



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2015

The following comments are intended to provide a review and analysis of the results of operations, financial condition and cash flows of Opsens Inc. for the three-month period ended November 30, 2015 in comparison with the corresponding period ended November 30, 2014. In this Management's Discussion and Analysis ("MD&A"), "Opsens", "the Company", "we", "us" and "our" mean Opsens Inc. and its subsidiary. This discussion should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This document was prepared on January 18, 2016. All amounts are in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking statements with respect to the Company. These forward-looking statements, by their nature, require the Company to make certain assumptions and necessarily involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements. Forward-looking statements are not guarantees of performance. These forward-looking statements, including financial outlooks, may involve, but are not limited to, comments with respect to the Company's business or financial objectives, its strategies or future actions, its targets, expectations for financial condition or outlook for operations and future contingent payments. Words such as "may", "will", "would", "could", "expect", "believe", "plan", "anticipate", "intend", "estimate", "continue", or the negative or comparable terminology, as well as terms usually used in the future and conditional, are intended to identify forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on information currently available to it, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business. The forward-looking information set forth therein reflects the Company's expectations as at January 18, 2016 and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

OVERVIEW

Opsens focuses mainly on the measure of Fractional Flow Reserve ("FFR") in interventional cardiology. Opsens offers an advanced optical-based pressure guidewire (OptoWire) that aims at improving the clinical outcome of patients with coronary artery disease. Opsens is also involved in industrial activities. The Company develops, manufactures and installs innovative fibre optic sensing solutions for critical applications such as the monitoring of oil wells and other demanding industrial applications.

In the interventional cardiology field, during fiscal 2015, Opsens has initiated a limited market release of its OptoWire and OptoMonitor and over 1000 clinical uses of the OptoWire were performed. OptoWire provides cardiologists with a guidewire that offers optimal performance to navigate in coronary arteries and cross blockages with ease, while measuring intracoronary blood pressure. This procedure is called measurement of FFR. According to management and industry sources⁽¹⁾, the FFR market was estimated at approximately US\$300 million in 2014 and should exceed US\$1 billion annually in the medium term.

During fiscal 2015, Opsens received approval to commercialize the OptoWire I and OptoMonitor in the U.S., Europe, Japan and Canada. These combined markets represent approximately 85% of the total market worldwide for

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



FFR products. OpSens also received recently approval to commercialize the latest version of the OptoWire ("OptoWire II") in Japan and Europe.

World-renowned cardiologists in several European centers of great reputation have used OpSens' products and have commented on the performance of the OptoWire I, particularly with regards to the absence of measurement drift, constant reliability of the connection and support of the guidewire during percutaneous coronary intervention. Also, OpSens FFR products were featured in interventions broadcasted live during the Cardiovascular Research Technologies Convention held in Washington last February as well as during EuroPCR 2015, which allowed OpSens to demonstrate the performance of its products for the first time to American cardiologists and to a large crowd of European cardiologists.

On June 15, 2015, OpSens announced receipt of the 510(k) clearance from the U.S. Food and Drug Administration (FDA) for the OptoWire and OptoMonitor. This major regulatory milestone allows the Company to commercialize its FFR products in the U.S., the largest market in the world for these types of products. As of November 11, 2015, OpSens announced its FFR products were used for the first time in the United States.

In Japan, OpSens' distributor initiated a limited market release of the FFR products. The OptoWire and OptoMonitor were, since then, used in various centers in Japan. OpSens' FFR products were also presented during a Live Demonstration Course in Yokohama, Japan. That platform features new cardiology practices to Japanese cardiologists to improve treatment and patient health. In November 2015, OpSens announced the receipt of orders worth \$1.2 million for its products from its Japanese distributor.

In Canada, OpSens has been executing its limited market release with its direct sales force following the successful completion of clinical trials on 60 patients. The objectives of the study were to evaluate the ease of use, functionality and security of OpSens' OptoWire and OptoMonitor in patients with ischemic coronary artery disease who were referred for diagnostic angiography.

At this stage, OpSens has signed distribution agreements for Japan and a few other strategic markets. Additional distribution agreements are being negotiated and should be finalized in 2016 and beyond.

In the industrial sector, OpSens' technology, expertise and products can serve several markets including aerospace, geotechnical, infrastructures, oil and gas, mining, laboratories and others. For example, for the monitoring of the integrity of structures ("SHM" for Structural Health Monitoring), qualitative and non-continuous methods have long been used to assess the structures and their ability to perform their function. In the past 10 to 15 years, SHM technologies have emerged, creating new exciting fields within the different branches of engineering. SHM is widely applied to various types of infrastructures and represents solid growth opportunities considering that many countries are entering periods of pent up demand for the construction of various infrastructures ranging from bridges to skyscrapers.

