MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2014

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 three-month and nine-month periods ended May 31, 2014 in comparison with the corresponding periods ended May 31, 2013. 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 June 30, 2014. 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 June 30, 2014 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.

OVERVIEW

Opsens develops, manufactures and installs highly sophisticated fibre optic solutions for critical applications that precisely measure parameters such as pressure and temperature. The Company focuses mainly on two large and growing markets: the medical instrumentation field and the oil and gas industry. It is also involved in industrial activities.

In the medical instrumentation field, Opsens presented, in 2011, the first generations of OptoWire and OptoMonitor, which provide cardiologists with a pressure wire that delivers optimized performance for navigating in coronary arteries and to reach blockages with ease while also measuring intra-coronary blood pressure. The medical process involved is referred to as the measurement of Fractional Flow Reserve ("FFR"). According to management and industry sources[(1)], the FFR market is expected to grow from US$250 million in 2013 to more than $US 1 billion over the next decade.

Opsens is in the process of securing regulatory approvals from various medical authorities in Canada, the U.S., Japan and Europe for its OptoWire and OptoMonitor. In January 2014, the Company filed its FFR application for pre-market approval (Shonin) in Japan.

(1) Opsens FFR Market Calculations based on **R. Scott Huennekens, "Volcano's CEO Hosts NASDAQ Analyst Day" *TRANSCRIPT* p.5 *(2013-03-7)*** and JOHN T. DAHLDORF, "Volcano's Annual Report 2012").

By the fall of 2014, Opsens is expected to file a Premarket Notification, or 510(k), with the FDA, which is the first step in gaining FDA clearance to sell a medical device in the U.S. Opsens is also expected to file for CE Marking to obtain clearance for the European market. The goal is to begin commercializing FFR products in the first half of calendar year 2015. Commercialization will start with the Japanese market, and is supported by a leading Japanese medical supplier with whom Opsens signed a partnership agreement in November 2012.

In the oil and gas market, Opsens provides fibre optic sensor systems that provide reliable realtime downhole pressure and temperature information. This information is especially critical during operations such as Steam Assisted Gravity Drainage ("SAGD"), a process that recovers bitumen from oil sands. Since 2006, SAGD production has experienced 12% CAGR. According to the Canadian Association of Petroleum Producers ("CAPP"), SAGD production is expected to continue to grow at a rate of approximately 7% annually over the next two decades.

Opsens holds 8 patents and has 2 patents pending to protect its technologies that are uniquely effective and durable in extreme conditions.

FFR MARKET OPPORTUNITY

For the FFR market, Opsens' OptoWire and OptoMonitor solution measures the impact of arterial narrowing (stenosis) resulting from coronary artery diseases ("CAD"). CAD remains a leading cause of death in the developed world and the cost related to the management and treatment of the disease represents a significant burden to society. In recent years, the prevalence of CAD has been increasing at a rapid rate. According to the American Heart Association ("AHA"), the number of Americans receiving cardiovascular operations or procedures increased to approximately 7.6 million patients in 2010.

The benefits of FFR were demonstrated in the 2009 and 2012 FAME I and FAME II studies published in the New England Journal of Medicine. The FAME studies showed that patients whose treatment was guided by FFR rather than by standard angiography alone were 28% less likely to have a major cardiac event and 34% less likely to suffer a heart attack or die. In 2011, the American College of Cardiology Foundation and the AHA established a Class IIA recommendation for the use of FFR during angiograms, indicating that a given treatment or procedure is beneficial, useful and effective. These developments have helped the market grow to the 2013 market size of approximately US$250 million in worldwide annual sales, based on management estimates. Management sees potential for the FFR market to grow to approximately US$1 billion worldwide before 2025.

OIL AND GAS MARKET OPPORTUNITY

In the oil and gas market, Opsens' optic-based sensors measure temperature and pressure in oil wells that use SAGD technology. SAGD is the primary technology used to recover bitumen from oil sands. In SAGD wells, temperature and pressure distribution are key factors that impact the ability to efficiently recover bitumen and optimize production costs and margins.

