

Consolidated Financial Statements

Opsens Inc.

Years ended August 31, 2019 and 2018

Opsens Inc.

Years ended August 31, 2019 and 2018

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Independent Auditor's Report

To the shareholders and the Board of Directors of Opsens Inc.

Opinion

We have audited the consolidated financial statements of Opsens Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard. The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sophie Fortin.

/s/ Deloitte LLP ¹

Quebec City, Canada
November 13, 2019

¹ CPA auditor, CA, public accountancy permit No. A124208

Opsens Inc.

Consolidated Statements of Loss and Comprehensive Loss Years ended August 31, 2019 and 2018

	2019	2018
	\$	\$
Revenues		
Sales	29,449,124	22,112,019
Licensing (Note 11)	3,302,394	1,957,712
	32,751,518	24,069,731
Cost of sales	14,036,385	11,330,319
Gross margin	18,715,133	12,739,412
Expenses (revenues) (Note 24)		
Administrative	4,593,182	3,868,655
Sales and marketing	11,116,277	9,272,717
Research and development	4,800,939	3,696,378
Financial expenses (revenues) (Note 25)	156,543	(50,104)
Change in fair value of embedded derivative (Note 13)	-	501,250
	20,666,941	17,288,896
Net loss and comprehensive loss	(1,951,808)	(4,549,484)
Basic and diluted net loss per share (Note 15)	(0.02)	(0.05)

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

Opsens Inc.

Consolidated Statements of Changes in Equity Years ended August 31, 2019 and 2018

	Common shares		Total	Share capital	Reserve – Stock option plan	Reserve – Warrants	Deficit	Total
	Issued	Subscribed						
	(number)	(number)	(number)	\$	\$	\$	\$	\$
Balance as at								
August 31, 2018	89,868,817	-	89,868,817	54,341,014	3,058,196	2,899,294	(41,625,541)	18,672,963
Issued pursuant to the stock option plan (Note 14a))	311,500	51,149	362,649	368,387	(137,985)	-	-	230,402
Reserve – Warrants transfer to deficit ⁽¹⁾	-	-	-	-	-	(2,899,294)	2,899,294	-
Stock-based compensation costs (Note 14b))	-	-	-	-	489,179	-	-	489,179
Net loss and comprehensive loss	-	-	-	-	-	-	(1,951,808)	(1,951,808)
Balance as at								
August 31, 2019	90,180,317	51,149	90,231,466	54,709,401	3,409,390	-	(40,678,055)	17,440,736

⁽¹⁾ The Company changes prospectively its accounting policy regarding its Reserve - Warrants. When warrants expire without being exercised or are being cancelled, the Company will now transfer to the Deficit the corresponding amount that was included in the Reserve - Warrants.

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

Opsens Inc.

Consolidated Statements of Changes in Equity Years ended August 31, 2019 and 2018

	Common shares (number)	Warrants (number)	Total (number)	Share capital \$	Reserve – Stock option plan \$	Reserve – Warrants \$	Deficit \$	Total \$
Balance as at								
August 31, 2017	85,540,816	2,380,500	87,921,316	49,581,504	2,560,583	2,899,294	(37,076,057)	17,965,324
Issued pursuant to the stock option plan (Note 14a))	650,750	-	650,750	316,507	(120,437)	-	-	196,070
Warrants expired (Note 14c))	-	(2,380,500)	(2,380,500)	-	-	-	-	-
Conversion of the convertible debenture (Note 13)	3,677,251	-	3,677,251	4,443,003	-	-	-	4,443,003
Stock-based compensation costs (Note 14b))	-	-	-	-	618,050	-	-	618,050
Net loss and comprehensive loss	-	-	-	-	-	-	(4,549,484)	(4,549,484)
Balance as at								
August 31, 2018	89,868,817	-	89,868,817	54,341,014	3,058,196	2,899,294	(41,625,541)	18,672,963

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

Opsens Inc.

Consolidated Statements of Financial Position

	As at August 31, 2019	As at August 31, 2018
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 16)	14,855,982	10,886,788
Trade and other receivables (Note 5)	5,115,249	2,816,285
Tax credits receivable (Note 21)	297,391	354,788
Inventories (Note 6)	5,133,051	5,219,960
Prepaid expenses	697,345	507,336
	26,099,018	19,785,157
Property, plant and equipment (Note 7)	2,962,270	3,174,849
Intangible assets (Note 8)	1,027,195	625,890
	30,088,483	23,585,896
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	4,293,483	2,719,690
Warranty provision (Note 18)	134,460	137,420
Deferred revenues (Note 11)	-	41,669
Current portion of long-term debt (Note 12)	359,305	539,439
	4,787,248	3,438,218
Long-term debt (Note 12)	7,135,020	653,673
Deferred lease inducements	725,479	821,042
	12,647,747	4,912,933
Shareholders' equity		
Share capital (Note 14a))	54,709,401	54,341,014
Reserve – Stock option plan (Note 14b))	3,409,390	3,058,196
Reserve – Warrants (Note 14c))	-	2,899,294
Deficit	(40,678,055)	(41,625,541)
	17,440,736	18,672,963
	30,088,483	23,585,896

Commitments (Note 17)

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

Approved by the Board

Signed [Jean Lavigueur] Director

Signed [Louis Laflamme] Director

Opsens Inc.

