

Condensed Interim Consolidated Financial Statements

Opsens Inc.

Nine-month periods ended May 31, 2013
and 2012 (unaudited)

Notice

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

Opsens Inc.

May 31, 2013 and 2012

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Opsens Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

	Three-month periods ended		Nine-month periods ended	
	May 31,		May 31,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenues				
Sales	1,705,779	2,174,134	6,075,294	7,046,464
Cost of sales	1,142,010	1,314,882	3,649,853	4,710,869
Gross margin	563,769	859,252	2,425,441	2,335,595
Expenses (revenues)				
Administrative	545,398	553,209	1,694,688	1,810,580
Marketing	253,867	304,577	729,528	746,939
Research and development	426,235	417,678	1,237,617	1,185,942
Financial expenses (revenues)	26,920	(58,891)	53,546	(116,458)
	1,252,420	1,216,573	3,715,379	3,627,003
Loss before income taxes	(688,651)	(357,321)	(1,289,938)	(1,291,408)
Net loss and comprehensive loss	(688,651)	(357,321)	(1,289,938)	(1,291,408)
Net loss per share (note 5)				
Basic	(0.01)	(0.01)	(0.03)	(0.03)
Diluted	(0.01)	(0.01)	(0.03)	(0.03)

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

Opsens Inc.

Interim Consolidated Statements of Changes in Equity

Period ended May 31, 2013

(unaudited)

	Common shares (number)	Stock options (number)	Total (number)	Common shares \$	Reserve - Warrants \$	Reserve - Stock option plan \$	Deficit \$	Total \$
Balance as at								
August 31, 2012	47,865,983	3,419,000	51,284,983	15,201,618	2,190,382	1,150,424	(12,908,943)	5,633,481
Options granted	-	1,433,667	1,433,667	-	-	-	-	-
Options cancelled	-	(35,000)	(35,000)	-	-	-	-	-
Options expired	-	(715,000)	(715,000)	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	91,065	-	91,065
Net loss	-	-	-	-	-	-	(1,289,938)	(1,289,938)
Balance as at								
May 31, 2013	47,865,983	4,102,667	51,968,650	15,201,618	2,190,382	1,241,489	(14,198,881)	4,434,608

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

Opsens Inc.

Interim Consolidated Statements of Changes in Equity

Period ended May 31, 2012

(unaudited)

	Common shares (number)	Warrants (number)	Stock options (number)	Total (number)	Common shares \$	Reserve - Warrants \$	Reserve - Stock option plan \$	Deficit \$	Total \$
Balance as at									
August 31, 2011	47,865,983	2,443,049	4,177,000	54,486,032	15,201,618	2,190,382	1,013,335	(10,979,265)	7,426,070
Options granted	-	-	970,000	970,000	-	-	-	-	-
Options cancelled	-	-	(2,350,000)	(2,350,000)	-	-	-	-	-
Warrants cancelled	-	(2,443,049)	-	(2,443,049)	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	107,833	-	107,833
Net loss	-	-	-	-	-	-	-	(1,291,408)	(1,291,408)
Balance as at									
May 31, 2012	47,865,983	-	2,797,000	50,662,983	15,201,618	2,190,382	1,121,168	(12,270,673)	6,242,495

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

Opsens Inc.

Consolidated Statements of Financial Position

(unaudited)

	As at May 31, 2013	As at August 31, 2012
	\$	\$
Assets		
Current		
Cash and cash equivalents (note 6)	4,036,355	2,576,586
Trade and other receivables	1,106,767	901,311
Income tax credits receivable	536,937	299,395
Inventories	2,699,864	1,979,073
Prepaid expenses	276,653	138,773
	8,656,576	5,895,138
Property, plant and equipment	1,014,397	813,142
Intangible assets	375,771	350,185
Goodwill	676,574	676,574
	10,723,318	7,735,039
Liabilities		
Current		
Accounts payable and accrued liabilities	1,171,427	1,343,905
Warranty provision	190,495	84,273
Current portion of long-term debt	198,723	166,404
	1,560,645	1,594,582
Deferred revenues (note 4)	2,002,000	-
Long-term debt	624,264	506,976
Convertible debenture (note 3)	2,101,801	-
	6,288,710	2,101,558
Shareholders' equity		
Share capital	15,201,618	15,201,618
Reserve – Stock option plan	1,241,489	1,150,424
Reserve - Warrants	2,190,382	2,190,382
Deficit	(14,198,881)	(12,908,943)
	4,434,608	5,633,481
	10,723,318	7,735,039

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

Approved by the board

Signed [Jean Lavigueur] director
Signed [Louis Laflamme] director

Opsens Inc.

