MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2013

The following comments are intended to provide a review and analysis of the results of operations, financial condition and cash flows of Opsens Inc. for the fourth quarter and year ended August 31, 2013 in comparison with the corresponding periods ended August 31, 2012. In this Management's Discussion and Analysis ("MD&A"), "Opsens", "the Company", "we", "us" and "our" mean Opsens Inc. and its subsidiary. This discussion should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2013 and 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This document was prepared on November 25, 2013. All amounts are in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking statements with respect to the Company. These forward-looking statements, by their nature, require the Company to make certain assumptions and necessarily involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements. Forward-looking statements are not guarantees of performance. These forward-looking statements, including financial outlooks, may involve, but are not limited to, comments with respect to the Company's business or financial objectives, its strategies or future actions, its targets, expectations for financial condition or outlook for operations and future contingent payments. Words such as "may", "will", "would", "could", "expect", "believe", "plan", "anticipate", "intend", "estimate", "continue", or the negative or comparable terminology, as well as terms usually used in the future and conditional, are intended to identify forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on information currently available to it, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business. The forward-looking information set forth therein reflects the Company's expectations as at November 25, 2013 and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

CORPORATE OVERVIEW

Opsens is focusing on two main growth markets, oil and gas and Fractional Flow Reserve ("FFR") in medical instrumentation. The Company is also involved in laboratories activities. Opsens develops, manufactures, supplies and installs systems for measuring parameters of pressure, temperature and others using fiber optic sensing technologies. These systems are designed around patented technologies that are effective and durable in extreme conditions.

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").

VISION, STRATEGY AND OUTLOOK

The worldwide market for fiber optic and conventional sensors is a multi-billion dollar opportunity. Opsens' sales and marketing strategy aims to provide solutions for selected niche markets, in particular, markets with challenging environments, where conventional solutions are either non-existent, operate marginally or quickly fail.

In its business plan, Opsens has identified markets where its products can bring better results to their users. Opsens' management is confident that the products it offers and those it develops for these markets will deliver value to its shareholders. In addition, Opsens remains open to business opportunities, including new projects and acquisitions, to enhance its core activities and consequently add to shareholders value.

The Company's expertise, know-how and patented technologies are key 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 2014, Opsens expects its net loss will increase from year 2013 due to verification and validation expenses and to commercialization costs for the FFR device.

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 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 addition of net loss, depreciation and amortization, financial expenses (revenues), change in fair value of embedded derivative and stock-based compensation costs. The Company uses EBITDAO for the purposes of evaluating its historical and prospective financial performance. This measure also help the Company to plan and forecast for future periods as well as to make operational and strategic decisions. The Company believes that providing this information to investors, in addition to IFRS measures, allows them to see the Company's results through the eyes of management, and to better understand its historical and future financial performance.

Reconciliation of EBITDAO to net loss

(In thousands of Canadian dollars)	**Year Ended August 31, 2013**	**Year Ended August 31, 2012**	**Year Ended August 31, 2011**
	$	**$**	**$**
Net loss for the year	(2,366)	(1,930)	(2,469)
Financial expenses (revenues)	100	(97)	(89)
Change in fair value of embedded derivative	(17)	-	-
Depreciation of property, plant, and equipment	287	230	182
Amortization of intangible assets	31	35	26
EBITDA	(1,965)	(1,762)	(2,350)
Stock-based compensation costs	126	137	162
EBITDAO	(1,839)	(1,625)	(2,188)

The negative variance of EBITDAO for fiscal year 2013 when compared to last year is mainly explained by the increase in the net loss.

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 2013, the Company focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly oil and gas and medical instrumentation.

As for the oil and gas field 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 and also by working on new products and applications to help the Company reach new markets and increase its revenues consequently.

OptoWire for the Measurement of FFR

In 2011, Opsens Inc. unveiled its offering for cardiologists to use in the measurement of 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 aims for the commercialization of its FFR product in the second half of calendar year 2014.

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 reliable measurement, the OptoWire aims to offer better mechanical performances in terms of trackability, torquability and support over existing pressure guide wires.

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.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	**Year Ended August 31, 2013**	**Year Ended August 31, 2012**	**Year Ended August 31, 2011**
	$	**$**	**$**
Sales	7,526	8,462	6,005
Cost of sales	4,780	5,722	4,157
Gross margin	2,746	2,740	1,848
Gross margin rate	36%	32%	31%
Administrative expenses	2,313	2,304	2,204
Marketing expenses	954	929	659
R&D expenses	1,762	1,534	1,543
Financial expenses (revenues)	100	(97)	(89)
Change in fair value of embedded derivative	(17)	-	-
	5,112	4,670	4,317
Loss before income taxes	(2,366)	(1,930)	(2,469)
Net loss and comprehensive loss	(2,366)	(1,930)	(2,469)
Net loss per share - Basic	(0.05)	(0.04)	(0.05)
Net loss per share - Diluted	(0.05)	(0.04)	(0.05)

Revenues

The Company reported revenues of $7,526,000 for the year ended August 31, 2013, compared to revenues of $8,462,000 a year earlier, a decrease of $936,000 or 11%.