Consolidated Statements of Cash Flows Years ended August 31, 2019 and 2018

	2019	2018
	\$	\$
Operating activities		
Net loss	(1,951,808)	(4,549,484)
Adjustments for:		
Depreciation of property, plant and equipment (Note 7)	802,149	800,595
Amortisation of intangible assets (Note 8)	91,284	97,688
Loss on disposal of property, plant and equipment	75,585	66,076
Write-off of intangible assets	7,988	24,338
Stock-based compensation costs (Note 14b))	489,179	618,050
Change in fair value of embedded derivative	-	501,250
Interest expense (revenue)	87,300	(59,153)
Unrealized foreign exchange loss	23,936	26,399
Changes in non-cash operating working capital items (Note 16)	(872,786)	1,421,813
	(1,247,173)	(1,052,428)
Investing activities		
Acquisition of property, plant and equipment	(704,768)	(757,076)
Income tax credit on property, plant and equipment	-	161,138
Additions to intangible assets	(499,244)	(103,041)
Proceeds from disposal of property, plant and equipment	-	2,600
Interest received	199,694	166,281
	(1,004,318)	(530,098)
Financing activities		
Increase in long-term debt, net of transaction costs	6,912,532	213,840
Reimbursement of long-term debt	(663,381)	(519,716)
Proceeds from issuance of shares (Note 14a))	230,402	196,070
Interest paid	(234,932)	(38,546)
	6,244,621	(148,352)
Effect of foreign exchange rate changes on cash and cash equivalents	(23,936)	47,367
Increase (decrease) in cash and cash equivalents	3,969,194	(1,683,511)
Cash and cash equivalents – Beginning of year	10,886,788	12,570,299
Cash and cash equivalents – End of year	14,855,982	10,886,788

Additional information on the consolidated statements of cash flows is presented in Note 16.

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

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

1. Incorporation and Description of Business

Opsens Inc. (Opsens or the Company) is incorporated under the *Business Corporations Act* (Quebec). Opsens focuses mainly on physiological measurement such as Fractional Flow Reserve (FFR) and dPR in interventional cardiology but also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. 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 and demanding industrial applications. The Company's head office is located at 750 Boulevard du Parc-Technologique, Quebec City, Quebec, Canada, G1P 4S3.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company has consistently applied the accounting policies throughout all years presented.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, Opsens Solutions Inc. All intra-group transactions, balances, revenues and expenses are fully eliminated upon consolidation until they are realized with a third party.

Subsidiary

A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date control is obtained and they are no longer consolidated at the date control ceases.

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company sells products through a direct sales force and to distributors. The Company recognizes sales revenues for both medical and industrial segments upon shipment of products to customers, when the control has been transferred to the buyer, there is no continuing management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Company is entitled to receive in exchange for transferring the promised products, net of any trade and volume discounts.

Milestone

Milestone income is recognized over the agreement residual terms at the point in time when it is highly probable that the respective milestone event criteria is met, and the risk of reversal of revenue recognition is remote.

Reporting Currency and Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company, as this is the principal currency of the economic environment in which it operates.

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate in effect at the date of the consolidated statements of financial position, non-monetary assets and liabilities that are denominated in foreign currencies are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange differences are recognized in profit or loss in the period in which they arise.

Research and Development Costs

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet generally accepted criteria for deferral, in which case, the costs are capitalized and amortised to operations over the estimated period of benefit. No development costs have been capitalized during any of the years presented.

Research and Development Refundable Tax Credits and Government Grant

Refundable research and development (R&D) tax credits and government assistance are accounted for using the cost reduction method. Accordingly, refundable R&D tax credits and government assistance are recorded as a reduction of the related expenses or capital expenditures in the period in which the expenses are incurred, provided that the Company has reasonable assurance the refundable R&D tax credits or government assistance will comply with the conditions attaching to them and that the grants will be received.

Shareholders' Equity

Share capital represents the value of shares that have been issued. Any transaction costs associated with the issuance of shares are deducted from share capital.

From time to time, the Company issues units consisting of common shares and warrants to purchase common shares. The Company estimates the fair value of warrants using the Black-Scholes option pricing model. The difference between the unit price and the fair value of each warrant represents the fair value attributable to each common share. Any transaction costs associated with the issuance of units are apportioned between the common shares and warrants based on their relative fair values.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Share-based Compensation

The Company offers a stock option plan described in Note 14b), which is determined as an equity-settled plan.

The Company uses the fair value-based method to measure the fair value of stock options as at their grant date. The fair value is determined using the Black-Scholes option pricing model and is recognized in the consolidated statements of loss and comprehensive loss as a compensation expense and credited to the stock option plan reserve, using a graded vesting schedule over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is recognized in the consolidated statements of loss and comprehensive loss such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to the stock option plan reserve.

Any consideration received by the Company upon the exercise of stock options is credited to share capital, and the stock option plan reserve component resulting from stock-based compensation is transferred to share capital upon the issuance of the shares.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments redeemable anytime or with a maturity of three months or less beginning on the acquisition date.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is essentially determined using the weighted average cost. The cost of work in progress and finished goods comprises the cost of raw materials, direct labour costs and an allocation of fixed and variable manufacturing overhead, including applicable depreciation of property, plant and equipment based on normal production capability.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a change in economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes the purchase price and the directly attributable costs of acquisition.

Depreciation is recorded using the straight-line method over the estimated useful life, taking into account any residual value, as follows:

Office furniture and equipment	10 years
Production equipment	7 years
Research and development equipment	7 years
Diagnostic and demonstration equipment	3 to 5 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Remaining lease terms of seven and two years

Depreciation methods, residual values and useful life of property, plant and equipment are reviewed annually. Any change is accounted for prospectively as a change in accounting estimates.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the consolidated statements of loss and comprehensive loss.

Intangible Assets

Intangible assets with finite useful life consist of patents and software, including software development costs. Intangible assets acquired separately are recorded at cost. The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria, and comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded using the straight-line method over the estimated useful life taking into account any residual value, as follows:

Patents	Term of underlying patent - 20 years
Software	3-15 years
Software development in progress	5 years

The Company's indefinite-life intangible assets consist of trademarks resulting from a business combination and are not amortised.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

Indefinite-Life Intangible Assets

The carrying values of identifiable intangible assets with indefinite life are tested annually for impairment. Indefinite-life intangible assets are allocated to cash generating units (CGUs) for the purpose of impairment testing based on the level at which management monitors it, which is not higher than an operating segment. The Company has elected to carry its annual impairment test during the last quarter of each year or at any time if an indicator of impairment exists.

Non-Financial Assets With Finite Useful Life

The carrying values of non-financial assets with finite useful life, such as property, plant and equipment and intangible assets with finite useful life, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an indicator exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of Impairment Charge

The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment charge is recognized in the consolidated statements of loss and comprehensive loss. Impairment charges recognized in prior periods are determined at each reporting date for any indications that the impairment charge has decreased or no longer exists. When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment charges been recognized for the asset or CGU in prior years. An impairment charge recognized for goodwill cannot be reversed.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. The Company leases certain office premises and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor. These are classified as operating leases. Payments made under these leases are charged to the consolidated statements of loss and comprehensive loss on a straight-line basis over the period of the lease.

