Condensed Interim Consolidated Financial Statements

Opsens Inc.

Nine-month periods ended May 31, 2016 and 2015
(unaudited)

Notice

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

Opsens Inc.

Nine-month periods ended May 31, 2016 and 2015

Table of contents

Opsens Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Revenues				
Sales	**2,032,380**	738,958	**6,301,242**	3,823,421
Distribution rights (note 5)	**-**	-	**-**	3,457,500
Licensing (note 5)	**92,356**	92,353	**275,060**	274,053
	2,124,736	831,311	**6,576,302**	7,554,974
Cost of sales	**1,610,889**	599,095	**4,812,810**	2,705,625
Gross margin	**513,847**	232,216	**1,763,492**	4,849,349
Expenses (revenues)				
Administrative	**1,303,974**	612,015	**2,851,325**	1,984,720
Sales and marketing	**1,178,222**	342,165	**2,427,099**	1,183,503
Research and development	**732,946**	635,499	**2,041,845**	1,624,513
Financial expenses (revenues)	**374,535**	(2,521)	**699,758**	(7,452)
Impairment of assets (note 4)	**-**	-	**-**	796,237
	3,589,677	1,587,158	**8,020,027**	5,581,521
Loss before income taxes	**(3,075,830)**	(1,354,942)	**(6,256,535)**	(732,172)
Current income tax expense (note 5)	**-**	-	**-**	340,000
Net loss and comprehensive loss	**(3,075,830)**	(1,354,942)	**(6,256,535)**	(1,072,172)
Net loss per share (note 9)				
Basic	**(0.05)**	(0.02)	**(0.10)**	(0.02)
Diluted	**(0.05)**	(0.02)	**(0.10)**	(0.02)

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

Opsens Inc.

Interim Consolidated Statements of Changes in Equity
Nine-month period ended May 31, 2016
(unaudited)

	Common shares								
	Issued	Subscribed	Warrants	**Total**	Share capital	Reserve – Stock option plan	Reserve – Warrants	Deficit	**Total**
	(number)	(number)	(number)	**(number)**	$	$	$	$	**$**
Balance as at August 31, 2015	60,497,253	140,000	3,450,426	**64,087,679**	23,226,679	1,608,161	2,315,944	(21,257,345)	**5,893,439**
Common shares and warrants issued in connection with a public offering (note 8a)	5,681,819	-	3,154,796	**8,836,615**	3,823,125	-	580,893	-	**4,404,018**
Common shares and warrants issued in connection with private placements (note 8a)	4,945,400	-	2,472,700	**7,418,100**	4,680,778	-	392,212	-	**5,072,990**
Issued pursuant to the stock option plan (note 8a)	423,750	(140,000)	-	**283,750**	236,896	(90,560)	-	-	**146,336**
Warrants expired (note 8c)	-	-	(2,670,110)	**(2,670,110)**	-	-	-	-	**-**
Warrants exercised (note 8c)	790,316	-	(790,316)	**-**	614,643	-	(33,013)	-	**581,630**
Stock-based compensation costs	-	-	-	**-**	-	326,715	-	-	**326,715**
Net loss	-	-	-	**-**	-	-	-	(6,256,535)	**(6,256,535)**
Balance as at May 31, 2016	72,338,538	-	5,617,496	**77,956,034**	32,582,121	1,844,316	3,256,036	(27,513,880)	**10,168,593**

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

Opsens Inc.

Interim Consolidated Statements of Changes in Equity
Nine-month period ended May 31, 2015
(unaudited)

	Common shares	Warrants	**Total**	Share capital	Reserve - Stock option plan	Reserve - Warrants	Deficit	**Total**
	(number)	(number)	**(number)**	$	$	$	$	**$**
Balance as at August 31, 2014	59,758,003	3,475,426	**63,233,429**	22,839,799	1,426,056	2,316,854	(18,373,480)	**8,209,229**
Issued pursuant to the stock option plan (note 8a)	620,500	-	**620,500**	244,048	(87,473)	-	-	**156,575**
Stock-based compensation costs	-	-	**-**	-	261,032	-	-	**261,032**
Net loss	-	-	**-**	-	-	-	(1,072,172)	**(1,072,172)**
Balance as at May 31, 2015	60,378,503	3,475,426	63,853,929	23,083,847	1,599,615	2,316,854	(19,445,652)	**7,554,664**

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

Opsens Inc.