In Canada, SAGD production has increased at a CAGR of 12% since 2006. The Canadian Association of Petroleum Producers ("CAPP") projects capital spending on oil sands projects will be approximately US$25 billion in 2014. Further, according to CAPP, SAGD production is expected to grow at a rate of approximately 7% annually over the next two decades. Opsens' management believes it can grow its business in this segment through increased customer adoption and new customer additions.

BUSINESS STRATEGY

Opsens' growth strategy is to become a key player in the fields where Opsens has identified competitive advantages for its core products and technologies. In particular, Opsens aims to serve markets with challenging environments, where conventional solutions are either non-existent, operate marginally or quickly fail.

The Company's growth strategy will be executed by:

- Gaining market share in existing FFR markets. Considering the relatively low adoption rate of FFR in percutaneous coronary intervention ("PCI") procedures in the U.S., a significant opportunity lies in expanding usage of FFR by cardiologists. Management believes that approximately 15% of PCI procedures use FFR, while research analysts suggests that up to 45% of PCI procedures could benefit from the use of FFR[2]. Management intends to pursue a comprehensive market development strategy that highlights the distinctive features and capabilities of the OptoWire and that addresses the regulatory and commercialization requirements of OptoWire. Initially, commercialization will focus on the Japanese, U.S. and European markets.

- Increasing market share in the oil and gas market. The Company's oil and gas sensor is currently used by many of the top SAGD producers in North America. Opsens plans to 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 with new products and applications.

- Investing in innovation to enhance the existing applications of the Corporation's technology. The Company's commitment to innovation has been a major driving force behind its success. Opsens is constantly working to improve its intellectual property portfolio and customer value proposition. In the oil and gas market, Opsens' downhole pressure and temperature sensors provide more reliable measurements at higher temperatures (up to 300 ^{0}C) than traditional sensors and are not affected by electromagnetic interferences. Opsens is also developing a new high pressure version of its pressure sensor that will open new markets in the oil and gas field and also in other industries such as aerospace and geotechnical. In FFR market, OptoWire is designed to provide:

  - Improved mechanical performance from key design attributes and product specifications such as torquability and steerability;
  - Improved measurement reliability and fidelity from OptoWire's low drift sensing technology, which is essential to measurement accuracy and reliability; competing FFR sensing technologies have higher drift levels;
  - Improved connectivity, as OptoWire's connection and measurement accuracy is unaffected by blood contamination and the guidewire can be reconnected easily with little to no impact on measurement accuracy.

- Developing new applications for the Corporation's FFR technology. Opsens plans to leverage its technologies and knowledge in the medical devices field to expand into new markets and increase clinical applications. As the Company pursues opportunities in these new markets, it plans to develop new FFR products and to explore product development and marketing partnerships with other leading companies in the sector.

- Expanding and investing in FFR-focused sales force and distribution channels.

  - **Distribution agreements**: Opsens signed an agreement with a leading Japanese medical supplier in November 2012, which provides the Japanese company with distribution rights for the OptoWire in Japan, Korea and Taiwan. In January 2014, this agreement translated into the first regulatory filing towards the commercialization of Opsens' FFR product. Opsens plans on continuing to expand its worldwide market penetration by pursuing additional distribution agreements with medical equipment companies globally, thereby outsourcing part of its distribution operations while increasing its market potential in a cost-effective manner.
  - **Sales force**: Opsens plans to expand its sales force by hiring additional sales personnel in preparation for FFR product commercialization. Opsens' objective is to increase its marketing and sales market penetration in the North American, European and Asian health care sectors, particularly amongst cardiologists and hospitals.

(2) D. STARKS, "St Jude Medical 2013 Investor Conference" p.105 (2013-02-01); R. Scott Huennekens, "Volcano NASDAQ Analyst Day" POWERPOINT PRESENTATION p.44 (2013-03-07).