Interim Consolidated Statements of Cash Flows

(unaudited)

	Three-month periods ended		Nine-month periods ended	
	May 31,		May 31,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Operating activities				
Net loss before income taxes	(688,651)	(357,321)	(1,289,938)	(1,291,408)
Adjustments for:				
Depreciation of property, plant and equipment	77,448	57,224	208,744	170,424
Amortization of intangible assets	8,167	7,874	22,580	26,174
Stock-based compensation costs	36,150	26,758	91,065	107,833
Change in fair value of embedded derivative	(1,836)	-	855	-
Interest expense	49,855	16,389	69,044	28,024
Implicit interest on balance of purchase price	-	(35,545)	-	(70,227)
Effect of foreign exchange rate changes on cash and cash equivalents	7,098	(31,951)	94,352	(40,483)
Unrealized foreign exchange gain (loss)	(3,961)	-	71,826	(4,019)
Changes in non-cash operating working capital items (note 6)	(143,381)	967,960	(1,367,925)	(643,439)
	(659,111)	651,388	(2,099,397)	(1,717,121)
Investing activities				
Acquisition of property, plant and equipment	(60,911)	(43,244)	(409,999)	(250,846)
Acquisition of intangible assets	(22,086)	(14,318)	(48,166)	(78,433)
Balance of purchase price received	-	498,740	-	498,740
	(82,997)	441,178	(458,165)	169,461
Financing activities				
Increase in long-term deferred revenues	-	-	2,002,000	-
Proceeds from the issuance of the convertible debenture	-	-	2,002,000	-
Increase in long-term debt	75,522	70,987	265,222	652,576
Payments on long-term debt	(29,602)	(33,365)	(126,631)	(106,488)
Interest paid	(14,367)	(16,389)	(30,908)	(28,024)
	31,553	21,233	4,111,683	518,064
Effect of foreign exchange rate changes on cash and cash equivalents	(7,098)	31,951	(94,352)	40,483
Increase (decrease) in cash and cash equivalents	(717,653)	1,145,750	1,459,769	(983,113)
Cash and cash equivalents - beginning of period	4,754,008	1,612,457	2,576,586	3,747,320
Cash and cash equivalents – end of period	4,036,355	2,758,207	4,036,355	2,758,207

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

Additional information is presented in note 6.

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2013 and 2012

(unaudited)

1. Description of business

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

2. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting" and using the same accounting policies and methods of computation as our most recent annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

3. Convertible Debenture

On November 19, 2012, the Company issued US\$2,000,000 in subordinated secured convertible debenture maturing November 19, 2017. The convertible debenture bears interest at a rate of 2,0% per annum payable at maturity. At the holder's option, the convertible debenture may be converted into common shares of the Company at any time up to the maturity date at a conversion price representing the market price of the shares. However, the conversion price is subject to a minimum of \$0,50 and a maximum of \$0,75 per common share (the "conversion price").

The convertible debenture is also convertible at the Company's option at the conversion price if the volume-weighted average closing price per common share for the twenty trading days immediately preceding the fifth trading day before such conversion date is at least \$1,20 and if a minimum of 50,000 common shares have traded on the TSX Venture Exchange during each of the twenty trading days taken into account in the calculation of the conversion price.

To secure the repayment of the convertible debenture, a movable hypothec on certain equipment has been given. This hypothec will rank second to certain long-term loans of the Company.