Consolidated Statements of Financial Position

(unaudited)

	As at May 31, 2016	As at August 31, 2015
	$	$
Assets		
Current		
Cash and cash equivalents (note 11)	**10,021,149**	7,203,612
Trade and other receivables (note 3)	**1,661,270**	561,093
Tax credits receivable	**625,729**	350,000
Inventories	**4,368,666**	2,837,770
Prepaid expenses	**140,896**	124,369
	16,817,710	11,076,844
Property, plant and equipment (note 4)	**3,577,697**	1,131,679
Intangible assets	**596,544**	554,730
	20,991,951	12,763,253
Liabilities		
Current		
Accounts payable and accrued liabilities	**3,197,052**	1,657,962
Warranty provision (note 12)	**163,870**	84,000
Current portion of deferred revenues	**410,002**	609,937
Current portion of long-term debt	**462,800**	232,309
	4,233,724	2,584,208
Deferred revenues (note 5)	**500,441**	774,499
Long-term debt (note 6)	**1,418,513**	462,779
Convertible debenture (note 7)	**3,685,199**	2,998,702
Deferred lease inducements	**985,481**	49,626
	10,823,358	6,869,814
Shareholders' equity		
Share capital	**32,582,121**	23,226,679
Reserve – Stock option plan	**1,844,316**	1,608,161
Reserve – Warrants	**3,256,036**	2,315,944
Deficit	**(27,513,880)**	(21,257,345)
	10,168,593	5,893,439
	20,991,951	12,763,253

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

Approved by the board

Signed [Jean Lavigueur] director

Signed [Louis Laflamme] director

Opsens Inc.

Interim Consolidated Statements of Cash Flows

(unaudited)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Operating activities				
Net loss	**(3,075,830)**	(1,354,942)	**(6,256,535)**	(1,072,172)
Adjustments for:				
Depreciation of property, plant and equipment	**172,486**	89,759	**372,201**	288,888
Amortization of intangible assets	**17,193**	17,435	**53,643**	43,942
Impairment of assets (note 4)	**-**	-	**-**	796,237
Stock-based compensation costs	**152,557**	75,362	**326,715**	261,032
Change in fair value of embedded derivative	**415,548**	(17,847)	**644,857**	13,409
Loss on disposal of property, plant and equipment	**2,199**	-	**2,199**	-
Interest expense (revenue)	**11,392**	(5,195)	**20,374**	(10,654)
Effect of foreign exchange rate changes on cash and cash equivalents	**21,365**	12,776	**(33,246)**	(372,344)
Unrealized foreign exchange loss (gain)	**(100,459)**	(14,096)	**(10,759)**	328,507
Government grants on long-term debt	**(27,858)**	-	**(27,858)**	-
Changes in non-cash operating working capital items (note 11)	**998,925**	962,644	**(924,152)**	(1,959,250)
	(1,412,482)	(234,104)	**(5,832,561)**	(1,682,405)
Investing activities				
Acquisition of property, plant and equipment	**(899,561)**	(341,382)	**(2,814,742)**	(521,225)
Additions to intangible assets	**(23,574)**	(38,350)	**(119,176)**	(105,406)
Interest received	**19,272**	34,624	**74,559**	109,677
	(903,863)	(345,108)	**(2,859,359)**	(516,954)
Financing activities				
Increase in long-term debt, net of transaction costs	**1,398,637**	-	**1,398,637**	-
Reimbursement of long-term debt	**(33,933)**	(43,473)	**(227,089)**	(129,891)
Proceeds from issuance of shares and warrants (note 8)	**5,117,011**	33,600	**10,889,288**	156,575
Share and warrants issue costs (note 8a)	**(127,060)**	-	**(584,625)**	-
	6,354,655	(9,873)	**11,476,211**	26,684
Effect of foreign exchange rate changes on cash and cash equivalents	**(21,365)**	(12,776)	**33,246**	372,344
Increase (decrease) in cash and cash equivalents	**4,016,945**	(601,861)	**2,817,537**	(1,800,331)
Cash and cash equivalents - Beginning of period	**6,004,204**	9,422,541	**7,203,612**	10,621,011
Cash and cash equivalents – End of period	**10,021,149**	8,820,680	**10,021,149**	8,820,680

Additional information on the consolidated statements of cash flows is presented in note 11.

