Interim Consolidated Financial Statements

Opsens Inc.

Periods ended May 31, 2008 and 2007

Notice

These interim consolidated financial statements have not been reviewed by the Company's external auditors.

Opsens Inc.
May 31, 2008

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Opsens Inc.

Consolidated Statements of Loss and Comprehensive Income
Periods ended May 31, 2008 and 2007

(unaudited)	Third quarter		Nine months	
	2008	2007	2008	2007
	$	$	$	$
Sales	890,190	186,712	2,096,172	626,013
Cost of sales	494,533	173,816	1,157,718	487,869
Gross margin	395,657	12,896	938,454	138,144
Expenses (income)				
Administrative	313,350	285,197	853,089	705,286
Marketing	221,984	248,750	551,685	660,707
Research and development	185,125	155,937	533,891	481,055
Depreciation of property, plant and equipment	25,946	19,277	65,277	50,281
Amortization of intangible assets	6,299	5,970	25,272	24,178
Amortization of deferred financing costs	-	465	-	9,498
Financial	2,021	(2,377)	18,169	(10,803)
	754,725	713,219	2,047,383	1,920,202
Loss before income taxes	(359,068)	(700,323)	(1,108,929)	(1,782,058)
Income taxes	-	-	-	-
Net loss and comprehensive income	(359,068)	(700,323)	(1,108,929)	(1,782,058)
Net loss per share (note 5)				
Basic	(0.01)	(0.02)	(0.03)	(0.06)
Diluted	(0.01)	(0.02)	(0.03)	(0.06)

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

Opsens Inc.

Consolidated Statements of Deficit
Periods ended May 31, 2008 and 2007

(unaudited)	Third quarter		Nine months	
	2008	2007	2008	2007
	$	$	$	$
Balance at beginning	5,263,319	3,355,862	4,587,145	1,757,494
Net loss	359,068	700,323	1,108,929	1,782,058
	5,622,387	4,056,185	5,696,074	3,539,552
Changes in accounting policies (Note 2)	-	-	(73,687)	-
Issuance expenses on equity component	532,289	-	532,289	516,633
Balance at end	6,154,676	4,056,185	6,154,676	4,056,185

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

Opsens Inc.
Consolidated Balance Sheets

	May 31, 2008 (unaudited)	August 31, 2007 (audited)
	$	$
Assets		
Current		
Cash and cash equivalents	4,262,551	1,839,379
Accounts receivable	846,669	120,697
Income tax credits receivable	301,687	177,355
Work in progress	104,300	-
Inventories	417,129	372,650
Prepaid expenses	59,339	32,593
Service contracts, net of accumulated amortization of $10,846	9,154	-
	6,000,829	2,542,674
Property, plant and equipment	428,602	339,293
Intangible assets	159,552	142,444
Deferred financing costs	-	4,336
Goodwill	449,000	-
	7,037,983	3,028,747
Liabilities		
Current		
Accounts payable and accrued liabilities	647,294	320,960
Deferred revenue	23,592	20,000
Current portion of long-term debt	213,135	200,315
	884,021	541,275
Long-term debt	344,061	498,927
	1,228,082	1 040,202
Shareholders' equity		
Share capital (Note 4a)	10,074,685	5 332,483
Stock-options (Note 4b)	489,823	408,701
Warrants (Note 4c)	1,400,069	834,506
Deficit	(6,154,676)	(4,587,145)
	5,809,901	1,988,545
	7,037,983	3,028,747

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

Approved by the Board

Signed [Pierre Carrier] Director

Signed [Mario Jacob] Director

Opsens Inc.