As noted above, the convertible debenture contains a conversion option that will result in an obligation to deliver a fixed amount of equity in exchange of a variable amount of convertible debenture when translated in the functional currency of the Company. Consequently, under IAS 32, "Financial Instruments: Presentation", the convertible debenture is accounted for as a compound instrument with a debt component and a separate embedded derivative representing the conversion option. Both the debt and embedded derivative components of this compound financial instrument are measured at fair value on initial recognition. The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss.

The situation of the outstanding convertible debenture as of May 31, 2013 and August 31, 2012 is as follows:

	As at May 31, 2013	As at August 31, 2012
	\$	\$
Debt component reported as long-term liability	2,050,479	-
Embedded derivative reported as long-term liability	51,322	-
Total	2,101,801	-

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4. Deferred Revenues

On November 19, 2012, the Company announced the granting of distribution and other rights for OptoWire and OptoMonitor, Opsens' products for measuring Fractional Flow Reserve ("FFR"). Under the terms of the agreement, the Company received:

- US\$3 million for the distribution rights for its FFR products for Japan, Korea and Taiwan, which includes:
 - a. US\$2 million at signing ("upfront license fee");
 - b. US\$1 million once Opsens gets regulatory approval for its FFR devices in Japan ("milestone payment");
- US\$2 million in convertible debenture, at signing, as described in note 3 of these financial statements.

The Company shall reimburse the upfront license fee upon the occurrence of any of the following events:

- a. The Company fails to obtain regulatory approval for the OptoWire and the OptoMonitor within five years of the agreement date for all the following geographic regions : Canada, European Union and the United States;
- b. The Company abandons the development of the OptoWire and OptoMonitor before obtaining the milestone payment;
- c. The Company materially breaches any terms of the agreement or is subject to bankruptcy.

Because the Company doesn't have regulatory approvals, it has recorded the \$2,002,000 (US\$2,000,000) upfront license fee as deferred revenues.

The Company believes that the three conditions for a reimbursement of the upfront license fee listed above will not occur over the next twelve months. Consequently, the deferred revenues have been recorded in the long-term liabilities section of the statement of financial position.

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5. Net Loss per Share

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

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Numerator				
Net loss	(688,651)	(357,321)	(1,289,938)	(1,291,408)
Amount available for calculating the net loss per share				
	(688,651)	(357,321)	(1,289,238)	(1,291,408)
Denominator				
Basic weighted average number of shares outstanding	47,865,983	47,865,983	47,865,983	47,865,983
Dilutive effect of stock options	851,135	13,220	345,442	17,028
Dilutive effect of the convertible debenture	4,082,400	-	4,008,800	-
Diluted weighted average number of shares outstanding	52,799,518	47,879,203	52,220,225	47,883,011
Amount per share				
Net loss per share				
Basic	(0.01)	(0.01)	(0.03)	(0.03)
Diluted	(0.01)	(0.01)	(0.03)	(0.03)

Stock options and warrants are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of such stock options and warrants is presented below:

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2013	2012	2013	2012
Stock options	1,025,000	1,827,000	995,000	1,827,000
Warrants	-	2,443,049	-	2,443,049

For the three-month and nine-month periods ended May 31, 2013 (three-month and nine-month periods ended May 31, 2012), the diluted amount per share was the same amount as the basic amount per share since the dilutive effect of the stock options and convertible debenture was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for this period was calculated using the basic weighted average number of shares outstanding.

Opsens Inc.

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6. Statements of Cash Flows

	Three-month periods ended		Nine-month periods ended	
	May 31,		May 31,	
	2013	2012	2013	2012
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Trade and other receivables	368,824	1,172,655	(205,456)	(440,003)
Income tax credits receivable	(69,627)	(105,231)	(237,542)	(242,499)
Inventories	(322,738)	160,826	(720,791)	(83,642)
Prepaid expenses	(39,326)	(32,055)	(137,880)	(5,974)
Accounts payable and accrued liabilities	(83,736)	(257,422)	(172,478)	88,422
Warranty provision	3,222	29,187	106,222	40,257
	(143,381)	967,960	(1,367,925)	(643,439)
			As of	As of
			May 31,	August 31,
			2013	2012
			\$	\$
<i>Cash and cash equivalents</i>				
Cash			635,731	1,292,845
Short-term investments			3,400,624	1,283,741
			4,036,355	2,576,586

7. Segmented information

Sector's information

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

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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 amount which approximates prevailing prices in the markets.