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

1. Incorporation and Description of Business

Opsens Inc. ("Opsens" or the "Company") is incorporated under the *Business Corporations Act* (Quebec). Opsens focuses mainly on the measure of Fractional Flow Reserve ("FFR") in interventional cardiology. Opsens offers an advanced optical-based pressure guidewire (OptoWire) that aims at improving the clinical outcome of patients with coronary artery disease. Opsens is also involved in industrial activities. The Company develops, manufactures and installs innovative fibre optic sensing solutions for critical applications such as the monitoring of oil wells and other demanding industrial applications. The Company's head office is located at 750, boulevard du Parc-Technologique, Québec, Québec, Canada, G1P 4S3.

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as set out in the Canadian Institute of Chartered Accountants ("CICA") Handbook applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, *Interim Financial Reporting* and using the same accounting policies and methods of computation as our most recent annual financial statements, except for the changes in accounting policies described below. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2015, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

Changes in Accounting Policies

New and amended standards adopted by the Company

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard will replace IAS 39, *Financial instruments: recognition and measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exceptions. Early adoption is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. The Company has not yet assessed the impact of this new standard.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from contracts with customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, *Revenue*, and related interpretations such as IFRIC 13, *Customer loyalty programmes*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. On July 22, 2015, the IASB has confirmed a one-year deferral of the effective date of IFRS 15 to January 1, 2018.

In April 2016, the IASB issued clarifications to IFRS 15, *Revenue from contracts with customers*. These clarifications provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property. The Company has not yet assessed the impact of this new standard.

IFRS 16, Lease

On January 13, 2016, the IASB released IFRS 16, *Leases*, which replace IAS 17, *Leases*, and the related interpretations on leases such as IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – Incentives* and SIC 27, *Evaluating the substance of transactions in the legal form of a lease*. This new standard specifies how to recognize, measure, present and disclose leases. It also provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless lease term is 12 months or less or the underlying asset has a small value. Accounting for the lessor remain substantially unchanged. The standard is effective for periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*. The Company has not yet assessed the impact of this new standard.

IAS 7, Statement of cash flows

On January 29, 2016, the IASB published amendments to IAS 7, *Statements of cash flows*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The Company has not yet assessed the impact of this new standard.

3. Trade and other receivables

	As at May 31, 2016	As at August 31, 2015
	$	$
Trade	**1,833,203**	469,038
Allowance for doubtful accounts	**(491,623)**	(3,032)
Sales taxes receivable	**233,519**	95,087
Other receivables	**86,171**	-
Total	**1,661,270**	561,093

Allowance for doubtful accounts variation

	Nine-month periods ended May 31,	
	2016	2015
	$	$
Balance – Beginning of period	**(3,032)**	(3,032)
Amounts written off during the year	**1,759**	-
Additional provisions recognized	**(490,350)**	-
Balance – End of period	**(491,623)**	(3,032)

4. Impairment of assets

The Company performs its annual test for goodwill in the fourth quarter. For the purposes of the impairment test, goodwill was entirely allocated to Opsens Solutions Inc.'s Cash Generating Unit ("CGU"). The recoverable value of the CGU of Opsens Solutions Inc. was determined based on the fair value less costs to sell method (value in use method for the year ended August 31, 2014).

2015 Impairment Test

The fair value less costs to sell method is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable parties, net of estimates of the costs of disposal.

During the three-month period ended November 30, 2014, the Company updated its long-term financial forecast for Opsens Solutions Inc.'s CGU which corresponds to a reportable segment of the Company. As a result of lower than anticipated long-term revenue projections due to economic factors, including the significant decrease of the crude oil prices, the Company concluded its goodwill and some long-term assets may be impaired and as a result performed an impairment analysis. The recoverable amount of the goodwill as at November 30, 2014 was determined using the fair value less costs to sell method. In applying this method to its goodwill impairment test, the Company used replacement costs, market data and comparable transactions to determine the recoverable value of Opsens Solutions Inc.'s CGU.