As for the oil and gas market, OpSens provides fiber optic sensor systems that provide reliable real-time pressure and temperature measurements at the bottom of the wells. This information is critical during operations such as Steam Assisted Gravity Drainage ("SAGD"), a process that recovers bitumen from oil sands. Since 2006, SAGD production has seen a compound annual growth rate ("CAGR") of 12%. SAGD is now the preferred technology used in the oil sands and is responsible for 81% of the increase in production between 2012 and 2013.

OpSens' broad portfolio of products and technologies can be adapted to measure various parameters in the most harsh conditions and provide significant advantages in terms of production optimization and reduced risk to the environment and health.

OpSens holds 10 patents and 3 pending patents to protect its pressure guidewire technology and its industrial applications.

FFR MARKET OPPORTUNITY

For the FFR market, Opsens has developed the OptoWire and OptoMonitor, instruments that assess the significance of arterial narrowing (stenosis) resulting from coronary heart disease. Coronary artery disease is a leading cause of death in the developed world and the cost related to the management and treatment of this disease is a significant burden to society. In recent years, the prevalence of coronary heart disease has increased at a rapid pace. According to the American Heart Association ("AHA"), the number of Americans who undergo surgery or cardiovascular operations or procedures has increased to about 7.6 million patients in 2010. Based on health data compiled from over 190 countries, heart disease remains the No. 1 global cause of death with 17.3 million deaths annually based on a report from the AHA "Heart Disease and Stroke Statistics – 2015 Update". That number is expected to rise to more than 23.6 million by 2030.

The benefits of FFR were demonstrated in various clinical studies such as FAME I and FAME II published respectively in 2009 and 2012 in the New England Journal of Medicine. The FAME I study showed that FFR-guided treatment rather than standard angiography alone led to a reduction in mortality, myocardial infarction, readmission for percutaneous coronary intervention and coronary bypass by about 30% after a year. In 2011, the American College of Cardiology Foundation and the AHA established a class IIA recommendation for the use of FFR during angiography, meaning that the proposed procedure or treatment is beneficial, useful and effective. These developments have contributed to the growth of the market. According to management and industry sources' estimates, the global FFR market reached approximately US\$300 million in 2014. Management estimates a potential market of approximately US\$1 billion in the medium term.

INDUSTRIAL MARKET OPPORTUNITY

Structural Health Monitoring market: the opportunities in this market are related principally to strain, load and displacement measurements. The applications are found in geotechnical, civil engineering, energy, aerospace and O&G sectors. Monitoring of civil engineering structures accounts for a large proportion of this market. Only in Europe, there is more than 5 billion square meters of dams and bridges. In the U.S. alone, there are 67,000 unmonitored bridges with an anticipated cost to repair or replace of \$76 billion. New industrial versions of the strain sensor like the extensometer and load cell are the main flagship products for these applications.

Pressure Monitoring Solution market: the opportunities in this market are principally related to absolute and differential pressure measurements. The measure of the pressure is found in many industrial applications of the energy, geotechnical, oil and gas and aerospace sectors. New industrial versions of the pressure sensor and the recent addition of a differential pressure sensor are the main flagship products for these applications.

Traditional Niche Applications market: include niche applications in which Opsens is currently involved like the electro explosive device (EED) application. It also includes applications such as SAGD in Western Canada and laboratories applications (special projects and custom products).

BUSINESS STRATEGY

Opsens' growth strategy is to become a key player in the interventional cardiology market by focussing on the FFR procedure where its products and technologies have competitive advantages. The Company also aims to capitalize on its technologies and products in industrial markets.