The Company has a facility lease arrangement that includes tenant inducements. Rent expense is recorded evenly over the term of the lease agreement. The difference between cash rental payments and the rent expense recorded for accounting purposes is reflected as a deferred lease inducement in the consolidated statements of financial position.

Finance leases, which transfer to the Company substantially all the risks and benefits of ownership of the asset are capitalized at the inception of the lease at the fair value of the leased asset or at the present value of the minimum lease payments. Finance expenses are charged to the consolidated statements of loss and comprehensive loss over the period of the agreement. Obligations under finance leases are included in financial liabilities, net of finance costs allocated to future periods. Assets are depreciated over the shorter of their estimated useful life or the lease term.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Warranty Provision

The Company offers a standard 12-month warranty excluding consumables and accessories. Provision for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the warranty obligation.

Income Taxes

Income tax expenses comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current Income Taxes

The current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or received by the taxation authorities. The income tax rates used to calculate the amount are those that are enacted or substantively enacted at the date of the consolidated statements of financial position in the tax jurisdiction where the Company and its subsidiary generate taxable income/loss.

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between carrying values and tax values of assets and liabilities as well as the carryforward of unused tax losses and deductions, using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which the assets are expected to be realized or the liabilities settled.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences and for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or to different taxable entities that intend to settle the balances on a net basis.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Loss per Share

Basic net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year.

Diluted net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company adjusted for the interests on the convertible debenture, net of the related income taxes, the unrealized foreign exchange gain or loss, net of the related income taxes, and for the change in fair value of embedded derivative, net of the related income taxes, by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This method requires that diluted net loss per share be calculated using the treasury stock method, as if all dilutive potential common share equivalents had been exercised at the beginning of the reporting period, or period of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the fair value of the common shares during the period.

Financial Instruments

Financial assets at fair value through profit and loss (FVTPL): Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Financial liabilities at FVTPL: These financial liabilities are initially recognized at fair value, and transaction costs directly attributable to issuing the financial liabilities are expensed in the consolidated statements of loss and comprehensive loss. Financial liabilities that are required to be measured at FVTPL have all fair value movements, including those related to changes in the credit risk of the liability, recognized in the consolidated statements of loss and comprehensive loss.

Financial assets at fair value through other comprehensive income (FVTOCI): Investments in equity and debt instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss and comprehensive loss in the period in which they arise without subsequent reclassification to net income in the case of equity instruments.

Financial assets at amortised cost: A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortised cost less any impairment.

Impairment of financial assets at amortised cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost. As at August 31, 2019, the loss allowance was nil.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the related asset or related liability.

For all these items, relevant accounting policies are discussed in Note 2 of these consolidated financial statements.

Opsens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2019 and 2018

3. Critical Accounting Estimates, Assumptions and Judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both the current and future periods.

The following critical estimates, judgments and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Inventories

The Company measures its inventories at the lower of cost, determined with the weighted average cost basis method, and net realizable value, and provides reserves for excess and obsolete inventories. The Company determines its reserves for excess and obsolete inventories based on the quantities on hand at the reporting dates, compared to foreseeable needs over the next twelve months, taking into account changes in demand, technology or market.

Useful Life of Depreciable Assets

Management reviews the useful life of depreciable assets at each reporting date. As at August 31, 2019, management stated that the useful life represents the expected utility of the assets to the Company. The carrying amounts are presented in Notes 7 and 8. Actual results, however, may vary due to technical obsolescence or changes in the market, particularly for computer equipment and software.

Government Assistance and R&D Tax Credits

Government assistance and R&D tax credits are recorded in the consolidated financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all of the conditions necessary to obtain the government assistance and R&D tax credits.

Warranty Provision

The Company estimated warranty provision based on the history of defective products and the probability that these defects will arise, as well as the related costs.

Revenue Recognition

Delivery generally occurs when the product is handed over to a transporter for shipment. At the time of the transaction, the Company assesses whether the price associated with its revenue transaction is fixed or determinable and whether or not collection is reasonably assured. The Company assesses collection based on a number of factors, including past transaction history and the creditworthiness of the customer.

Stock-based Compensation

The Company uses judgment in assessing expected life, volatility, risk-free interest rates, as well as the estimated number of options that will ultimately vest.

Functional Currency

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which each operates. The Company has determined that the functional currency for the Company and its subsidiary is the Canadian dollar. The determination of functional currency may require certain judgments to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

3. Critical Accounting Estimates, Assumptions and Judgments (continued)

Deferred Income Tax Asset

A deferred income tax asset will be recognized in the consolidated financial statements only when the Company concludes that these tax assets will probably be materialized by shielding profits from taxes or otherwise. The tax asset amount will be recorded based on the enacted and substantively enacted income tax rates for the year in which the differences are expected to reverse.

4. Changes in Accounting Policies

New standards adopted by the Company during the year

IFRS 9, Financial Instruments

IFRS 9 *Financial Instruments* (IFRS 9) replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 on September 1, 2018 resulted in changes in accounting policies disclosed in Note 2, however there were no adjustments to the amounts recognized in these condensed consolidated interim financial statements.

The impairment of financial assets, including trade and other receivables, is now assessed using an expected credit loss model: previously, the incurred loss model was used. The impact of applying the expected credit loss model was not material.

The Company applied the modified retrospective method upon adoption of IFRS 9 on September 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to deficit and not to restate prior years. The application of this new standard had no impact on deficit.