Revenues in the oil and gas sector totalled $5,818,000 for the year ended August 31, 2013 compared to $6,300,000 in 2012. Installations of the first OPP-W sensor systems from the 48-well contract placed by an oil and gas producer for an Alberta SAGD oil sands project were delayed and began only in September 2013. They were originally planned to begin during the last quarter of fiscal 2013. Management anticipates that revenues from oil and gas will show growth for fiscal year 2014 when compared to fiscal year 2013, as the strong backlog as at August 31, 2013 already reflects commitments from our customers to buy OPP-Ws.

Revenues in the laboratories field totaled $1,057,000 for the year ended August 31, 2013 compared with revenues of $921,000 for the same period in 2012. The increase in revenues in the laboratory field is explained by a strong first quarter in fiscal 2013 where significant orders were placed by an important client.

The Company reported revenues of $119,000 under a manufacturing agreement in the high-power transformers field for the year ended August 31, 2013 compared with revenues of $674,000 for the same period last year. Following the sale of the transformer business in 2010, the manufacturing agreement has expired and Opsens will no longer be involved in the transformers field.

As at August 31, 2013, the backlog amounted to $4,380,000 ($888,000 at August 31, 2012).

Given that a proportion of the Company's revenues is generated in U.S. dollars, fluctuations in the exchange rate affect revenues and net loss. For the year ended August 31, 2013, the average exchange rate was approximately the same than for 2012 and consequently, it had no effect on the total sales.

Market acceptance of fiber optic sensors is increasing in the Company’s markets. 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 August 31, 2013 and 2012, pricing fluctuations and new product launches did not have a significant impact on revenues.

Gross margin

The gross margin on product sales remained stable in fiscal year 2013 from a year earlier, going from $2,740,000 to $2,746,000. However, the gross margin rate increased from 32% for the year ended August 31, 2012 to 36% for the year ended August 31, 2013. The increase in the gross margin rate is explained by the completion of higher margin contracts in oil and gas, laboratories and medical instrumentation and to a lesser extent by a change in business mix where a higher proportion of gross margin was generated by businesses with gross margins above group average such as our oil and gas and medical revenues.

The Company expects the gross margin rate for the Company to move toward its target of 40% as revenues grow.

Administrative expenses

Administrative expenses remained stable at $2,314,000 for the year ended August 31, 2013 compared to $2,304,000 for the year ended August 31, 2012.

Marketing expenses

Sales and marketing expenses were $954,000 for the year ended August 31, 2013 compared to $929,000 in 2012, an increase of $25,000. The increase is explained by additional subcontractor fees incurred for the commercialization of our products.

Research and development expenses

Research and development expenses amounted to $1,762,000 and $1,534,000, respectively, for the years ended August 31, 2013 and 2012. The increase in the research and development expenses in 2013 when compared to 2012 is explained by costs incurred during the year for the FFR project because the verification and validation phase made significant progress.

Financial expenses (revenues)

Financial expenses reached $100,000 for the year ended August 31, 2013 compared to financial revenues of $97,000 for fiscal year 2012. The increase in the financial expenses during fiscal year 2013 is explained by lower interest revenues of $75,000 compared with last year explained by a lower balance on sale receivable, by an unfavourable change of $61,000 in the gain (loss) on foreign exchange and by higher interest expense of $41,000 arising from the issuance of the convertible debenture in November 2012.

Change in fair value of embedded derivative

The change in fair value of embedded derivative comes from the variance of the fair market value of the conversion option component of the convertible debenture. The convertible debenture contains a cash settlement feature, which under IAS 32, "Financial Instruments: Presentation", 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. During the year, an amount of $17,000 was recorded as a gain in the consolidated statement of loss.

Net loss

As a result of the foregoing, net loss for the year ended August 31, 2013 was $2,366,000 compared to $1,930,000 in 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at August 31, 2013	As at August 31, 2012	As at August 31, 2011
	$	$	$
Current assets	8,459	5,895	6,927
Total assets	10,528	7,735	8,593
Current liabilities	2,415	1,595	1,137
Long-term liabilities	4,720	507	30
Shareholders' equity	3,393	5,633	7,426

Total assets as at August 31, 2013 were $10,528,000 compared to $7,735,000 as at August 31, 2012. The increase is mainly related to additional cash and cash equivalents arising from the issuance of the convertible debenture and to the amount received for the distribution rights for its FFR products, to higher inventories level compared to last year explained by the delay in the installations of the first OPP-W sensor systems from the 48-well contract and to the investments in property, plant and equipment required to support future growth of the Company.