The Company's FFR growth strategy will be executed by:

- Gaining market shares in the fast-growing FFR market. In fiscal 2015, for the first time, Opsens has generated revenues from its FFR offering in the limited market release phase. In 2016, Opsens plans to expand sales activities in several markets, which should translate in solid revenue growth. Management believes that FFR is used in over 15% of PCI, but industry analysts suggest that up to 45% of PCI could advantageously be combined with FFR⁽²⁾. Management intends to pursue a comprehensive market development strategy that will highlight the features and distinctive capabilities of the OptoWire and meets regulatory and marketing requirements to gain market share from competitors and contribute to the expansion of the FFR market. Initially, marketing efforts will be focused on the Japanese, U.S., European and Canadian markets.
- Investing in innovation to enhance the existing applications of the Company's technology. The Company's commitment to innovation has been a major driving force behind its success. Opsens is constantly working to improve its intellectual property portfolio and customer value proposition. In the FFR market, OptoWire is designed to provide:
 - Improved measurement reliability and fidelity from OptoWire's no drift⁽³⁾ sensing technology, which is essential to the decision-making process of cardiologists; competing FFR sensing technologies have higher drift levels;
 - Improved connectivity, as OptoWire's connection and measurement accuracy is unaffected by blood contamination and the guidewire can be reconnected easily without compromising measurement accuracy;
 - Improved mechanical performance from key design attributes and product specifications such as torquability and steerability.
- Developing new applications for the Company's medical technology. Opsens plans to leverage its technologies and knowledge in the medical devices field to expand into new markets and increase clinical applications. As the Company pursues opportunities in these new markets, it plans to develop new FFR products and explore product development and marketing partnerships with other leading companies in the sector.
- Expanding and investing in FFR-focused sales force and distribution channels.
 - **Distribution agreements:** Opsens signed an agreement with a leading Japanese medical supplier in November 2012, which provides the Japanese company with distribution rights for the OptoWire in Japan, Korea and Taiwan. In January 2014, this agreement translated into the first regulatory filing towards the commercialization of Opsens' FFR product in Japan. In October 2014, the regulatory approval was obtained allowing Opsens to start the commercialization process in Japan. Opsens plans on continuing to expand its worldwide market penetration by pursuing additional distribution agreements with medical equipment companies to address large market potential opportunities in a cost-effective manner. Opsens also signed other distribution agreements covering various countries in Europe.
 - **Sales force:** Opsens plans to expand its sales force by hiring additional sales personnel for the FFR product commercialization phase. Opsens' objective is to increase its marketing and market penetration in the North American, European and Asian health care sectors, particularly amongst cardiologists and hospitals.

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

(3) Per 60601-2-34 ed3

The Company's growth strategy in the Industrial sector will be achieved by:

- Investing in innovation to enhance applications for the Company's technologies. In the industrial sector, Opsens' pressure and temperature sensors provide more reliable measurements at higher temperatures (up to 300°C) than conventional sensors, and are not affected by electromagnetic interference. Also, Opsens is developing a new version of its pressure sensor that will open new markets in the industrial sector.

NON-IFRS FINANCIAL MEASURE - EBITDAO

The Company quarterly reviews net earnings (loss) and Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based compensation costs ("EBITDAO"). EBITDAO has no normalized sense prescribed by IFRS. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. EBITDAO is defined by the Company as the addition of net earnings (loss), depreciation and amortization, impairment of assets, financial expenses (revenues) and stock-based compensation costs. The Company uses EBITDAO for the purposes of evaluating its historical and prospective financial performance. This measure also helps the Company to plan and forecast for future periods as well as to make operational and strategic decisions. The Company believes that providing this information to investors, in addition to IFRS measures, allows them to see the Company's results through the eyes of management, and to better understand its historical and future financial performance.

Reconciliation of EBITDAO to net earnings (loss)

(In thousands of Canadian dollars)	Three-month period ended November 30, 2015	Three-month period ended November 30, 2014
	\$	\$
Net earnings (loss)	(1,658)	1,162
Financial expenses (revenues)	248	(38)
Depreciation of property, plant and equipment	96	101
Amortization of intangible assets	16	14
Impairment of assets	-	796
EBITDA	(1,298)	2,035
Stock-based compensation costs	77	63
EBITDAO	(1,221)	2,098

The negative variance of EBITDAO for the three-month period ended November 30, 2015 when compared with last year is mainly explained by higher revenues in 2014 arising from the milestone payment of \$1,115,500 (US\$1,000,000) received when the Company obtained Shonin approval in October 2014, by the CE mark approval obtained in November 2014 that allowed the Company to record in the consolidated statement of earnings (loss) and comprehensive income (loss) deferred revenues amounting to \$2,002,000 (US\$2,000,000).

