

Condensed Interim Consolidated Financial Statements

Opsens Inc.

Nine-month periods ended May 31, 2017 and May 31, 2016
(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, 2017 and May 31, 2016

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Opsens Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

	Three-month periods ended		Nine-month periods ended	
	May 31,		May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenues				
Sales	4,799,992	2,032,380	12,163,339	6,301,242
Licensing (note 5)	92,356	92,356	1,281,806	275,060
	4,892,348	2,124,736	13,445,145	6,576,302
Cost of sales	2,842,500	1,610,889	7,950,671	4,812,810
Gross margin	2,049,848	513,847	5,494,474	1,763,492
Expenses (revenues)				
Administrative	1,257,704	1,303,974	3,007,417	2,851,325
Sales and marketing	1,937,763	1,178,222	5,269,923	2,427,099
Research and development	844,320	732,946	2,394,658	2,041,845
Financial expenses (revenues)	3,816	(41,013)	126,914	54,901
Change in fair value of embedded derivative (note 7)	(151,897)	415,548	79,670	644,857
	3,891,706	3,589,677	10,878,582	8,020,027
Net loss and comprehensive loss	(1,841,858)	(3,075,830)	(5,384,108)	(6,256,535)
Net loss per share (note 9)				
Basic	(0.02)	(0.05)	(0.07)	(0.10)
Diluted	(0.02)	(0.05)	(0.07)	(0.10)

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, 2017

(unaudited)

	Common shares (number)	Warrants (number)	Total (number)	Share capital \$	Reserve – Stock option plan \$	Reserve – Warrants \$	Deficit \$	Total \$
Balance as at								
August 31, 2016	72,629,038	5,617,496	78,246,534	32,677,611	1,920,089	3,253,737	(30,539,014)	7,312,423
Common shares issued in connection with a public offering (note 8a)	9,967,000	-	9,967,000	13,755,567	-	-	-	13,755,567
Issued pursuant to the stock option plan (note 8a)	898,250	-	898,250	530,707	(180,631)	-	-	350,076
Warrants exercised (note 8a)	627,001	(627,001)	-	847,706	-	(115,392)	-	732,314
Stock-based compensation costs	-	-	-	-	669,527	-	-	669,527
Net loss	-	-	-	-	-	-	(5,384,108)	(5,384,108)
Balance as at								
May 31, 2017	84,121,289	4,990,495	89,111,784	47,811,591	2,408,985	3,138,345	(35,923,122)	17,435,799

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		Warrants	Total	Share capital	Reserve –	Reserve –	Deficit	Total
	Issued	Subscribed				Stock option plan			
	(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.

Consolidated Statements of Financial Position

(unaudited)

	As at May 31, 2017	As at August 31, 2016
	\$	\$
Assets		
Current		
Cash and cash equivalents (note 11)	13,775,789	5,903,040
Trade and other receivables (note 3)	4,521,690	1,981,426
Tax credits receivable	669,031	365,000
Inventories	4,503,873	4,056,824
Prepaid expenses	400,201	263,734
	23,870,584	12,570,024
Property, plant and equipment (note 4)	3,318,883	3,646,849
Intangible assets	636,530	644,603
	27,825,997	16,861,476
Liabilities		
Current		
Accounts payable and accrued liabilities	3,198,661	2,041,873
Warranty provision (note 12)	197,861	177,870
Current portion of deferred revenues	366,408	366,408
Current portion of long-term debt (note 6)	436,682	481,248
Convertible debenture (note 7)	4,041,245	-
	8,240,857	3,067,399
Deferred revenues (note 5)	134,029	408,085
Long-term debt (note 6)	1,096,157	1,303,406
Convertible debenture (note 7)	-	3,792,839
Deferred lease inducements	919,155	977,324
	10,390,198	9,549,053
Shareholders' equity		
Share capital	47,811,591	32,677,611
Reserve – Stock option plan	2,408,985	1,920,089
Reserve – Warrants	3,138,345	3,253,737
Deficit	(35,923,122)	(30,539,014)
	17,435,799	7,312,423
	27,825,997	16,861,476

Subsequent event (note 15)