NON-IFRS FINANCIAL MEASURE - EBITDAO

The Company quarterly reviews net 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 and stock-based compensation costs. The Company uses EBITDAO for the purposes of evaluating its historical and prospective financial performance. This measure also helps the Company plan and forecast for future periods as well as 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)	**Three-month period ended May 31, 2014**	**Three-month period ended May 31, 2013**	**Nine-month period ended May 31, 2014**	**Nine-month period ended May 31, 2013**
	$	**$**	**$**	**$**
Net loss	(1,022)	(689)	(2,550)	(1,290)
Financial expenses	10	27	230	54
Depreciation of property, plant and equipment	79	77	233	209
Amortization of intangible assets	14	8	36	23
EBITDA	(919)	(577)	(2,051)	(1,004)
Stock-based compensation costs	71	36	179	91
EBITDAO	(848)	(541)	(1,872)	(913)

For the three-month period ended May 31, 2014, the negative variance of EBITDAO when compared with last year is mainly explained by the increase in the net loss.

For the nine-month period ended May 31, 2014, the negative variance of EBITDAO when compared with last year is mainly explained by the increase in the net loss, partly offset by increased financial expenses, depreciation of property, plant and equipment and stock-based compensation costs.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	**Three-month period ended May 31, 2014**	**Three-month period ended May 31, 2013**	**Nine-month period ended May 31, 2014**	**Nine-month period ended May 31, 2013**
	$	$	$	$
Revenues	1,703	1,706	5,024	6,075
Cost of sales	1,197	1,142	3,343	3,650
Gross margin	506	564	1,681	2,425
Gross margin rate	30%	33%	33%	40%
Administrative expenses	667	546	1,781	1,695
Marketing expenses	323	254	829	729
R&D expenses	528	426	1,391	1,238
Financial expenses	10	27	230	53
	1,528	1,253	4,231	3,715
Net loss and comprehensive loss	(1,022)	(689)	(2,550)	(1,290)
Net loss per share – Basic	(0.02)	(0.01)	(0.05)	(0.03)
Net loss per share – Diluted	(0.02)	(0.01)	(0.05)	(0.03)

QUARTERS ENDED MAY 31, 2014 AND 2013

Revenues

The Company reported revenues of $1,703,000 for the three-month period ended May 31, 2014, compared with revenues of $1,706,000 for the same period in 2013.

Revenues in the oil and gas sector totaled $1,163,000 for the three-month period ended May 31, 2014 compared with $1,327,000 in 2013. The decrease in revenues is explained by fewer orders placed during the third quarter of fiscal 2014 by one of the largest customer partially offset by installations of a 48-well contract placed by an oil and gas producer for an Alberta SAGD oil sands.

Revenues in the industrial field totaled $295,000 for the three-month period ended May 31, 2014, compared with revenues of $176,000 for the same period in 2013. The increase in revenues in the industrial field is explained by significant orders placed by two existing customers.

As at May 31, 2014, the backlog amounted to $2,095,000 ($4,380,000 as at August 31, 2013).

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 three-month period ended May 31, 2014, the average exchange rate was higher than the comparative period last year, which positively affected revenues by $36,000 (positive impact of $8,000 for the three-month period ended May 31, 2013).

Market acceptance of fiber optic sensors is increasing. However, some sectors, such as oil and gas, are seeing increased competition. Opsens is addressing the added competition by highlighting the performance characteristics of its products compared with those of its competitors. In addition, some of Opsens’ customers reduced their capital expenditures budget for 2014. For the three-month periods ended May 31, 2014 and 2013, pricing fluctuations and new product launches did not have a significant impact on revenues.