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Three-month period ended November 30, 2015	Three-month period ended November 30, 2014
	\$	\$
Revenues	1,711	4,437
Cost of sales	1,228	929
Gross margin	483	3,508
Gross margin rate	28%	79%
Administrative expenses	733	657
Sales and marketing expenses	476	426
R&D expenses	684	505
Financial expenses (revenues)	248	(38)
Impairment of assets	-	796
	2,141	2,346
Net earnings (loss) and comprehensive income (loss)	(1,658)	1,162
Net earnings (loss) per share – Basic	(0.03)	0.02
Net earnings (loss) per share – Diluted	(0.03)	0.02

Revenues

The Company reported revenues of \$1,711,000 for the three-month period ended November 30, 2015 compared with revenues of \$4,437,000 in the comparative period in 2014, a decrease of \$2,726,000 or 61%.

During the three-month period ended November 30, 2014, the Company recognized non-recurring revenues of \$3,117,500 related to a milestone payment of \$1,115,500 (US\$1,000,000) received from its Japanese distributor upon obtaining Shonin approval and to deferred revenues amounting to \$2,002,000 (US\$2,000,000) (“non-recurring revenues”) recognized in the statement of earnings (loss) and comprehensive income (loss) when the Company received the CE mark approval in Europe.

Revenues in the medical sector totalled \$1,227,000 for the three-month period ended November 30, 2015 compared with \$300,000 for the three-month period ended November 30, 2014. The increase is explained by increased FFR revenues of \$842,000 when compared with last year and by higher other medical revenues of \$85,000.

Revenues in the industrial sector totalled \$484,000 for the three-month period ended November 30, 2015 compared with \$1,019,000 for the three-month period ended November 30, 2014. The decrease in revenues is explained by lower revenues in the oil and gas sector of \$532,000 explained by the difficult economic environment in Alberta, Canada where major producers significantly reduced their investments because of the significant drop in crude oil prices.

Given that a proportion of the Company's revenues is generated in U.S. dollars, fluctuations in the exchange rate affect revenues and net earnings (loss). For the period ended November 30, 2015, the average exchange rate was higher than the previous year, which affected sales positively by \$186,000.

Market acceptance of fiber optic sensors is increasing in the Company's potential markets. However, some sectors, such as oil and gas, are experiencing challenging economic conditions. To address this situation, Opsens downsized and reviewed its business model. Consequently, a partnership was announced during fiscal 2015 with a third party for the installation of its products for the oil and gas market in Western Canada. For the periods ended November 30, 2015 and 2014, pricing fluctuations did not have a significant impact on revenues. During the year ended August 31,

2015, Opsens began the limited market release phase of its FFR products in Europe and in Japan and management expects that the proportion of revenues generated by FFR will increase in upcoming quarters like it did during the quarter ended November 30, 2015.

As at November 30, 2015, the backlog amounted to \$2,095,000 (\$1,131,000 as at August 31, 2015). Despite a slowdown of capital expenditures by major oil and gas producers, significant efforts are being made to increase the backlog and expand the customer base. In addition, the Company will benefit from increased revenues in the medical field resulting from its regulatory clearances in the U.S., Europe, Japan and Canada.

Gross margin

The gross margin on product sales, without taking into consideration the non-recurring revenues, increased for the period ended November 30, 2015 when compared with last year, from \$391,000 to \$483,000. The gross margin percentage decreased from 30% for the three-month period ended November 30, 2014 to 28% for the three-month period ended November 30, 2015. The increase in gross margin is the result of higher revenues, as explained previously. The decrease in the gross margin percentage is explained by costs incurred to increase the manufacturing capacity and by the start of the production of the OptoWire.

Administrative expenses

For the periods ended November 30, 2015 and 2014, administrative expenses were \$733,000 and \$657,000, respectively. The increase is primarily explained by higher rental fees arising from the long-term lease signed by the Company to relocate its medical activities.

Sales and marketing expenses

Sales and marketing expenses were \$476,000 for the three-month period ended November 30, 2015 compared with \$426,000 for the three-month period ended November 30, 2014, an increase of \$50,000. The increase is largely explained by higher tradeshows and travelling expenses when compared with last year due to the limited market release of the FFR products.

Research and development expenses

For the periods ended November 30, 2015 and 2014, research and development expenses were \$683,000 and \$505,000, respectively. The increase is explained by higher headcount and lower grant revenues.

Financial expenses (revenues)

Financial expenses reached \$248,000 for the three-month period ended November 30, 2015 compared with financial revenues of \$38,000 for the three-month period ended November 30, 2014. The increase in the financial expenses during for the period ended November 30, 2015 is explained by a negative variation of the change in fair value of embedded derivative of \$216,000 and by a less favorable exchange rate resulting in a negative impact of \$62,000.