The following table illustrates the classification and measurement of financial instruments under IFRS 9 and IAS 39 at the date of the initial application:

	IAS 39 – Original measurement category	IFRS 9 – New measurement category
Cash and cash equivalents	Loans and Receivables	Amortised Cost
Trade and other receivables	Loans and Receivables	Amortised Cost
Accounts payable and accrued liabilities	Amortised Cost	Amortised Cost
Long-term debt	Amortised Cost	Amortised Cost

IFRS 15, Revenue from Contracts with Customers

Effective September 1, 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). This new standard was applied using a modified retrospective approach. The adoption of IFRS 15 resulted in changes in accounting policies disclosed in Note 2. However, it did not have impact on the timing or measurement of the Company's revenue of applying IAS 18 or IFRS 15 and no adjustment to the opening balance of deficit as at September 1, 2018 has been recorded as result of adopting IFRS 15.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

4. Changes in Accounting Policies (continued)

New and amended standards issued but not yet effective

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 remains 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 chosen the retrospective application of IFRS 16 with the cumulative effect of initially applying the standard recognized at the date of initial application. Consequently, the Company will not restate the comparative information. The approach allows for two transition options to measure the right-of-use asset at transition. The Company has chosen that the right-of-use asset will be equal to the lease liability at the date of initial application.

At the time of adoption of the standard on September 1, 2019, the Company anticipates the recognition of a right-of-use asset and a lease liability for a value between \$5,000,000 and \$5,600,000, based on current rates, and an adjustment of \$77,000 will be recorded as a reduction of the deficit at the same time.

IFRIC 23, Uncertainty Over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23, Uncertainty Over Income Tax Treatments (the interpretation). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company completed the analysis of this interpretation and concluded that it will not have a significant impact on its consolidated financial statements.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

5. Trade and Other Receivables

	As at August 31, 2019	As at August 31, 2018
	\$	\$
Trade	4,619,148	3,358,916
Loss allowance	-	(817,823)
Sales taxes receivable	441,189	171,624
Other receivables	54,912	103,568
Total	5,115,249	2,816,285

Loss allowance

	Years ended August 31,	
	2019	2018
	\$	\$
Balance, beginning of year	(817,823)	(940,429)
Additional provisions recognized	(2,347)	-
Amounts recovered during the year	18,568	128,519
Unused amounts reversed during the year	796,240	-
Foreign exchange variance	5,362	(5,913)
Balance, end of year	-	(817,823)

6. Inventories

	As at August 31, 2019	As at August 31, 2018
	\$	\$
Raw materials	2,534,907	2,134,634
Work in progress	1,831,171	1,404,518
Finished goods	766,973	1,680,808
Total	5,133,051	5,219,960

For the year ended August 31, 2019, \$9,369,472 of inventories were expensed in the consolidated statements of loss and comprehensive loss and presented in cost of sales (\$7,044,171 for the year ended August 31, 2018).

Write-downs of inventories amounting to \$131,530 (nil for the year ended August 31, 2018) were included under cost of sales.

Opsens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2019 and 2018

7. Property, Plant and Equipment

	Office furniture and equipment, net of income tax credits of \$3,420	Production equipment, net of income tax credits of \$103,160	Diagnostic and demonstration equipment	Research and development equipment, net of income tax credits and government assistance of \$55,303	Research and development computer equipment, net of income tax credits of \$3,078	Computer equipment	Leasehold Improvements, net of income tax credits of \$44,823	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance as at August 31, 2018	453,004	3,076,424	471,137	1,378,355	74,971	488,731	1,094,419	7,037,041
Additions	92,062	80,943	194,717	107,107	23,992	47,282	119,052	665,155
Disposals	-	-	(122,541)	-	-	-	-	(122,541)
Balance as at August 31, 2019	545,066	3,157,367	543,313	1,485,462	98,963	536,013	1,213,471	7,579,655
Accumulated depreciation								
Balance as at August 31, 2018	189,994	1,366,452	151,513	1,120,982	62,216	420,938	550,097	3,862,192
Disposals	-	-	(46,956)	-	-	-	-	(46,956)
Depreciation	45,034	399,660	112,191	78,874	11,432	49,891	105,067	802,149
Balance as at August 31, 2019	235,028	1,766,112	216,748	1,199,856	73,648	470,829	655,164	4,617,385
Net book value								
as at August 31, 2019	310,038	1,391,255	326,565	285,606	25,315	65,184	558,307	2,962,270

Opsens Inc.

Notes to the consolidated Financial Statements Years ended August 31, 2019 and 2018

7. Property, Plant and Equipment (continued)

	Office furniture and equipment, net of income tax credits of \$3,420	Production equipment, net of income tax credits of \$103,160	Diagnostic and demonstration equipment	Research and Development equipment, net of income tax credits and Government assistance of \$55,303	Research and Development Computer equipment, net of income tax credits of \$3,078	Computer equipment	Leasehold Improvements, net of income tax credits of \$44,823	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance as at August 31, 2017	421,066	2,875,219	435,095	1,188,848	62,363	446,401	1,032,849	6,461,841
Additions	31,938	201,205	149,815	189,507	12,608	42,330	64,275	691,678
Disposals	-	-	(113,773)	-	-	-	(2,705)	(116,478)
Balance as at August 31, 2018	453,004	3,076,424	471,137	1,378,355	74,971	488,731	1,094,419	7,037,041
Accumulated depreciation								
Balance as at August 31, 2017	151,630	956,097	89,319	1,039,112	56,332	344,408	469,533	3,106,431
Disposals	-	-	(42,129)	-	-	-	(2,705)	(44,834)
Depreciation	38,364	410,355	104,323	81,870	5,884	76,530	83,269	800,595
Balance as at August 31, 2018	189,994	1,366,452	151,513	1,120,982	62,216	420,938	550,097	3,862,192
Net book value								
as at August 31, 2018	263,010	1,709,972	319,624	257,373	12,755	67,793	544,322	3,174,849

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

8. Intangible Assets

	Indefinite life – Trademarks	Finite life – Software in progress	Finite life – Software, net of income tax credits of \$1,518	Internally developed Finite life – Patents	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at August 31, 2018	22,317	-	210,655	941,909	1,174,881
Additions	3,665	217,965	112,047	195,900	529,577
Grant recorded against intangible assets (Note 19)	-	(29 000)	-	-	(29 000)
Disposals	-	-	-	(12,290)	(12,290)
Balance as at August 31, 2019	25,982	188,965	322,702	1,125,519	1,663,168
Accumulated amortisation					
Balance as at August 31, 2018	-	-	177,936	371,055	548,991
Amortisation	-	-	26,163	65,121	91,284
Disposals	-	-	-	(4,302)	(4,302)
Balance as at August 31, 2019	-	-	204,099	431,874	635,973
Net book value					
as at August 31, 2019	25,982	188,965	118,603	693,645	1,027,195

