

Consolidated financial statements

Opsens Inc.

August 31, 2012 and August 31, 2011

Opsens Inc.

August 31, 2012 and August 31, 2011

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Independent auditor's report

To the Shareholders of Opsens Inc.

We have audited the accompanying consolidated financial statements of Opsens Inc., which comprise the consolidated statements of financial position as at August 31, 2012, August 31, 2011 and September 1, 2010, and the consolidated statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years ended August 31, 2012 and August 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.


Independent auditor's report

Opsens Inc.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Opsens Inc. as at August 31, 2012, August 31, 2011 and September 1, 2010, and its financial performance and its cash flows for the years ended August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards.


Deloitte + Touche *accountants*

November 26, 2012

[†] CPA auditor, CA, public accountancy permit No. A112991

Opsens Inc.

Consolidated statements of loss and comprehensive loss

Years ended August 31, 2012 and August 31, 2011

	2012	2011
	\$	\$
Revenues		
Sales	8,461,930	6,005,139
Cost of sales	5,721,529	4,156,897
Gross margin	2,740,401	1,848,242
Expenses (revenues)		
Administrative	2,303,747	2,203,586
Marketing	928,784	659,489
Research and development	1,533,915	1,542,895
Financial income (Note 4)	(96,367)	(88,871)
	4,670,079	4,317,099
Loss before income taxes	(1,929,678)	(2,468,857)
Net loss and comprehensive loss	(1,929,678)	(2,468,857)
Net loss per share (Note 16)		
Basic	(0.04)	(0.05)
Diluted	(0.04)	(0.05)

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

Additional information on the consolidated statements of loss and comprehensive loss is presented in Note 25.

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 25 for more details.

Opsens Inc.

Consolidated statements of changes in equity

Year ended August 31, 2012

	Common shares	Warrants	Stock options	Total	Common shares	Reserve – Warrants	Reserve – Stock option plan	Deficit	Total
	(number)	(number)	(number)	(number)	\$	\$	\$	\$	\$
Balance as at August 31, 2011	47,865,983	2,443,049	4,177,000	54,486,032	15,201,618	2,190,382	1,013,335	(10,979,265)	7,426,070
Options granted (Note 15b)	-	-	1,684,000	1,684,000	-	-	-	-	-
Options cancelled (Note 15b)	-	-	(2,442,000)	(2,442,000)	-	-	-	-	-
Warrants cancelled (Note 15c)	-	(2,443,049)	-	(2,443,049)	-	-	-	-	-
Stock-based compensation (Note 15b)	-	-	-	-	-	-	137,089	-	137,089
Net loss and comprehensive loss	-	-	-	-	-	-	-	(1,929,678)	(1,929,678)
Balance as at August 31, 2012	47,865,983	-	3,419,000	51,284,983	15,201,618	2,190,382	1,150,424	(12,908,943)	5,633,481

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 25 for more details.

Opsens Inc.

Consolidated statements of changes in equity

Year ended August 31, 2011

	Common shares (number)	Warrants (number)	Stock options (number)	Total (number)	Common shares \$	Reserve – Warrants \$	Reserve – Stock option plan \$	Deficit \$	Total \$
Balance as at									
September 1, 2010	47,865,983	2,647,216	4,140,500	54,653,699	15,201,618	2,190,382	851,606	(8,510,408)	9,733,198
Options granted (Note 15b)	-	-	453,000	453,000	-	-	-	-	-
Options cancelled (Note 15b)	-	-	(416,500)	(416,500)	-	-	-	-	-
Warrants cancelled (Note 15c)	-	(204,167)	-	(204,167)	-	-	-	-	-
Stock-based compensation (Note 15b)	-	-	-	-	-	-	161,729	-	161,729
Net loss and comprehensive loss	-	-	-	-	-	-	-	(2,468,857)	(2,468,857)
Balance as at									
August 31, 2011	47,865,983	2,443,049	4,177,000	54,486,032	15,201,618	2,190,382	1,013,335	(10,979,265)	7,426,070

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 25 for more details.

Opsens Inc.

Consolidated statements of financial position

	as of August 31, 2012	as of August 31, 2011	as of September 1, 2010
	\$	\$	\$
Assets			
Current			
Cash and cash equivalents (Note 17)	2,576,586	3,747,320	5,347,801
Trade and other receivables (Note 6)	901,311	585,174	2,055,923
Income tax credits receivable (Note 22)	299,395	269,147	152,080
Work in progress	-	-	40,000
Inventories (Note 7)	1,979,073	1,770,609	1,428,439
Prepaid expenses	138,773	130,644	144,338
Balance of purchase price to be received – short term (Note 11)	-	424,494	428,024
	5,895,138	6,927,388	9,596,605
Balance of purchase price to be received – long-term (Note 11)	-	-	398,013
Property, plant and equipment (Note 8)	813,142	741,648	552,239
Intangible assets (Note 9)	350,185	248,042	166,259
Goodwill (Note 10)	676,574	676,574	676,574
	7,735,039	8,593,652	11,389,690
Liabilities			
Current			
Accounts payable (Note 13)	1,343,905	971,108	1,370,389
Warranty provision (Note 19)	84,273	74,732	31,860
Current portion of long-term debt (Note 14)	166,404	91,355	125,001
	1,594,582	1,137,195	1,527,250
Long-term debt (Note 14)	506,976	30,387	129,242
	2,101,558	1,167,582	1,656,492
Shareholders' equity			
Share capital (Note 15a)	15,201,618	15,201,618	15,201,618
Reserve – Stock option plan (Note 15b)	1,150,424	1,013,335	851,606
Reserve – Warrants (Note 15c)	2,190,382	2,190,382	2,190,382
Deficit	(12,908,943)	(10,979,265)	(8,510,408)
	5,633,481	7,426,070	9,733,198
	7,735,039	8,593,652	11,389,690

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 25 for more details.

Approved by the board

Signed [Jean Lavigueur] director

Signed [Pierre Carrier] director

Opsens Inc.

Consolidated statements of cash flows

Years ended August 31, 2012 and August 31, 2011

	2012	2011
	\$	\$
Operating activities		
Loss before income taxes	(1,929,678)	(2,468,857)
Adjustments for:		
Depreciation of property, plant and equipment	230,124	182,077
Amortization of intangible assets	34,558	25,406
Stock option-based compensation	137,089	161,729
Effect of foreign exchange rate changes on cash held in foreign currency	(19,921)	21,602
Loss (profit) of unrealized foreign exchange	(4,019)	74,576
Net interest income	(62,456)	(141,955)
	(1,614,303)	(2,145,422)
Interest paid	(7,771)	(8,228)
Changes in non-cash operating working capital items (Note 17)	(180,640)	708,797
	(1,802,714)	(1,444,853)
Investing activities		
Acquisition of property, plant and equipment	(301,618)	(371,486)
Acquisition of intangible assets	(136,701)	(107,189)
Proceeds of assets disposal	498,740	477,150
	60,421	(1,525)
Financing activities		
Increase in long-term debt	695,601	13,404
Reimbursement of long-term debt	(143,963)	(145,905)
	551,638	(132,501)
Effect of foreign exchange rate changes on cash held in foreign currency	19,921	(21,602)
Decrease in cash and cash equivalents	(1,170,734)	(1,600,481)
Cash and cash equivalents at beginning	3,747,320	5,347,801
Cash and cash equivalents at end	2,576,586	3,747,320

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

Certain comparative figures have been restated and/or reclassified to conform to the current year IFRS presentation. See notes 2 and 25 for more details.

