

## **MANAGEMENT DISCUSSION & ANALYSIS**

Quarterly report for shareholders

Fiscal year ended November 30, 2009

The following comments are intended to provide a review and analysis of the operating results and financial position of Opsens Inc. as of November 30, 2009, and for the three-month period ended this date, in comparison with the corresponding period ended November 30, 2008. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes as of August 31, 2009.

Unless stated otherwise, the interim Management Discussion and Analysis has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on a consolidated basis. This document was prepared on January 12, 2010. All amounts are in Canadian dollars.

This report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not guarantees of our future results, and actual results could differ significantly from those foreseen by such statements due to several factors, including economic conditions, capital expenditures in the measuring instrument sector, currency exchange rate variation, and our ability to manage Opsens successfully under these uncertain conditions. Consequently, the reader should not place undue reliance on these forward-looking statements. These forward-looking statements are only valid as at the date of this document. The Company is under no obligation to revise or update these forward-looking statements in order to reflect the events or circumstances that occur after the date of this analysis, except when it is required by law.

### **CORPORATE OVERVIEW**

Opsens Inc. (the “Company”) is a leading developer, manufacturer, and supplier of a wide range of fiber optic sensors and associated signal conditioners based on proprietary patented and patent-pending technologies. Opsens sensors provide long-term accuracy and reliability in the harshest environments. Opsens provides sensors to measure pressure, temperature, strain, and displacement to original equipment manufacturers (OEM) and end-users in the oil and gas, medical, transformers, and laboratory fields. Opsens provides complete technical support, including installation, training, and after-sales service in conformity with ISO 9001:2008.

Opsens holds three (3) patents and has three (3) patents pending covering its products and technology provided to its markets, giving the Company freedom to operate. With its patented technologies and highly recognized expertise, Opsens meets consumer needs in the medical, oil and gas, high-power transformers, and laboratory markets. Since December 11, 2007, activities in the oil and gas market have been performed by the wholly-owned subsidiary Opsens Solutions Inc. (“Opsens Solutions”), formerly Inflo Solutions Inc.

### **VISION, STRATEGY, AND OUTLOOK**

The worldwide market for fiber optic and conventional sensors is a multi-billion dollar market. The Opsens sales and marketing strategy aims to provide solutions for the various current niche markets and develop specific new markets. The Company’s expertise, know-how, and patented technology are the keys to new production techniques improving the reliability of measuring equipment. Also, the Opsens production technique called MEMS (Micro-Electro-Mechanical-System) encourages penetration into markets traditionally occupied by conventional sensors through higher production volumes and reduced manufacturing costs.

In 2010, Opsens expects revenue from product sales to be higher than a year earlier. The recent order from a major Alberta oil and gas producer to instrument 26 wells with OPP-W fibre optic sensors, and the greater maturity of our products, will contribute significantly to increase revenues.

#### *Disclosures in volatile and uncertain times in the financial markets*

Even in the current economic environment, Opsens continues to execute its business plan, targeting revenue growth in all of its markets. The company continues to hire in human resources to provide its clients with top-quality

products and services. Given the controls in place in each of Opsens' units, the company isn't at this point taking any unusual measures.

Regarding cash management, the private placements that Opsens completed in 2008 and 2009 give the company the financial resources necessary to operate in 2010. The company has not changed its cash management strategy, which aims to protect its financial assets and defer spending that isn't essential to enacting Opsens' business plan in the near to medium term. If Opsens did need to raise money in the future, success would depend on revenue growth.

The accounting estimates used in the financial statements for the period ended November 30, 2009, were not modified for the current uncertain economic environment. These items are receivable tax credits, provisions for contractual guarantees and assumptions tied to the fair value of share options and warrants. Management doesn't anticipate an impact on the company's accounting estimates for fiscal 2010.

*Majors drivers that have changed as a result of the financial crisis*

Credit availability and cost

The availability of credit has decreased as a result of the global financial crisis. Opsens' current assets are enough to execute its current short-term business plan. If additional equity financing is required, current fiscal incentives may help. It is uncertain what the impact of an equity financing on current shareholders would be compared with doing such a financing under more normal market conditions.

Customers

The current period of uncertainty and volatility has not required the company to change its method of dealing with credit, since Opsens' clients are primarily businesses with strong capitalization, distributors and government-related agencies.