	Indefinite life – Trademarks	Finite life – Patents	Finite life – Software, net of income tax credits of \$1,518	Internally developed Finite life – Patents	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at August 31, 2017	21,237	35,060	210,655	842,758	1,109,710
Additions	1,080	-	-	99,151	100,231
Disposals	-	(35,060)	-	-	(35,060)
Balance as at August 31, 2018	22,317	-	210,655	941,909	1,174,881
Accumulated amortisation					
Balance as at August 31, 2017	-	8,970	141,613	311,442	462,025
Amortisation	-	1,752	36,323	59,613	97,688
Disposals	-	(10,722)	-	-	(10,722)
Balance as at August 31, 2018	-	-	177,936	371,055	548,991
Net book value					
as at August 31, 2018	22,317	-	32,719	570,854	625,890

The Company has considered indicators of impairment as at August 31, 2019 and recorded an impairment loss of \$7,988 attributable to patent requests that have not been pursued (\$24,338 for year ended August 31, 2018).

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

9. Authorized Line of Credit

The Company has a revolving operating credit facility for a maximum of \$1,000,000 (the credit limit). The available revolving operating credit is limited to the credit limit and 75% of eligible accounts receivable, plus 50% of eligible inventory, minus priority claims. The aggregate outstanding amount under the revolver may not at any time exceed the credit limit. This revolving operating credit bears interest at the prime rate plus 1% and is repayable on the first anniversary of the date of the agreement. The Company is also allowed to prepay this facility in whole or in part at any time without penalty. It is secured by a first-rank movable hypothec on the universality of receivables and inventories. The credit line was not used as at August 31, 2019 and 2018.

The Company also has credit cards for a maximum of \$100,000 to finance its current operations. The balance used on these credit cards bears interest at a rate of 19.99%.

10. Accounts Payable and Accrued Liabilities

	As at August 31, 2019	As at August 31, 2018
	\$	\$
Suppliers	2,159,323	1,022,843
Salaries, employee benefits and other	798,411	632,449
Other liabilities	1,335,749	1,064,398
Total	4,293,483	2,719,690

11. Deferred Revenues

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 assisted devices. The Company has granted Abiomed an exclusive worldwide license to integrate its miniature pressure sensor in connection with Abiomed's circulatory assisted devices. Under the agreement, Abiomed will pay Opsens an aggregate amount of US\$6,000,000. An amount of \$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. As at August 31, 2019, Opsens completed all its obligations regarding this agreement.

For the year ended August 31, 2019, the Company achieved the last technical milestones 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 \$3,260,725 (US\$2,500,000) (\$1,591,300 (US\$1,250,000) for the year ended August 31, 2018).

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

12. Long-term Debt

	As at August 31, 2019	As at August 31, 2018
	\$	\$
Contributions repayable to Ministère des Finances et de l'Économie (MFE), without interest (effective rate of 9%), repayable in 5 equal and consecutive annual instalments of \$82,718, maturing in February 2020.		
Debt balance	82,718	165,436
Imputed interest	(3,618)	(13,999)
	79,100	151,437
Contributions repayable to Canada Economic Development, without interest (effective rate of 13.5%), repayable in 20 equal and consecutive quarterly instalments of \$15,000, maturing in August 2020.		
Debt balance	60,000	120,000
Imputed interest	(4,531)	(15,660)
	55,469	104,340
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	166,670	200,000
Imputed interest	(33,199)	(49,473)
	133,471	150,527
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 48 monthly instalments of \$18,750, maturing in May 2020. Amounts received are net of transaction costs of \$9,000.	168,336	391,630
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 48 monthly instalments of \$4,500, maturing in February 2022. Amounts received are net of transaction costs of \$2,160.	134,147	187,376
Amounts to be carried forward	570,523	985,310

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

12. Long-term Debt (continued)

	As at August 31, 2019 \$	As at August 31, 2018 \$
Amounts to be carried forward	570,523	985,310
Term loan, bearing interest at prime rate plus 2%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in February 2024 with no principal payment for a 24-month period following the signature of the agreement. The principal is payable in 36 monthly instalments of \$194,444. Amounts received are net of transaction costs of \$87,468.	6,923,802	-
Reimbursed during the year	-	207,802
	7,494,325	1,193,112
Current portion	359,305	539,439
	7,135,020	653,673

The annual principal instalments due on the long-term debt are \$359,305 in 2020, \$1,226,054 in 2021, \$2,376,009 in 2022, \$2,361,417 in 2023 and \$1,171,540 in 2024.

Under the terms and conditions of the agreements on long-term debt with its lenders, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. As at August 31, 2019 and 2018, these financial ratios were met by the Company.

13. 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 bore interest at a rate of 2.0% per annum, payable at maturity. At the holder's option, the convertible debenture could have been 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 was subject to a minimum of \$0.50 and a maximum of \$0.75 per common share (the "conversion price").

The convertible debenture was 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 had been at least \$1.20 and if a minimum of 50,000 common shares had been traded on the TSX Exchange during each of the twenty trading days taken into account in the calculation of the conversion price.

As noted above, the convertible debenture contained 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 was 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 was subsequently accounted for at amortised cost using the effective interest rate method. The embedded derivative was subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized through profit or loss.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

13. Convertible Debenture (continued)

On November 16, 2017, the Company received a notice of conversion from the holder of the convertible debenture. At that date, the debt component was at \$2,816,548 including accrued interest of \$267,545. The debt component was converted into 3,413,333 common shares of the Company at a price of \$0.75 per share and accrued interest was converted into 263,918 common shares of the Company at a price of \$0.97 per share. The embedded derivative had a value of \$1,626,455. These two components were credited to share capital.

14. Shareholders' equity

a) Share capital

During the year ended August 31, 2019, following the exercise of stock options, the Company issued 311,500 common shares (650,750 common shares for the year ended August 31, 2018) for a cash consideration of \$230,402 (\$196,070 for the year ended August 31, 2018). As a result, an amount of \$137,985 was reallocated from "Reserve – Stock option plan" to "Share capital" in shareholders' equity (\$120,437 for the year ended August 31, 2018). Also, 51,149 common shares were subscribed but not issued (nil for the year ended August 31, 2018).

b) Stock options

The shareholders approved the stock option plan on January 24, 2017 because, according to the policies of the TSX Exchange, the stock option plan must be approved by the Company's shareholders every three years. The number of common shares reserved by the Board of Directors for options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The plan is available to the Company's directors, consultants, officers and employees.

