INTERIM MANAGEMENT DISCUSSION & ANALYSIS

Nine-month period ended May 31, 2007

The following comments are intended to provide a review and analysis of the operating results and financial position of Opsens Inc. as of May 31, 2007, and for the three-month and nine-month periods ending on this date in comparison with the three-month and nine-month periods ending May 31, 2006. They should be read and interpreted in conjunction with the audited financial statements as well as the accompanying notes as of August 31, 2006.

Unless stated otherwise, the interim Management Discussion and Analysis has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

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 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. The forward-looking statements are only valid as of 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.

CORPORATE OVERVIEW

Opsens is a leading developer, manufacturer, and supplier of a wide range of fiber optic sensors and associated signal conditioners based on proprietary, 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 instrument, energy, and scientific laboratory fields. The Company also offers technical, installation, and training services, as well as turnkey fiber optic measurement systems.

Opsens holds one patent and six pending patents covering its products and technology provided to its markets, giving the Company freedom to operate on these markets without paying royalties to any partners. With its patent-pending technologies and highly recognized expertise, Opsens meets consumer needs in the medical, oil and gas, electric transformer, and scientific laboratory markets.

VISION AND STRATEGY

The worldwide sensor market is a multi-billion dollar market. The Opsens marketing strategy aims to provide solutions for the various current niche markets and develop new specific markets. The Company's expertise, know-how, and patent-pending 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.

SELECTED FINANCIAL DATA

(In thousands of dollars, except for information per share)	Three-month period ended May 31, 2007	Three-month period ended May 31, 2006	Nine-month period ended May 31, 2007	Nine-month period ended May 31, 2006
	$	$	$	$
Sales	187	177	626	419
Partnership revenues	-	90	-	191
Revenues	187	267	626	610
Cost of sales	176	72	492	238
Gross margin	11	195	134	372
Administrative expenses	290	90	718	240
Marketing expenses	249	165	661	315
R&D expenses	174	141	538	314
Financial expenses (income)	(2)	24	(1)	104
	711	420	1,916	973
Loss before increase in the value of class A retractable shares and income taxes	(700)	(225)	(1,782)	(601)
Increase in the value value of class A retractable shares	-	273	-	273
Loss before income taxes	(700)	(498)	(1,782)	(874)
Income taxes	-	-	-	-
Net loss	(700)	(498)	(1,782)	(874)
Net loss per share - Basic	(0.02)	(0.02)	(0.06)	(0.04)
Net loss per share - Diluted	(0.02)	(0.02)	(0.06)	(0.04)

(In thousands of dollars)	As at May 31, 2007	As at February 28, 2007	As at Nov. 30, 2006	As at August 31, 2006
	$	$	$	$
Current assets	3,094	3,576	3,037	1,172
Total assets	3,557	3,978	3,420	1,610
Current liabilities	587	668	660	889
Long-term debt	524	460	454	622
Convertible debentures	-	-	-	-
Class A retractable shares	-	-	-	774
Shareholders' equity	2,446	2,850	2,306	(675)

No cash dividend declared per share for each share class.

On October 3, 2006, Opsens completed a qualifying transaction under the rules of the TSX Venture Exchange Corporate Finance Manual which improved the financial position to support the Company's plan for anticipated growth.

SUMMARY OF QUARTERLY RESULTS

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

(In thousands of dollars)	**Three-month period ended May 31, 2007**	**Three-month period ended February 28, 2007**	**Three-month period ended Nov. 30, 2006**
	$	**$**	**$**
Revenues	187	265	174
Net loss	700	520	562
Net loss per share - Basic	(0.02)	(0.02)	(0.02)
Net loss per share - Diluted	(0.02)	(0.02)	(0.02)

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 AND NINE-MONTH PERIODS ENDED MAY 31, 2007 AND 2006

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

Total revenues for the three-month and nine-month periods ended May 31, 2007, were $187,000 and $626,000 respectively, compared to $267,000 and $610,000 for the same periods in 2006.