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		Nine-month periods ended	
	May 31,		May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(1,841,858)	(3,075,830)	(5,384,108)	(6,256,535)
Adjustments for:				
Depreciation of property, plant and equipment	185,624	172,486	534,612	372,201
Amortization of intangible assets	22,488	17,193	63,229	53,643
Loss (gain) on disposal of property, plant and equipment (note 4)	(5,903)	2,199	(52,729)	2,199
Write-off of intangible assets	11,225	-	11,225	-
Stock-based compensation costs	184,281	152,557	669,527	326,715
Change in fair value of embedded derivative	(151,897)	415,548	79,760	644,857
Interest expense, net	(2,728)	11,392	51,234	20,374
Effect of foreign exchange rate changes on cash and cash equivalents	(6,158)	21,365	(5,309)	(33,246)
Unrealized foreign exchange loss (gain) on convertible debenture	67,513	(100,459)	115,787	(10,759)
Government grants on long-term debt	(48,416)	(27,858)	(48,416)	(27,858)
Changes in non-cash operating working capital items (note 11)	(1,476,253)	998,925	(2,480,468)	(924,152)
	(3,062,082)	(1,412,482)	(6,445,746)	(5,832,561)
Investing activities				
Acquisition of property, plant and equipment	(121,084)	(899,561)	(333,304)	(2,814,742)
Additions to intangible assets	(24,416)	(23,574)	(121,000)	(119,176)
Proceeds from disposal of property, plant and equipment (note 4)	15,500	-	131,217	-
Interest received	44,728	19,272	76,112	74,559
	(85,272)	(903,863)	(246,975)	(2,859,359)
Financing activities				
Increase in long-term debt, net of transaction cost	189,863	1,398,637	189,863	1,398,637
Reimbursement of long-term debt	(110,331)	(33,933)	(435,712)	(227,089)
Proceeds from issuance of shares (note 8a)	667,136	5,117,011	16,032,890	10,889,288
Shares issues costs (note 8a)	-	(127,060)	(1,194,933)	(584,625)
Interest paid	(9,682)	-	(31,947)	-
	736,986	6,354,655	14,560,161	11,476,211
Effect of foreign exchange rate changes on cash and cash equivalents	6,158	(21,365)	5,309	33,246
Increase (decrease) in cash and cash equivalents	(2,404,210)	4,016,945	7,872,749	2,817,537
Cash and cash equivalents - Beginning of period	16,179,999	6,004,204	5,903,040	7,203,612
Cash and cash equivalents – End of period	13,775,789	10,021,149	13,775,789	10,021,149

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

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

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine-month periods ended May 31, 2017 and May 31, 2016

(unaudited)

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 through its wholly-owned subsidiary Opsens Solutions Inc. ("Solutions"). Solutions 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 issued by the International Accounting Standards Board ("IASB") 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 the 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, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

Changes in Accounting Policies

New and amended standards issued but not yet effective

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 what 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.

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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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, 2017	As at August 31, 2016
	\$	\$
Trade	5,025,873	2,176,251
Allowance for doubtful accounts	(901,474)	(491,623)
Sales taxes receivable	373,712	217,817
Other receivables	23,579	78,981
Total	4,521,690	1,981,426

Allowance for doubtful accounts variation

	Nine-month periods ended May 31,	
	2017	2016
	\$	\$
Balance – Beginning of period	(491,623)	(3,032)
Amounts written off during the period	-	1,759
Additional provisions recognized	(409,851)	(490,350)
Balance – End of period	(901,474)	(491,623)

4. Property, Plant and Equipment

During the nine-month period ended May 31, 2017, the Company disposed of production equipment with a net carrying value of \$78,488 for net proceeds of \$131,217.

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine-month periods ended May 31, 2017 and May 31, 2016

(unaudited)

5. Deferred Revenues

a) 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, 2017, an amount of \$274,056 (\$275,060 for the nine-month period ended May 31, 2016) related to the Abiomed agreement has been recognized as licensing revenues in the consolidated statements of loss and comprehensive loss.

During the nine-month period ended May 31, 2017, the Company achieved a technical milestone related to the agreement with Abiomed and consequently, it allows the Company to record, in the consolidated statements of loss and comprehensive loss as licensing revenues an amount of \$1,007,750 (US\$750,000).

b) 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.