Gross margin

The gross margin on product sales decreased for the three-month period ended May 31, 2014 when compared with last year, from $564,000 to $506,000. The gross margin rate decreased from 33% for the three-month period ended May 31, 2013 to 30% for the three-month period ended May 31, 2014. The decrease in gross margin and gross margin rate is explained by the completion of higher margin contracts in oil and gas during the three-month period ended May 31, 2013.

Administrative expenses

For the three-month periods ended May 31, 2014 and 2013, administrative expenses were $667,000 and $545,000, respectively. The increase is primarily explained by higher professional fees related to the negotiation of the agreement with Abiomed, Inc. (“Abiomed”) and higher stock-based compensation costs.

Marketing expenses

Sales and marketing expenses were $323,000 for the three-month period ended May 31, 2014, compared with $254,000 for the comparative period last year, an increase of $69,000. The increase is primarily explained by higher tradeshows and travelling fees when compared with last year.

Research and development expenses

For the three-month periods ended May 31, 2014 and 2013, research and development expenses amounted to $528,000 and $426,000, respectively. The increase in the research and development expenses is mainly attributable to lower grant revenues recorded during the quarter when compared with last year.

Financial expenses

Financial expenses reached $10,000 for the three-month period ended May 31, 2014 compared with $27,000 for the three-month period ended May 31, 2013. The decrease in the financial expenses during the third quarter of fiscal 2014 is explained by the increase in interest income related to higher short-term investments derived from the public offering completed on February 18, 2014 and the up-front payment received upon the closing of the Abiomed agreement.

Net loss

As a result of the foregoing, net loss for the three-month period ended May 31, 2014 was $1,022,000 compared with a net loss of $689,000 for the three-month period ended May 31, 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	**As at May 31, 2014**	**As at August 31, 2013**
	$	**$**
Current assets	14,944	8,459
Total assets	17,167	10,528
Current liabilities	2,212	2,415
Long-term liabilities	6,268	4,720
Shareholders' equity	8,687	3,393

Total assets as at May 31, 2014 were $17,167,000 compared with $10,528,000 as of year-end August 31, 2013. The increase is mainly related to higher cash and cash equivalents explained by the net proceeds from the public offering of $7,621,000, the issuance of shares pursuant to the stock option plan of $129,000 and the amount of $1,647,000 (US$1,500,000) received upon the closing of the agreement with Abiomed. This was partly offset by cash and cash equivalents invested for the verification and validation phase of our FFR products and the negative impact from lower revenues.

Long-term liabilities totaled $6,268,000 as at May 31, 2014 compared with $4,720,000 as at August 31, 2013, an increase of $1,548,000. The increase is explained by higher deferred revenues of $1,238,000 mainly related to the Abiomed agreement and by non-interest bearing contributions amounting to $193,000 received during the period from governmental agencies. This was partly offset by reimbursement of long-term debt of $134,000.

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, except for information per share)	**Three-month period ended May 31, 2014**	**Three-month period ended February 28, 2014**	**Three-month period ended November 30, 2013**	**Three-month period ended August 31, 2013**
	$	**$**	**$**	**$**
Revenues	1,703	1,118	2,202	1,451
Net loss for the period	(1,022)	(843)	(685)	(1,075)
Net loss per share – Basic	(0.02)	(0.02)	(0.01)	(0.02)
Net loss per share – Diluted	(0.02)	(0.02)	(0.01)	(0.02)

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended May 31, 2013**	**Three-month period ended February 28, 2013**	**Three-month period ended November 30, 2012**	**Three-month period ended August 31, 2012**
	$	**$**	**$**	**$**
Revenues	1,706	1,836	2,533	1,416
Net profit (loss) for the period	(689)	(623)	21	(639)
Net profit (loss) per share – Basic	(0.01)	(0.01)	0.00	(0.01)
Net profit (loss) per share – Diluted	(0.01)	(0.01)	0.00	(0.01)