Additional information on consolidated statements of cash flows is presented in Note 17.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

1. Description of business

Opsens Inc. (the "Company") is incorporated under the *Business Corporation Act* (Quebec). The Company specializes in developing and manufacturing technical and scientific instruments. The Company's head office is located at 125-2014, Cyrille-Duquet, Quebec (Quebec), Canada.

2. Accounting policies, critical accounting estimates and judgments

The Company adopted International Financial Reporting Standard (IFRS) on September 1, 2011. Prior to this adoption, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The financial statements for the year ended August 31, 2012 are the first annual financial statements of the Company prepared in accordance with IFRS as published by the IASB on that same date. The Company prepared its opening Statement of Financial Position as of September 1, 2010. The accounting policies described in Note 2 are the accounting policies that the Company used in preparing its opening Statement of Financial Position.

The significant accounting policies used to prepare these consolidated financial statements are summarized below.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary Opsens Solutions Inc. from the acquisition date.

These consolidated financial statements have been approved by the Board of Directors on November 26, 2012.

Presentation 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 are translated at the exchange rates in effect at the financial position date, non-monetary assets and liabilities are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange gains or losses resulting from translation are carried to earnings.

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

The cost of inventories is essentially determined using the moving average method. The cost of work in progress and finished goods comprises the cost of raw materials and an applicable share of the cost of labour and manufacturing overhead based on normal production capability. Inventories are valued at the lower of cost and net realisable value.

When impairment is recognized, a new assessment of net realisable value is performed in each subsequent period. When the circumstances that justified writing down the inventories below cost no longer exist, or when there is a clear indication of an increase in net realizable value due to a change in the economic situation, the amount of the write-down is reversed such that the new carrying amount is the lower of the cost or the revised net realisable value.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

2. Accounting policies, critical accounting estimates and judgments (continued)

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite lives are recorded at their acquisition cost. Depreciation is recorded using the straight-line method based on estimated useful lives taking into account any residual value, as follows:

Property, plant and equipment

Office furniture and equipment	10 years
Production equipment	7 years
Automotive equipment	7 years
Research and development equipment	7 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Lease term

Intangible assets with finite lives

Patents	Term of underlying patent, 5 to 20 years
Software	3 years

Depreciation methods, residual values and useful lives of property, plant and equipment and intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimates.

Intangible assets with indefinite lives

Intangible assets with indefinite lives are recorded at cost and are tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment in value. The excess of the carrying value over the fair value is recorded in loss.

Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Company's current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of earnings on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

Impairment of long-lived assets

At the end of each reporting period, assets are reviewed for indication of any impairment. In such case, the asset's recoverable value is calculated to establish the amount of the impairment loss, if any. If it is not possible to determine the recoverable value for an individual asset, then the recoverable value of the assets is determined on the basis of its cash generating unit to which the asset belongs.

The recoverable value is the higher of an asset's fair value less the cost to sell and its value in use. Value in use is the present value of estimated future cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the asset for which estimated future cash flows were not adjusted.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

2. Accounting policies, critical accounting estimates and judgments (continued)

Goodwill

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of loss in an amount equal to the excess. Goodwill is not deductible for tax purposes.

Warranty Provision

The Company offers a standard 12-month warranty for the surface materials.

For the downhole materials, Opsens Inc. guarantees that the downhole materials shall be free from defects but given that the downhole environmental conditions are not exactly known, Opsens Inc. does not guarantee the performance of the downhole materials once entered the wellbore. The estimated cost of the warrant is based on the history of defective products and accessories, the probability that these defects will arise and the costs to repair them.

Revenue recognition

Opsens Inc. reportable segment revenues related to the sale of products are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Opsens Solutions Inc. reportable segment revenues related to the sale of products and sensor installation services are recognized when persuasive evidence of an arrangement exists, on-site installation has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. For contract revenues earned over a long period, revenues are recorded using the percentage of completion method. Therefore, these revenues are recognized proportionately with the degree of completion of the work. The Company uses the efforts expended method to calculate the degree of completion of work based on the number of hours incurred as at the balance sheet date compared to the estimated total number of hours. Work in progress is valued by taking into consideration the number of hours worked but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

Stock-based compensation and other stock-based payments

The Company offers a stock option plan which is determined as an equity-settled plan and issues from time to time warrants to certain investors.

The Company uses the fair value method to assess the fair value of stock options or warrants as at their date of allocation. The fair value is determined using the Black-Scholes option pricing model and is recognized through net income over the vesting period with an offset to the corresponding shareholder's equity account. When stock options or warrants are exercised, the corresponding account and the proceeds received by the Company are credited to share capital.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

2. Accounting policies, critical accounting estimates and judgments (continued)

Income taxes

The Company accounts for income taxes using the tax liability method. Under this method, deferred income tax assets and liabilities are recognized for deductible or taxable temporary differences between the carrying value and the tax value of the assets and liabilities based on the enacted or substantially enacted tax rates expected to apply to the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against deferred income tax assets if, based on available information, it is more likely than not that some or all the deferred income tax assets will not be realized.

Government assistance and income tax credits for research and development

Government grants are recorded when there is reasonable assurance that the Company has complied with and will continue to comply with all the conditions of the grant. Non-repayable grants or contributions related to operating expenses are included in the statement of loss when the related expenses are incurred. Grants related to capital expenditures are netted against the related assets when acquired.

The Company is also eligible for income tax credits for scientific research and experimental development (SR&ED) awarded by the federal and provincial governments. The portion of SR&ED credits immediately receivable is accounted for in the year during which the related costs or capital expenses are incurred. The portion of SR&ED credits not immediately receivable is accounted for in the year during which these costs or expenses are incurred, provided the Company has reasonable assurance that these credits will be recovered.

Income tax credits are applied against expenses or related assets. Recorded income tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities.

Loss per share

Loss per share is determined using the weighted average number of outstanding shares during the period. The Company uses the treasury stock method to calculate the diluting effect of share purchase options and warrants. Reconciliations of the numerators and the denominators used in the calculation of the basic and diluted loss are disclosed in accordance with IFRS.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

2. Accounting policies, critical accounting estimates and judgments (continued)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Cash and cash equivalents, accounts receivable and balance of purchase price are classified as loans and receivables. They are recorded at amortized cost using the effective interest method which, at initial recognition, corresponds to fair value.

The Company classifies its financial liabilities (accounts payable, accrued liabilities, and long-term debt) as "other liabilities." Financial liabilities are recorded at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction fees related to "other liabilities" are capitalized and presented against long-term debt. They are amortized using the effective interest rate and are recorded in the income statement.

Critical accounting estimates and judgments

In preparing these consolidated financial statements under IFRS, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgments and key sources of estimation made by management:

- Recoverability of intangible assets and goodwill

The main judgments made by management as part of the impairment test are the following:

- Determining discounted cash flow projections based on management's best estimate of the range of economic conditions that will exist over the remaining useful life of the intangible assets;
- Determining a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Company.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

2. Accounting policies, critical accounting estimates and judgments (continued)

Critical accounting estimates and judgments (continued)

The following are the critical judgments and key sources of estimation made by management: (continued)

- Inventory measurement

On a regular basis, the Company assesses the value of its inventories. The obsolescence and the net realisable value are reviewed on an ongoing basis by management, based on its experience and knowledge of the current market conditions.

- Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

- Government assistance and research and development tax credits

Government assistance is recorded in the 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 assistance. In general, the Company recognizes 80 % of the amount that it expects to receive.