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine-month periods ended May 31, 2017 and May 31, 2016

(unaudited)

6. Long-term Debt

	As of May 31, 2017	As of August 31, 2016
	\$	\$
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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	248,154	330,872
Imputed interest	(35,446)	(52,841)
	212,708	278,031
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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	195,000	240,000
Imputed interest	(37,662)	(54,664)
	157,338	185,336
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Contributions repayable to Canada Economic Development, without interest (effective rate of 12%), repayable in 59 equal and consecutive monthly instalments of \$3,333 and a final payment of \$3,353, maturing in October 2023. The difference between amounts received and estimated fair value is recognized as government grants.		
Debt balance	200,000	65,137
Imputed interest	(69,355)	(26,054)
	130,645	39,083
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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 48 monthly instalments of \$10,417, maturing in April 2018. Amounts received are net of transaction costs of \$2,500.	363,203	456,241
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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 \$18,750, maturing in May 2020. Amounts received are net of transaction costs of \$9,000.	668,945	780,471
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Reimbursed during the year	-	45,492
	1,532,839	1,784,654
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Current portion	436,682	481,248
	1,096,157	1,303,406
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Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine-month periods ended May 31, 2017 and May 31, 2016

(unaudited)

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 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, 2017, the net book value of property, plant and equipment pledged as collateral was nil (nil as at August 31, 2016). 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 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 carrying value of the convertible debenture and embedded derivative as of May 31, 2017 and August 31, 2016 is as follows:

	As of May 31, 2017	As of August 31, 2016
	\$	\$
Debt component reported as liability (US\$2,184,614; US\$2,144,864 as at August 31, 2016)	2,949,229	2,813,204
Embedded derivative reported as liability (US\$808,900; US\$746,900 as at August 31, 2016)	1,092,016	979,635
Total	4,041,245	3 792,839

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine-month periods ended May 31, 2017 and May 31, 2016

(unaudited)

8. Shareholders' Equity

a) Share capital

On December 8, 2016, the Company completed a public offering for aggregate gross proceeds of \$14,950,500. In connection with the offering, the Company issued a total of 9,967,000 shares at a price of \$1.50 per share.

Expenses of the offering include underwriting fees of \$889,530 and other professional fees and miscellaneous fees of \$305,403 for total fees of \$1,194,933.

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 \$323,713 for total fees of \$599,915.

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 \$599,915 and the broker warrants value of \$91,027 have been allocated on a prorata basis between share capital and the warrants reserve, \$612,179 and \$78,763 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 \$10,083. 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, 2017, following the exercise of stock options, the Company issued 898,250 common shares (283,750 shares issued for the nine-month period ended May 31, 2016) for a cash consideration of \$350,076 (\$146,336 for the nine-month period ended May 31, 2016). As a result, an amount of \$180,631 was reallocated from "Reserve – Stock option plan" to "Share capital" in shareholders' equity (\$90,560 for the nine-month period ended May 31, 2016).

During the nine-month period ended May 31, 2017, following the exercise of warrants, the Company issued 627,001 common shares (790,316 for the nine-month period ended May 31, 2016) for a cash consideration of \$732,314 (\$581,630 for the nine-month period ended May 31, 2016). As a result, an amount of \$115,392 was reallocated from "Reserve – Warrants" to "Share capital" in shareholders' equity (\$33,013 for the nine-month period ended May 31, 2016).

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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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, 2017 and May 31, 2016, are as follows:

	Nine-month period ended May 31, 2017		Nine-month period ended May 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance – Beginning of period	5,029,500	\$ 0.70	3,542,750	\$ 0.50
Granted	2,207,750	1.56	2,004,750	0.89
Exercised (note 8a)	(898,250)	0.39	(283,750)	0.52
Cancelled	(874,250)	0.97	(3,750)	0.57
Balance – End of period	5,464,750	1.05	5,260,000	0.65