Long-term liabilities totalled $4,720,000 as at August 31, 2013 compared to $507,000 as at August 31, 2012, an increase of $4,213,000. The increase is explained by the issuance of the convertible debenture and by the amount received for the distribution rights of the FFR products accounted for as deferred revenues in the long-term portion of the liabilities.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars)	Three-month period ended August 31, 2013	Three-month period ended May 31, 2013	Three-month period ended February 28, 2013	Three-month period ended November 30, 2012
	$	$	$	$
Revenues	1,451	1,706	1,836	2,533
Net profit (net loss) for the period	(1,075)	(689)	(623)	21
Net profit (net loss) per share – Basic	(0.02)	(0.01)	(0.01)	0.00
Net profit (net loss) per share – Diluted	(0.02)	(0.01)	(0.01)	0.00

(Unaudited, in thousands of Canadian dollars)	Three-month period ended August 31, 2012	Three-month period ended May 31, 2012	Three-month period ended February 28, 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)

Historically, the Company's revenues and net profit (net loss) results has experienced minimal seasonality. 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 fall and winter for this sector.

LIQUIDITY AND CAPITAL RESOURCES

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

- US$3,000,000 for the distribution rights for its FFR products for Japan, Korea and Taiwan, which includes:
    a. US$2,000,000 ($2,002,000) at signing;
    b. US$1,000,000 once Opsens gets regulatory approval for its FFR devices in Japan;
- US$2,000,000 ($2,002,000) in subordinated secured convertible debenture, at signing.

The convertible debenture bears interest at a rate of 2.0% per annum payable at maturity which is November 19, 2017. 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 Company has an authorized line of credit for a maximum amount of $200,000, $50,000 of which is available at all times and does not take into consideration any margining of accounts receivable and inventories. 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 an agreement entered into with Canada Economic Development ("CED"), the Company may receive a refundable contribution of a maximum amount $300,000, non-interest bearing, to cover expenses related to the development of its OptoWire product for the Fractional Flow Reserve market. This contribution is paid out based on the project's percentage of completion at the rate of 40% of eligible expenses since February 1, 2013. During the year ended August 31, 2013, the Company recognized for this refundable contribution an amount of $57,554 against research and development expenses. As at August 31, 2013, an amount of $150,000 remained to be received under the agreement.

At the end of the year ended August 31, 2012, the Company has received approval for financial support from the Ministère des Finances et de l'Économie ("MFE") in the form of a repayable contribution of $413,590 for the development of a portfolio of products for FFR. As at August 31, 2013, $164,213 remains to be received under the agreement.

As at August 31, 2013, the Company had cash and cash equivalents of $3,662,000 compared with $2,577,000 as at August 31, 2012. Of this amount as at August 31, 2013, $2,974,000 was invested in highly liquid, safe investments. As at August 31, 2013, Opsens had a working capital of $6,043,000, compared with a working capital of $4,300,000 as at August 31, 2012.

Based on the agreement announced on November 19, 2012 for the granting of distribution and other rights for FFR products, on the debt financings with the MDEIE, the CED and its financial institution, on the private placement completed on February 12, 2010, on the use of proceeds from the high-power transformers sale, on its cash and cash equivalents, on 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 mid-term perspective, Opsens may need to raise additional financing by issuing equity securities and debt. From a long-term perspective, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties section*. Fluctuation in cash and cash equivalents will depend particularly on the rate of revenue growth for the coming quarters.

For fiscal year 2014, the Company does not anticipate additional investments into the working capital.

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	**Year Ended August 31, 2013**	**Year Ended August 31, 2012**
	$	**$**
Operating activities	(319)	(1,795)
Investing activities	(548)	60
Financing activities	2,044	544
Net change in cash and cash equivalents	1,177	(1,191)

Operating activities

Cash flows used by our operating activities for the year ended August 31, 2013 were $319,000 compared to $1,795,000 for the same period last year, a decrease of $1,476,000. The decrease in the cash flows used by our operating activities is explained by the amount of $2,002,000 received for the granting of distribution and other rights for the FFR products and recognized as deferred revenues in the balance sheet and by an increase in the accounts payable and accrued liabilities of $698,000, partly offset by the increase in inventories of $1,049,000 for the year ended August 31, 2013 when compared to last year. The increase in inventories reflects the investments made by the Company to prepare the installations of the OPP-W sensors from the 48-well contract that began in September 2013.

Investing activities

For the year ended August 31, 2013, cash flows used by our investing activities reached $548,000 and were used for acquisitions of property, plant and equipment for an amount of $473,000 and $75,000 was used for additions to intangible assets. Acquisitions of property, plant and equipment were made primarily for our oil and gas activities and for our FFR project.