- Warranty provision

The Company estimated warranty provision based on the history of defective products and the probability that these defects will arise and 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 rate as well as the estimated number of options that will ultimately vest.

- Functional currency

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labor, materials and other costs of providing services.

For all these items, relevant accounting policies are discussed in the other parts of Note 2.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

3. Future accounting changes

IFRS 9, *Financial Instruments*, simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of non-derivative financial instruments and its related classification and measurement. IFRS 9 is effective from periods beginning January 1, 2015 with early adoption permitted.

The Company is required to adopt IFRS 9 for the annual period beginning September 1, 2015. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

IFRS 13, *Fair value measurement*, issued in May 2011, establishes a single framework for measuring fair value where such measure is required under other standards. IFRS 13 will be effective for the annual period beginning on January 1, 2013, with earlier application permitted. IFRS 13 will apply for both financial and non-financial items measured at fair value. Under IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company will adopt IFRS 13 for the annual period beginning September 1, 2013. A detailed review will be completed in the future in order to determine if this Standard will have significant impacts.

IFRS 10, *Consolidated Financial Statements*, replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 11, *Joint Arrangements*, replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interest in joint ventures. The new standard requires that such interests be recognized using the equity method. IFRS 11 is effective from periods beginning January 1, 2013 with early adoption permitted.

IFRS 12, *Disclosure of Interests in Other Entities*, is a new and comprehensive standard on disclosures requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles. IFRS 12 is effective from periods beginning January 1, 2013 with early adoption permitted.

IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*, were amended and renamed to be consistent with the publication of IFRS 10, IFRS 11 and IFRS 12. IAS 27 amended and IAS 28 amended are applicable for periods beginning on or after January 1, 2013 with early adoption permitted if the entity early adopts also IFRS 10, IFRS 11 and IFRS 12.

In June 2011, the IASB published an amendment to IAS 19, *Employee Benefits*. As the Company does not provide benefits in the scope of this amendment, there will be no impact.

In June 2011, the IASB also issued an amendment to IAS 1, *Presentation of Items of Other Comprehensive Income* that will be effective for the annual period beginning on July 1, 2012. This amendment provides an option to present comprehensive income in either one single continuous statement or in two separate but consecutive statements. It also requires items of other comprehensive income items to be grouped into those that will and will not be reclassified to profit and loss in the future. Earlier application of this standard is permitted. The Company is currently evaluating the impact of this standard.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

4. Financial instruments

Cash equivalents

The Company is exposed to various types of risks in the management of its cash and cash equivalents, including those related to the use of financial instruments. To manage these risks, controls were put in place, particularly those related to investment policy. The investment policy is approved by the board of directors. The Company's investment policy aims primarily to protect capital, while considering return on investment and income taxes.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the parameters underlying their measurement, particularly interest rates, foreign exchange rates and market prices.

Interest rate risk

Interest rate risk exists when interest rate fluctuations modify the cash flows of the Company's investments. The Company owns investments with fixed interest rates. As of August 31, 2012, the Company was holding more than 49.8% (78.4% as at August 31, 2011; 81.4% as at September 1, 2010) of its cash equivalents in all time redeemable term-deposit.

Financial charges (income)

	2012	2011
	\$	\$
Interest and bank charges	34,500	22,107
Interest on long-term debt	27,634	18,187
Loss (gain) on foreign currency translation	(34,184)	100,880
Interest income	(124,317)	(230,045)
	(96,367)	(88,871)

Credit risk

The use of financial instruments, such as cash and cash equivalents, receivables and balance of purchase price to be received can create a credit risk that is the risk of financial loss resulting from a counterparty's inability or refusal to fully discharge its contractual obligations. 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.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

4. Financial instruments (continued)

Concentration risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As of August 31, 2012, the Company was holding more than 49.8% (78.4% as at August 31, 2011; 81.4% as at September 1, 2010) of its cash equivalents portfolio in all-time redeemable term deposit with the same financial institution.

Operational credit risk

The Company provides credit for a conventional period of 30 days to its customers in the normal course of business. Credit evaluations are performed on an ongoing basis of all its accounts receivable and an allowance for doubtful accounts is recorded when those accounts are deemed uncollectible. Two major customers represent 71.4% of the Company's accounts receivable as at August 31, 2012 (69.7% as at August 31, 2011; 66.1% as at September 1, 2010).

As at August 31, 2012, 25.1% (10.8% as at August 31, 2011; 23.8% as at September 1, 2010) of the accounts receivable were of more than 90 days whereas 60.5% (55.8% as at August 31, 2011; 61.5% as at September 1, 2010) of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On August 31, 2012, the bad debt provision was established at \$21,861 (\$3,082 on August 31, 2011; \$6,110 as at September 1, 2010).

Management considers that substantially all receivables are fully collectible as most of our customers are large corporations with good credit standing and no history of default.

Interest rate and cash flow risk

The Company is exposed to interest rate fluctuations on certain long-term debt that bears interest at variable rates. The Company does not actively manage this risk.

Assuming the cash equivalents and long-term debt as reported on August 31, 2012 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$3,386 on the net loss for the year ended August 31, 2012 (\$589 on the net loss for the year ended August 31, 2011). The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

Foreign exchange risk

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

For the years ended August 31, 2012 and 2011, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been \$39,000 higher (net loss would have been \$6,000 lower for the year ended August 31, 2011). Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have been \$39,000 lower for the year ended August 31, 2012 (net loss would have been \$6,000 higher for the year ended August 31, 2011).

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

4. Financial instruments (continued)

As at August 31, 2012, August 31, 2011 and September 1, 2010, the risk to which the Company was exposed is established as follows:

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Cash (US\$505,784)	498,551	232,191	509,164
Accounts receivable (US\$208,368)	205,388	118,200	501,350
Balance of purchase price to be received (US\$-)	-	424,493	826,037
Accounts payable and accrued liabilities (US\$296,434)	(292,195)	(48,217)	(93,826)
Total	411,744	726,667	1,742,725

Liquidity risk

Liquidity risk represents the possibility of the Company not being able to raise the funds needed to meet financial commitments at the appropriate time and under reasonable conditions. The Company manages this risk by maintaining permanent and sufficient liquidity to meet current and future financial obligations, under both normal and exceptional circumstances. The funding strategies used to manage this risk include turning to capital markets to carry out issues of equity and debt securities.

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2012, August 31, 2011 and September 1, 2010:

August 31, 2012	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,343,905	1,343,905	-	-	-
Long-term debt	837,302	195,523	164,247	327,906	149,626
Total	2,181,207	1,539,428	164,247	327,906	149,626
August 31, 2011	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	971,108	971,108	-	-	-
Long-term debt	140,460	106,040	27,719	6,701	-
Total	1,111,568	1,077,148	27,719	6,701	-

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

4. Financial instruments (continued)

September 1, 2010		0 to 12	1 year to	2 years to	More than
	Total	months	2 years	5 years	5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,370,389	1,370,389	-	-	-
Long-term debt	341,727	154,117	90,039	97,571	-
Total	1,712,116	1,524,506	90,039	97,571	-

Fair value

The fair value of cash and cash equivalents, accounts receivable, short-term balance of purchase price receivable 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.

5. Capital management

The Company uses its capital (long-term debt and share capital) to finance marketing expenses, research and development activities, administrative, working capital and capital assets. Historically, the Company has financed activities through rounds of public and private financing, debt financing as well as government grants.