As a result of the impairment analysis performed as at November 30, 2014, the Company concluded the carrying value of the Opsens Solutions Inc.'s CGU was in excess of its recoverable amount. The recoverable amount of Opsens Solutions Inc.'s CGU amounted to $1,611,000 ($8,708,000 as at August 31, 2014) and is classified at level 3 in the fair value hierarchy. The Company has recorded an impairment charge relating to its goodwill of $676,574 for the three-month period ended November 30, 2014.

In addition, an impairment charge of $119,663 was also recorded during the three-month period ended November 30, 2014 for automotive equipment resulting from the challenging economic environment Opsens Solutions Inc.' CGU is facing.

There were no tax impacts as a result of the impairment charges.

5. Deferred Revenues

a) Distribution and Other Rights Agreement

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 million for the distribution rights for its FFR products for Japan, Korea and Taiwan, which includes:
    a. US$2 million at signing ("upfront license fee");
    b. US$1 million once Opsens gets regulatory approval for its FFR devices in Japan ("milestone payment");
- US$2 million in convertible debenture, at signing, as described in note 7 of these condensed interim consolidated financial statements.

Under the terms of the agreement, the Company shall reimburse the upfront license fee upon the occurrence of any of the following events:

a. The Company fails to obtain regulatory approval for the OptoWire and the OptoMonitor within five years of the agreement date for all the following geographic regions: Canada, European Union and the United States;

b. The Company abandons the development of the OptoWire and OptoMonitor before obtaining the milestone payment;

c. The Company materially breaches any terms of the agreement or is subject to bankruptcy.

On October 2, 2014, the Company announced it received Shonin approval from the Japanese Ministry of Health, Labor and Welfare to market the OptoWire and the OptoMonitor. Obtaining Shonin approval was the final condition for the release of a milestone payment of $1,115,500 (US$1,000,000), net of income taxes. This amount has been recorded in the consolidated statements of loss and comprehensive loss under the caption “Distribution rights”.

On November 19, 2014, the Company announced it received CE Mark approval to market in Europe its FFR products. The CE mark approval allows the Company to record in the consolidated statements of loss and comprehensive loss under the caption “Distribution rights” the $2,002,000 (US$2,000,000) upfront license fee, net of income taxes, it received upon the signature of the agreement that were previously accounted for as deferred revenue.

During the three-month period ended February 28, 2015, an adjustment on revenues and income tax expense of $340,000 (US$300,000) was made to recognize additional revenues from the distribution agreement and withholding taxes paid by the Company.

b) Licensing Agreement

On April 15, 2014, the Company announced it had entered into an agreement with Abiomed, Inc. (“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 will pay Opsens an aggregate amount of US$6,000,000. $1,647,000 (US$1,500,000) has been paid on closing, while the balance will be disbursed based on the achievement of certain milestones.

The Company applies the principles of IAS 18, *Revenue*, to record revenues arising from the agreement with Abiomed. Therefore, the amount of $1,647,000 (US$1,500,000) paid on closing will be recognized over the term of the agreement. Revenues from milestone payments will be limited to costs incurred as long as the milestones are not achieved. Upon the achievement of a milestone, the unrecognized portion of the milestone will be recorded as revenues. For the nine-month period ended May 31, 2016, an amount of $275,060 ($274,053 for the nine-month period ended May 31, 2015) related to the Abiomed agreement has been recognized as licensing revenues in the consolidated statements of loss and comprehensive loss.

c) Other Deferred Revenues

Deferred revenues also comprise contracts where billings exceed contract costs incurred to date plus recognized profits less recognized losses or when the Company receives payments in advance of meeting the revenue recognition criteria.