Consolidated Statements of Cash Flows
Periods ended May 31, 2008 and 2007

(unaudited)	Third quarter		Nine months	
	2008	2007	2008	2007
	$	$	$	$
Operating activities				
Net loss	(359,068)	(700,323)	(1,108,929)	(1,782,058)
Adjustments for:				
Amortization of property, plant and equipment	25,946	19,277	65,277	50,281
Amortization of intangible assets	6,299	5,970	25,272	11,969
Write off of patents	-	-	-	12,209
Amortization of deferred financing costs	-	465	-	9,498
Premium payable to *Canada Economic Development*	7,569	2,475	22,707	8,338
Premium payable to *Investissement Québec*	2,130	2,130	6,390	6,390
Stock-based compensation	94,423	116,094	187,871	271,542
Changes in non-cash operating working capital items	(20,938)	355,450	(697,929)	130,639
	(243,639)	(198,462)	(1,499,341)	(1,281,192)
Investing activities				
Acquisition of property, plant and equipment	(47,113)	(55,797)	(154,586)	(112,199)
Acquisition of intangible assets	(3,687)	(31,634)	(31,533)	(50,066)
Cash and cash equivalents paid in business combination	(60,000)	-	(123,647)	-
	(110 800)	(87,431)	(309,766)	(162,265)
Financing activities				
Increase in deferred financing costs	-	-	-	(51,286)
Increase in long-term debt	70,566	63,284	96,739	99,212
Reimbursement of demand loan	-	-	-	(204,824)
Reimbursement of long-term debt	(38,669)	(23,642)	(190,187)	(154,885)
Issuance of equity component	3,940,900	180,000	4,741,011	3,495,000
Issuance expenses of equity component	(415,284)	-	(415,284)	(341,335)
Cash and cash equivalents acquired in the qualifying transaction	-	-	-	558,716
	3,557,513	219,642	4,232,279	3,400,598
Increase (decrease) in cash and cash equivalents	3,203,074	(66,251)	2,423,172	1,957,141
Cash and cash equivalents at beginning	1,059,477	2,346,812	1,839,379	323,420
Cash and cash equivalents at end	4,262,551	2,280,561	4,262,551	2,280,561

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

1. Accounting policies

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

Principles of consolidation

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

Unaudited interim financial statements

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements, and they are consistent with the accounting policies and methods used in the preparation of the Company's most recent audited financial statements. However, they do not include all information required for annual consolidated financial statements. These unaudited consolidated interim financial statements and related notes should be read in conjunction with the most recent Company's annual audited financial statements.

The consolidated financial statements as at May 31, 2008 and for the three-month and nine-month periods ended May 31, 2008 and 2007 are unaudited. However, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, considered necessary for a fair presentation of the consolidated results of operations for the period presented, have been included. Consolidated results for the interim periods presented are not necessarily indicative of the results that may be expected for the year.

All amounts are disclosed in canadian dollars.

Use of estimates

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The main accounting estimates relate to the income tax credit receivable, the provision for warranty and the assumptions used in the determination of the fair value of the stock options and warrants. Actual results could differ from those estimates.

Service contracts

Service contracts are intangible assets with definite useful life which are accounted for at cost. Amortization is based on the fair value of the contracts on the total value of the contracts portfolio acquired.

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 earnings in an amount equal to the excess.

Revenue recognition

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.

1. Accounting policies (continued)

Revenue recognition (continued)

The sensor installation services, the contracts revenues earned on a long period and the partnership revenues are recorded using the percentage of completion method. Therefore, these revenues are recognized proportionately with the degree of completion of work. The Company uses the efforts expended method to calculate the degree of completion of work based on the number of hours incurred at the balance sheet date compared to estimated total number of hours. Work in progress is valued by taking into consideration the number of hours worked and which have not yet been invoiced, and the receipts. Losses are recorded as soon as they become apparent.

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, warrants and convertible debentures. Reconciliations of the numerators and the denominators used in the calculation of the basic and diluted loss are disclosed in accordance with the standard.

Stock-based compensation and other stock-based payments

The Company uses the fair value method to measure the fair value of the stock options or the warrants options or warrants. The fair value is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When options or warrants are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

2. Changes in accounting policies

Impact of adopting Financial instruments

On September 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding Financial instruments (Section 3855) and Comprehensive Income (section 1530). Information released prior to September 1, 2007 was not restated.

On September 1, 2007, the Company made the following adjustments in order to conform to the new accounting standards:

	Amount
	$
Decrease	
Balance Sheet	
Assets	
Deferred financing costs	4,336
Liabilities	
Long-term debt	78,023
Statements of deficit	
Change in accounting policies	73,687

2. Changes in accounting policies (continued)

Other comprehensive income

According to the new accounting standards, the Company must present a comprehensive income statement. Since the Company has classified all of its financial instruments as financial instruments “held for trading”, except for the long-term debt which is classified as “other liabilities”, there is no element to be disclosed distinctively in other comprehensive income. Consequently, the net earnings (net loss) also represents the results of the comprehensive income.