Currency fluctuations

As for recent currency fluctuations, an appreciating American dollar against the Canadian dollar generally favours sales figures and gross margins, since most of Opsens' sales are made in U.S. dollars, while a depreciating U.S. dollar has the opposite effect. Additional information is included below under the "Distribution, sales and long-term recurring revenues" and "Capital management" headings.

Commodity prices

The oil and gas market is a strategic one for Opsens. In spite of the recovery in the price of oil and gas, the high volatility of this commodity could affect negatively short-term investments in the oil and gas industry.

Counterparties

Because Opsens' revenues and purchases are diversified, the company doesn't anticipate any significant impact from decreased solvency of certain clients, suppliers and bankers.

**SELECTED CONSOLIDATED FINANCIAL DATA**

(In thousands of Canadian dollars, except for information per share)	Three-month period ended November 30, 2009	Three-month period ended November 30, 2008
	\$	\$
<b>Sales</b>	1,070	612
Cost of revenues	621	422
<b>Gross margin</b>	449	190
Administrative expenses	401	314
Marketing expenses	205	194
R&D expenses	212	205
Financial expenses (income)	25	(76)
Stock option-based compensation	55	67
Amortization of property, plant and equipment	42	36
Amortization of intangible assets	5	5
	945	745
<b>Loss before income taxes</b>	(496)	(555)
Income taxes	-	-
<b>Net loss</b>	(496)	(555)
<b>Net loss per share – Basic</b>	(0.01)	(0.01)
<b>Net loss per share – Diluted</b>	(0.01)	(0.01)

(In thousands of Canadian dollars)	As at November 30, 2009	As at November 30, 2008
	\$	\$
Current assets	4,683	5,104
Total assets	6,233	6,618
Current liabilities	753	968
Long-term debt	235	289
Shareholders' equity	5,245	5,361

No dividend was declared per share for each share class.

On April 8, 2008, the Company completed a private placement of 4,711,126 units at a price of \$0.80 per unit for gross proceeds of \$3,768,901. On June 25, 2009, the Company completed a private placement of 2,916,667 units at a price of \$0.60 per unit for gross proceeds of \$1,750,000.

## SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(In thousands of Canadian dollars)	Three-month period ended November 30, 2009	Three-month period ended August 31, 2009	Three-month period ended May 31, 2009	Three-month period ended February 28, 2009
	\$	\$	\$	\$
Revenues	1,070	591	1,279	606
Net loss for the period	496	719	215	682
Net loss per share – Basic	(0.01)	(0.02)	(0.01)	(0.02)
Net loss per share – Diluted	(0.01)	(0.02)	(0.01)	(0.02)

(In thousands of Canadian dollars)	Three-month period ended November 30, 2008	Three-month period ended August 31, 2008	Three-month period ended May 31, 2008	Three-month period ended February 29, 2008
	\$	\$	\$	\$
Revenues	612	748	890	637
Net loss for the period	555	228	359	403
Net loss per share - Basic	(0.01)	(0.01)	(0.01)	(0.01)
Net loss per share - Diluted	(0.01)	(0.01)	(0.01)	(0.01)

In the first quarter of fiscal 2009, the Company performed leasehold improvements to its Quebec facilities, which temporarily affected production and hence revenues, and increased the Company's loss.

In the second quarter of fiscal 2009, Opsens incurred and recorded expenses related to the planned installation of two OPP-W sensors. The installation was delayed by the client until the third quarter, when the sensors were installed, and the revenue recorded.

## PERFORMANCE INDICATORS

In order to evaluate the Company's performance and generate long-term value for its shareholders, the Company has identified the following financial and non-financial performance indicators:

- 1) Distribution, sales, and long-term recurring revenues;
- 2) Products and innovation;
- 3) Short-term financial performance and cash flows;
- 4) Strategic acquisitions and development of new projects.

### THREE-MONTH PERIODS ENDED NOVEMBER 30, 2009, AND 2008

#### DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

(In thousands of dollars except for percentage data figures)	Three-month period ended November 30, 2009	Three-month period ended November 30, 2008
	\$	\$
Revenues	1,070	612
Growth rate (%)		(74,8)
Gross margin	449	190
Growth rate (%)		(136,3)

The Company reported revenue of \$1,070,000 for the three-month period ended November 30, 2009, compared with \$612,000 in the comparative period, an increase of 74.8%. The growth includes a sales increase of more than \$250,000 in the scientific and military laboratories markets. The growth is attributable to an emphasis on highlighting the added value of our products.