Net earnings (loss)

As a result of the foregoing, net loss for the three-month period ended November 30, 2015 was \$1,658,000 compared with net earnings of \$1,162,000 for the three-month period ended November 30, 2014.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)		As at November 30, 2015	As at August 31, 2015
		\$	\$
Current assets		9,616	11,077
Total assets		11,901	12,763
Current liabilities		3,084	2,584
Long-term liabilities		4,483	4,286
Shareholders' equity		4,334	5,893

Total assets as at November 30, 2015 were \$11,901,000 compared with \$12,763,000 as at August 31, 2015. The decrease is explained by lower cash and cash equivalents of \$2,424,000 arising from the net loss generated during the quarter. This was partly offset by higher property, plant and equipment of \$551,000 resulting from costs incurred to acquire equipments and for leasehold improvements related to the new facility and by higher trade and other receivables of \$575,000 explained by the increase in FFR revenues.

Current liabilities totalled \$3,084,000 as at November 30, 2015 compared with \$2,584,000 as at August 31, 2015. The increase is explained by higher accounts payable and accrued liabilities because of the acquisitions of property, plant and equipment related to the expansion project.

Long-term liabilities totalled \$4,483,000 as at November 30, 2015 compared with \$4,286,000 last year, an increase of \$197,000. The increase is explained by a higher balance of convertible debenture of \$270,000, partly offset by lower deferred revenues of \$91,000.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

The summary below presents the periods in which Opsens published unaudited interim financial statements.

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended November 30, 2015	Three-month period ended August 31, 2015	Three-month period ended May 31, 2015	Three-month period ended February 28, 2015
	\$	\$	\$	\$
Revenues	1,711	1,110	831	2,287
Net loss for the period	(1,658)	(1,811)	(1,355)	(880)
Net loss per share – Basic	(0.03)	(0.03)	(0.02)	(0.01)
Net loss per share – Diluted	(0.03)	(0.03)	(0.02)	(0.01)

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended November 30, 2014	Three-month period ended August 31, 2014	Three-month period ended May 31, 2014	Three-month period ended February 28, 2014
	\$	\$	\$	\$
Revenues	4,437	1,765	1,703	1,118
Net loss for the period	1,162	(549)	(1,022)	(843)
Net loss per share – Basic	0.02	(0.01)	(0.02)	(0.02)
Net loss per share – Diluted	0.02	(0.01)	(0.02)	(0.02)

Historically, the Company's revenues and net earnings (net loss) results have experienced minimal seasonality.

LIQUIDITY AND CAPITAL RESOURCES

In October 2015, to fund its expansion project, the Company entered into three loan agreements for a total amount of \$1,775,000. The first loan agreement, with Desjardins, amounting to \$700,000, bears interest at prime rate plus 2.0%, is payable in monthly instalments of \$14,583, calculated over an amortization period of forty-eight (48) months and will be maturing twelve (12) months following the first disbursement.

The second loan agreement with Desjardins, amounting to a maximum of \$375,000, bears interest at prime rate plus 2.0%, and will be payable upon receipt by the Company of the reimbursement of its 2015 refundable research and development tax credits. This loan agreement will be maturing eighteen (18) months following the first disbursement.

The third loan agreement, with Investissement Québec, amounting to \$700,000, bears interest at prime rate plus 0.25%, is payable in monthly instalments of \$14,583, and will be maturing forty-eight (48) months following the first disbursement.

These loans are secured by various hypothecs on the Company's assets. Under these three loan agreements, the Company will be subject to certain covenants with respect to maintaining certain financial ratios. As of the date of this MD&A, no amount has been paid to the Company under these loan agreements.

On April 15, 2014, the Company announced that it had entered into an agreement with Abiomed in connection with its miniature optical pressure sensor technology for applications in circulatory assist devices. The Company has granted Abiomed an exclusive worldwide license to integrate its miniature pressure sensor in connection with Abiomed's circulatory assist devices. Under the agreement, Abiomed is expected to pay Opsens an aggregate amount

of US\$6 million. Of that amount, US\$1,500,000 (\$1,647,150) was paid upon closing of the deal, while the balance will be disbursed based on the achievement of certain milestones, such as the meeting of certain performance requirements, the filing of regulatory application, the obtaining of regulatory approval and the transfer of manufacturing to Abiomed.

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

The value of one-half of one common share purchase warrant was established at \$0.02, being the difference between the issuing price of \$0.75 per unit and of \$0.73 per common share. Expenses of the offering include underwriting fees of \$595,357 and other professional fees and miscellaneous fees of \$373,991 for total fees of \$969,348.