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subjected to the price restrictions and other requirements imposed by the TSX Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 1,000,000 stock options (800,000 stock options granted as at August 31, 2018), which were completely vested at grant date. The exercise price of the options is the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of grant.

The compensation expense in regards to the stock option plan for the year ended August 31, 2019 is \$489,179 (\$618,050 for the year ended August 31, 2018).

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

	Years ended August 31,	
	2019	2018
Risk-free interest rate	Between 1.23% and 2.27%	Between 1.44% and 2.20%
Volatility	Between 45.24% and 56.05%	Between 44.09% and 75.49%
Dividend yield on shares	Nil	Nil
Expected life	0 to 5 years	0 to 5 years
Weighted share price	\$0.82	\$0.99
Weighted fair value per option at the grant date	\$0.30	\$0.40

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

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

14. Shareholders' Equity (continued)

b) Stock Options (continued)

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

The table below summarizes the changes to stock options that took place between August 31, 2017 and August 31, 2019:

	Number of options	Weighted- average exercise price
		\$
Outstanding as at August 31, 2017	5,966,250	1.10
Options granted	2,284,500	0.99
Options exercised	(650,750)	0.30
Options expired	(427,250)	1.14
Options cancelled	(1,477,750)	1.24
Outstanding as at August 31, 2018	5,695,000	1.10
Options granted	2,818,500	0.82
Options exercised	(311,500)	0.62
Options expired	(609,750)	0.79
Options cancelled	(588,250)	1.06
Outstanding as at August 31, 2019	7,004,000	1.04
Options exercisable as at August 31, 2019	2,810,813	1.15

The table below provides information on the outstanding stock options as at August 31, 2019:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average remaining contractual life (years)
\$			
0.51 – 0.75	240,000	240,000	0.32
0.76 – 1.00	4,504,250	1,222,063	3.77
1.01 – 1.25	509,000	235,875	4.82
1.26 – 1.50	792,500	446,250	2.66
1.51 – 1.75	958,250	666,625	2.26
1.04	7,004,000	2,810,813	3.26

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

14. Shareholders' Equity (continued)

c) Warrants

The situation of the outstanding warrants and the changes that took place between August 31, 2017 and August 31, 2018 are as follows:

	Number of warrants	Weighted average exercise price
Outstanding as at August 31, 2017	2,380,500	\$ 1.55
Warrants expired	(2,380,500)	1.55
Outstanding as at August 31, 2018	-	-

15. Net Loss per Share

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

	Years ended August 31,	
	2019	2018
	\$	\$
Net loss attributable to shareholders		
Basic and diluted	(1,951,808)	(4,549,484)
Number of shares		
Basic and diluted weighted average number of shares outstanding	90,010,061	88,762,239
Amount per share		
Basic and diluted net loss per share	(0.02)	(0.05)

Stock options 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 excluded from the calculation is presented below:

	Years ended August 31,	
	2019	2018
Stock options	4,663,500	2,433,750

For the years ended August 31, 2019 and 2018, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options 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.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

16. Additional Information on the Consolidated Statements of Cash Flows

	Years ended August 31,	
	2019	2018
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Trade and other receivables	(2,269,964)	1,402,653
Tax credits receivable	57,397	400,749
Inventories	86,909	226,548
Prepaid expenses	(190,009)	(53,050)
Accounts payable and accrued liabilities	1,583,073	(118,650)
Warranty provision	(2,960)	8,510
Deferred revenues	(41,669)	(366,412)
Deferred lease inducements	(95,563)	(78,535)
	(872,786)	1,421,813
<i>Supplementary information</i>		
Grant recorded against intangible assets	29,000	-
Unpaid acquisition of property, plant and equipment	50,886	90,499
Unpaid additions to intangible assets	33,468	3,135
	As at August 31, 2019	As at August 31, 2018
	\$	\$
<i>Cash and cash equivalents</i>		
Cash	1,275,252	1,031,017
Short-term investments	13,580,730	9,855,771
	14,855,982	10,886,788

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

17. Commitments

Leases

The Company leases offices in Quebec City under operating leases expiring on May 31, 2021 and September 30, 2025. The main agreement is renewable for an additional five-year period.

Future payments for the leases required in each of the forthcoming years totalling \$4,147,840 are as follows:

	\$
2020	797,056
2021	780,460
2022	622,018
2023	617,088
2024	631,477
Thereafter	699,741

In 2019, the offices lease expense is \$725,133 (\$775,018 in 2018).

18. Warranty provision

During the normal course of business, the Company replaces defective parts under warranty provision offered at the sale of the products. The term of the warranty is generally 12 months. During the year ended August 31, 2019, the Company recognized an expense of \$119,502 (\$70,000 for the year ended August 31, 2018) for warranty A provision of \$134,460 is recorded for warranty as at August 31, 2019 (\$137,420 as at August 31, 2018). The following table summarizes changes in warranty provision:

	<u>Years ended August 31,</u>	
	2019	2018
	\$	\$
Balance, beginning of year	137,420	128,910
Provisions recognized	119,502	70,000
Unused amounts reversed during the year	(16,000)	-
Amounts used during the period	(106,462)	(61,490)
Balance, end of year	134,460	137,420

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.

19. Government Assistance

Under an agreement reached with the National Research Council Canada with respect to the Industrial Research Assistance Program (IRAP), the Company may receive a non-refundable contribution for a maximum amount of \$500,000 to cover some of its incurred costs to develop a new product. During the year ended August 31, 2019, the Company recorded contributions totalling \$86,567 (nil for the year ended August 31, 2018) which were accounted for against research and development expenses.

Under an agreement reached with the Ville de Québec, the Company may receive a non-refundable contribution for a maximum amount of \$350,000 to cover expenses related to development of a software and sales and marketing expenses. During the year ended August 31, 2019, the Company did not receive any amount (nil for the year ended August 31, 2018). On September 26, 2019, the Company received a payment of \$180,000.