Sales in the oil and gas sector totalled more than \$200,000, compared with \$97,000 in the comparative period. A strong revenue growth is expected in the upcoming quarters for fiscal 2010 given the company's strong backlog.

(In thousands of Canadian dollars except for percentage data figures)	Quarter ended November 30, 2009	Quarter ended November 30, 2009	Quarter ended November 30, 2009	Quarter ended November 30, 2009
	Opsens Inc.'s reportable segment \$	Opsens Solutions Inc.'s reportable segment \$	Eliminations \$	Consolidated financial statements \$
Revenues	958	192	(80)	1,070
Cost of revenues	467	234	(80)	621
Gross margin	491	(42)	-	449
Gross margin rate (%)	51	(22)	-	42

The gross margin and the gross margin rate on product sales rose for the quarter ended November 30, 2009 from the comparative quarter in 2008 because of the increase in sales that helped generate economies of scale. On the other hand, the Opsens Solutions Inc. division generated a negative gross margin because of overhead production costs engaged to face an expected growth in sales in coming quarters.

The company expects the gross margin rate for Opsens Solutions Inc. to go back to its minimum target of 40% next year, as income from this unit increase.

As at November 30, 2009, the backlog amounted to \$2,733,000 compared with a backlog of \$617,000 on August 31, 2009.

Given that a large proportion of the Company's revenue is generated in U.S. dollars, while most costs are incurred in Canadian dollars, fluctuation in the exchange rate affects revenue. For the three-month period ended November 30, 2009, the average exchange rate was higher than the previous year, which affected positively sales by \$10,000.

Market acceptance of fiber optic sensors is increasing in the company's markets, leading to higher sales, despite the recession. That said some sectors, such as high-power transformers, are seeing additional competition. Opsens is addressing the added competition by highlighting the performance characteristics of its products compared with those of its competitors. For the periods ended November 30, 2009 and 2008, pricing fluctuations and new product launches did not have a significant impact on revenues.

## PRODUCTS AND INNOVATION

The Company is constantly working to improve its position in terms of intellectual property and what it can offer to its customers. For the three-month period ended November 30, 2009, the Company focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly oil and gas and medical devices.

Research and development expenses increased to \$212,000 from \$205,000 for the three-month periods ended November 30, 2009 and 2008. The variation reflects an increase in the number of employees and higher prices for R&D supplies.

## SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

### Non-GAAP financial measure - EBITDAO

The Company uses its capital to finance marketing expenses, research and development activities, administrative and 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 quarterly reviews net loss and Earnings before Interest, Taxes, Depreciation, Amortization and Stock option-based compensation "EBITDAO". The EBITDAO has no normalized sense prescribed by the CICA. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. The EBITDAO is defined by the Company as the cash flows from operating activities without taking in consideration changes in non-cash operating working capital items.

Reconciliation of EBITDAO to the Quarterly Results (in Thousand of Canadian dollars)

	<b>Three-month period ended November 30, 2009</b>	Three-month period ended November 30, 2008
	\$	\$
<b>Net loss</b>	<b>(496)</b>	(555)
Financial charges (income)	<b>25</b>	(76)
Amortization of property, plant and equipment	<b>42</b>	36
Amortization of intangible assets	<b>5</b>	5
<b>EBITDA</b>	<b>(424)</b>	(590)
Stock option-based compensation	<b>56</b>	67
<b>EBITDAO</b>	<b>(368)</b>	(523)

### *Net loss*

For the three-month period ended November 30, 2009, net loss totalled \$496,000, compared with \$555,000 a year earlier. This decline in the net loss, as well as the EBITDAO for the first quarter of 2010 compared with the previous quarter, reflects an increase of \$259,000 in gross margin. Administrative expenses and financial expenses negatively affected net loss respectively for \$87,000 and \$101,000.

The results for the next quarters will be strongly influenced by product sales volume. The backlog and the expansion of marketing activities within the oil and gas market following the OPP-W installations performed in 2008 and 2009 should contribute to an increase in EBITDAO.

### *Capital management*

The Company uses its capital to finance marketing expenses, research and development activities, administrative charges, 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 reviews net loss and EBITDAO quarterly.