The Company also issued 805,316 broker warrants as additional compensation, each warrant entitling the holder to purchase one common share at a price of \$0.73 until February 18, 2016. The total issue fees of \$969,348 and the broker warrants value of \$32,213 have been allocated on a pro-rata basis between share capital and the warrants reserve, \$989,015 and \$12,546 respectively, based on the ratio established by their respective values as described above.

On November 19, 2012, the Company announced the granting of distribution and other rights for OptoWire and OptoMonitor. Under the terms of the agreement, the Company received:

- US\$3,000,000 for the distribution rights for Japan, Korea and Taiwan, which includes:
 - a. US\$2,000,000 (\$2,002,000) at signing;
 - b. US\$1,000,000 (\$1,115,500) with the regulatory approval in Japan;
- US\$2,000,000 (\$2,002,000) in a form of a subordinated secured convertible debenture, at signing.

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

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

To secure the repayment of the convertible debenture, a movable hypothec on certain equipment has been given. As at November 30, 2015, the net book value of property, plant and equipment pledged as collateral was nil (\$2,000 as at August 31, 2015). This hypothec will rank second to certain long-term loans of the Company.

As noted above, the convertible debenture contains a conversion option that will result in an obligation to deliver a fixed amount of equity in exchange of a variable amount of convertible debenture when translated in the functional currency of the Company. Consequently, under IAS 32, "Financial Instruments: Presentation", the convertible debenture is accounted for as a compound instrument with a debt component and a separate embedded derivative representing the conversion option. Both the debt and embedded derivative components of this compound financial instrument are measured at fair value on initial recognition. The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss.

The 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 insured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories.

As at November 30, 2015, the Company had cash and cash equivalents of \$4,780,000 compared with \$7,204,000 as at August 31, 2015. Of this amount as at November 30, 2015, \$4,309,000 was invested in highly liquid, safe investments. As at November 30, 2015, Opsens had a working capital of \$6,531,000, compared with \$8,493,000 as at August 31, 2015.

Based on the cash and cash equivalents position, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and/or debt. From a long-term perspective, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section. Changes in cash and cash equivalents position will largely depend on the rate of revenue growth in upcoming quarters.

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Three-month Period Ended November 30, 2015	Three-month Period Ended November 30, 2014
	\$	\$
Operating activities	(2,212)	222
Investing activities	(177)	(32)
Financing activities	(35)	30
Net change in cash and cash equivalents	(2,424)	220

Operating activities

Cash flows used by our operating activities for the three-month period ended November 30, 2015 were \$2,212,000 compared with cash flows generated of \$222,000 for the same period last year. The increase in the cash flows used by our operating activities is explained by the milestone payment of \$1,115,500 received in the first quarter of fiscal 2014 from our Japanese partner and by the negative impact of the changes in non-cash operating working capital items of \$833,000, without taking into consideration the variation of deferred revenues arising from the recognition in the statement of earnings (loss) and comprehensive income (loss) of deferred revenues amounting to \$2,002,000 (US\$2,000,000) ("non-recurring revenues") when the Company received the CE mark approval in Europe in 2014. Finally, the increase in cash flows used by our operating activities is explained by a lower EBITDAO as explained previously.

Investing activities

For the three-month period ended November 30, 2015, cash flows used by our investing activities reached \$177,000 and were used for acquisitions of property, plant and equipment for an amount of \$132,000 and of intangible assets for an amount of \$46,000. Acquisitions of property, plant and equipment were made primarily for our FFR activities.

For the three-month period ended November 30, 2014, cash flows used by our investing activities reached \$32,000 and were used for acquisitions of property, plant and equipment for an amount of \$27,000 and of intangible assets for an amount of \$43,000. This was partly offset by interest income received of \$38,000. Acquisitions of property, plant and equipment were made primarily for our FFR activities.

Financing activities

For the three-month period ended November 30, 2015, cash flows used by our financing activities were \$35,000. The \$56,000 payment on the long-term debt was partially offset by the proceeds from the issuance of share pursuant to the stock option plan of \$21,000.

For the three-month period ended November 30, 2014, cash flows generated by our financing activities reached \$30,000. The proceeds from the issuance of share pursuant to the stock option plan of \$73,000 were partly offset by the \$43,000 payment on the long-term debt.

COMMITMENTS

In June 2015, the Company announced an expansion project to increase the manufacturing capacity and accommodate a growing number of employees. As at November 30, 2015, the Company signed agreements amounting to approximately \$1,045,500 with various suppliers with respect to the expansion project.