Financial Instruments – Evaluation and Recognition

Short-term investments

Short-term investments are classified as financial instruments “held for trading”. As such, these financial instruments are recorded at their fair values. Changes in the fair value of held for trading instruments are recorded as investment income and disclosed as financial expenses in the income statement.

The fair value of financial instruments represents the amount at which the financial instruments could be traded knowingly and voluntarily between the parties involved. The fair value is based on market prices (buyer-seller prices) in an active market. If this is not the case, the fair value is based on market prices prevailing for instruments with similar risk profiles or characteristics or on internal or external valuation models that use observable market data.

Derivative financial instruments

Derivative financial instruments must be recorded at fair value unless they are specifically designated in an effective hedging relationship, and the change in fair value will be recorded directly in net earnings.

Long-term debt

The long-term debt is classified as “other liabilities” and is recorded at cost. Transaction fees related to “other liabilities” are capitalized and amortized using the effective interest rate and are recorded in the income statement.

3. Business acquisition

On December 11, 2007, the Company concludes the acquisition of all outstanding shares of Inflo Solutions Inc. (“Inflo”), a company dedicated to the design and installation of reservoir surveillance solutions based on optical and conventional sensors to the oil and gas market. The purchase price is 1,199,997 Opsens common shares and $120,000 cash. At the closing, 510,000 shares out of the first 600,000 shares were paid into escrow and will be released over a 48-month period. The balance of the shares and the cash, represented by a series of promissory notes, have also been paid in escrow, to be released or cancelled, as applicable, over a 48-month period ending December 11, 2011, following the achievement or non achievement of certain performance milestones. The Company has also committed to invest up to $350,000 into the working capital of Inflo during the 48-month period following the acquisition. The shares issued at closing are subject to a statutory 4-month hold period ending on April 12, 2008.

On April 8, 2008, a milestones had been achieved which had effect to release a series of promissory notes for a total value of $60,000. This amount had been booked as goodwill.

3. Business acquisition (continued)

The acquisition has been accounted for using the purchase method, and the results of operations have been included in the consolidated financial statements of the company from the date of acquisition. The purchase price allocation shown below is based on the fair value estimate made by the company :

	Amount
	$
Assets	
Cash	6,029
Current assets	42,024
Customer relationships	20,000
	68,053
Liabilities	
Current liabilities	44,377
Net identifiable assets acquired	23,676
Goodwill*	449,000
Purchase price	472,676
Moins :	
Cash acquired	6,029
Issuance of shares in connection with the acquisition	343,000
Net cash used for the acquisition	123,647

* Goodwill is not deductible for income taxes calculation.

On December 11, 2007, the company Inflo changed its name for Opsens Solutions Inc. (“Opsens Solutions”).

4. Share capital, stock-options and warrants

a) *Common share capital*

Authorized, unlimited number, voting and participating without par value

Issued and fully paid

	Number	Amount
		$
Balance at beginning	32,628,610	5,332,483
Share issuance – Inflo Solution inc. acquisition *i)*	700,000	343,000
Share issuance – options exercised	408,333	244,249
Share issuance – warrants exercised *ii)*	1,483,611	1,042,253
Share issuance – Private placement *iii)*	4,711,126	3,112,700
Balance as at May 31, 2008	39,931,680	10,074,685

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

a) *Common share capital* (continued)

i) *Contingently issuable shares :*

With respect to the accounting standards from the CICA, contingently issuable shares should be considered outstanding common shares and included in the computation of basic earnings per share only as of the date that all conditions necessary for their issuance have been satisfied (i.e. when issuance of the shares is no longer contingent). Outstanding common shares that are contingently returnable (that is, subject to recall) should be treated in the same manner as contingently issuable shares.

For the acquisition transaction of Inflo Solutions Inc., in addition to 600,000 common shares issued at the closing, 100,000 common shares had been included into the number of outstanding common shares since the full assurance in the milestone success. The company issued additional 499,997 common shares subject to recall in case of the failure to meet a milestone.

ii) *Warrants exercised*

During the nine-month period ended May 31, 2008, 1,483,611 warrants entitling their holders to acquire one common share of the Company at an average price of $0.56 per share were exercised for a total amount of $834,111. The book value of the exercised warrants was transferred to Share capital for an amount of $207,642.

iii) *Private Placement*

On April 8, 2008, the Company realized a private placement of 4,711,126 units at a price of $0.80 per unit for gross proceeds of $ 3,768,901. Each unit is comprised of one common share and one-half common share purchase warrant of the Company. Each whole common share purchase warrant will entitle the holder to purchase one common share of the Company at a price of $1.10 for a period of 24 months following the closing of the Offering, provided however, that in the event the 20-day volume weighted average price of the common shares of Opsens trade, on the TSX Venture Exchange, at or above $1.50, then the Warrants must be exercised or will expire 30 calendar days after notice of such event is received or deemed received by the Warrant holders.