Historically, the Company's revenues and net earnings (loss) results have 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 April 15, 2014, the Company announced it has entered into an agreement with Abiomed in connection with its miniature optical pressure sensor technology for applications in circulatory assist devices. The Company has granted Abiomed an exclusive worldwide license to integrate its miniature pressure sensor in connection with Abiomed's circulatory assist devices. Under the agreement, Abiomed is expected to pay Opsens an aggregate amount of US$6 million. Of that amount, US$1,500,000 ($1,647,150) was paid upon closing, while the balance will be disbursed based on the achievement of certain milestones, such as the meeting of certain performance requirements, the filing of regulatory application, the obtaining of regulatory approval and the transfer of manufacturing to Abiomed.

The Company will apply the principles of IAS 18, *Revenue*, to record revenues arising from the agreement with Abiomed. Therefore, all the contract revenues will be recognized over the period of the contract.

On February 18, 2014, the Company completed a public offering for aggregate gross proceeds of $8,505,104. In connection with the offering, the Company issued a total of 5,340,220 units at a price of $0.75 per unit and 6,164,300 common shares at a price of $0.73 per common share. Each unit consists of one common share in the capital stock of Opsens and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder thereof to purchase one common share at a price of $1.05 until February 17, 2016.

The value of one-half of one common share purchase warrant was established at $0.02, being the difference between the issuing price of $0.75 per unit and of $0.73 per common share. Expenses of the offering include 7% underwriting fees of $595,357 and other professional fees and miscellaneous fees of $373,991 for total fees of $969,348 of which $884,348 have been paid and $85,000 are included in accounts payable and accrued liabilities.

The Company also issued 805,316 broker warrants as additional compensation, each warrant entitling the holder to purchase one common share at a price of $0.73 until February 17, 2016. The total issue fees of $969,348 and the broker warrants value of $32,213 have been allocated on a prorata basis between share capital and the warrants reserve, $989,015 and $12,546 respectively, based on the ratio established by their respective values as described above.

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. As at May 31, 2014, the net book value of property, plant and equipment pledged as collateral was $41,200 ($66,000 as at August 31, 2013). 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 into 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 of $300,000, non-interest bearing, to cover expenses related to the development of its OptoWire product for the FFR 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 $57,500 against research and development expenses. During the nine-month period ended May 31, 2014, the Company received an amount of $152,000 for which a portion of $66,000 was recognized against research and development expenses.

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. During the nine-month period ended May 31, 2014, the Company received an amount of $164,200 for which a portion of $57,000 was recognized against research and development expenses.

As at May 31, 2014, the Company had cash and cash equivalents of $10,356,000 compared with $3,662,000 as at August 31, 2013. Of this amount as at May 31, 2014, $9,966,000 was invested in highly liquid, high grade investments. As at May 31, 2014, Opsens had a working capital of $12,732,000, compared with working capital of $6,043,000 as at August 31, 2013.

Based on the agreement with Abiomed announced on April 15, 2014, the public offering completed on February 18, 2014, the agreement announced on November 19, 2012 for the granting of distribution and other rights for FFR products, the debt financings with the MDEIE, the CED and its financial institution, on the private placement completed on February 12, 2010, the use of proceeds from the high-power transformers sale, on 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 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 revenues growth for the coming quarters.

As at May 31, 2014, working capital of the Company was higher than what was expected when compared with the activity level of Opsens. As a result, the Company does not anticipate additional investments in the working capital for the fiscal year ending August 31, 2014.

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Three-month Period Ended May 31, 2014	Three-month Period Ended May 31, 2013	Nine-month Period Ended May 31, 2014	Nine-month Period Ended May 31, 2013
	$	$	$	$
Operating activities	793	(666)	(872)	(192)
Investing activities	(242)	(83)	(366)	(458)
Financing activities	(204)	31	7,932	2,110
Net change in cash and cash equivalents	347	(718)	6,694	1,460

Operating activities

Cash flows generated by our operating activities for the three-month period ended May 31, 2014 were $793,000, compared with cash flows used of $666,000 for the same period last year, an increase of $1,459,000. The increase in the cash flows generated by our operating activities is primarily explained by the increase in the changes in non-cash operating working capital of $1,703,000, mainly related to the increase in deferred revenues with the up-front payment of Abiomed of $1,647,150 (US$1,500,000), partly offset by the increase in the net loss of $333,000.

