10,584**	**-**	**10,584**	35,379	-	35,379
Segment assets	**8,214,944**	**3,561,243**	**11,776,187**	4,741,097	2,993,942	7,735,039

Geographic segment's information

	Three-month periods ended November 30,	
	2012	2011
	$	$
Revenues per geographic sector		
Canada	**1,890,424**	1,938,554
United States	**241,520**	359,927
Other	**400,805**	196,312
	2,532,749	2,494,793

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 November 30, 2012, revenues from three clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 29.5% (Opsens Solutions Inc.'s reportable segment), 28.1% (Opsens Solutions Inc.'s reportable segment) and 16.0% (Opsens Solutions Inc.'s reportable segment).

During the three-month period ended November 30, 2011, revenues from four clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 38.4% (Opsens Solutions Inc.'s reportable segment), 14.5% (Opsens Solutions Inc.'s reportable segment), 13.0% (Opsens Inc.'s reportable segment) and 11.0% (Opsens Solutions Inc.'s reportable segment).

Administrative expenses

Administrative expenses were $539,000 and $552,000 respectively for the three-month periods ended November 30, 2012, and 2011.

The decrease in administrative expenses is the result of lower depreciation and amortization and lower professional fees since professional fees related to a lawsuit were incurred in Q1 2012.

Sales and marketing expenses

Sales and marketing expenses were $249,000 for the period ended November 30, 2012, compared with $203,000 for the period ended November 30, 2011. Sales and marketing expenses increased due to additional headcount supporting sales in the Opsens Solutions Inc. operating unit and by increased travelling expenses.

Financial expenses (revenues)

Financial expenses reached $22,000 for the period ended November 30, 2012 compared with financial revenues of $46,000 for the period ended November 30, 2011. This increase in financial expenses is explained by an unfavourable variation of $29,000 in the gain (loss) on foreign exchange, a decreased interest income of $22,000 generated by a lower balance of sale receivable compared to last year and higher interest expenses related to the convertible debenture issued on November 19, 2012.

Financing activities

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

Stock options exercised, granted and expired

For the period ended November 30, 2012, the Company granted to some directors a total of 80,000 stock options with an exercise price of $0.24 and 500,000 stock options expired with an exercise price of $0.72.

Subsequent event

On January 7, 2013, 250,000 stock options with an exercise price of $0.21 were granted.

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

Common shares	47,865,983
Stock options	3,249,000
Convertible debenture	4,000,000
Securities on a fully diluted basis	55,114,983

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 on par with the U.S. dollar and the conversion price is equal to the minimum conversion price which is $0.50 per share.

Investing activities

Purchase of property, plant and equipment amounted to $130,000 for the period ended November 30, 2012. These puchases were made primarily for the oil and gas production activities.

Additions to intangible assets amounted to $11,000 for the period ended November 30, 2012 and are mainly related to software and patent.

Cash and cash equivalents

On November 30, 2012, the Company had cash and cash equivalents of $5,629,000, compared with $2,576,000 as of August 31, 2012. Of this amount as at November 30, 2012, $3,285,000 was invested in highly liquid and safe investments. The Company also has an available line of credit in the amount of $200,000. This line of credit bears interest at prime + 2%. The Company is in compliance with all financial ratios.

Financial position

As at November 30, 2012, Opsens had a working capital of $8,341,000 compared with a working capital of $4,300,000 as at August 31, 2012. Based on the recent agreement for the granting of distribution and other rights for FFR products, debt financing with MDEIE and its financial institution, the private placement completed on February 12, 2010, the use of proceeds from high-power transformers sale, its cash and cash equivalents, its working capital, and its order backlog, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments, and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and debt. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section. Fluctuation in cash assets will depend particularly on the rate of revenue growth for the coming quarters.

For the coming quarters, the Company does not anticipate additional investments into the working capital.

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 $US500,000)**	443,360
Balance of purchase price to be received as of August 16, 2012 (nominal value of $US500,000)***	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 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.

FUTURE ACCOUNTING CHANGES

Future accounting changes, as described in note 3 of the Audited Consolidated Financial Statements for the year ended August 31, 2012, have not materially changed since August 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

As of November 30, 2012, the Company was not the primary beneficiary in Special Purpose Entities and there was no off-balance sheet arrangements.

RISK FACTORS AND UNCERTAINTIES

Opsens operates in an industry that is subject to various risks and uncertainties. The Company’s business, financial position and operating results could be impacted negatively by these risks and uncertainties. The most important risks and uncertainties are described in the management discussion and analysis for the year ended August 31, 2012.

OTHER INFORMATION

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

On behalf of management,
Chief Financial Officer and Secretary

(s) Thierry Dumas

January 21, 2013