In 2006, Opsens dedicated significant resources for the achievement of partnership milestones which generated partnership revenues of $90,000 and $191,000 respectively for the three-month and nine-month periods ended May 31, 2006. Opsens strategy is now directing its efforts toward product sales instead of partnership revenues. On a very selective basis, management is nevertheless convinced of the short- and medium-term value of the partnerships in place, considering that they are devoted to the development of OEM products which are traditionally recurring and therefore highly valuable for our shareholders on a long-term basis.

For the quarter ended May 31, 2007, the Company's sales-oriented strategy generated $187,000 and $626,000 respectively for the three-month and nine-month periods ended May 31, 2007, compared to sales of $177,000 and $419,000 for the same periods ended May 31, 2006, constituting a 5.6% and 49.3% increase. As at May 31, 2007, the order backlog was $228,000. This order backlog includes, in particularly, a $200,000 order obtained on May 16, 2007, from a major oil sand producer from Alberta.

Given that a large proportion of the Company's revenue is generated in US dollars, fluctuation in the Canadian dollar in relation to the US dollar has an impact on revenue. For the three-month and nine-month periods ended May 31, 2007, the average conversion rates were similar to those during the same periods in the previous year, meaning that revenue was not affected. Based on the exchange rate as at May 31, 2007, an unfavourable impact from the exchange fluctuation is expected for the fourth quarter of fiscal year 2007. Usually, the Company's industry and its revenues are affected very little by seasonal fluctuations. Fiber optic sensors are finding increasing acceptance from customers in various sectors. Consequently, some sectors, such as electric transformers, are seeing additional competition. In order to deal with this competition, Opsens is working to promote features of its products that are more effective than those of its competitors.

(In thousands of dollars)	**Three-month period ended May 31**		**Three-month period ended May 31**	
	2007		**2006**	
	$	**%**	**$**	**%**
Product sales	187	100.0%	177	100.0%
Cost of sales	176	94.1 %	72	40.7 %
Gross margin	11	5.9 %	105	59.3 %

(In thousands of dollars)	**Nine-month period ended May 31**		**Nine-month period ended May 31**	
	2007		**2006**	
	$	**%**	**$**	**%**
Product sales	626	100.0%	419	100.0%
Cost of sales	492	78.6 %	238	56.8 %
Gross margin	134	21.4 %	181	43.2 %

The gross margin rate and the gross margin on product sales decreased for the three-month and nine-month periods ended May 31, 2007, compared to last year. The decrease was generated by the establishment of a production department capable of supporting a higher sales volume.

PRODUCTS AND INNOVATION

R&D expenses increased to $174,000 and $538,000 respectively for the three-month and nine-month periods ended May 31, 2007, compared to $141,000 and $314,000 for the same period in 2006.

The Company constantly works to improve its position in terms of intellectual property and what it can offer its customers. For the three-month and nine-month period ended May 31, 2007, Opsens put an emphasis on continuous improvement of its existing product line and products for the oil and gas market. The Company's R&D strategy involved focusing its new product development efforts toward markets with very high potential. The oil and gas market represents a concrete application of this strategy. The variation in R&D expenses was generated mainly by a lower reimbursement rate for R&D tax credits now that Opsens is a public company.

SHORT-TERM FINANCIAL PERFORMANCE AND CASH FLOWS

Net loss

Reconciliation of EBITDA to the Quarterly Results

(In thousands of dollars)	Three-month period ended May 31, 2007	Three-month period ended May 31, 2006	Nine-month period ended May 31, 2007	Nine-month period ended May 31, 2006
	$	$	$	$
Net loss for the period	(700)	(498)	(1,782)	(874)
Depreciation	19	16	50	46
Amortization	6	6	12	12
Financial expenses (income)	(2)	24	(1)	104
Increase in the value of class A retractable shares	-	273	-	273
EBITDA[1]	(677)	(179)	(1,721)	(439)
Stock-based compensation costs	116	-	271	-
EBITDA before stock-based compensation costs	(561)	(179)	(1,450)	(439)

(1) The Company uses only one financial measure that is not consistent with Canadian GAAP, namely earnings before interest, income taxes, depreciation and amortization (EBITDA). Such a measure is used because management believes that it provides meaningful information on the Company's performance and operating results. Such a non-GAAP measure has no standardized meaning as prescribed by GAAP and is not necessarily comparable to similarly titled measures presented by other companies. Accordingly, it should not be considered independently of other figures.