SUBSEQUENT EVENTS

On December 23, 2015, the Company completed a public offering for aggregate gross proceeds of \$5,000,000. In connection with the offering, the Company issued a total of 5,681,819 units at a price of \$0.88 per unit. Each unit consists of one common share in the capital stock of Opsens and one-half of one common share purchase warrant, each whole common share purchase warrant entitling the holder thereof to purchase one common share at a price of \$1.20 until June 22, 2017.

In connection with the public offering, the Company paid the agents a cash commission equal to 7% of the gross proceeds of the public offering, excluding proceeds received from purchasers on the president's list. The Company also issued 313,886 broker warrants as additional compensation, each warrant entitling the holder to purchase one common share at a price of \$0.88 until June 22, 2017. Net cash proceeds from the issue were estimated at \$4,424,500 after payment of the agents' commission and expenses of \$575,500.

Concurrently with the public offering, the Company completed a non-brokered private placement offering of 184,400 units at a price of \$0.88 per unit for aggregate gross proceeds of \$162,272. Each units comprises the same terms and conditions than the units issued under the public offering.

INFORMATION BY REPORTABLE SEGMENTS

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

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

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

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

In accordance with IFRS 8, *Operating Segments*, the Company has restated the corresponding information for the three-month period ended November 30, 2014 to reflect the corporate reorganization with the exception of the



information on segment assets and liabilities because the information was not available and the cost to develop it would have been excessive.

The same accounting policies are used for both reportable segments. Operations are carried out in the normal course of operations and are measured at the exchange amount, which approximates prevailing prices in the markets.

	Three-month periods ended November 30,					
	2015			2014		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	1,226,808	484,104	1,710,912	3,417,750	1,019,491	4,437,241
Internal sales	-	95,786	95,786	-	-	-
Depreciation of property, plant and equipment	72,433	24,047	96,480	53,143	14,426	67,569
Amortization of intangible assets	13,919	2,411	16,330	10,045	3,799	13,844
Financial expenses (revenues)	201,776	46,641	248,417	(77,824)	39,801	(38,023)
Net earnings (loss)	(1,284,951)	(373,117)	(1,658,068)	2,672,152	(713,572)	1,958,580
Acquisition of property, plant and equipment	643,321	4,739	648,060	26,036	1,131	27,167
Additions to intangible assets	31,470	5,671	37,141	42,664	-	42,664
Segment assets	9,199,819	2,700,787	11,900,606	N/A	N/A	N/A
Segment liabilities	7,032,965	533,975	7,566,940	N/A	N/A	N/A

The Company's net earnings (loss) per reportable segments reconciles to its consolidated financial statements as follows:

	Three-month periods ended November 30,	
	2015	2014
	\$	\$
Net loss per reportable segments	(1,658,058)	1,958,580
Impairment charge on property, plant and equipment	-	(119,663)
Impairment charge on goodwill	-	(676,574)
Net loss and comprehensive loss	(1,658,058)	1,162,343

Geographic sector's information

	Three-month periods ended November 30,	
	2015	2014
	\$	\$
Revenue per geographic sector		
Japan	798,311	3,178,813
United States	344,270	197,476
Canada	192,585	634,308
Other*	375,746	426,644
	1,710,912	4,437,241

* Comprised of revenues generated in countries for which amounts are individually no significant.

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

During the three-month period ended November 30, 2015, revenues from one client represented individually more than 10% of the total revenues of the Company, i.e. approximately 44% (medical's reportable segment),).

During the three-month period ended November 30, 2014, revenues from one client represented individually more than 10% of the total revenues of the Company, i.e. approximately 70% (medical's reportable segment).

Medical segment

For the three-month period ended November 30, 2015, revenues from the medical segment were \$1,227,000 compared with \$3,418,000 for the three-month period ended November 30, 2014, a decrease of \$2,191,000. The decrease is explained by the non-recurring revenues recognized during the three-month period ended November 30, 2014, as explained previously. This was partly offset by increased FFR revenues of \$842,000.

Gross margin was \$356,000 for the three-month period ended November 30, 2015, compared with \$3,256,000 for the three-month period ended November 30, 2014, a decrease of \$2,900,000. The gross margin percentage decreased from 46% for the three-month period ended November 30, 2014, without taking into consideration the non-recurring revenues, to 29% for the three-month period ended November 30, 2015. The decrease in gross margin percentage, when compared with last year, is explained by additional costs incurred by the Company to increase its manufacturing capacity.