For the year ended August 31, 2012, cash flows generated by our investing activities reached $60,000. The proceeds from assets disposal of $499,000 was partly offset by acquisitions of property, plant and equipment of $302,000 and by additions to intangible assets of $137,000.

Financing activities

For the year ended August 31, 2013, cash flows generated by our financing activities reached $2,044,000. The proceeds from the issuance of the convertible debenture of $2,002,000 and the increase in our long-term debt of $265,000 were partly offset by the $191,000 payments on the long-term debt and by the $32,000 used for interest payments.

For the year ended August 31, 2012, cash flows generated by our financing activities reached $544,000. The increase in our long-term debt of $696,000 was partly offset by payments of $144,000 on the long-term debt and by the $8,000 used for interest payments.

COMMITMENTS

Leases

The Company leases offices in Québec under operating leases expiring on January 31, 2015. These agreements are renewable for an additional four-year period. Future rent, without considering the escalation clause, will amount to $310,254.

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 $220,280.

Opsens Solutions Inc. rents five vehicles under operating leases expiring in September 2013, October 2013, May 2014 and July 2015. Future rent payments will amount to $30,664.

Future payments for the leases and other commitments, totalling $561,198, required in each of the next two years are as follows:

	$
2014	363,530
2015	197,668

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.

INFORMATION BY REPORTABLE SEGMENTS

Segment'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 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 amount which approximates prevailing prices in the markets.

	Years ended August 31,					
			2013			2012
	Opsens Inc.	**Opsens Solutions**	**Total**	Opsens inc.	Opsens Solutions Inc.	Total
	$	**$**	**$**	$	$	$
External sales	**1,773,715**	**5,752,707**	**7,526,422**	2,179,251	6,282,679	8,461,930
Internal sales	**1,369,950**	**-**	**1,369,950**	1,260,182	-	1,260,182
Depreciation of property, plant and equipment	**168,953**	**118,516**	**287,469**	148,492	81,632	230,124
Amortization of intangible assets	**25,294**	**5,709**	**31,003**	30,425	4,133	34,558
Financial expenses (revenues)	**(193,991)**	**293,764**	**99,773**	(371,978)	275,611	(96,367)
Net profit (net loss)	**(2,440,218)**	**74,393**	**(2,365,825)**	(1,895,102)	(34,576)	(1,929,678)
Acquisition of property, plant and equipment	**159,202**	**313,586**	**472,788**	88,871	212,747	301,618
Additions to intangible assets	**74,639**	**600**	**75,239**	91,943	44,758	136,701
Segment assets	**6,150,782**	**4,377,345**	**10,528,127**	4,741,097	2,993,942	7,735,039
Segment liabilities	**6,042,685**	**1,092,264**	**7,134,949**	1,593,538	508,020	2,101,558

Geographic sector's information

	Years ended August 31,	
	2013	2012
	$	$
Revenue per geographic sector		
Canada	**5,825,550**	6,396,767
United States	**571,160**	1,297,038
Other*	**1,129,712**	768,125
	7,526,422	8,461,930

* Comprised of revenues generated in countries for which amounts are individually no significant.

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, 2013, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 49.4% (Opsens Solutions Inc.' reportable segment), 12.2% (Opsens Solutions Inc.' reportable segment) and 10.3% (Opsens Solutions Inc.' reportable segment).

During the year ended August 31, 2012, revenues from two clients represented 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).

Opsens Inc. segment

For the year ended August 31, 2013, revenues from Opsens Inc. segment were $1,774,000 compared to $2,179,000 in 2012, a decrease of $405,000. The decrease is explained by the termination of the manufacturing agreement in the high-power transformers field that negatively impacted our revenues by $555,000. The decrease was partly offset by higher revenues in the laboratories field where significant revenues were realized with a governmental agency in the United States.

Gross margin was $611,000 for the year ended August 31, 2013, compared to $847,000 for 2012, a decrease of $236,000. The decrease in the gross margin is mainly explained by the decrease in the gross margin rate that went from 25% for the year ended August 31, 2012 to 19% for the fiscal year 2013. The decrease of the gross margin rate arises from the decrease in the revenues as explained above where a portion of the cost of sales is comprised of semi-fixed costs which do not necessarily decrease at the same rate as revenues.

Net loss for the Opsens Inc. segment was $2,440,000 for the year ended August 31, 2013 compared to a net loss of $1,895,000 for the year ended August 31, 2012. The increase in net loss reflects lower gross margin as explained above and the increase in research and development expenses as explained in the "SELECTED CONSOLIDATED FINANCIAL DATA" section of this MD&A. Finally, the increase in the net loss is explained by higher financial expenses arising from the issuance of the convertible debenture in November 2012, by an unfavorable variance of the gain (loss) on foreign exchange and by lower interest revenues when compared with the corresponding period in 2012 because of a lower balance on sale receivable.