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Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

20. Income Taxes

The reconciliation of the income tax provision calculated using the combined Canadian federal and provincial statutory income tax rate with the income tax provision in the consolidated financial statements is as follows:

	Years ended August 31,	
	2019	2018
	\$	\$
Income tax payable using the combined federal and provincial statutory tax rate (26.6%; 26.7% in 2018)	(519,832)	(1,216,229)
Non-deductible expenses and other	806,064	864,381
Deductible financing fees	(106,265)	(155,537)
Taxable income	(11,098)	(97,954)
Non-taxable income tax credits	(79,205)	(94,847)
Losses carried forward	(89,664)	700,186
Income tax using effective income tax rate	-	-

As at August 31, 2019, the Company has tax losses of approximately \$26,030,400 for federal purposes and \$26,849,400 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	\$	\$
2024	515,000	463,000
2025	42,000	40,000
2026	400	400
2027	1,552,000	1,509,000
2028	641,000	617,000
2029	1,109,000	918,000
2030	500,000	500,000
2031	2,123,000	2,146,000
2032	1,285,000	1,280,000
2033	237,000	239,000
2034	1,091,000	1,125,000
2035	2,513,000	2,510,000
2036	5,759,000	5,493,000
2037	5,447,000	5,427,000
2038	2,912,000	4,308,000
2039	304,000	274,000
	26,030,400	26,849,400

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

20. Income Taxes (continued)

The Company also has undeducted research and development expenses of \$11,224,000 (\$10,204,000 as at August 31, 2018) for federal purposes and \$14,264,000 (\$13,249,000 as at August 31, 2018) for provincial purposes that are deferred over an undetermined period.

Deferred income tax assets related to unclaimed tax losses, financing costs, research and development expenses and others, as well as non-refundable R&D tax credits totalling approximately \$14,586,000 (\$14,032,000 as at August 31, 2018) were not recognized due to the uncertainty about the Company's ability to generate taxable income. In addition, deferred tax liabilities of approximately \$841,000 (\$771,000 as at August 31, 2018) related to federal investment tax credits on research and development expenses were recognized and offset by a deferred income tax asset.

21. R&D Tax Credits

For tax purposes, research and development expenses are detailed as follows:

	Years ended August 31,	
	2019	2018
	\$	\$
Federal	1,238,000	1,305,000
Provincial	1,267,000	1,353,000

These expenses have enabled the Company to become eligible for R&D tax credits reimbursable for the following amounts:

	Years ended August 31,	
	2019	2018
	\$	\$
Federal	-	-
Provincial	297,391	354,788
	297,391	354,788

These credits were recorded in research and development expenses in the consolidated statements of loss and comprehensive loss.

Reimbursable scientific research and experimental development income tax credits earned for the years ended August 31, 2019 and 2018 have not yet been reviewed by the taxation authorities, and the amounts granted could differ from those that have been recorded.

Over the years, the Company qualified for federal R&D tax credits, which were non-refundable and could be used against Part I Company tax. The accumulated credits as at August 31, 2019 are about \$3,172,000 (\$2,908,000 for the year ended August 31, 2018) and expire over a period of 5 to 20 years beginning in 2019.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

22. Segmented Information

Segmented Information

The Company is organized into two segments: Medical and Industrial.

Medical segment: In this segment, Opsens focuses mainly on physiological measurement such as FFR and dPR in interventional cardiology but also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. This also includes licensing revenue related to its optical sensor technology.

Industrial segment: In this segment, Opsens' develops, manufactures and installs innovative fibre optic sensing solutions for critical and 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 business and are measured at the exchange amount, which approximates prevailing prices in the markets.

	Years ended August 31,					
	2019			2018		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	30,334,061	2,417,457	32,751,518	21,949,230	2,120,501	24,069,731
Internal sales	-	66,040	66,040	-	149,210	149,210
Gross margin	17,350,499	1,364,634	18,715,133	11,416,874	1,322,538	12,739,412
Depreciation of property, plant and equipment	748,728	53,421	802,149	728,375	72,220	800,595
Amortisation of intangible assets	75,660	15,624	91,284	82,292	15,396	97,688
Financial expenses (revenues)	(138,855)	295,398	156,543	(320,393)	270,289	(50,104)
Change in fair value of embedded derivative	-	-	-	501,250	-	501,250
Net loss	(1,630,315)	(321,493)	(1,951,808)	(4,240,173)	(309,311)	(4,549,484)
Acquisition of property, plant and equipment	619,766	45,389	665,155	642,054	49,624	691,678
Additions to intangible assets	487,301	13,276	500,577	79,076	21,155	100,231
Segment assets	28,506,354	1,582,129	30,088,483	21,982,087	1,603,809	23,585,896
Segment liabilities	12,357,132	290,615	12,647,747	4,651,422	261,511	4,912,933

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

22. Segmented Information (continued)

Information by geographic segment

	Years ended August 31,	
	2019	2018
	\$	\$
Revenue by geographic segment		
United States	14,016,549	10,250,126
Japan	10,068,564	6,539,888
Canada	2,744,248	1,987,216
Other*	5,922,157	5,292,501
	32,751,518	24,069,731

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

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

During the year ended August 31, 2019, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e., 31% (medical's reportable segment) and 27% (medical's reportable segment).

During the year ended August 31, 2018, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e., 27% (medical's reportable segment) and 25% (medical's reportable segment).