The Company aims to improve these figures which negatively varied for the period ended November 30, 2009, compared with the same period in 2008. The Company believes that its current liquid assets are sufficient to finance its activities for 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 is not limited by margin requirements. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount 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. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios related to the maintenance of a maximum ratio of 3 to 1 for total debt to equity, and a ratio of at least than 1.5 to 1 for debt to working capital, with a minimum working capital of \$200,000. The covenants were met as of November 30, 2009.

## **INFORMATION BY REPORTABLE SEGMENTS**

### *Segmented information*

The Company's reportable segments are strategic business units managed separately; 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 installation of optical and conventional sensors for the oil and gas industry.

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 value.

	Period ended November 30, 2009			Period ended November 30, 2008		
	Opsens Inc.	Opsens		Opsens Inc.	Opsens	
		Solutions	Total		Solutions	Total
	\$	\$	\$	\$	\$	\$
External sales	878,063	192,290	1,070,353	516,906	94,987	611,893
Internal sales	80,268	-	80,268	20,724	-	20,724
Amortization of property, plant and equipment	36,632	5,750	42,382	33,455	2,324	35,779
Amortization of intangible assets	4,357	387	4,744	5,021	-	5,021
Financial expenses	(4,571)	29,418	24,847	(84,399)	8,044	(76,355)
Net loss	(281,646)	(214,697)	(496,343)	(337,723)	(217,626)	(555,349)
Acquisition of property, plant and equipment	14,592	2,718	17,310	151,223	6,872	158,095
Acquisition of intangible assets	4,694	5,172	9,866	5,875	-	5,875
Segment assets	4,832,914	1,399,739	6,232,653	5,667,590	950,176	6,617,766

*Information by geographic segments*

	Three-month period ended	Three-month period ended
	2009	2008
Revenue per geographic sector	\$	\$
Canada	215,901	115,663
United States	337,962	285,810
Japan	109,350	4,075
France	109,010	298
Others	298,130	206,047
	1,070,353	611,893

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 period ended November 30, 2009, revenues from three clients represent individually more than 10% of the total revenues of the company, i.e. 17.57% (Opsens Inc.'s reportable segment), 13.96% (Opsens Inc.'s reportable segment) and 11.73% (Opsens Inc.'s reportable segment). For the period ended August 31, 2008, revenues from



three clients represented respectively 19.93% (Opsens Inc.'s reportable segment), 17.46% (Opsens Inc.'s reportable segment), and 10.95% (Opsens Inc.'s reportable segment) of the Company's total revenues.

*Administrative expenses*

Administrative expenses were \$401,000 and \$314,000 respectively for the three-month periods ended November 30, 2009, and 2008.

Administrative expenses increased mainly due to a rise in employment levels within the two reportable segments (Opsens Inc. and Opsens Solutions Inc.) and communication expenses. In the coming quarters, administrative expenses should remain relatively stable with the first quarter of 2010.

*Sales and marketing expenses*

Sales and marketing expenses were \$205,000 for the period ended November 30, 2009, compared with \$194,000, for the period ended November 30, 2008, an increase of \$11,000.

Sales and marketing expenses should increase in the coming quarters in relation to the first quarter of 2010 mainly because of our development stage and our emphasis on marketing.

*Financial expenses (income)*

Financial income was \$25,000 for the period ended November 30, 2009, compared with financial expenses of \$76,000 for the same period, the previous year, a difference of \$101,000. The decrease resulted directly from a loss/gain on foreign currency translation compared with the first quarter 2009 in the amount of \$87,000.

*Financing activities cash flow*

On June 25, 2009, the Company completed a private placement of 2,916,667 common shares at a price of \$0.60 a share for gross proceeds of \$1.75 million. Opsens also issued non-transferable warrants to the brokers entitling them to acquire 204,167 common shares of Opsens at \$0.60 a share for a period of 24 months from the closing of the offering. The net proceeds of the private placement will be used for marketing, general working capital purposes and potentially for acquisitions. Opsens will expand its sales and marketing activities and finalize main product development partnerships, which should provide long-term recurring revenues.

*Warrants exercised*

During period ended November 30, 2009, 178,889 warrants entitling their holders to acquire common shares at \$0.80 each were exercised, for a total of \$143,111. The book value of the exercised warrants transferred to share capital was \$63,469.