The working capital of Opsens Inc. segment as at August 31, 2013 was $4,125,000 compared to $2,936,000 as at August 31, 2012. The increase of $1,189,000 in the working capital is due to the amounts received by Opsens Inc. following the signing of the distribution agreement with a Japanese medical company in November 2012 partly offset by the cash flows used in our operating activities and investing activities amounting to $2,596,000 and $234,000, respectively.

Opsens Solutions Inc. segment

For the year ended August 31, 2013, revenues from Opsens Solutions Inc. segment were $5,753,000 compared to $6,283,000 in 2012, a decrease of $530,000. The decrease is explained by several oil & gas installations carried over in time and by delays encountered for the installation of the first OPP-W systems for the 48-well contract that was announced back in March.

Gross margin was $2,135,000 for the year ended August 31, 2013 compared to $1,893,000 in 2012, an increase of $242,000. The increase of the gross margin is explained by an increase in the gross margin rate that increased from 30% in 2012 to 37% in 2013. The increase in the gross margin rate is explained by the completion of higher margin contracts during the first quarter of fiscal 2013 and by increased efficiencies in the production department resulting from better costs control.

Net profit (loss) for Opsens Solutions Inc. segment rose from a net loss of $35,000 in 2012 to a net profit of $74,000 in 2013. The increase in the net profit is mainly explained by the increase in the gross margin as explained previously.

The working capital of Opsens Solutions Inc. segment as at August 31, 2013 was $2,095,000 compared to $1,364,000 as at August 31, 2012. The increase of $731,000 in the working capital is explained by increased inventory level as at August 31, 2013 to support future installations.

FOURTH QUARTER 2013

Revenues

Revenue totalled $1,451,000 for the quarter ended August 31, 2013 compared with $1,416,000 a year earlier. The increase is mainly explained by higher revenues in the oil and gas field.

Gross margin

Gross margin was $321,000 for the three-month period ended August 31, 2013 compared to $405,000 for the same period last year, a decrease of $84,000. The decrease in gross margin is primarily attributable to higher overhead costs to cope with the expected growth in revenues for fiscal 2014.

Administrative expenses

Administrative expenses were $619,000 and $493,000 respectively for the three-month periods ended August 31, 2013 and 2012. The increase is explained by higher salaries and employee benefits resulting from the performance-based compensation and to a lesser extent by additional recruiting fees of $38,000 compared with last year.

Marketing expenses

Marketing expenses for the quarter were $224,000 during the fourth quarter ended August 31, 2013, an increase of $42,000 over the $182,000 reported during the same period in 2012. The increase is mainly explained by grants received from the provincial government during the fourth quarter last year.

Research and development expenses

Research and development expenses totalled $525,000 for the quarter ended August 31, 2013, an increase of 177,000$ over the $348,000 reported during the same period in 2012. The variation is explained by the numerous OptoWire devices manufactured during the last quarter of fiscal 2013 for the Verification and Validation phase.

Financial expenses (revenues)

Financial expenses reached $29,000 for the quarter ended August 31, 2013 compared to $20,000 in the same quarter last year. The increase in the financial expenses is explained by higher interest expense of $14,000 related to the convertible debenture issued in November 2012 and by an unfavourable change of $10,000 in the gain (loss) on foreign exchange, partly offset by the change in fair value of embedded derivative of $17,000.

Change in fair value of embedded derivative

The change in fair value of embedded derivative comes from the variance of the fair market value of the conversion option component of the convertible debenture. During the quarter, an amount of $18,000 was recorded as a gain in the consolidated statement of loss.

Net loss

As a result of the foregoing, net loss for the quarter ended August 31, 2013 was $1,075,000 or 2 cent a share compared to $639,000 or 1 cent a share for the same quarter in 2012.

INFORMATION ON SHARE CAPITAL

For the year ended August 31, 2013, the Company granted to some employees and Directors a total of 1,483,667 stock options with an average exercise price of $0.24, cancelled 46,000 stock options with an exercise price of $0.22 and 715,000 stock options with an exercise price of $0.77 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, cancelled 1,092,000 stock options with an exercise price of $0.47 and 1,350,000 stock options with an exercise price of $0.47 expired.

As at the date of this MD&A, the following components of shareholders' equity are outstanding:

Common shares	47,905,983
Stock options	4,161,667
Convertible debenture	4,000,000
Securities on a fully diluted basis	56,067,650

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.

No dividend was declared per share for each share class.

RELATED-PARTY TRANSACTIONS

In the normal course of its operations, the Company has entered into transactions with related parties.

	Years ended August 31,	
	2013	2012
	$	$
Professional fees to a company controlled by a director	**34,216**	34,937
	34,216	34,937

Fees are incurred for the Company's FFR activities.

FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash and cash equivalents, trade and other receivables 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.

The fair value of the convertible debenture 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 the convertible debenture approximates $1,338,000 as at

August 31, 2013.

Valuation Techniques and Assumptions Applied for the Purposes of Measuring Fair Value

The Company must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. The three input levels used by the Company to measure fair value are the following:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	As at August 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	**(34,012)**	-	**(34,012)**	-

As at August 31, 2012, there were no assets or liabilities measured at fair value.

The convertible debenture contains an embedded derivative that must be measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. One of the most significant assumption impacting the Company's valuation of these embedded derivative is the implied volatility. For 2013, the Company used an implied volatility of 122%. A 1% change in the implied volatility factor would have changed the fair value of the embedded derivative by $321 and a 1% change in the credit spread factor would have changed the fair value of the embedded derivative by $4,928.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. 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.

Generally, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit reviews of all of its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represent 64.4% of the Company's accounts receivable as at August 31, 2013 (71.4% as at August 31, 2012).

As at August 31, 2013, 12.8% (25.1% as at August 31, 2012) of the accounts receivable were of more than 90 days whereas 42.8% (60.5% as at August 31, 2012) of those were less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. As at August 31, 2013, the allowance for doubtful accounts was established at $21,000 ($21,861 on August 31, 2012).

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.

The maximum exposure to credit risk approximates the amount recognized in the consolidated statement of financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operational, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. 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, 2013 and August 31, 2012:

August 31, 2013	**Carrying amount**	**Cash flows**	**0 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**2,042,063**	**2,042,063**	**2,042,063**	**-**	**-**
Long-term debt	**765,104**	**943,130**	**201,884**	**181,137**	**560,109**
Convertible debenture	**2,129,811**	**2,316,600**	**-**	**-**	**2,316,600**
Total	**4,936,978**	**5,301,793**	**2,243,947**	**181,137**	**2,876,709**

August 31, 2012	Carrying amount	Cash flows	0 to 12 months	12 months to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	1,343,905	1,343,905	1,343,905	-	-
Long-term debt	673,380	837,302	195,523	164,247	477,532
Total	2,017,285	2,181,207	1,539,428	164,247	477,532

Interest Rate Risk

The Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Fixed interest rates
Trade and other receivables	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	Non-interest bearing, fixed and variable interest rates
Convertible debenture	Fixed interest rates

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments and embedded derivative. The Company owns investments with fixed interest rates. As of August 31, 2013, the Company was holding more than 81.2% (49.8% as at August 31, 2012) of its cash and cash equivalents in all time redeemable term deposits.

For fiscal 2013, all else being equal, a hypothetical 1% interest rate increase would have had an unfavourable impact of $3,700 on the net loss for the year ended August 31, 2013 (unfavourable impact of $3,400 on the net loss for the year ended August 31, 2012). A hypothetical 1% interest rate decrease would have had a favourable impact of $3,700 on the net loss for the year ended August 31, 2013 (favourable impact of $3,400 for the year ended August 31, 2012).

Financial expenses (revenues)

	Years ended August 31,	
	2013	2012
	$	$
Interest and bank charges	**54,108**	34,500
Interest on long-term debt	**39,307**	27,634
Interest on convertible debenture	**39,599**	-
Loss (gain) on foreign currency translation	**26,638**	(34,184)
Interest income	**(59,735)**	(124,317)
	99,117	(96,367)

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, 2013 and 2012, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with the same financial institution.

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.

Foreign currency sensitivity analysis

For the years ended August 31, 2013 and 2012, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been $154,000 lower for the year ended August 31, 2013 (net loss would have been $39,000 lower for the year ended August 31, 2012). Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have been $154,000 higher for the year ended August 31, 2013 (net loss would have been $39,000 higher for the year ended August 31, 2012).

As at August 31, 2013 and August 31, 2012, the risk to which the Company was exposed is established as follows:

	As of August 31, 2013	As of August 31, 2012
	$	$
Cash and cash equivalents (US$1,620,546)	**1,706,435**	498,551
Trade and other receivables (US$186,033)	**195,892**	205,388
Accounts payable and accrued liabilities (US$296,434)	**(356,149)**	(292,195)
Convertible debenture (US$1,990,316)	**(2,095,799)**	-
Embedded derivative (US$32,300)	**(34,012)**	-
Total	**(583,633)**	411,744

CAPITAL MANAGEMENT

The Company's objective in managing capital, primarily composed of shareholders' equity, long-term debt and the convertible debenture, is to ensure sufficient liquidity to fund R&D activities, general and administrative expenses, working capital and capital expenditures.

In the past, the Company has had access to liquidity by non-dilutive sources, including the sale of non-core assets, investment tax credits and grants, interest income and by dilutive source such as public equity offerings.