Investing activities

For the three-month period ended May 31, 2014, cash flows used by our investing activities reached $242,000 and were used to acquire property, plant and equipment for an amount of $248,000 and $30,000 was used for additions to intangible assets. This was partly offset by interest received of $36,000. Acquisitions of property, plant and equipment were made primarily for our oil and gas activities and to support our FFR project.

For the three-month period ended May 31, 2013, cash flows used by our investing activities reached $83,000 and were used to acquire property, plant and equipment for an amount of $61,000 and $22,000 was used for additions to intangible assets.

Financing activities

For the three-month period ended May 31, 2014, cash flows used by our financing activities reached $204,000. The $44,000 payments on the long-term debt and the $227,000 paid for share and warrants issue costs were partly offset by proceeds from the issuance of shares of $67,000.

For the three-month period ended May 31, 2013, cash flows generated by our financing activities reached $32,000. The increase in our long-term debt of $76,000 was partly offset by payments of $30,000 on the long-term debt and by the $14,000 used for interest payments.

INFORMATION BY REPORTABLE SEGMENTS

Sector's Information

The Company's reportable segments are strategic business units managed separately as one is focused on developing, producing and supplying fiber optic sensors (Opsens Inc.) and the other (Opsens Solutions Inc.) is specialized in 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 that approximates prevailing prices in the markets.

	Three-month periods ended May 31,					
			2014			2013
	Opsens Inc.	Opsens Solutions Inc.	Total	Opsens Inc.	Opsens Solutions Inc.	Total
	$	$	$	$	$	$
External sales	**500,175**	**1,163,424**	**1,663,599**	378,345	1,327,434	1,705,779
Internal sales	**28,000**	**-**	**28,000**	514,564	-	514,564
Depreciation of property, plant and equipment	**45,635**	**33,198**	**78,833**	45,496	31,952	77,448
Amortization of intangible assets	**12,507**	**1,886**	**14,393**	6,714	1,453	8,167
Financial expenses (revenues)	**(75,239)**	**85,208**	**9,969**	(50,143)	77,063	26,920
Net loss	**(857,231)**	**(164,560)**	**(1,021,791)**	(616,733)	(71,918)	(688,651)
Acquisition of property, plant and equipment	**230,822**	**17,402**	**248,224**	32,210	28,701	60,911
Additions to intangible assets	**29,874**	**-**	**29,874**	21,486	600	22,086
Segment assets	**12,982,773**	**4,184,087**	**17,166,860**	6,474,509	4,248,809	10,723,318
Segment liabilities	**7,779,687**	**700,346**	**8,480,033**	5,665,758	622,952	6,288,710

	Nine-month periods ended May 31,					
			2014			**2013**
	Opsens Inc.	**Opsens Solutions Inc.**	**Total**	**Opsens Inc.**	**Opsens Solutions Inc.**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
External sales	**1,539,105**	**3,444,891**	**4,983,996**	1,401,885	4,673,409	6,075,294
Internal sales	**369,848**	**-**	**369,848**	1,139,744	-	1,139,744
Depreciation of property, plant and equipment	**132,984**	**99,777**	**232,761**	122,859	85,885	208,744
Amortization of intangible assets	**28,291**	**7,447**	**35,738**	18,327	4,253	22,580
Financial expenses (revenues)	**(16,293)**	**245,779**	**229,486**	(161,200)	214,746	53,546
Net profit (net loss)	**(2,130,473)**	**(419,644)**	**(2,550,117)**	(1,576,733)	286,795	(1,289,938)
Acquisition of property, plant and equipment	**299,098**	**30,670**	**329,768**	122,042	287,957	409,999
Additions to intangible assets	**90,127**	**2,271**	**92,398**	47,566	600	48,166
Segment assets	**12,982,773**	**4,184,087**	**17,166,860**	6,474,509	4,248,809	10,723,318
Segment liabilities	**7,779,687**	**700,346**	**8,480,033**	5,665,758	622,952	6,288,710