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

The Company has an authorized line of credit for a maximum amount of \$200,000, \$50,000 of which is available at all times and which does not take into consideration the margining. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds \$100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of ensured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. These ratios also apply to long-term debt valued of \$456,381 as of August 31, 2012 (\$31,749 as of August 31, 2011; \$55,561 as of September 1, 2010). The covenants were met as of August 31, 2012, August 31, 2011 and September 1, 2010. The credit line was not used at the end of any period presented.

The Company also has credit cards for a maximum amount of \$87,000 (\$50,000 as of August 31, 2011 and September 1, 2010) to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

6. Trade and other receivables

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Trade	724,383	542,993	1,938,099
Allowance for doubtful accounts	(21,861)	(3,082)	(6,110)
Taxes receivable	38,075	45,263	28,901
Contributions receivable	160,714	-	95,033
Total	901,311	585,174	2,055,923

Allowance for doubtful accounts variation

	August 31, 2012	August 31, 2011
	\$	\$
Balance at beginning	(3,082)	(6,110)
Unused amounts reversed during the year	-	3,028
Additional provisions recognized	(18,779)	-
Balance at end	(21,861)	(3,082)

7. Inventories

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Raw materials	795,918	753,826	669,149
Finished goods	1,183,155	1,016,783	759,290
Total	1,979,073	1,770,609	1,428,439

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

8. Property, plant and equipment

	Office furniture and equipment	Leased office furniture and equipment	Production equipment	Leased automotive equipment	Research and development equipment, net of income tax credits and grants of \$23,834	Research and development computer equipment, net of income tax credits of \$3,078	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance at August 31, 2011	89,320	8,326	405,209	59,028	828,610	30,599	180,691	92,180	1,693,963
Additions	14,087	-	202,036	-	61,242	380	4,962	18,911	301,618
Balance at August 31, 2012	103,407	8,326	607,245	59,028	889,852	30,979	185,653	111,091	1,995,581
Accumulated depreciation									
Balance at August 31, 2011	49,769	6,757	89,135	35,476	560,253	27,776	149,230	33,919	952,315
Depreciation	7,349	314	76,321	7,066	87,055	1,809	23,846	26,364	230,124
Balance at August 31, 2012	57,118	7,071	165,456	42,542	647,308	29,585	173,076	60,283	1,182,439
Net book value									
at August 31, 2012	46,289	1,255	441,789	16,486	242,544	1,394	12,577	50,808	813,142

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

8. Property, plant and equipment (continued)

	Office furniture and equipment	Leased office furniture and equipment	Production equipment	Leased automotive equipment	Research and development equipment, net of income tax credits and grants of \$23,834	Research and development computer equipment, net of income tax credits of \$3,078	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance at September 1, 2010	85,114	8,326	173,383	59,028	761,751	27,122	167,845	39,908	1,322,477
Additions	4,206	-	231,826	-	66,859	3,477	12,846	52,272	371,486
Balance at August 31, 2011	89,320	8,326	405,209	59,028	828,610	30,599	180,691	92,180	1,693,963
Accumulated depreciation									
Balance at September 1, 2010	43,118	6,365	52,582	25,382	484,324	26,179	111,308	20,980	770,238
Depreciation	6,651	392	36,553	10,094	75,929	1,597	37,922	12,939	182,077
Balance at August 31, 2011	49,769	6,757	89,135	35,476	560,253	27,776	149,230	33,919	952,315
Net book value									
at August 31, 2011	39,551	1,569	316,074	23,552	268,357	2,823	31,461	58,261	741,648
Net book value									
at August 31, 2010	41,996	1,961	120,801	33,646	277,427	943	56,537	18,928	552,239

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

9. Intangible assets

	Indefinite lives – Trademarks	Limited lives – Patents	Limited lives – software, net of income tax credits of \$1,518	Total
	\$	\$	\$	\$
Cost				
Balance at August 31, 2011	200	327,630	49,795	377,625
Additions	-	125,440	11,261	136,701
Balance at August 31, 2012	200	453,070	61,056	514,326
Accumulated depreciation				
Balance at August 31, 2011	-	83,431	46,152	129,583
Depreciation	-	31,271	3,287	34,558
Balance at August 31, 2012	-	114,702	49,439	164,141
Net book value at August 31, 2012	200	338,368	11,617	350,185
	Indefinite lives – Trademarks	Limited lives – Patents	Limited lives – software, net of income tax credits of \$1,518	Total
	\$	\$	\$	\$
Cost				
Balance at September 1, 2010	200	223,485	46,751	270,436
Additions	-	104,145	3,044	107,189
Balance at August 31, 2011	200	327,630	49,795	377,625
Accumulated depreciation				
Balance at September 1, 2010	-	60,921	43,256	104,177
Depreciation	-	22,510	2,896	25,406
Balance at August 31, 2011	-	83,431	46,152	129,583
Net book value at August 31, 2011	200	244,199	3,643	248,042
Net book value at September 1, 2010	200	162,564	3,495	166,259

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

10. Goodwill

The recoverable amount of cash-generating unit (CGU) of Opsens Solutions inc. was determined according to calculations of the value in use. These calculations call upon cash flow projections before income taxes founded on financial budgets approved by management and which cover two periods. Cash flows that go beyond this period are extrapolated using the estimated growth rates presented below. These growth rates do not exceed the average long-term growth rates of the market which the CGU operates.

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	%	%	%
Growth rate	4	4	4
Long-term growth rate	4	4	4
Discount rate	17,9	24,35	30

Management determined the gross margin forecast according to its expectations in terms of market development. The long-term growth rates used are expected market rates. The discount rate is the interest rate used to establish the present value of future cash flows, and the rates used are before income taxes which take into account specific risks in relation to relevant activity sectors.

11. Balance of purchase price to be received

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Balance of purchase price to be received of US\$1,000,000 payable in two amounts of US\$500,000 at the end of each next two years following agreement signature, actualized at an implicit annual rate of 15%	-	353,808	820,216
Imputed interests (at 15% rate)	-	70,686	5,821
	-	424,494	826,037
Balance receivable – short-term	-	424,494	428,024
Balance receivable – long-term	-	-	398,013

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Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

12. Authorized line of credit

The Company has an authorized line of credit for a maximum amount of \$200,000, \$50,000 of which is available at all times and does not take into consideration the margining. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds \$100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of ensured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios (see Note 5). The Company respects these financial ratios as at August 31, 2012, but the credit line was not used at the end of the period.