As at August 31, 2013, the Company's working capital amounted to $6,043,352, including cash and cash equivalents of $3,662,259. The accumulated deficit at the same date was $15,274,768. Based on the Company's assessment, which took into account current cash levels, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period following the statement of financial position date of August 31, 2013

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

The Company manages the capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital management objectives, policies and procedures have remained unchanged since the last fiscal year.

For the years ended August 31, 2013 and 2012, the Company has not been in default under any of its obligations regarding the long-term debt.

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 debt financing or any other means of 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.

NEW ACCOUNTING STANDARDS

There are no IFRSs or International Financial Reporting Interpretations Committee ("IFRIC") that are effective for the first time in 2013 that would be expected to have a material impact on the Company.

Adopted in 2013

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted.

Not yet adopted

Financial Instruments

a. *IFRS 9, "Financial Instruments"*

IFRS 9, "Financial Instruments" was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model consisting of only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return on investment. However, other gains and losses (including impairment losses) related to such instruments remain in accumulated other comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010, largely carrying forward existing requirements in IAS 39, except that changes in fair value due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in other comprehensive income. In July 2013, the International Accounting Standards Board ("IASB") confirmed that the January 1, 2015 initial adoption date will be deferred. The Company is currently evaluating the impact of adopting this new standard on its financial statements. The Company does not intend to opt for early adoption.

b. IAS 32, "Financial Instruments : Presentation"

In December 2011, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation", clarifying the requirements for offsetting financial assets and liabilities. The amendments will be effective for fiscal years beginning on or after January 1, 2014. The IASB also issued amendments to IFRS 7, "Financial Instruments: Disclosure", improving disclosure on offsetting of financial assets and liabilities. IFRS 7 will be effective for annual and interim periods beginning on or after January 1, 2013 and IAS 32 will be effective for annual and interim periods beginning on or after January 1, 2014. The Company is currently evaluating the impact of adopting these amendments on its financial statements. The Company does not intend to opt for early adoption.

Consolidation

In May 2011, the IASB issued the following standards: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements" and IFRS 12, "Disclosure of Interests in Other Entities". Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has assessed that the new and amended standards will have no significant impact on the consolidated financial statements and decided not to early adopt any of the new requirements.

a. IFRS 10, "Consolidated Financial Statements"

IFRS 10, "Consolidated Financial Statements" requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when a company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee ("SIC") 12, "Consolidation - Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements".

b. IFRS 11, "Joint Arrangements"

IFRS 11, "Joint Arrangements" requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operations. Joint ventures will be accounted for using the equity method of accounting while for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 replaces IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers".

c. IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12, "Disclosure of Interests in Other Entities" establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off consolidated statement of financial position vehicles. This standard carries forward existing disclosures and also introduces significant additional disclosures requirements that address the nature of, and risks associated with, an entity's interests in other entities.

Fair Value Measurement

IFRS 13, "Fair Value Measurement" is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

This new standard applies to fiscal years beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting this new standard on its financial statements. The Company does not intend to opt for early adoption.

RISK FACTORS AND UNCERTAINTIES

The Company operates in an industry that contains various risks and uncertainties. The risks and uncertainties listed below are not the only ones to which the Company is subject. Additional risks and uncertainties not presently known by the Company, or which the Company deems to be currently insignificant, may impede the Company's performance. The materialization of one of the following risks could harm the Company's activities and have significant negative impacts on its financial situation and its operating results. In that case, the Company's stock price could be affected.

Intellectual property and exclusive rights

In order to protect its intellectual property rights, the Company relies on a combination of laws related to patents and trademarks, trade secrets, confidentiality procedures and contractual provisions. Despite the Company's best efforts to protect its intellectual property rights, unauthorized individuals may attempt to copy certain aspects of the Company's products or obtain information that the Company 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 the Company's products will be sold do not protect their products and their related intellectual property rights in the same way as the laws of Canada and the United States. There is no certainty that the Company will successfully protect its intellectual property rights, which could unfavourably affect it. Patents applications, claims, PCTs and Continuations in Part filed by the Company could be incomplete, invalid, circumvented or deemed not applicable. Legal proceedings could prove necessary to carry out patent applications, claims, PCTs and Continuation in Part. These cases could lead to considerable expenses without any guarantee of success. Intellectual property rights could be disputed. Despite the Company's best efforts to ensure its right to market its products on its target markets, competitor patents could impede the sales potential of certain products.