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

	Nine-month period ended May 31, 2017	Nine-month period ended May 31, 2016
Risk-free interest rate	Between 0.50% and 1.08%	Between 0.32% and 0.80%
Volatility	Between 51% and 102%	Between 64% and 112%
Dividend yield on shares	Nil	Nil
Expected life	5 years	5 years
Weighted share price	\$1.56	\$0.89
Weighted fair value per option at the grant date	\$0.73	\$0.53

Opsens Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine-month periods ended May 31, 2017 and May 31, 2016

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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, 2017 and May 31, 2016, are as follows:

	Nine-month period ended May 31, 2017		Nine-month period ended May 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance – Beginning of period	5,617,496	1.33	3,450,426	0.98
Issued with units	-	-	5,313,610	1.36
Issued to brokers	-	-	313,886	0.88
Exercised (note 8a)	(627,001)	1.17	(790,316)	0.74
Expired	-	-	(2,670,110)	1.05
Balance – End of period	4,990,495	1.35	5,617,496	1.33

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,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net loss attributable to shareholders				
Basic and diluted	(1,841,858)	(3,075,830)	(5,384,108)	(6,256,535)
Number of shares				
Diluted weighted average number of shares outstanding	83,461,883	68,286,288	79,509,280	64,821,782
Amount per share				
Net loss per share				
Basic	(0.02)	(0.05)	(0.07)	(0.10)
Diluted	(0.02)	(0.05)	(0.07)	(0.10)

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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, warrants and the nominal value of the convertible debenture is presented below:

	Three-month periods ended		Nine-month periods ended	
	May 31,		May 31,	
	2017	2016	2017	2016
Stock options	1,863,250	-	1,553,250	147,500
Warrants	2,380,500	2,380,500	2,380,500	5,303,610
Convertible debenture (US\$2,000,000)	\$2,002,000	\$2,002,000	\$2,002,000	\$2,002,000

For the three-month and nine-month periods ended May 31, 2017 and May 31, 2016, 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	As of
	May 31,	August 31,
	2017	2016
	Fair Value	Fair Value
	and Carrying	and Carrying
	Value	Value
	Input level*	
	\$	\$
Financial assets (liabilities) measured at fair value:		
Convertible debenture – embedded derivative	2 (1,092,016)	(979,635)

* 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.

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11. Additional Information on the Interim Consolidated Statements of Cash Flows

	Three-month periods ended		Nine-month periods ended	
	May 31,		May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Trade and other receivables	(1,472,788)	655,684	(2,540,264)	(1,100,177)
Tax credits receivable	(81,817)	(98,002)	(235,584)	(275,729)
Inventories	(398,968)	(906,490)	(447,049)	(1,530,896)
Prepaid expenses	(248,752)	12,351	(136,467)	(16,527)
Accounts payable and accrued liabilities	859,348	403,790	1,231,112	1,457,445
Warranty provision	(21,341)	79,870	(19,991)	79,870
Deferred revenues	(92,356)	(48,762)	(274,056)	(473,993)
Deferred lease inducements	(19,579)	900,484	(58,169)	935,855
	(1,476,253)	998,925	(2,480,468)	(924,152)
<i>Supplementary information</i>				
Tax credits recorded against property, plant and equipment	68,447	-	68,447	-
Unpaid acquisition of property, plant and equipment	38,326	45,330	38,326	45,330
Unpaid additions to intangible assets	5,017	-	5,017	-
Unpaid share and warrants issue costs	-	99,688	-	99,688
			As of May 31, 2017	As of August 31, 2016
			\$	\$
<i>Cash and cash equivalents</i>				
Cash			1,021,054	454,740
Short-term investments			12,754,735	5,448,300
			13,775,789	5,903,040

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(unaudited)

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. The following table summarizes changes in warranty provision:

	Nine-month periods ended	
	May 31,	
	2017	2016
	\$	\$
Balance – Beginning of period	177,870	84,000
Provisions recognized	73,000	79,870
Amounts used during the period	(53,009)	-
Balance – End of period	197,861	163,870

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.

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13. Segmented Information

Sector's Information

The Company is 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.

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.