The Company also has credit cards for a maximum amount of \$87,000 to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

13. Accounts payable

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Suppliers	1,343,905	942,046	734,560
Disposal expenses payable	-	29,062	635,829
Total	1,343,905	971,108	1,370,389

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

14. Long-term debt

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Contributions repayable to Canada Economic Development, without interest, repayable in five equal and consecutive annual instalments effective of \$39,567 and \$20,000, maturing in February 2012 and June 2013			
Debt balance	19,996	79,562	139,129
Imputed interest	(3,772)	(10,044)	(23,448)
	16,224	69,518	115,681
Business Development Bank of Canada (BDC) loan of an authorized amount of \$285,000, bearing interest at the Bank's prime rate plus 2.5%, repayable in monthly principal instalments of \$3,690 and a final payment of \$870 in January 2012, secured by a first-rank movable hypothec in the amount of \$285,000 on the universality of the Company's present and future, tangible and intangible property, subordinated only with respect to trade accounts receivable and inventories provided as security for the operating loans or operating lines of credits, and for which the BDC granted a subordinate clause in favour of Investissement Québec for an amount of \$255,750 on the intellectual property, and by joint and several suretyship of certain shareholders for an amount equal to 25% of the outstanding commitment	-	15,630	59,910
Canada Small Business Financing Act loan, for an authorized amount of \$119,340, bearing interest at the financial institution's prime rate plus 2.75% annually, repayable in monthly principal instalments of \$1,423 until December 2011, secured by a first-rank movable hypothec in the amount of \$119,340 on specific property	-	7,937	31,749
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$1,367, including interest and a final payment of \$1,417, maturing in December 2010	-	-	4,513
Amounts carried forward	16,224	93,085	211,853

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

14. Long-term debt (continued)

	As of August 31, 2012	As of August 31, 2011	As of September 1, 2010
	\$	\$	\$
Amounts carried forward	16,224	93,085	211,853
Capital lease, bearing interest at 10.6%, payable in monthly instalments of \$98, including interest and a final payment of \$486 maturing in March 2010	-	-	1,043
Contributions repayable to Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE), without interest, repayable in five equal and consecutive annual instalments effective of \$49,875, maturing five years after the last disbursement			
Debt balance	249,377	-	-
Imputed interest	(108,409)	-	-
	140,968	-	-
Desjardins Loan, bearing interest at prime rate plus 2.4%, payable in monthly instalments of \$10,905, including interest and a final payment of \$9,286 maturing in February 2016	456,382	-	-
Capital lease, bearing interest at 7.25%, payable in monthly instalments of \$1,029, including interest and a final payment of \$1,029 maturing in September 2016	43,522	-	-
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$140, including interest and a final payment of \$740 maturing in August 2012	864	2,318	3,575
Capital lease, bearing interest at 9.7%, payable in monthly instalments of \$837, including interest and a final payment of \$837 maturing in April 2014	15,420	23,542	30,925
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$375, including interest and a final payment of \$1,650 maturing in August 2012	-	2,797	6,847
	673,380	121,742	254,243
Current portion	166,404	91,355	125,001
	506,976	30,387	129,242

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

14. Long-term debt (continued)

Principal payments required over the next five years are as follows:

	Obligations – Capital lease			Other debts	Debt and principal portion of capital lease
	Total payments	Imputed interest	Principal payments		
	\$	\$	\$	\$	\$
2013	23,249	3,947	19,302	147,102	166,404
2014	19,053	2,364	16,689	130,864	147,553
2015	12,350	1,362	10,988	130,857	141,845
2016	12,350	540	11,810	113,685	125,495
2017	1,023	6	1,017	199,507	200,524

Under the terms and conditions of the agreement on long-term debt with its financial institution, the Company is subject to certain covenants with respect to maintaining minimum financial ratios (see Note 5).

15. Share capital, stock-options and warrants

a) Share capital

Authorized, unlimited number

Common shares, voting and participating, without par value

Outstanding shares and the changes occurred during the year are as follows:

Issued and fully paid

	Number	Amount
		\$
Balance as at September 1, 2010	47,865,983	15,201,618
Balance as at August 31, 2011	47,865,983	15,201,618
Balance as at August 31, 2012	47,865,983	15,201,618

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

15. Share capital, stock-options and warrants (continued)

b) Stock options

The Shareholders approved the stock option plan on January 16, 2012. 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 subject to the price restrictions and other requirements imposed by the TSX Venture Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 510,000 outstanding options granted which are completely vested at grant.

The compensation expense in regards to the stock option plan for the year ended August 31, 2012 is \$137,089 (\$161,729 for the year ended August 31, 2011).

The fair value of options granted in 2012 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	Between 0.93% and 1.25%
Expected volatility	Between 62% and 88%
Expected dividend yield on shares	-%
Duration	5 years
Fair value per option at the grant date	Between \$0.08 and \$0.15

The Black-Scholes options valuation model was developed to estimate the fair value of traded options, which have no vesting restrictions and are fully transferable, a practice which differs significantly from the Company's stock option awards. 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.

The situation of the outstanding stock option plan and the changes that took place between September 1, 2010 and August 31, 2012 are as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding as at September 1, 2010	4,140,500	0.54
Options granted	453,000	0.36
Options cancelled	(416,500)	0.68
Outstanding as at August 31, 2011	4,177,000	0.51
Options granted	1,684,000	0.22
Options forfeited	(1,350,000)	0.47
Options cancelled	(1,092,000)	0.47
Outstanding as at August 31, 2012	3,419,000	0.39
Options exercisable as at August 31, 2012	1,573,313	0.54

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

15. Share capital, stock-options and warrants (continued)

b) Stock options (continued)

The table below provides information on the outstanding stock options as at August 31, 2012:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.20	804,000	100,000	4.72
0.23	870,000	100,000	4.21
0.35	278,000	114,500	3.84
0.36	120,750	67,875	2.83
0.37	181,250	135,938	1.62
0.38	250,000	212,500	3.08
0.40	90,000	67,500	1.27
0.60	50,000	25,000	1.82
0.64	50,000	25,000	1.79
0.72	500,000	500,000	0.28
0.87	215,000	215,000	0.64
1.15	10,000	10,000	2.21
	3,419,000	1,573,313	3.08

c) Warrants

The situation of the outstanding warrants and the changes that took place between September 1, 2010 and August 31, 2012 are as follows:

	Number of warrants	Weighted average exercise price
		\$
Outstanding as at September 1, 2010	2,647,216	1.07
Warrants expired	(204,167)	0.60
Outstanding as at August 31, 2011	2,443,049	1.11
Warrants expired	(2,443,049)	1.11
Outstanding as August 31, 2012	-	-
Warrants exercisable as at August 31, 2012	-	-

i) Warrants expired

During the year ended August 31, 2012, 2,443,049 warrants entitling its holder to acquire one common share of the Company at a average price of \$1.11 per share expired.

During the year ended August 31, 2011, 204,167 warrants entitling its holder to acquire one common share of the Company at a price of \$0.60 per share expired.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

16. Loss per share

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

	2012	2011
	\$	\$
Numerator		
Net loss	(1,929,678)	(2,468,857)
Amount available for calculating the loss per share	(1,929,678)	(2,468,857)
Denominator		
Number of shares		
Weighted average number of shares outstanding	47,865,983	47,865,983
Dilutive effect of stock options and warrants	-	-
Weighted average number of shares outstanding on diluted basis	47,865,983	47,865,983
Amount per share		
Loss per share		
Basic	(0.04)	(0.05)
Diluted	(0.04)	(0.05)

The calculation of dilution effects excludes options and warrants that have an anti-dilutive effect.

For the year ended August 31, 2012, should the Company's basic earnings per share have been positive, some options and warrants, at an exercise price of \$0.20 and \$0.23, would have been dilutive and would have resulted in the addition of 49,582 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

However, should the Company's basic earnings per share have been positive for the year ended August 31, 2011, some options and warrants, at an exercise price of \$0.36 and \$0.37 would have been dilutive and would have resulted in the addition of 6,357 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

17. Additional information on the statements of cash flows

	2012	2011
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	(316,137)	1,470,749
Income tax credits receivable	(30,248)	(117,067)
Work in progress	-	40,000
Inventories	(208,464)	(342,170)
Prepaid expenses	(8,129)	13,694
Accounts payable and accrued liabilities	372,797	(399,281)
Warranty provision	9,541	42,872
	(180,640)	708,797
<i>Cash and cash equivalents</i>		
Cash	1,292,845	808,085
Short-term investments	1,283,741	2,939,235
	2,576,586	3,747,320

18. Commitments

Leases

The Company leases offices in Québec under an operating lease expiring on January 31, 2014. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to \$208,202.