Opsens paid to the Agents a cash commission equal to $ 263,823 and issue broker compensation warrants entitling the Agents to purchase 329,779 common shares of Opsens. The Broker Warrants shall be issuable at an exercise price per common share equal to the Offering Price for a period of 24 months from the closing of the Offering. The securities issued pursuant to the Offering will be subject to a 4-months restricted period expiring on August 9, 2008.

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

b) Stock options

The Company changed the stock option plan on January 22, 2008. 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 TSX Venture Exchange. The exercise period cannot exceed five years, beginning on the grant date.

The compensation expense for the nine-month period ended May 31, 2008 for the stock option plan includes in the administrative expenses was $187,871 ($271,542 for the nine-month period ended May 31, 2007).

The situation of the outstanding stock option plan and the changes that took place during the period are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at beginning of period	2,033,333	0.53
Options granted	882,500	0.61
Options cancelled	(235,000)	0.52
Options exercised	(408,333)	0.34
Outstanding at end of period	2,272,500	0.54
Options exercisable at end of period	765,000	0.59

The table below provides information on the outstanding stock options as at May 31, 2008:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
$			
0.45	50,000	12,500	3.51
0.50	1,050,000	562,500	3.35
0.72	500,000	-	4.53
0.80	200,000	100,000	4.33
0.87	272,500	40,000	4.89
0.95	200,000	50,000	3.88
	2,272,500	765,000	3.93

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

c) *Warrants*

The situation of the outstanding warrants and the changes that took place during the period are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding at beginning of period	6,902,722	0,58
Warrants exercised during the period (Note 4a)*ii)*	(1,483,611)	0.56
Warrants issuance, private placement (note 4a)*iii)*	2,355,563	1.10
Warrants issuance, private placement (note 4a)*iii)*	329,779	0.80
Outstanding at end of period	8,104,453	0.74
Warrants exercisable at end of period	8,104,453	0,74

The table below provides information on the outstanding warrants as at May 31, 2008:

Exercise price	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
$			
0.40	443,000	443,000	0.35
0.55	111,111	111,111	0.52
0.60	4,865,000	4,865,000	0.35
0.80	329,779	329,779	1.85
1.10	2,355,563	2,355,563	1.85
	8,104,453	8,104,453	0.85

5. Loss per share

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

	Three-month period ended May 31		Nine-month period ended May 31	
	2008	2007	2008	2007
	$	$	$	$
Numerator				
Net loss	(359,068)	(700,323)	(1,108,929)	(1,782,058)
Amount available for calculating the loss per share	(359,068)	(700,323)	(1,108,929)	(1,782,058)
Denominator				
Number of shares				
Weighted average number of shares outstanding	37,929,572	32,391,610	35,116,917	30,209,386
Dilutive effect of stock options and warrants	-	-	-	-
Weighted average number of shares outstanding on diluted basis	37,929,572	32,391,610	35,116,917	30,209,386
Amount per share				
Net loss per share				
Basic	(0,01)	(0,02)	(0,03)	(0,06)
Diluted	(0,01)	(0,02)	(0,03)	(0,06)

The calculation of dilution effects excluded options and warrants that have an anti-diluting effect.

However, should the Company's basic earnings per share have been positive, some options and warrants, at an exercise price of $0.30, $0.40, $0.45, $0.50, $0.55, $0.60, $0.72 , $0.80 and $0.87, would have been dilutive and would have resulted in the addition of 2,493,288 and 2,412,140 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation respectively for the three-month and nine-month period ended May 31, 2008 (2,708,528 and 1,120,576 shares respectively for the three-month and nine-month period ended May 31, 2007).

6. Commitments

Lease

The Company leases offices under an operating lease expiring on December 31, 2008. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to $47,103.

Opsens Solutions rent an office in Alberta with respect to a letter agreement. A lease should be signed in the next quarter in order to finalize a verbal commitment. In the case that the lease is not signed, the company is committed to pay the monthly lease payments until September 30, 2008. As a result, future lease payments will amount to $17,059.