*Stock options exercised*

During the quarter ended November 30, 2009, 1,250 stock options entitling the holders to acquire common shares at \$0.87 each were exercised, for a total of \$1,088. The book value of the exercised stock options transferred to share capital was \$316.

As at the date of this Management Discussion and Analysis, the following components of shareholders' equity are outstanding:

Common shares	43,578,483
Stock options	2,820,750
Warrants	2,710,620
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Securities on a fully diluted basis	49,109,853

*Investing activities cash flow*

Opsens R&D, production and administrative equipment purchases amounted to \$17,000 for the period ended November 30, 2009. These acquisitions were made primarily to gain access to space and high-tech R&D and production equipment.

As for intangible assets, Opsens invested \$10,000 for the period ended November 30, 2009. These investments involved software and patent protection for the Company's inventions.

*Cash and cash equivalents*

On November 30, 2009, the Company had cash and cash equivalents of \$2,120,000, compared with \$2,887,000 as of August 31, 2009. Of this amount as at November 30, 2009, \$1,878,000 was invested in highly liquid, safe investments. The Company also has an available line of credit in the amount of \$200,000. This line of credit incurs interest at prime +2%. The restrictive clauses of the Company's financial institution are respected.

*Financial position*

As at November 30, 2009, Opsens had working capital of \$3,930,000, compared with working capital of \$4,228,000 on August 31, 2009. Based on the private placement completed on June 25, 2009, the exercised warrants, its cash and cash equivalents, its working capital, and its order backlog, 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 debt. In the long term, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section. Fluctuation in cash assets will depend particularly on the rate of revenue growth, for the four coming quarters.

For the coming quarters, widespread sales growth should require the Company to make an additional investment of a few hundred thousand dollars in accounts receivable and inventory.

*Commitments*

- Leases

The Company leases office space 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 \$493,846.

Opsens Solutions Inc. rents three vehicles under operating lease expiring in November 2010, September 2013, and October 2013. Future rent payments will amount to \$75,096.

Future payments for the leases and other commitments, totalizing \$704,942, required in the next twelve-month periods are as follows:

	\$
2009	231,677
2010	173,757
2011	138,257
2012	136,497
2013	24,754

- Licence

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

- Related-party transactions

No related parties' transactions were registered for the periods ended November 30, 2009 and 2008.

#### *Financial instruments*

##### *Cash equivalents and temporary investments*

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 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 November 30, 2009, the Company was holding 88.6% of its cash equivalents portfolio in term deposits redeemable at any time.

##### Details of financial charges (income)

	2009	2008
	\$	\$
Interest and bank charges	<b>3,988</b>	4,758
Interest on long-term debt	<b>7,416</b>	7,557
Loss (Gain) on foreign currency translation	<b>26,899</b>	(59,909)
<u>Interest income</u>	<u><b>(13,456)</b></u>	<u>(28,761)</u>
	<b>24,847</b>	(76,355)

##### *Credit Risk*

The use of financial instruments can create a credit risk that is the risk of financial loss resulting from 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.

*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 November 30, 2009, the Company was holding more than 88.6% of its cash equivalents portfolio in term deposits redeemable at any time.

*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. Four major customers represent 61.61% of the Company's accounts receivable as at November 30, 2009.

As at November 30, 2009, 8.19% of accounts receivable were older than 90 days, while 41.93% were less than 30 days old. The maximum exposure to the risk of credit for receivable corresponded to their book value. On November 30, 2009, the bad debt provision was established at \$14,678 (\$14,678 on August 31, 2008).

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 November 30, 2009, had been the same throughout the period, a hypothetical 1% interest rate increase would have an impact of \$371. The net result 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 certain supplies and professional services in U.S. dollars. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

For the years ended November 30, 2009 and 2008, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, after-tax net loss and other comprehensive income would have been \$47,000 and \$26,000 higher, respectively. Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar, with all other variables held constant, after-tax net loss and other comprehensive income would have been \$47,000 and \$26,000 lower for the same periods.

As at November 30, the risk to which the Company was exposed is established as follows:

	\$
Cash	213,830
Accounts receivable	606,963
Accounts payable and accrued liabilities	(183,316)
<b>Total</b>	<b>637,477</b>

*Fair value*

The fair value of cash and cash equivalents, accounts receivable, income tax credits receivable and accounts payable and accrued liabilities approximate 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.