	Three-month period ended			Three-month period ended		
	May 31, 2013			May 31, 2012		
	Opsens			Opsens		
Opsens Inc.	Solutions Inc.	Total	Opsens Inc.	Solutions Inc.	Total	
\$	\$	\$	\$	\$	\$	\$
External sales	378,345	1,327,434	1,705,779	580,241	1,593,893	2,174,134
Internal sales	514,564	-	514,564	154,868	-	154,868
Depreciation of property, plant and equipment	45,496	31,952	77,448	36,019	21,205	57,224
Amortization of intangible assets	6,714	1,453	8,167	6,921	953	7,874
Financial expenses (revenues)	(50,143)	77,063	26,920	(131,066)	72,175	(58,891)
Net profit (net loss)	(616,733)	(71,918)	(688,651)	(398,968)	41,647	(357,321)
Purchase of property, plant and equipment	32,210	28,701	60,911	20,692	22,552	43,244
Additions to intangible assets	21,486	600	22,086	14,318	-	14,318
Segment assets	6,474,509	4,248,809	10,723,318	4,819,047	3,265,797	8,084,844
Segment liabilities	5,665,758	622,952	6,288,710	1,508,462	333,887	1,842,349

	Nine-month period ended			Nine-month period ended		
	May 31, 2013			May 31, 2012		
	Opsens			Opsens		
Opsens Inc.	Solutions Inc.	Total	Opsens Inc.	Solutions Inc.	Total	
\$	\$	\$	\$	\$	\$	\$
External sales	1,401,885	4,673,409	6,075,294	1,796,236	5,250,228	7,046,464
Internal sales	1,139,744	-	1,139,744	1,075,522	-	1,075,522
Depreciation of property, plant and equipment	122,859	85,885	208,744	111,048	59,376	170,424
Amortization of intangible assets	18,327	4,253	22,580	23,346	2,828	26,174
Financial expenses (revenues)	(161,200)	214,746	53,546	(326,030)	209,572	(116,458)
Net profit (net loss)	(1,576,733)	286,795	(1,289,938)	(1,539,028)	247,620	(1,291,408)
Purchase of property, plant and equipment	122,042	287,957	409,999	58,564	192,282	250,846
Additions to intangible assets	47,566	600	48,166	76,566	1,867	78,433
Segment assets	6,474,509	4,248,809	10,723,318	4,819,047	3,265,797	8,084,844
Segment liabilities	5,665,758	622,952	6,288,710	1,508,462	333,887	1,842,349

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(unaudited)

Geographic sector's information

	<u>Three-months period ended</u> <u>May 31,</u>		<u>Nine-month periods ended</u> <u>May 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenues per geographic sector				
Canada	1,329,586	1,628,874	4,716,602	5,360,144
United States	109,210	281,081	453,642	1,064,668
Others	266,983	264,179	905,050	621,652
	<u>1,705,779</u>	<u>2,174,134</u>	<u>6,075,294</u>	<u>7,046,464</u>

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 May 31, 2013, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 53% (Opsens Solutions Inc.'s reportable segment), 13% (Opsens Solutions Inc.'s reportable segment) and 10% (Opsens Solutions Inc.'s reportable segment).

During the three-month period ended May 31, 2012, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 50% (Opsens Solutions Inc.'s reportable segment) and 20% (Opsens Solutions Inc.'s reportable segment).

During the nine-month period ended May 31, 2013, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 46% (Opsens Solutions Inc.'s reportable segment), 13% (Opsens Solutions Inc.'s reportable segment) and 13% (Opsens Solutions Inc.'s reportable segment).

During the nine-month period ended May 31, 2012, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 49% (Opsens Solutions Inc.'s reportable segment) and 15% (Opsens Solutions Inc.'s reportable segment).

8. Approval of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on July 3, 2013.