Net results for the upcoming quarters will be strongly influenced by product sales volume. The marketing in the oil and gas market planned for the upcoming quarters should contribute positively to net results. Compared to last year's three-month and nine-month periods, the net loss and the EBITDA before stock-based compensation expense increased due to intensified marketing activities, lower R&D tax credits, and the establishment of a corporate structure.

Administrative expenses

Administrative expenses increased by $200,000 and $478,000 respectively for the three-month and nine-month periods ended May 31, 2007, reaching $290,000 and $718,000. Stock-based compensation expenses in the amounts of $116,000 and $271,000 were recorded into administrative expenses for the three-month and nine-month periods ended May 31, 2007, compared to $0 the same periods last year. During the nine-month period ended May 31, 2007, stock options were granted to employees, directors, and advisory committee members. For the sake of good corporate governance, options granted to the directors and the advisory committee members are not subject to a vesting period. Consequently, a $154,000 stock-based compensation expense was recorded for the nine-month period ended May 31, 2007. For the last quarter of the current fiscal year, the stock-based compensation expense should be lower than for the third quarter 2007. Without considering stock-based compensation expenses, administrative expenses increased by $84,000 and $207,000, reflecting the establishment of a corporate structure necessary for future sales growth and the appropriate governance of a public company. With the exception stock-based compensation, administrative expenses for the fourth quarter 2007 should be comparable with the third quarter 2007.

Marketing expenses

Marketing expenses amounted to $249,000 and $661,000 respectively for the three-month and nine-month periods ended May 31, 2007, compared to $165,000 and $315,000 for the same period last year, which is an increase of $84,000 and $346,000.

During fiscal year 2006, Opsens stepped up its marketing activities beginning in the third quarter. Since then, Opsens has established a marketing strategy, strengthened its presence at conventions, and developed a sales team to capitalize on the recognized expertise of its R&D team. The marketing expenses for the fourth quarter 2007 should be similar to the third quarter 2007.

Financial expenses (income) and increased in the value of Class A retractable shares

Financial income was $2,000 and $1,000 respectively for the three-month and nine-month periods ended May 31, 2007, compared to financial losses of $24,000 and $104,000 for the three-month and nine-month periods ended May 31, 2007. The decrease in financial expenses is the direct consequence of the Company's improved financial position following the qualifying transaction, the financing of December 5, 2006, and the conversion of convertible debentures. An exchange loss of $11,000 was recorded during the third quarter due to the appreciation of the Canadian dollar against the US dollar. Financial income for the fourth quarter 2007 will be comparable to the third quarter 2007.

For the period ended May 31, 2006, an increase of $273,000 in the value of class A retractable shares was recorded in view of a shareholder's put option. This expense was determined following the signing of the preliminary agreement with DBC Capital Inc. Prior to the conclusion of the qualifying transaction on October 3, 2006, the share redemption right assigned to a shareholder was cancelled. Consequently, the class A retractable shares shown in the Company's liabilities were reclassified into shareholders' equity.

Financing activities cash flow

During the second quarter 2007, the Company carried out a private investment with a prominent American investor for 2,444,444 units at a price of $0.45 per unit, for a total of $1,100,000. Each unit is made up of one common share and half of a share purchase warrant in the Company. Each full share purchase warrant entitles its holder to acquire one common share in the Company at a price of $0.55 per share no later than December 5, 2008.

During the first quarter 2007, Opsens completed a qualifying transaction and simultaneous financing in the amount of $2,215,000. The following table compares the use of proceeds published in *Déclaration de changement à l'inscription de Capital DCB* filed on August 31, 2006 (hereafter referred to as "DCI") compared to the resources allocated during the nine-month period ended May 31, 2007.