6. Long-term Debt

	As of May 31, 2016	As of August 31, 2015
	$	$
Contributions repayable to Ministère des Finances et de l'Économie (MFE), without interest (effective rate of 9%), repayable in five equal and consecutive annual instalments of $82,718, maturing in February 2020.		
Debt balance	**330,872**	413,590
Imputed interest	**(59,053)**	(80,364)
	271,819	333,226
Term loans, bearing interest at rates varying from 5.69% to 6.79%, payable in monthly instalments of $3,161, including interest, maturing from October to December 2017.	**54,146**	79,291
Contributions repayable to Canada Economic Development, without interest (effective rate of 13.5%), repayable in twenty equal and consecutive quarterly instalments of $15,000, maturing in August 2020.		
Debt balance	**255,000**	300,000
Imputed interest	**(60,907)**	(81,239)
	194,093	218,761
Contributions repayable to Canada Economic Development, without interest (effective rate of 12%), repayable in sixty equal and consecutive monthly instalments of $1,086, maturing in October 2023. The difference between amounts received and estimated fair value are recognized as government grants.		
Debt balance	**65,137**	-
Imputed interest	**(27,146)**	-
	37,991	-
Secured loan from Export Development Canada, bearing interest at prime rate plus 2.0%, secured by a movable hypothec on the universality of the Company's present and future, property, plant and equipment and intangible assets, payable in forty-eight monthly instalments of $10,417, maturing in April 2017. Amounts received are net of transaction costs of $2,500.	**487,217**	-
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future, property, plant and equipment and intangible assets, payable in forty-eight monthly instalments of $17,604, maturing in May 2020. Amounts received are net of transaction costs of $9,000.	**836,047**	-
Reimbursed during the period	**-**	63,810
	1,881,313	695,088
Current portion	**462,800**	232,309
	1,418,513	462,779

7. Convertible Debenture

On November 19, 2012, the Company issued a US$2,000,000 ($2,002,000) subordinated secured convertible debenture maturing November 19, 2017. The convertible debenture bears interest at a rate of 2.0% per annum, payable at maturity. At the holder's option, the convertible debenture may be converted into common shares of the Company at any time up to the maturity date, at a conversion price representing the market price of the shares. However, the conversion price is subject to a minimum of $0.50 and a maximum of $0.75 per common share (the "conversion price").

The convertible debenture is also convertible at the Company's option at the conversion price if the volume-weighted average closing price per common share for the twenty trading days immediately preceding the fifth trading day before such conversion date is at least $1.20 and if a minimum of 50,000 common shares have traded on the TSX Venture Exchange during each of the twenty trading days taken into account in the calculation of the conversion price.

To secure the repayment of the convertible debenture, a movable hypothec on certain equipment has been given. As at May 31, 2016, the net book value of property, plant and equipment pledged as collateral was nil ($2,000 as at August 31, 2015). This hypothec will rank second to certain long-term debts 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 carrying value of the convertible debenture and embedded derivative as of May 31, 2016 and August 31, 2015 is as follows:

	As of May 31, 2016	**As of August 31, 2015**
	$	**$**
Debt component reported as long-term liability (US$2,131,583; US$2,092,368 as at August 31, 2015)	**2,794,505**	2,752,929
Embedded derivative reported as long-term liability (US$679,400; US$186,800 as at August 31, 2015)	**890,694**	245,773
Total	**3,685,199**	2,998,702

8. Shareholders' Equity

a) Public offering, private placements and shares issued under the stock option plan

On May 16, 2016, the Company completed a non-brokered private placement offering for aggregate gross proceeds of $4,999,050. In connection with the offering, the Company issued a total of 4,761,000 units at a price of $1.05 per unit. 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 $1.55 until November 16, 2017. The value of one-half of one common share purchase warrant was established at $0.08.

Expenses of the offering include professional fees and miscellaneous fees for total fees of $78,242 of which $64,992 have been paid and $13,250 are included in accounts payable and accrued liabilities. The fees have been allocated on a prorata basis between share capital and the warrants reserve, $72,280 and $5,962 respectively, based on the ratio established by their respective values as discussed above.

On December 22, 2015, the Company completed a public offering for aggregate gross proceeds of $5,000,000. In connection with the offering, the Company issued a total of 5,681,819 units at a price of $0.88 per unit. 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 $1.20 until June 22, 2017. The value of one-half of one common share purchase warrant was established at $0.10.

Expenses of the offering include underwriting fees of $276,202 and other professional fees and miscellaneous fees of $319,787 for total fees of $595,989 of which $519,633 have been paid and $76,356 are included in accounts payable and accrued liabilities.

The Company also issued 313,886 broker warrants as additional compensation, each warrant entitling the holder to purchase one common share of the Corporation at a price of $0.88 until June 22, 2017. The value of one broker warrant was established at $0.29.