Opsens Solutions rent a vehicle under an operating lease expiring in November 2010. Future rent payments will amount to $21,050.

Future payments required in each of the next 12 month periods are as follows:

	$
2009	72,582
2010	8,420
2011	4,210

License

According to an exclusive license agreement with a third party, the Company has committed to providing exclusivity for the marketing of some of its products for a defined territory.

7. 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 12 months. During the three-month and nine-month periods ended May 31, 2008, the Company recognized an expense of $3,000 for guarantees. A provision for $19,312 ($16,312 as at August 31, 2007) had been recorded for guarantees. This expense is estimated based on past experience and is presented in liabilities under "Accounts payable and accrued liabilities." The actual amount of costs that the Company may incur, as well as the moment when the parts should be replaced can differ from the estimated amount.

8. 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) is specialized in the commercialization and the installation of optical and conventional sensors for the oil and gaz industry.

	Three-month period ended May 31, 2008			Three-month period ended May 31, 2007		
	Opsens inc.	Opsens Solutions	Total	Opsens inc.	Opsens Solutions	Total
	$	$	$	$	$	$
External sales	683,241	206,949	890,190	186,712	-	186,712
Internal sales	-	87,094	87,094	-	-	-
Depreciation of property, plant and equipment	23,360	2,586	25,946	19,227	-	19,227
Amortization of intangible assets	3,883	2,416	6,299	5,970	-	5,970
Financial expenses	(7,240)	9,261	2,021	(1,912)	-	(1,912)
Income taxes	-	-	-	-	-	-
Net income (loss)	(373,929)	14,861	(359,068)	(700,323)	-	(700,323)
Acquisition of property, plant and equipment	33,672	13,441	47,113	55,797	-	55,797
Acquisition of intangible assets	3,687	-	3,687	31,634	-	31,634

	Nine-month period ended May 31, 2008			Nine-month period ended May 31, 2007		
	Opsens inc.	Opsens Solutions	Total	Opsens inc.	Opsens Solutions	Total
	$	$	$	$	$	$
External sales	1,702,562	393,610	2,096,172	626,013		626,013
Internal sales	-	87,094	87,094	-	-	-
Depreciation of property, plant and equipment	62,136	3,141	65,277	50,281	-	50,281
Amortization of intangible assets	14,426	10,846	25,272	24,178	-	24,178
Financial expenses	8,550	9,619	18,169	(1,305)	-	(1,305)
Income taxes	-	-	-	-	-	-
Net income (loss)	(1,121,919)	12,990	(1,108,929)	(1,782,058)	-	(1,782,058)
Acquisition of property, plant and equipment	106,020	48,566	154,586	112,199	-	112,199
Acquisition of intangible assets	31,533	-	31,533	50,066	-	50,066

8. Segmented information (continued)

This operating unit generates revenue in various geographic segments as follows:

	Three-months period ended May		Nine-months period ended May	
	2008	2007	2008	2007
	$	$	$	$
Revenue per geographic sector				
Canada	221,404	351	424,415	9,655
United States	318,500	21,562	788,439	256,468
Germany	190,067	101,456	352,028	202,320
Japan	22,725	5,143	29,462	10,754
United Kingdom	35,684	7,373	215,614	44,481
France	6,426	-	127,879	-
Other	95,384	50,827	158,335	102,335
	890,190	186,712	2,096,172	626,013

Revenue is attributed to the geographic sector based on the clients' location.

Capital assets, which include property, plant and equipment and intangible assets, are all located in Canada.

During the three-month and the nine-month periods ended May 31, 2008, revenues from three clients represent individually more than 10 % of the total revenues of the company, i.e. approximately 22.82%, 21.35%, 8.71% and 20.73%, 13.05%, and 10.27% respectively. For the three-month and the nine-month periods ended May 31, 2007, revenues from one client represent respectively 54.33% and 32.32% of the Company's total revenues.

9. Related party transactions

In the normal course of its operations, the company has entered into transactions with a company controlled by a shareholder and director. These transactions have been measured at the exchange amount.

	Three-month period ended May		Nine-month period ended May	
	2008	2007	2008	2007
	$	$	$	$
Shareholder				
Management fees	-	-	-	833
Company controlled by shareholder and director				
Professional fees	-	15,000	30,000	20,000
	-	15,000	30,000	20,833

10. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current period.