23. Related Party Transactions

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Chief Executive Officer, the Executive Chairman, the Chief Financial Officer, the President of Opsens Solutions Inc., and other vice presidents. Compensation of key management personnel and directors during the year were as follows:

	Years ended August 31,	
	2019	2018
	\$	\$
Short-term salaries and other benefits	923,554	1,239,012
Termination benefits	-	161,098
Option-based awards	131,177	118,086
	1,054,731	1,518,196

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

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

24. Additional Information to the Consolidated Statements of Loss and Comprehensive Loss

Expenses (revenues) by function	Years ended August 31,	
	2019	2018
	\$	\$
Salaries and Other Benefits	12,504,035	11,133,453
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Depreciation of Property, Plant and Equipment	802,149	800,595
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Amortisation of Intangible Assets	91,284	97,688
Administrative		
Research and development		
Government Assistance	(142,177)	(63,466)
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Income Tax Credits for Research and Development	(316,743)	(443,651)
Research and development		

25. Financial Instruments

Fair Value

The fair value of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

The fair value of long-term debt is based on the discounted value of future cash flows under the current financial arrangements at the interest rate the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of long-term debt approximates its carrying value due to the current market rates.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

25. Financial Instruments (continued)

Fair Value (continued)

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

As explained in Note 13, on November 16, 2017, the Company received a notice of conversion from the holder of the convertible debenture. At the date of the conversion, the embedded derivative must be measured at fair value with gains and losses in fair value recognized in the consolidated statements of net loss. The price used to determine the value of the embedded derivative was the difference between the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of the conversion and the conversion price used to determine the common shares issued.

Risk Management

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. The Company's credit risk management policies include the authorization to carry out investment transactions with recognized financial institutions with credit ratings of at least A and higher, in either bonds, money market funds or guaranteed investment certificates. Consequently, the Company manages credit risk by complying with established investment policies.

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 50% of the Company's total accounts receivable as at August 31, 2019 (25% as at August 31, 2018).

As at August 31, 2019, 3% (32% as at August 31, 2018) of the accounts receivable were of more than 90 days whereas 59% (52% as at August 31, 2018) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2019, the allowance for doubtful accounts was nil (\$817,823 as at August 31, 2018).

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash and/or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operational, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. The funding strategies used to manage this risk include the Company's access to capital markets and debt securities issues.

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

25. Financial Instruments (continued)

Risk Management (continued)

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2019 and 2018:

August 31, 2019	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,293,483	4,293,483	4,293,483	-	-
Long-term debt	7,494,325	7,613,137	405,463	1,260,663	5,947,011
Total	11,787,808	11,906,620	4,698,946	1,260,663	5,947,011

August 31, 2018	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,719,690	2,719,690	2,719,690	-	-
Long-term debt	1,193,112	1,276,509	580,052	488,783	207,674
Total	3,912,802	3,996,199	3,299,742	488,783	207,674

Interest Rate Risk

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

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

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments. The Company owns investments with fixed and variable interest rates. As at August 31, 2019, the Company was holding more than 91% (91% as at August 31, 2018) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would have an impact of \$40,176 on net loss and comprehensive loss for the year ended August 31, 2019 (not significant for the year ended August 31, 2018).

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

25. Financial Instruments (continued)

Risk Management (continued)

Financial Expenses (Revenues)

	Years ended August 31,	
	2019	2018
	\$	\$
Interest and bank charges	79,522	68,079
Interest on long-term debt	267,096	75,505
Interest and imputed interest on the convertible debenture (Note 13)	-	14,763
Loss (gain) on foreign currency translation	10,578	(42,170)
Interest income	(200,653)	(166,281)
	156,543	(50,104)

Concentration Risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As at August 31, 2019 and 2018, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases and certain supplies and professional services in U.S. dollars, Euros and British pounds. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

Foreign Currency Sensitivity Analysis

For the year ended August 31, 2019, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been \$1,036,000 higher (\$591,000 higher for the year ended August 31, 2018). Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been \$1,036,000 lower for the year ended August 31, 2019 (\$591,000 lower for the year ended August 31, 2018).

For the year ended August 31, 2019, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been \$284,000 higher (\$345,000 higher for the year ended August 31, 2018). Conversely, if the Canadian dollar had weakened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been \$284,000 lower for the year ended August 31, 2019 (\$345,000 lower for the year ended August 31, 2018).

For the year ended August 31, 2019, if the Canadian dollar had strengthened 10% against the British pound with all other variables held constant, net loss and comprehensive loss would have been \$26,000 higher (not significant for the year ended August 31, 2018). Conversely, if the Canadian dollar had weakened 10% against the British pound with all other variables held constant, net loss and comprehensive loss would have been \$26,000 lower for the year ended August 31, 2019 (not significant for the year ended August 31, 2018).

Opsens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2019 and 2018

25. Financial Instruments (continued)

Risk Management (continued)

Foreign Currency Sensitivity Analysis (continued)

As at August 31, 2019 and August 31, 2018, the risk to which the Company was exposed is established as follows:

	As at August 31, 2019	As at August 31, 2018
	\$	\$
Cash and cash equivalents (US\$616,438; US\$599,807 as at August 31, 2018)	819,554	783,048
Cash and cash equivalents (€ 68,066; € 643 as at August 31, 2018)	99,574	975
Cash and cash equivalents (£ 54,329; £ 11,498 as at August 31, 2018)	87,931	19,467
Trade and other receivables (US\$2,506,505; US\$1,502,031 as at August 31, 2018)	3,332,399	1,960,902
Trade and other receivables (€ 495,207; € 145,249 as at August 31, 2018)	724,438	220,270
Trade and other receivables (£ 49,060; £ 131,788 as at August 31, 2018)	79,404	223,130
Accounts payable and accrued liabilities (US\$1,044,681; US\$526,291 as at August 31, 2018)	(1,388,903)	(687,073)
Accounts payable and accrued liabilities (€ 2,300; € 3,854 as at August 31, 2018)	(3,365)	(5,845)
Accounts payable and accrued liabilities (£ 37,712; £ 4,537 as at August 31, 2018)	(61,037)	(7,682)
Total	3,689,995	2,507,192

26. Capital Management

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

In the past, the Company has had access to liquidity through non-dilutive sources, including the sale of non-core assets, long-term debts, investment tax credits and government assistance, interest income and public equity offerings.

As at August 31, 2019, the Company's working capital amounted to \$21,311,770 (\$16,346,939 as at August 31, 2018), including cash and cash equivalents of \$14,855,982 (\$10,886,788 as at August 31, 2018). The accumulated deficit at the same date was \$40,678,055 (\$41,625,541 as at August 31, 2018). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2019.

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

Opsens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2019 and 2018

26. Capital Management (continued)

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

For the years ended August 31, 2019 and 2018, the Company has not been in default on any of its obligations regarding long-term debt.

27. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 13, 2019.