The Company leases offices in Alberta under an operating lease expiring on April 30, 2015. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to \$347,039.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to \$77,228.

Future payments for the leases and other commitments, totaling \$632,469, required in each of the next five years are as follows:

	\$
2013	323,601
2014	212,927
2015	95,941
2016	-
2017	-

In 2012, the offices lease expense is \$295,221 (\$254,296 in 2011).

Licence

Under an exclusive licence with a third party, the Company is committed to provide exclusive distribution of some of its products for a defined territory.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

19. 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. During the year ended August 31, 2012, the Company recognized an expense for \$99,741 (\$59,872 for the year ended August 31, 2011) for guarantees. A provision for \$84,273 was recorded for guarantees as of August 31, 2012 (\$74,732 as at August 31, 2011; \$31,860 as at September 1, 2010). The following table summarizes changes in warranty provision:

	2012	2011
	\$	\$
Balance at beginning	74,732	31,860
Additional provisions recognized	99,741	59,872
Amounts used during the year	(90,200)	(17,000)
Balance at the end	84,273	74,732

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.

20. Government assistance

Under an agreement reached with the Ministère du Développement économique, de l'Innovation et de l'Exportation, the Company was granted non-refundable contribution for an amount of \$100,000 to cover some of its expenses incurred costs for the market development of Opsens products. For the year ended August 31, 2012, the Company recorded contributions totalling \$44,502 and \$23,533 which were accounted respectively against marketing expenses and administration expenses.

Under an agreement reached with the Ministère du Développement économique, de l'Innovation et de l'Exportation, the Company was granted a refundable contribution for an amount of \$413,590 not bearing interest to cover some of its incurred costs to carry out a development of the OptoWire for Fractional Flow Reserve. For the year ended August 31, 2012, the Company recorded for this refundable contribution an amount of \$78,717 against research and development expenses. As at August 31, 2012, an amount of \$164,213 remains to be received under the agreement.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

21. Income taxes

The effective income tax rate of the Company differs from the rate that would have been calculated using the combined statutory tax rate (federal and provincial). The difference is generated as follows:

	2012	2011
	\$	\$
Income tax payable using the combined federal and provincial statutory tax rate (27%; 29% in 2011)	(528,075)	(719,104)
Non-deductible expenses	429,523	424,353
Deductible financing fees	(51,139)	(73,669)
Non-taxable income tax credits	(111,408)	(132,027)
Losses carried forward	261,099	500,447
Income tax using effective income tax rate	-	-

As at August 31, 2012, the Company has tax losses of approximately \$8,150,400 for federal purposes and \$7,838,900 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	\$	\$
2023	515,000	463,000
2024	42,000	40,000
2025	400	400
2027	1,552,000	1,509,000
2028	716,000	692,000
2029	1,404,000	1,214,000
2030	500,000	500,000
2031	2,123,000	2,122,500
2032	1,298,000	1,298,000
	8,150,400	7,838,900

The Company also has undeducted research and development expenses in the amount of \$4,170,000 for federal purposes and \$6,326,000 for provincial purposes that are deferred over an undetermined period.

Deferred income tax assets related to unclaimed tax losses, financing costs and research and development expenses as well as non-refundable scientific research tax credits adding up to approximately \$4,921,000 were not accounted for due to the uncertainty concerning the Company's ability to generate taxable income. In addition, deferred tax liabilities of approximately \$355,246 related to federal investment tax credits, property, plant and equipment were not accounted for because any realization of such liabilities would be offset by a deferred income tax asset.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

22. Income tax credits for scientific research and experimental development

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

	2012	2011
	\$	\$
Federal	1,225,609	1,117,301
Provincial	1,230,765	1,117,301

These expenses have enabled the Company to become eligible for scientific research and experimental development tax credits reimbursable for the following amounts:

	2012	2011
	\$	\$
Federal	-	-
Provincial	327,882	326,154
	327,882	326,154

These credits were recorded in research and development expenses in the statement of loss.

Reimbursable scientific research income tax credits earned for the year ended August 31, 2012 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 to federal income tax credits for scientific research and experimental development, which were non-refundable and could be used against Part I Company tax. The accumulated credits for the year ended on August 31, 2012 are about \$1,360,582 and expire on a period of 10 to 20 years beginning in 2014.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

23. Segmented information

Sector's Information

The Company's reportable segments are strategic business units managed separately as one is focused on developing, producing, and supplying fiber optic sensors (Opsens Inc.) and the other (Opsens Solutions Inc.) is specialized in the commercialization and the installation of optical and conventional sensors for the oil and gas industry.

Same accounting policies are used for both reportable segments. Operations are carried out in the normal course of operations.

	2012			2011		
	Opsens Inc.	Opsens Solutions Inc.	Total	Opsens Inc.	Opsens Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	2,179,251	6,282,679	8,461,930	1,812,047	4,193,092	6,005,139
Internal sales	1,260,182	-	1,260,182	618,977	-	618,977
Depreciation of property, plant and equipment	148,492	81,632	230,124	134,278	47,799	182,077
Amortization of intangible assets	30,425	4,133	34,558	22,065	3,341	25,406
Financial expenses (revenues)	(371,978)	275,611	(96,367)	(311,484)	222,613	(88,871)
Net loss	(1,895,102)	(34,576)	(1,929,678)	(2,120,405)	(348,452)	(2,468,857)
Acquisition of property, plant and equipment	88,871	212,747	301,618	153,401	218,085	371,486
Acquisition of intangible assets	91,943	44,758	136,701	85,724	21,465	107,189
Segment assets	4,741,097	2,993,942	7,735,039	6,021,838	2,571,814	8,593,652

As of September 1, 2010, the segments assets amounted respectively to \$8,345,391 and \$3,044,299 for Opsens Inc. and Opsens Solutions Inc. for total consolidated assets of \$11,389,690.

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

23. Segmented information (continued)

Geographic segment's information

	2012	2011
	\$	\$
Revenue per geographic sector		
Canada	6,396,767	4,332,673
United States	1,297,038	1,020,566
Other	768,125	651,900
	8,461,930	6,005,139

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 year ended August 31, 2012, revenues from two clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 47.4% (Opsens Solutions Inc.'s reportable segment) and 18.2% (Opsens Solutions Inc.'s reportable segment).

During the year ended August 31, 2011, revenues from four clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 35.5% (Opsens Solutions Inc.'s reportable segment), 14.8% (Opsens Solutions Inc.'s reportable segment), 11.8% (Opsens Solutions Inc.'s reportable segment) and 10.0% (Opsens Inc.'s reportable segment).

24. Related-party transactions

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

	2012	2011
	\$	\$
Professional fees to a company		
controlled by a director	34,937	50,511
	34,937	50,511

Fees are incurred for the Company's Fractional Flow Reserve (FFR) activities.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

24. Related-party transactions (continued)

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 President of Opsens Solutions Inc. and other vice presidents. Compensation of key management personnel during the year was as follows:

	2012	2011
	\$	\$
Short-term salaries and other benefits	857,181	812,029
Option-based awards	86,683	-
	943,864	812,029

Share-based value including the amount of the expenses for stock options, accounted for during the year.

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

25. First-time adoption of IFRS

The Company adopted IFRS on September 1, 2011, with a date of transition on September 1, 2010.