Geographic sector's information

	Three-month periods ended		Nine-month periods ended	
	May 31, 2014	**May 31, 2013**	**May 31, 2014**	**May 31, 2013**
	$	**$**	**$**	**$**
Revenues per geographic sector				
Canada	**1,170,374**	1,329,586	**3,488,501**	4,716,602
United States	**113,638**	109,210	**526,604**	453,642
Others*	**379,587**	266,983	**968,891**	905,050
	1,663,599	1,705,779	**4,983,996**	6,075,294

* Comprised of revenues generated in countries for which amounts are individually not significant.

Revenues are attributed to a 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, 2014, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 30% (Opsens Solutions Inc.'s reportable segment), 16% (Opsens Solutions Inc.'s reportable segment) and 12% (Opsens Solutions Inc.' reportable segment).

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 nine-month period ended May 31, 2014, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 27% (Opsens Solutions Inc.'s reportable segment), 19% (Opsens Solutions Inc.'s reportable segment) and 14% (Opsens Solutions Inc.' 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).

Opsens Inc. sector

For the three-month period ended May 31, 2014, revenues from the Opsens Inc. sector were $528,000 compared with $893,000 for the comparative period, a decrease of $365,000. The decrease is explained by lower orders in the oil and gas field placed by the wholly-owned subsidiary Opsens Solutions Inc. during the three-month period ended May 31, 2014.

Gross margin was $153,000 for the three-month period ended May 31, 2014, compared with $116,000 for the three-month period ended May 31, 2013, an increase of $37,000. Gross margin rate went from 13% for the three-month period ended May 31, 2013 to 21% for the three-month period ended May 31, 2014. The increase in the gross margin is explained by the revenues arising from the Abiomed licensing agreement. The increase in the gross margin rate is explained by a more favourable business mix and revenues related to the Abiomed licensing agreement.

Net loss for the Opsens Inc. sector was $857,000 for the three-month period ended May 31, 2014, compared with a net loss of $617,000 for the three-month period ended May 31, 2013. The increase in net loss reflects higher research and development expenses as explained in the "SELECTED CONSOLIDATED FINANCIAL DATA" section of this MD&A and by higher administrative and marketing expenses when compared with the same period last year. This was partly offset by lower financial expenses arising from increased interest income related to the higher balance of cash and cash equivalents when compared with last year.

Working capital for the Opsens Inc. sector was $10,442,000 as at May 31, 2014, compared with $3,994,000 as at August 31, 2013. The increase of $6,448,000 in the working capital is due to the net proceeds of $7,750,000 from the issuance of shares and units and by the $1,647,150 (US$1,500,000) received upon the closing of the agreement with Abiomed partly offset by the net loss of $2,550,000 generated during the nine-month period ended May 31, 2014.

Opsens Solutions Inc. sector

For the three-month period ended May 31, 2014, revenues from the Opsens Solutions Inc. sector were $1,163,000 compared with $1,327,000 for the same period last year, a decrease of $164,000. The decrease in revenues is explained by fewer orders placed by one of our largest customers in 2013, partly offset by the installations of OPP-W sensor systems from the 48-well contract referred to above.

Gross margin was $353,000 for the three-month period ended May 31, 2014 compared with $447,000 for the same period last year, a decrease of $94,000. Gross margin rate went from 34% for the three-month period ended May 31, 2013 to 30% for the three-month period ended May 31, 2014. The decrease in the gross margin and the gross margin rate is explained by lower revenues and by the completion of higher margin contracts in the same period last year, as previously explained.