	Three-month period ended May 31, 2017			Three-month period ended May 31, 2016		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	4,691,162	201,186	4,892,348	1,269,937	854,799	2,124,736
Internal sales	-	50,927	50,927	-	107,060	107,060
Depreciation of property, plant and equipment	164,531	21,093	185,624	145,794	26,692	172,486
Amortization of intangible assets	18,688	3,800	22,488	15,523	1,670	17,193
Financial expenses (revenues)	(55,746)	59,562	3,816	(107,946)	66,933	(41,013)
Change in fair value of embedded derivative	(151,897)	-	(151,897)	415,548	-	415,548
Net loss	(1,254,954)	(590,154)	(1,845,108)	(2,303,331)	(769,947)	(3,073,278)
Acquisition of property, plant and equipment	152,356	1,387	153,743	290,465	43,659	334,124
Additions to intangible assets	28,249	1,019	29,268	12,281	2,001	14,282
Segment assets	26,060,201	1,765,796	27,825,997	18,228,303	2,763,648	20,991,951
Segment liabilities	10,076,196	314,002	10,390,198	10,022,868	800,490	10,823,358

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Nine-month periods ended May 31, 2017 and May 31, 2016

(unaudited)

	Nine-month period ended May 31, 2017			Nine-month period ended May 31, 2016		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	12,386,684	1,058,461	13,445,145	4,019,589	2,556,713	6,576,302
Internal sales	-	251,873	251,873	-	328,179	328,179
Depreciation of property, plant and equipment	466,279	68,333	534,612	295,371	76,830	372,201
Amortization of intangible assets	52,366	10,863	63,229	47,918	5,725	53,643
Financial expenses (revenues)	(71,130)	198,044	126,914	(113,069)	167,970	54,901
Change in fair value of embedded derivative	79,670	-	79,760	644,857	-	644,857
Net loss	(4,013,554)	(1,372,786)	(5,386,340)	(4,983,821)	(1,270,162)	(6,253,983)
Acquisition of property, plant and equipment	369,443	9,024	378,467	2,768,334	52,084	2,820,418
Additions to intangible assets	47,867	18,515	66,382	83,247	12,210	95,457
Segment assets	26,060,201	1,765,796	27,825,997	18,228,303	2,763,648	20,991,951
Segment liabilities	10,076,196	314,002	10,390,198	10,022,868	800,490	10,823,358

The Company's net loss per reportable segments reconciles to its condensed interim consolidated financial statements as follows:

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net loss per reportable segments	(1,845,108)	(3,073,278)	(5,386,340)	(6,253,983)
Elimination of inter-segment profits	3,250	(2,552)	2,232	(2,552)
Net loss and comprehensive loss	(1,841,858)	(3,075,830)	(5,384,108)	(6,256,535)

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Geographic sector's information

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenues per geographic sector				
Japan	2,033,233	480,149	5,154,289	2,267,072
United States	1,280,330	286,755	3,524,066	939,471
Canada	377,002	717,389	1,206,277	1,839,998
Others*	1,201,783	640,443	3,560,513	1,529,761
	4,892,348	2,124,736	13,445,145	6,576,302

* Comprise 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, 2017, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 42% (medical's reportable segment) and 15% (medical's reportable segment).

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 nine-month period ended May 31, 2017, revenues from one client represented individually more than 10% of the total revenues of the Company, i.e. approximately 42% (medical'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).

14. Related-party Transactions

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

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Professional fees paid to a company controlled by a director	9,438	6,898	59,134	26,815

Fees are incurred for the Company's FFR activities.

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Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Chief Executive Officer, the Chief Financial Officer, the Business Unit Manager of Opsens Solutions Inc. and other vice presidents. Compensation of key management personnel during the three-month and nine-month periods ended May 31, 2017 and May 31, 2016 was as follows:

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Short-term salaries and other benefits	236,538	304,305	893,499	978,942
Option-based awards	21,736	25,205	67,408	71,264
	258,274	329,510	960,907	1,050,206

The compensation of key executives is determined by the Human Resources and Compensation Committee, taking into consideration individual performance and market trends.

15. Subsequent event

On June 6, 2017, the Board of Directors authorized the grant of 350,000 stock options to an Officer, as provided by Opsens' stock option plan adopted by shareholders on January 24, 2017.

16. 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 28, 2017.