Net loss for the medical segment was \$1,285,000 for the three-month period ended November 30, 2015 compared with net earnings of \$2,672,000 for the same period in 2014. The decrease in net earnings reflects the non-recurring revenues recorded during the first quarter of fiscal 2014 and by higher administrative and sales and marketing expenses.

Industrial segment

For the three-month period ended November 30, 2015, revenues from the industrial segment were \$484,000 compared with \$1,019,000 in 2014, a decrease of \$535,000. The decrease is explained by a decrease in installations of OPP-W when compared to last year, explained by the challenging economic conditions affecting oil and gas producers in Western Canada.

Gross margin was \$127,000 for the three-month period ended November 30, 2015 compared with \$252,000 for the same period in 2014, a decrease of \$125,000. The gross margin percentage for the three-month period ended

November 30, 2015 remained somewhat stable at 26% compared to 25% for the three-month period ended November 30, 2014.

Net loss for the industrial segment was \$373,000 for the three-month period ended November 30, 2015 compared to a net loss of \$714,000 for the three-month period ended November 30, 2014. The decrease in the net loss is explained by lower administrative and sales and marketing expenses, reflecting the effectiveness of the Company's implemented cost reduction measures.

INFORMATION ON SHARE CAPITAL

For the three-month period ended November 30, 2015, the Company granted to some employees a total of 550,000 stock options with an average exercise price of \$0.74 and 93,750 stock options with an average exercise price of \$0.23 were exercised.

For the three-month period ended November 30, 2014, the Company granted to some employees and consultants a total of 400,000 stock options with an average exercise price of \$0.70, cancelled 475,000 stock options with an exercise price of \$0.22, 10,000 stock options with an exercise price of \$1.15 expired and 340,000 stock options with an average exercise price of \$0.22 were exercised.

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

Common shares	66,697,222
Stock options	3,999,000
Warrants	6,597,421
Convertible debenture	3,577,000
Securities on a fully diluted basis	80,870,643

The number of shares that would be issued upon conversion of the debenture may vary depending on various parameters such as the exchange rate and the conversion price per share. In the table above, the conversion was carried out on the assumption that the exchange rate between the U.S. dollar and the Canadian dollar is 1.34 and the conversion price is equal to \$0.75 per share.

No dividend was declared per share for each share class.

CAPACITY TO PRODUCE RESULTS

As discussed in the section "LIQUIDITY AND CAPITAL RESOURCES", the Company has the required financial resources for its short-term operations, to fulfill its commitments, to support its growth plan and for the development of its activities. On a mid-term perspective, it is possible that additional financing, through the issuance of shares or debt financing or any other means of financing, might be required.

During the next year, the activity level should require additional investment in working capital (without taking into consideration the cash and cash equivalents) of approximately \$800,000. On June 25, 2015, Opsens announced a significant expansion to increase the manufacturing capacity and accommodate its growing number of employees. In order to do so, it will move its FFR activities into a new facility. An amount of approximately \$2,600,000 is expected to be invested for leasehold improvements and for production equipment. As of November 30, 2015, an amount of \$650,000 has already been invested in regard of the expansion. An amount of \$900,000 will be financed by the landlord, in addition to the financing already secured by the Company (see section "LIQUIDITY AND CAPITAL RESOURCES").

From the human resources' perspective, there are no vacancies in the major executive positions within the Company. However, additional technical and production personnel as well as sales and marketing personnel will be required to support the expected growth. Taking into account the employment market in Canada, Opsens is confident in its capacity to recruit qualified human resources in a timely fashion.

Regarding the strategy on corporate executive remuneration, it is oriented towards creation of long-term value for the shareholders. Several corporate executives hold an important share and share-purchase option position, with rights to be acquired over a four-year period in order to align shareholders' interest with corporate executives' interest. This long-term vision stimulates innovation and the development of recurrent revenues.

FUTURE ACCOUNTING CHANGES

Future accounting changes, as described in note 4 of the Audited Consolidated Financial Statements for the year ended August 31, 2015, have not materially changed since August 31, 2015 except for the changes in accounting policies described in note 2 to the Condensed Interim Consolidated Financial Statements for the three-month period ended November 30, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

As of November 30, 2015, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements

OTHER INFORMATION

Updated information on the Company can be found on the SEDAR Web site at <http://www.sedar.com>.

On behalf of management,
Chief Financial Officer and Corporate Secretary

(s) Thierry Dumas

January 18, 2016