Net loss for the Opsens Solutions Inc. sector went from a net loss of $72,000 for the three-month period ended May 31, 2013 to a net loss of $165,000 for the three-month period ended May 31, 2014. The increase in the net loss is mainly explained by the decrease in the gross margin as explained previously.

The working capital for the Opsens Solutions Inc. sector as at May 31, 2014 was $2,290,000 compared with $2,049,000 as at August 31, 2013. The increase of $241,000 in the working capital is explained by a lower balance of accounts payable and accrued liabilities as at May 31, 2014.

NINE-MONTH PERIODS ENDED MAY 31, 2014 AND 2013

Revenues

Revenues totalled $5,024,000 for the nine-month period ended May 31, 2014 compared with $6,075,000 a year earlier. The decrease is mainly explained by lower revenues in the oil and gas field as one of our largest customers in 2013 placed fewer orders, partly offset by installations of the 48-well contract placed by an oil and gas producer for an Alberta SAGD oil sands.

Gross margin

Gross margin was $1,681,000 for the nine-month period ended May 31, 2014 compared with $2,425,000 for the same period last year, a decrease of $744,000. The gross margin rate decreased from 40% for the nine-month period ended May 31, 2013 to 33% for the nine-month period ended May 31, 2014. The decrease in gross margin and gross margin rate is explained by lower revenues, as explained previously and a high margin special project with a non-recurring client that occurred last year.

Administrative expenses

For the nine-month periods ended May 31, 2014 and 2013, administrative expenses were $1,780,000 and $1,695,000, respectively. The increase is primarily explained by higher stock-based compensation costs.

Marketing expenses

Marketing expenses for the nine-month period ended May 31, 2014 were $829,000, an increase of $99,000 over the $730,000 reported during the same period in 2013. The increase is mainly explained by higher subcontractor fees incurred during the period for the commercialization of our products and higher travel expenses.

Research and development expenses

Research and development expenses totalled $1,391,000 for the nine-month period ended May 31, 2014, an increase of $153,000 over the $1,238,000 reported during the same period in 2013. The variation is explained by costs incurred during the period to support the FFR project.

Financial expenses

Financial expenses reached $229,000 for the nine-month period ended May 31, 2014 compared with $54,000 in the same period last year. The increase in the financial expenses is explained by an unfavourable change of $85,000 on foreign exchange and by the negative change in fair value of embedded derivative of $107,000, partly offset by higher interest income arising from higher cash and cash equivalents.

Net loss

As a result of the foregoing, net loss for the nine-month period ended May 31, 2014 was $2,550,000 compared with $1,290,000 for the same period in 2013.

INFORMATION ON SHARE CAPITAL

For the nine-month period ended May 31, 2014, the Company granted to some employees, consultants and Directors a total of 785,000 stock options with an average exercise price of $0.73, cancelled 506,667 stock options with an average exercise price of $0.32, 60,000 stock options with an exercise price of $0.40 expired and 361,000 stock options with an average exercise price of $0.36 were exercised.

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

Common shares	59,751,503
Stock options	3,979,000
Warrants	3,475,426
Convertible debenture	2,933,333
Securities on a fully diluted basis	70,139,262

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 exchange rate between the U.S. dollar and the Canadian dollar is $1.10 and the conversion price is equal to $0.75 per share.

No dividend was declared per share for each share class.

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.

FUTURE ACCOUNTING CHANGES

Future accounting changes, as described in note 4 of the Audited Consolidated Financial Statements for the year ended August 31, 2013, have not materially changed since August 31, 2013 except for the changes in accounting policies described in note 2 to the Condensed Interim Consolidated Financial Statements for the nine-month period ended May 31, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

As of May 31, 2014, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements

RISK FACTORS AND UNCERTAINTIES

Opsens operates in an industry 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, 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

July 3, 2014