(In thousands of dollars)	Use of proceeds forecasted in the DCI	Nine-month period ended May 31, 2007
	$	$
Marketing of Opsens products	700	661
R&D	700	538
Financing fees for the qualifying transaction and investment	250	262
Investments in fixed assets and intangibles	300	162
General and administrative expenses	300	447
Total	2,250	2,070

Based on our expectations, Opsens plans to commit additional amounts in relation to the use of proceeds published in the DCI for each of the line items, with the exception of investment in fixed assets and intangibles. In order to monitor the progress, the following milestones were previously set:

- *Signing of an OEM agreement with a new major partner in the medical sector.* With this milestone in mind, several meetings were held. During the next quarter, Opsens will commit funds to this milestone as planned in the use of proceeds in order to make progress toward achieving this milestone, which remains uncertain.

- *Recording of significant Oil and Gas revenues.* Opsens is in discussion with customers in the petroleum industry. An initial order in the amount of $200,000 was received during the third quarter 2007 from a major oil sands producer from Alberta. Opsens is maintaining the action plan previously implemented toward achieving the milestone, which remains uncertain.

- *Signing of an OEM agreement with a new major partner in the electric transformer sector.* Opsens has identified some OEMs capable of integrating our sensors.

- Regarding product improvement, it is more difficult to determine a precise milestone, since the R&D department works continuously to improve existing products.

- *For capital expenditures, the completion of a strategic fixed asset acquisition is a milestone.* Obviously, the investment decision will be subject to market demand for Opsens products.

Qualifying transaction – October 3, 2006

As part of the qualifying transaction and according to the rules of the TSX Venture Exchange, DCB Capital Inc. issued 20,000,000 of its common shares to shareholders holding Opsens Inc. class A shares in exchange for the acquisition of all Opsens Inc. class A shares, at the price of $0.40 per common share.

Private placement – October 3, 2006

On October 3, 2006, the Company realized a private placement of 2,600,000 units at a price of $0.40 per unit, for a total of $1,040,000. Each unit is made up of one common share and one share purchase warrant of the Company. Each purchase warrant entitles its holder to acquire one common share of the Company at a price of $0.60 per share no later than October 3, 2008. The underlying securities for the units issued as part of this placement are subject to a holding period until February 4, 2007.

The Company paid a monetary commission of $77,000 and an option to subscribe up to a maximum of 208,000 common shares in the Company. This stock option gives the holder the possibility of acquiring one common share in the Company at a price of $0.40 per share during the 24-month period following the closing of the investment.

Private placement – October 11, 2006

On October 11, 2006, the Company realized a private placement of 2,937,500 units at a price of $0.40 per unit, for a total of $1,175,000. Each unit is made up of one common share and one share purchase warrant of the Company. Each purchase warrant entitles its holder to acquire one common share of the Company at a price of $0.60 per share no later than October 11, 2008. The underlying securities for the units issued as part of this placement are subject to a holding period until February 12, 2007.

The Company paid a monetary commission of $94,000 and an option to subscribe a maximum of 235,000 common shares in the Company. This stock option gives the holder the possibility of acquiring one common share in the Company at a price of $0.40 per share during the 24-month period following the closing of the investment.

Private placement – December 5, 2006

On December 5, 2006, the Company realized a private placement of 2,444,444 units at a price of $0.45 per unit, for a total of $1,100,000. Each unit is made up of one common share and a half share purchase warrant of the Company. Each complete warrant entitles its holder to acquire one common share of the Company at a price of $0.55 per share no later than December 5, 2008. The underlying securities for the units issued as part of this placement are subject to a holding period until April 6, 2007. Pursuant to an underwriting agreement entered into with Desjardins Securities Inc. dated October 3, 2006, the Company paid a lump sum of $50,000 in fees.

Warrants exercised

During the third quarter 2007, 300,000 warrants entitling their holders to acquire one common share in the Company at a price of $0.60 per share were exercised for a total amount of $180,000. The book value of the exercised warrants was transferred to Share Capital in the amount of $33,000.

The funding obtained will provide Opsens with cash resources to expand its marketing activities and finalize the two main product development partnerships which should provide long-term recurring revenues to the Company.