### *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 November 30, 2009:

	Total	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	615,519	615,519	-	-	-
Long-term debt	407,567	151,875	136,437	119,255	-
Obligation under capital lease	81,499	33,904	18,433	29,162	-
Commitments	704,942	231,677	173,757	299,508	-
<b>Total</b>	<b>1 809,527</b>	<b>1 032,975</b>	<b>328,627</b>	<b>447,925</b>	

### **STRATEGIC ACQUISITIONS AND NEW PROJECT DEVELOPMENT**

In its business plan, Opsens has identified means to grow through acquisitions. To maximize value creation for shareholders and depending on opportunities, Opsens could make strategic acquisitions. The Company remains ready for opportunities that may arise at any moment.

### **CAPACITY TO GENERATE RESULTS**

As we explained in the section relative to financial position, Opsens has the financial resources for its short term operations, for the fulfillment of commitments, for the maintenance of its growth plan and for its development activities. On a mid-term perspective, it is possible that additional financing through the issuance of shares or debt financing may be required.

During the next quarters, the generalized growth in sales should require an additional investment of a few additional hundreds of thousands of dollars in accounts receivable and inventories. Also, investments in capital of a few hundreds of thousands of dollars will be needed to respond to Opsens' operational needs.

From the point of view of human resources, the main corporate executive positions are filled within the Company. However, additional production personnel will be required in Quebec and Alberta. Taking into account the employment market in Canada, Opsens is confident of 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' interests with corporate executives' interests. This long-term vision stimulates innovation and the development of recurrent revenues.

## CHANGES IN ACCOUNTING POLICIES

### *Changes applied for the fiscal year ended August 31, 2010*

On September 1, 2009, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

- a) Section 3064, “Goodwill and intangible assets”, replacing Section 3062, “Goodwill and other intangible assets” and Section 3450, “Research and development costs”. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning September 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company adoption of this new Section did not have a material impact on its interim and annual consolidated financial statements.

### *Changes applied for the fiscal year ended August 31, 2009*

On September 1, 2008, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) regarding “Capital Disclosures” (Section 1535), “Inventories” (Section 3031), “Instruments – Disclosures” (Section 3862) and “Financial Instruments – Presentation” (section 3863). The new standards were applied without restatement of comparative financial statements.

#### *Inventories*

Section 3031 provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Since this standard came into effect, the Company has been recording its raw materials inventory at the lower of cost and net realizable value. In the past, the Company recorded raw materials inventory at the lower of cost and replacement value. This new policy has no impact on the current consolidated financial statements.

#### *Capital Disclosures*

Section 1535 “Capital Disclosures”, established standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure requirements of the entity’s objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. Since the standard came into effect, the Company has been presenting relevant information about capital management in the “Capital Management” note.

#### *Financial Instruments*

Sections 3862 and 3863 place heightened importance on disclosure, enabling financial statement users to assess the nature and extent of the risks associated with the financial instruments to which the Company is exposed and the manner in which it manages these risks.

#### *Future accounting changes*

The CICA has issued new accounting standards:

- a) In January 2009, the CICA issued Handbook Section 1582, Business Combinations, replacing Section 1581, Business Combinations. The Section establishes standards for the accounting for a business combination.

It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. As this section is consistent with IFRS, it will be applied in accordance with our IFRS conversion framework.

- b) In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, non-controlling interests, which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. As these sections are consistent with IFRS, they will be applied in accordance with our IFRS conversion framework.

#### *International Financial Reporting Standards*

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will converge to International Financial Reporting Standards ("IFRS") over a transition period that is expected to be complete by 2011. On February 13, 2008, the CICA confirmed 2011 as the official changeover date from current Canadian GAAP to IFRS. The changeover date applies to the annual and interim financial statements beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules.

The Company is currently assessing the future impact of these new standards on its financial information systems and its consolidated financial statements.

#### **RISK FACTORS AND UNCERTAINTIES**

Opens operates in an industry that is subject to various risks and uncertainties. The Company's business, financial position, and operating results could be impacted negatively by these risks and uncertainties. The most important risks and uncertainties are described in the management discussion and analysis for the year ended August 31, 2009.

#### **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 Secretary

*(s) Louis Laflamme*

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January 20, 2010