The total fees of $595,989 and the broker warrants value of $91,027 have been allocated on a prorata basis between share capital and the warrants reserve, $608,700 and $78,316 respectively, based on the ratio established by their respective values as described above.

Concurrently with the public offering, the Company completed a non-brokered private placement offering of 184,400 units at a price of $0.88 per unit for aggregate gross proceeds of $162,272. Each unit comprises the same terms and conditions than the units issued under the public offering. Expenses related to the private placement amounted to $10,082 and are included in accounts payable and accrued liabilities. The fees have been allocated on a prorata basis between share capital and the warrants reserve, $8,937 and $1,146 respectively, based on the ratio established by their respective values as discussed above.

During the nine-month period ended May 31, 2016, following the exercise of stock options, the Company issued 283,750 common shares (620,500 for the nine-month period ended May 31, 2015) for a cash consideration of $146,336 ($156,575 for the nine-month period ended May 31, 2015). As a result, an amount of $90,560 was reallocated from “Reserve – Stock option plan” to “Share capital” in shareholders’ equity ($87,473 for the nine-month period ended May 31, 2015).

b) Stock options

The changes in the number of stock options granted by the Company and their weighted-average exercise prices, for the nine-month periods ended May 31, 2016 and 2015, are as follows:

	Nine-month period ended May 31, 2016		**Nine-month period ended May 31, 2015**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		$
Balance – Beginning of period	**3,542,750**	**0.50**	4,172,500	0.36
Granted	**2,004,750**	**0.89**	962,000	0.80
Exercised	**(283,750)**	**0.52**	(620,500)	0.25
Forfeited	**-**	**-**	(10,000)	1.15
Cancelled	**(3,750)**	**0.57**	(605,000)	0.49
Balance – End of period	**5,260,000**	**0.65**	3,899,000	0.49

c) Warrants

The changes in the number of warrants issued by the Company and their weighted-average exercise prices, for the nine-month periods ended May 31, 2016 and 2015, are as follows:

	Nine-month period ended May 31, 2016		Nine-month period ended May 31, 2015	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Balance – Beginning of period	**3,450,426**	**0.98**	3,475,426	0.98
Issued with units (note 8a)	**5,313,610**	**1.36**	-	-
Issued to brokers (note 8a)	**313,886**	**0.88**	-	-
Exercised (note 8c)	**(790,316)**	**0.74**	-	-
Expired	**(2,670,110)**	**1.05**	-	-
Balance – End of period	**5,617,496**	**1.33**	3,475,426	0.98

During the nine-month period ended May 31, 2016, following the exercise of warrants, the Company issued 790,316 common shares for a cash consideration of $581,630. As a result, an amount of $33,013 was reallocated from “Reserve – Warrants” to “Share capital” in shareholders’ equity.

The fair value of the warrants issued was estimated using the Black-Scholes option pricing model using the following assumptions:

	Nine-month period ended May 31, 2016
Risk-free interest rate	Between 0.51% and 0.56%
Volatility	Between 58% and 69%
Dividend yield on shares	Nil
Expected life	1.5 years
Weighted share price	$1.33
Weighted fair value per warrant at the grant date	$0.19

In addition, option valuation models require the input of highly-subjective assumptions, including the expected stock price volatility. Any changes in the subjective assumptions can affect the fair value estimate.

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected life of the warrants.

9. Net Loss per Share

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

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Net loss attributable to shareholders				
Basic and diluted	**(3,075,830)**	(1,354,942)	**(6,256,535)**	(1,072,172)
Number of shares				
Basic weighted average number of shares outstanding	**68,286,288**	60,309,215	**64,821,782**	60,111,928
Dilutive effect of stock options	**-**	-	**-**	-
Diluted weighted average number of shares outstanding	**68,286,288**	60,309,215	**64,821,782**	60,111,928
Amount per share				
Net loss per share				
Basic	**(0.05)**	(0.02)	**(0.10)**	(0.02)
Diluted	**(0.05)**	(0.02)	**(0.10)**	(0.02)

Stock options, warrants and the convertible debenture are excluded from the calculation of the diluted weighted-average number of shares outstanding when their exercise price is greater than the average market price of common shares or when their effect is antidilutive. The number of such stock options and warrants and the nominal value of the convertible debenture is presented below:

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2016	**2015**	**2016**	**2015**
Stock options	**-**	-	**147,500**	542,000
Warrants	**2,380,500**	2,670,110	**5,303,610**	2,670,110
Convertible debenture (US$2,000,000)	**$2,002,000**	$2,002,000	**$2,002,000**	$2,002,000

For the three and nine-month periods ended May 31, 2016 and 2015, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options, warrants and convertible debenture was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for these periods was calculated using the basic weighted average number of shares outstanding.