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

Common shares	32,628,610
Stock options	2,033,333
Warrants	6,902,722
Securities on a fully diluted basis	41,564,665

Investing activities cash flow

Opsens acquired various fixed assets for $56,000 and $112,000 respectively for the three-month and nine-month periods ended May 31, 2007, compared to $18,000 and $50,000 for the same periods last year. These acquisitions were made primarily to gain access to high-tech R&D equipment and new software.

As for intangible assets, Opsens invested $32,000 and $50,000 respectively for the three-month and nine-month periods ended May 31, 2007. These investments involve patent protection for the Company's inventions.

Cash and cash equivalents

As at May 31, 2007, the Company had cash and cash equivalents of $2,281,000 compared to $323,000 as at August 31, 2006. Of this amount as at May 31, 2007, $2,105,000 is invested in highly liquid, short-term investments. The Company also has an available line of credit in the amount of $200,000. This line of credit bears interest at prime + 2%.

Financial position

As at May 31, 2007, Opsens had working capital of $2,507,000, compared to working capital of $283,000 as at August 31, 2006. Based on recent financing activities, its cash and cash-equivalents, and its working capital, Opsens has sufficient financial resources to maintain short-term operations, honour its commitments, and support its anticipated growth and development activities. From a long-term perspective, Opsens may need to raise additional financing by issuing equity securities and debts. The company's ability to raise additional financing over the long-term remains uncertain, considering the risks and uncertainties identified in the *Risks Factors* section of this analysis. During the next quarter, cash and cash-equivalents are expected to decrease to support growth for both marketing efforts and development activities.

Commitments

The following table summarizes the Company's minimum contractual commitments for the future twelve-month periods ending May 31, 2008, 2009, 2010, and 2011

(In thousands of dollars)	Obligations – Capital leases			Other debts	Debts and principal portion of capital leases
	Total payments	Imputed interest	Principal payments		
2008	$3	$1	$2	$189	$191
2009	$3	$1	$2	$439	$441
2010	$3	$1	$2	$63	$65
2011	$3	$1	$2	$16	$18

To date, the Company has no significant off-balance sheet commitments, with the exception of the lease requiring yearly payments of $81,000 until it expires on December 31, 2008, for a cumulative commitment of $128,000.

Professional fees

Under an agreement with a third party, the Company has committed to making a monthly payment of $5,000 in consulting fees for services rendered until July 5, 2007.

License

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

Related party transactions

In the normal course of its operations, premiums related to notes payable to certain shareholders, management fees, and professional fees were incurred with a company or companies associated with a shareholder and director. These transactions have been valued at the exchange amount agreed by the parties.

(In thousands of dollars)	Three-month period ended May 31		Nine-month period ended May 31	
	2007	2006	2007	2006
	$	$	$	$
Premiums related to notes				
payable to certain shareholders	-	-	-	5
Management fees				
Paid to a shareholder	-	3	1	4
Company controlled by a shareholder and director				
Professional fees	15	-	20	-
	15	3	21	9

Financial instruments

Credit risk

The Company grants credit to its customers in the normal course of business. 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.

Interest rate and cash flow risk

The Company is exposed to interest rate fluctuations on the demand loan and certain long-term debts with variable interest rates. The Company does not actively manage this risk.

Foreign exchange risk

The Company makes some sales and partnership revenue and some purchases of supplies and professional services in US dollars. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

Fair value

The fair value of cash and cash equivalents, accounts receivable, income tax credits receivable, and accounts payable and accrued liabilities is approximately 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 at which the Company currently expects to be able to obtain loans with similar terms and conditions and maturity dates. The fair value of long-term debt is close to its carrying value due to the current market rates.

STRATEGIC ACQUISITIONS AND NEW PROJECT DEVELOPMENT

In its business plan, Opsens has identified some acquisition targets for growth. In order to maximize value creation for our shareholders, Opsens does not expect to conclude any transactions in the short-term so that it may allow for adequate time for the appreciation of the value of its product line and intellectual property. Nevertheless, Opsens remains open to any business opportunities that could occur at any time.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and include the following policies:

Unaudited interim financial statements

The accompanying unaudited interim financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles 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 financial statements. As such, these unaudited interim financial statements and related notes should be read in conjunction with the Company's most recent annual financial statements.