The Company's IFRS accounting policies presented in Note 2 have been consistently applied in preparing the consolidated financial statements for the year ended August 31, 2012, the comparative information and the opening consolidated statement of financial position at the date of transition.

The Company has applied the requirements of IFRS 1, *First-Time Adoption of IFRS* ("IFRS 1") in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity and total comprehensive loss are presented in this section and are further explained in the notes that accompany the tables.

First-time adoption exemptions applied

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date with all adjustments to assets and liabilities taken to retained earnings unless certain IFRS 1 optional exemptions are applied from full retrospective application. The Company has applied the following to the optional exemptions and mandatory exceptions to the retrospective application in its opening statement of financial position dated September 1, 2010:

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to retrospectively apply IFRS 2, *Share-based Payments* ("IFRS 2") to equity instruments that were granted subsequent to November 7, 2002, and vested before September 1, 2010. The Company has elected not to apply IFRS 2 to awards that were granted and vested prior to September 1, 2010.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

Deemed costs

IFRS 1 includes an optional exemption that relieves first-time adopters from the requirement to recreate cost information for property, plant and equipment and intangible assets. Given the type of capital assets held, the Company did not use this exemption and accounted for them as at the transition date at their amortized cost in accordance with IAS 16, *Property, Plant and Equipment* ("IAS 16"), rather than at their fair value on this date. The adjustments are explained in the reconciliations thereafter.

Designation of previously recognized financial instruments

IFRS 1 permits first-time adopters to re-designate financial instruments on the transition date. The Company reviewed the classification of its financial instruments and decided to maintain its prior designation under IFRS.

Business combinations

IFRS 1 permits first-time adopters not to retrospectively apply IFRS 3, *Business Combinations* ("IFRS 3") to past business combinations (business combinations that occurred before the date of transition to IFRS and for which purchase price allocation was finalized). For this reason, the Company decided not to retrospectively restate business combinations that occurred prior to September 1, 2010.

First-time adoption mandatory exceptions applied

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of September 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Reconciliations and presentation differences

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the following tables show the total effect of the transition on the Company's Canadian GAAP statement of comprehensive loss and the statement of financial position and show reconciliations of the comprehensive loss and the equity to IFRS, with the resulting differences explained.

Certain presentation differences between Canadian GAAP and IFRS have no impact on reported income or total equity. As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected.

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP.

Impairment tests performed under IAS 36, *Impairment of assets* as of September 1, 2010 and August 31, 2011 did not give rise to any impairment loss.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's statement of financial position and comprehensive income is set out as follows:

Reconciliation of Consolidated Statement of Financial Position as of September 1, 2010

	Canadian GAAP			IFRS	IFRS Accounts
	Balance	IFRS	IFRS	Balance	Balance
	August 31, 2010	Reclassification	Adjustments	September 1, 2010	September 1, 2010
	\$	\$	\$	\$	
Assets					Assets
<i>Current</i>					<i>Current</i>
Cash and cash equivalents	5,347,801	-	-	5,347,801	Cash and cash equivalents
Accounts receivable	2,055,923	-	-	2,055,923	Trade and other receivables
Income tax credits receivable	152,080	-	-	152,080	Investment tax credits receivable
Work in progress	40,000	-	-	40,000	Work in progress
Inventories	1,428,439	-	-	1,428,439	Inventories
Prepaid expenses	144,338	-	-	144,338	Prepaid expenses
Balance of purchase price to be received – short-term	428,024	-	-	428,024	Balance of purchase price to be received – short-term
	9,596,605			9,596,605	
Balance of purchase price to be received – long-term	398,013	-	-	398,013	Balance of purchase price to be received – long-term
Property, plant and equipment	670,059	-	c) (117,820)	552,239	Property, plant and equipment
Intangible assets	175,176	-	c) (8,917)	166,259	Intangible assets
Goodwill	676,574	-	-	676,574	Goodwill
	11,516,427	-	(126,737)	11,389,690	
Liabilities					
<i>Current</i>					
Accounts payable and accrued liabilities	1,402,249	(31,860)	-	1,370,389	Accounts payable
	-	31,860	-	31,860	Warranty provision
Current portion of long-term debt	125,001	-	-	125,001	Current portion of long-term debt
	1,527,250	-	-	1,527,250	
Long-term debt	129,242	-	-	129,242	Long-term debt
	1,656,492	-	-	1,656,492	
Share capital	15,201,618	-	-	15,201,618	Share capital
Stock options	1,065,677	-	a) (214,071)	851,606	Reserve – Stock option plan
Warrants	861,782	e) 1,328,600	-	2,190,382	Reserve – Warrants
Contributed surplus	1,328,600	e) (1,328,600)	-	-	
Deficit	(8,597,742)	-	c) (126,737)		
		-	a) 214,071	(8,510,408)	Deficit
	9,859,935	-	(126,737)	9,733,198	
	11,516,427	-	(126,737)	11,389,690	

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

Reconciliation of Consolidated Statement of Financial Position as of August 31, 2011

	Canadian GAAP August 31, 2011	IFRS Reclassification	IFRS Adjustments	IFRS August 31, 2011	IFRS Accounts August 31, 2011
	\$	\$	\$	\$	
Assets					Assets
<i>Current</i>					<i>Current</i>
Cash and cash equivalents	3,747,320	-	-	3,747,320	Cash and cash equivalents
Accounts receivable	585,174	-	-	585,174	Trade and other receivables
Income tax credits receivable	269,147	-	-	269,147	Investment tax credits receivable
Inventories	1,770,609	-	-	1,770,609	Inventories
Prepaid expenses	130,644	-	-	130,644	Prepaid expenses
Balance of purchase price to be received – short-term	424,494	-	-	424,494	Balance of purchase price to be received – short-term
	6,927,388			6,927,388	
Property, plant and equipment	841,981	-	c) (100,333)	741,648	Property, plant and equipment
Intangible assets	255,422	-	c) (7,380)	248,042	Intangible assets
Goodwill	676,574	-	-	676,574	Goodwill
	8,701,365	-	(107,713)	8,593,652	
Liabilities					
<i>Current</i>					
Accounts payable and accrued liabilities	1,045,840	(74,732)	-	971,108	Accounts payable
	-	74,732	-	74,732	Warranty provision
Current portion of long-term debt	91,355	-	-	91,355	Current portion of long-term debt
	1,137,195	-	-	1,137,195	
Long-term debt	30,387	-	-	30,387	Long-term debt
	1,167,582	-	-	1,167,582	
Share capital	15,201,618	-	-	15,201,618	Share capital
Stock options	1,109,752	e) 141,126	a) (237,543)	1,013,335	Reserve – Stock option plan
Warrants	802,727	e) 1,387,655	-	2,190,382	Reserve – Warrants
Contributed surplus	1,528,781	e) (1,528,781)	-	-	
Deficit	(11,109,095)	-	c) (107,713)		
		-	a) 237,543	(10,979,265)	Deficit
	7,533,783	-	(107,713)	7,426,070	
	8,701,365	-	(107,713)	8,593,652	

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

Reconciliation of Statement of Loss and Comprehensive Loss for the year ended August 31, 2011