10. Fair Value of Financial Instruments

The following table provides information about financial instruments measured at fair value in the statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

		As of May 31, 2016	As of August 31, 2015
	Input level*	**Fair Value and Carrying Value**	Fair Value and Carrying Value
		$	**$**
Financial assets (liabilities) measured at fair value:			
Convertible debenture – embedded derivative	**2**	**(890,694)**	(245,773)

* 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.

The fair value of the embedded derivative financial instruments included in the convertible debenture is calculated using a financial model which includes observable data like share price and interest rates.

11. Additional Information on the Consolidated Statements of Cash Flows

	Three-month periods ended May 31,		**Nine-month periods ended May 31,**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Changes in non-cash operating working capital items				
Trade and other receivables	**655,684**	1,070,082	**(1,100,177)**	692,233
Tax credits receivable	**(98,002)**	276,372	**(275,729)**	90,110
Inventories	**(906,490)**	(316,457)	**(1,530,896)**	(601,826)
Prepaid expenses	**12,351**	13,750	**(16,527)**	41,139
Accounts payable and accrued liabilities	**403,790**	101,619	**1,457,445**	(59,076)
Warranty provision	**79,870**	-	**79,870**	-
Deferred revenues	**(48,762)**	(182,722)	**(473,993)**	(2,121,830)
Deferred lease inducements	**900,484**	-	**935,855**	-
	998,925	962,644	**(924,152)**	(1,959,250)
Supplementary information				
Unpaid acquisition of property, plant and equipment	**45,330**	-	**45,330**	-
Unpaid share and warrants issue costs	**99,688**	-	**99,688**	-

	As of May 31, 2016	As of August 31, 2015
	$	$
Cash and cash equivalents		
Cash	**2,504,869**	449,658
Short-term investments	**7,516,280**	6,753,954
	10,021,149	7,203,612

12. Contractual Guarantees

During the normal course of business, the Company replaces defective parts under warranties offered at the sale of the products. The term of the warranties is generally 12 months. For the nine-month period ended May 31, 2016, the Company recognized provisions amounting to $79,870 for guarantees. A provision of $163,870 is recorded for guarantees as at May 31, 2016 ($133,500 as at May 31, 2015). The following table summarizes changes in warranty provision:

	Nine-month periods ended May 31,	
	2016	2015
	$	$
Balance – Beginning of period	**84,000**	133,500
Provisions recognized	**79,870**	-
Balance – End of period	**163,870**	133,500

This provision estimate is based on past experience. The actual costs that the Company may incur, as well as the moment when the parts should be replaced, can differ from the estimated amount.

13. Segmented information

In order to strengthen its medical identity to develop its full potential in the FFR market, the Company reorganized, on September 1, 2015, its corporate structure. Following the reorganization, the Company is now organized into two segments: Medical and Industrial.

Medical segment: In this segment, Opsens focuses mainly on the measure of FFR in interventional cardiology.

Industrial: In this segment, Opsens' develops, manufactures and installs innovative fiber optic sensing solutions for critical applications such as the monitoring of oil wells and other demanding industrial applications.

The principal factors employed in the identification of the two segments reflected in this note include the Company's organizational structure, the nature of the reporting lines to the President and Chief Executive Officer and the structure of internal reporting documentation such as management accounts and budgets.

In accordance with IFRS 8, *Operating Segments*, the Company has restated the corresponding information for the three-month and nine-month periods ended May 31, 2015 to reflect the corporate reorganization with the exception of the information on segment assets and liabilities because the information was not available and the cost to develop it would have been excessive.