The financial statements as at May 31, 2007, and for the three-month and nine-month periods ended May 31, 2007 and 2006, are unaudited. However, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments considered necessary for a fair presentation of the results of operations for the period presented, have been included. Operating results for the interim periods are not necessarily indicative of the operating results that may be expected for the full 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 as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue recognition

Revenues related to product sales are recognized when persuasive evidence of an arrangement exists, a delivery has occurred, the price is fixed or determinable, and collection is reasonably assured.

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 as at the balance sheet date compared to the estimated total number of hours. Work in progress is valued by taking into consideration the number of worked but yet uninvoiced hours and received 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 assess the fair value of stock options or warrants as at their date of allocation. The fair value is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When stock options or warrants are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments held for the purpose of meeting short-term commitments.

Inventories

Raw materials are valued at the lower of the cost and the replacement cost, and finished goods are valued at the lower of the cost and the net realizable value. Cost is determined using the First-in, First-out Method.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite lives are recorded at their acquisition cost. Amortization is calculated using the declining balance method based on the assets' useful lives as follows, except for patents, which are amortized using the straight-line method at the following annual rates:

Property, plant and equipment	
Office furniture and equipment	20 %
Research and development equipment	20 %
Production equipment	20 %
Research and development computer equipment	30 %
Computer equipment	30 %
Intangible assets with finite lives	
Patents	Term of the underlying patent
Software	30 %

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

Government assistance and income tax credits for research and development

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

The Company is also eligible for income tax credits for scientific research and experimental development (SR&ED) awarded by the federal and provincial governments. The portion of SR&ED credits immediately receivable is recorded as revenue in the year during which the related costs or capital expenses are incurred. The portion of SR&ED credits not immediately receivable is recorded in the year during which these costs or expenses are incurred, provided that Opsens has reasonable assurance that these credits will be recovered. Income tax credits for research and development are applied against expenses or related assets. Recorded income tax credits are based on management’s estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities.

Income taxes

The Company accounts for income taxes using the tax liability method. Under this method, future income tax assets and liabilities are recognized for deductible or taxable temporary differences between the carrying value and the tax value of the assets and liabilities based on the enacted or substantially enacted tax rates for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate as at the balance sheet date, while non-monetary items are translated at the historical rate. Revenues and expenses denominated in foreign currencies are recorded at the average prevailing exchange rate during the period, except for depreciation and amortization, which is translated at the historical rate. Foreign exchange gains or losses are included in expenses for the year.

Financial instruments

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) on the classification of financial instruments as liabilities or equity. Accordingly, the liability and equity components of convertible debentures are presented separately. As a result, the fair value of the liability component is presented at the discounted value of the contractual series of future cash flows, calculated at the open market interest rate for instruments with a comparable rating and essentially generating the same cash flows, at the same terms and conditions, but without a conversion option. The liability component is recorded at its nominal value over the duration of the debenture.

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Chief Financial Officer have assessed the effectiveness of the disclosure controls and procedures (as defined in Regulation 52-109 regarding Certification of Disclosure in Issuers' Annual and Interim Fillings) as at May 31, 2007, and have concluded that the controls and procedures have provided reasonable assurance that the material information with respect to the Company is communicated to management, in particular during the period in which annual documents are prepared.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is intended to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The President and Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to its ICFR during the three-month and nine-month periods ended May 31, 2007, that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

RISK FACTORS

Opsens 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 risks and uncertainties listed below and described in the DCI are not the only risks and uncertainties that could impact the Company:

- Intellectual property and exclusive rights
- Capital requirements
- Competition and technological obsolescence
- Growth management and market development
- Conflicts of interest

- Revenues
- Pricing policies
- Labour
- Acquisitions
- Products failures and mistakes
- Fiber-optic sensor market uncertainty
- New regulations
- Variation in security prices
- Stock market
- Economic conditions
- Growth of activities
- Currency exchange rate
- Dependency on a limited number of clients
- Credit risk
- Financial ratios
- Warranties, recalls, and legal proceedings
- International operations

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

July 4, 2007