Quality problems with processes and products

The manufacture of the Company's products is a highly exacting and complex process, due in part to strict regulatory requirements. Failure to manufacture its products in accordance with product specifications could result in increased costs, lost revenues, field corrective actions, customer dissatisfaction or voluntary product recalls, any of which could harm the Company's profitability and commercial reputation. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors. Quality is extremely important to the Company and its customers due to the serious and costly consequences of product failure. The Company's quality certifications are critical to the marketing success of its products. If the Company fails to meet these standards, its reputation could be damaged, it could lose customers and its revenues and results of operations could decline. Aside from specific customer standards, the Company's success depends generally on its ability to manufacture to exact tolerances precision-engineered components, subassemblies and finished devices from multiple materials. If the Company's components fail to meet these standards or fail to adapt to evolving standards, its reputation as a manufacturer of high-quality devices will be harmed, its competitive advantage could be damaged and the Company could lose customers and market share.

Competition and technological obsolescence

Competitors and new companies could launch new products or new medical procedures. In order to remain on the cutting edge of technology, the Company may need to launch a new generation of products and develop 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 markets targeted by the Company is strong and is likely to increase. Some of the Company's competitors have significantly greater financial, technical, distribution and marketing resources than the Company. Technological progress and product development could make the Company's products obsolete or reduce their value.

Product failures and mistakes

The Company's 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 the Company 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

The Company 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.

Delays in planned product introductions

The Company is currently developing new products as well as product enhancements with respect to its existing products. The Company has in the past experienced, and may again in the future experience, delays in various phases of product development and commercial launch, including during research and development, manufacturing, limited release testing, marketing and customer education efforts. Any delays in its product launches may significantly impede the Company's ability to successfully compete in its markets and may reduce its revenues.

The Company and its present and future collaborators may fail to develop or effectively commercialize products covered by its present and future collaborations if:

- the Company does not achieve its objectives under its collaboration agreements;
- the Company or its collaborators are unable to obtain patent protection for the products or proprietary technologies it develops in its collaborations; or
- the Company or its collaborators encounter regulatory hurdles that prevent commercialization of its products.

If the Company or its collaborators are unable to develop or commercialize products, the Company will be delayed or prevented from developing and commercializing products, which will harm its business and financial results.

Divestitures of any businesses or product lines

The Company continues to evaluate the performance of all of its businesses and may sell a business or product line. Any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on the Company's business, results of operations and financial condition. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of its business and the potential loss of key employees. The Company may not be successful in managing these or any other significant risks that it encounters in divesting a business or product line.

Future capital requirements

The Company incurred operating losses in the past fiscal years. The Company's ability to satisfy its obligations and to finance future activities depends on its capacity to reach a profitability level or to be supported by its shareholders and creditors. Nothing guarantees that the Company will be able to attract the capital required to continue the development and the marketing of its technologies. In the event that the Company does not manage to find additional capital, this could have unfavourable impacts on the Company's activities, revenues, financial situation and operating results.

Revenues

The Company draws most of its revenues from the sale of products such as sensors and signal contitioners in the oil and gas. The Company feels that the revenues from these products will continue to represent a significant share of the Company's revenues for the foreseeable future. Consequently, the Company is particularly vulnerable to fluctuations in the demand in this market. Therefore, if demand for the Company's products decreases significantly in this market, the Company and the operating results could be unfavourably affected.

Labour and key personnel

The Company depends on the services of its engineers, technical employees and key management personnel. The loss of one of these people could have a significant unfavorable impact on the Company, its operating results and its financial position. The success of the Company 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 the Company cannot ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its inability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have unfavourable impacts on its growth and future profitability. The Company 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 the Company can develop its market share significantly in its targeted markets, thus affecting its profitability. The Company's expected rapid growth might create significant pressure on management, operations and technical resources. The Company foresees increased operating and personnel expenses in the future. In order to manage its growth, the Company 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 the Company will be able to manage its business growth. The Company's 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 the Company operates could force it to reduce its prices. If its competitors offer large discounts on certain products and services in order to gain market share or sell products and services, the Company 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 the Company's 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 that the Company may charge for its products and services. If the Company cannot offset these price reductions with a corresponding increase in sales or decreased expenses, the decreased revenues from the sale of products and services could unfavourably affect its profits margins and operating results.

Currency exchange rate

The Company expects that a significant portion of Opsens Inc. segment revenues be denominated in American dollars while a greater part of Opsens Solutions Inc. segment expenses are incurred in American dollars. The exchange rate fluctuations between the two currencies may have an unfavourable impact on its activities, financial position and operating results. Based on future prospects in the FFR market, the proportion of sales denominated in American dollars should increase in the coming years. This change could have the effect of reducing the risk on a consolidated basis.

Restrictive clauses

The Company has a restrictive clause regarding working capital in the agreement with its financial institution. If this restrictive clause is not respected, the Company may need to allocate a portion of its working capital to repaying a loan valued at $325,524 as ay August 31, 2013.

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 Corporate Secretary

(s) Thierry Dumas

November 25, 2013