	Three-month period ended May 31, 2016			Three-month period ended May 31, 2015		
	Medical	**Industrial**	**Total**	Medical	Industrial	Total
	$	**$**	**$**	$	$	$
External sales	**1,269,937**	**854,799**	**2,124,736**	347,143	484,168	831,311
Internal sales	**-**	**107,060**	**107,060**	-	-	-
Depreciation of property, plant and equipment	**145,794**	**26,692**	**172,486**	49,359	40,400	89,759
Amortization of intangible assets	**15,523**	**1,670**	**17,193**	14,115	3,320	17,435
Financial expenses (revenues)	**307,602**	**66,933**	**374,535**	(43,391)	40,870	(2,521)
Net loss	**(2,303,331)**	**(769,947)**	**(3,073,278)**	(667,873)	(687,069)	(1,354,942)
Acquisition of property, plant and equipment	**290,465**	**43,659**	**334,124**	341,382	-	341,382
Additions to intangible assets	**12,281**	**2,001**	**14,282**	24,278	14,072	38,350
Segment assets	**18,228,303**	**2,763,648**	**20,991,951**	N/A	N/A	N/A
Segment liabilities	**10,022,868**	**800,490**	**10,823,358**	N/A	N/A	N/A

	Nine-month period ended May 31, 2016			Nine-month period ended May 31, 2015		
	Medical	**Industrial**	**Total**	Medical	Industrial	Total
	$	**$**	**$**	$	$	$
External sales	**4,019,589**	**2,556,713**	**6,576,302**	4,443,759	3,111,215	7,554,974
Internal sales	**-**	**328,179**	**328,179**	-	-	-
Depreciation of property, plant and equipment	**295,371**	**76,830**	**372,201**	156,345	132,543	288,888
Amortization of intangible assets	**47,918**	**5,725**	**53,643**	32,963	10,979	43,942
Financial expenses (revenues)	**531,788**	**167,970**	**699,758**	(128,233)	120,781	(7,452)
Net earnings (loss)	**(4,983,821)**	**(1,270,162)**	**(6,253,983)**	1,647,374	(1,923,309)	(275,935)
Acquisition of property, plant and equipment	**2,768,334**	**52,084**	**2,820,418**	449,668	71,557	521,225
Additions to intangible assets	**83,247**	**12,210**	**95,457**	82,023	23,383	105,406
Segment assets	**18,228,303**	**2,763,648**	**20,991,951**	N/A	N/A	N/A
Segment liabilities	**10,022,868**	**800,490**	**10,823,358**	N/A	N/A	N/A

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2016	**2015**	**2016**	**2015**
	$	$	**$**	$
Net loss per reportable segments	**(3,073,278)**	(1,354,942)	**(6,253,983)**	(275,935)
Elimination of inter-segment profits	**(2,552)**	-	**(2,552)**	-
Impairment charge on property, plant and equipment (note 4)	**-**	-	**-**	(119,663)
Impairment charge on goodwill (note 4)	**-**	-	**-**	(676,574)
Net loss and comprehensive loss	**(3,075,830)**	(1,354,942)	**(6,256,535)**	(1,072,172)

Geographic sector's information

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenues per geographic sector				
Japan	**480,149**	98,627	**2,267,072**	3,739,480
Canada	**717,389**	158,579	**1,839,998**	1,040,183
United States	**286,755**	245,908	**939,471**	609,046
France	**140,790**	41,603	**489,878**	172,594
Chile	**-**	-	**6,396**	1,169,182
Others*	**499,653**	286,594	**1,033,487**	824,489
	2,124,736	831,311	**6,576,302**	7,554,974

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

Revenues are attributed to the geographic sector based on the clients' location. Capital assets, which include property, plant and equipment and intangible assets, are all located in Canada.

During the three-month period ended May 31, 2016, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 23% (industrial's reportable segment) and 19% (medical's reportable segment).

During the three-month period ended May 31, 2015, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 13% (medical's reportable segment), 12% (industrial's reportable segment) and 11% (industrial's reportable segment).

During the nine-month period ended May 31, 2016, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 34% (medical's reportable segment) and 15% (industrial's reportable segment).

During the nine-month period ended May 31, 2015, revenues from one client represented individually more than 10% of the total revenues of the Company, i.e. approximately 31% (industrial's reportable segment).

14. Approval of Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on June 30, 2016.