	Canadian GAAP Balance	IFRS Reclassification	IFRS Adjustments	IFRS Balance
	\$	\$	\$	\$
Sales	6,005,139	-	-	6,005,139
Cost of sales	4,094,791	72,661	(10,555)	4,156,897
Gross margin	1,910,348	(72,661)	10,555	1,848,242
Expenses (revenues)				
Administrative	2,036,263	175,637	(8,314)	2,203,586
Marketing	645,564	15,982	(2,057)	659,489
Research and development	1,417,037	147,428	(21,570)	1,542,895
Stock option-based compensation	185,201	(185,201)	-	-
Depreciation of property, plant and equipment	199,564	(199,564)	-	-
Amortization of intangible assets	26,943	(26,943)	-	-
Financial income	(88,871)	-	-	(88,871)
	4,421,701	(72,661)	(31,941)	4,317,099
Loss before income taxes	(2,511,353)	-	42,496	(2,468,857)
Net loss and comprehensive loss	(2,511,353)	-	42,496	(2,468,857)

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

As the presentation of the consolidated statements of loss and comprehensive loss are now presented by function, under IFRS, the Company was required to reclassify certain expenses on the face of the consolidated statements of net loss and comprehensive loss to their related function. In addition, the adjustments to the financial statements are as a result of the following changes realized on transition to IFRS:

a) *Share-based payments*

Under Canadian GAAP, forfeitures on stock options were recognized only once the forfeitures were realized. Under IFRS, the Company is required to estimate, at grant date, the number of forfeitures expected to occur during the vesting period. The Company shall not subsequently reverse the amount recognized for services received from an employee if the equity instruments are later forfeited.

The effects on the financial statements of the above adjustments related to share-based payments were as follows:

- i) The adjustments to the statements of financial position as at September 1, 2010 and August 31, 2011 resulted in a decrease in Reserve for Stock option plan and a corresponding decrease in deficit in the amount of \$214,071 and \$237,543, respectively.
- ii) The adjustments to the statement of net loss and comprehensive loss for the year ended August 31, 2011 resulted in the following reclassifications and adjustments:

	Year ended August 31, 2011
	\$
<hr/>	
Stock option-based compensation	185,201
<hr/>	
Cost of sales	15,460
Administrative	113,290
Marketing	13,925
Research and development	19,054
<hr/>	
Stock option-based compensation – IFRS	161,729
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IFRS adjustment	23,472
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As described above, the Company has elected not to apply IFRS 2 to awards that were granted and vested prior to September 1, 2010.

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

b) *Stock option-based compensation, depreciation of property, plant and equipment and amortization of intangible assets*

The Company reclassified depreciation of property, plant and equipment and amortization of intangible assets to cost of sales, administrative expenses, marketing expenses and research and development expenses as following:

	Year ended August 31, 2011
	\$
Depreciation of property, plant and equipment	199,564
Cost of sales	46,646
Administrative	54,033
Research and development	81,398
Depreciation of property, plant and equipment – IFRS	182,077
IFRS adjustments	17,487
	\$
Amortization of intangible assets	26,943
Research and development	25,406
Amortization of intangible assets – IFRS	25,406
IFRS adjustments	1,537

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

25. First-time adoption of IFRS (continued)

c) Reconciliation of Shareholders' equity

	As of August 31, 2011	As of September 1, 2010
	\$	\$
Shareholders' equity under Canadian GAAP, as reported	7,533,783	9,859,935
i) Adjustments to Shareholders' equity under IFRS	(107,713)	(126,737)
Shareholders' equity under IFRS, as reported	7,426,070	9,733,198

- i) The adjustment results from a change in accounting policies for property, plant and equipment. The Company changed its current diminishing balance method for tangible assets for the straight-line method. A retrospective application has been made and the opening balance of Deficit as of September 1, 2010 has been adjusted. As a result, the balance of property, plant and equipment and intangible assets has been reduced by \$126,737 as of September 1, 2010.

d) Reconciliation of Total Comprehensive income

Note	For the year ended on August 31, 2011
	\$
Total Comprehensive loss under Canadian GAAP, as reported	(2,511,353)
Adjustments on net loss	
25a)ii)	23,472
25b)	17,487
25b)	1,537
Total adjustments on net loss	42,496
Total adjustments on comprehensive loss	-
Total Comprehensive loss under IFRS, as reported	(2,468,857)

e) Contributed surplus

The contributed surplus has been reclassified according to the nature of the different elements of which it consists. An amount of \$1,328,600 was recorded in the contributed surplus under Canadian GAAP following the expiry of warrants. This amount has been reclassified in accordance with IFRS requirements as of September 1, 2010. An amount of \$1,387,655 has been reclassified to "Reserve – Warrants" as of August 31, 2011. An amount of \$141,126 has also been reclassified to "Reserve – Stock option plan" as of August 31, 2011.

Opsens Inc.

Notes to the consolidated financial statements August 31, 2012 and August 31, 2011

26. Additional information to the statements of loss and comprehensive loss

Expenses (revenues) included in functions	2012	2011
	\$	\$
Salaries & Other Benefits	4,198,650	3,849,684
Cost of sales		
Administrative		
Marketing		
Research and development		
Depreciation of Property, Plant and Equipment	230,124	182,077
Cost of sales		
Administrative		
Marketing		
Research and development		
Amortization of Intangible Assets	34,558	25,406
Cost of sales		
Administrative		
Marketing		
Research and development		
Government Assistance	(146,752)	(143,536)
Administrative		
Marketing		
Research and development		
Income tax credits for research and development	(327,882)	(326,154)
Research and development		

Opsens Inc.

Notes to the consolidated financial statements

August 31, 2012 and August 31, 2011

27. Subsequent events

Transaction announced on November 19, 2012

On November 19, 2012, the Company announced the granting of distribution and other rights to OptoWire and OptoMonitor, Opsens' products for measuring Fractional Flow Reserve ("FFR"). Under the terms of the agreement, the Company will receive:

- US\$3M for the distribution rights for its FFR products for Japan, Korea and Taiwan, which includes:
 - US\$2M at signing;
 - US\$1M once Opsens gets regulatory approval for its FFR devices in Japan;
- US\$2M in convertible debenture, at signing.

The terms of the Convertible Debenture ("Debenture") provide that the Company will receive US\$2M at signing. The Debenture will bear an interest rate of 2% annually for five (5) years. The Debenture carries a conversion privilege, at the option of the lender, into Common Shares of the Company. If the Debenture is exercised, the outstanding balance, inclusive of interest, will be converted into Units of the Company at a price equal to the U.S. dollar equivalent of the closing price of the Common Shares on the TSX Venture Exchange on the last trading day on which Common Shares were traded immediately preceding the receipt by Opsens of a conversion notice from the holder of the Debenture, subject to a minimum conversion price of \$0.50 and a maximum conversion price of \$0.75 per common share (the "Conversion Price"), provided that in the case of the conversion of the accrued and unpaid interest, the Conversion Price shall not be less than the minimum amount allowable under the policies of the TSX Venture Exchange. The Debenture would also be convertible into Common Shares at the option of Opsens, at the Conversion Price, for a period of 30 days after a period of twenty days when the average weighted closing price of the Common Shares exceeded \$1.20 per Common Share, with an average daily volume in excess of 50,000 common shares.

Grant of stock options

Opsens' Board of Directors also authorized on November 26, 2012 the grant of a total of 80,000 stock options to four Directors, as provided by the Opsens stock option plan adopted by the shareholders on January 16, 2012.

Under the provisions of Opsens' stock option plan, each stock option granted entitles the holder to subscribe to one Opsens' common share at the latest on November 26, 2017 and at a price equal to \$0.24 per share. The stock options granted to the directors entitle the holder to subscribe immediately to Opsens' common shares.