MANAGEMENT DISCUSSION & ANALYSIS

Fiscal year ended August 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 August 31, 2007, and for the fiscal year ending on this date in comparison with the fiscal year ending August 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, 2007.

Unless stated otherwise, the interim Management Discussion and Analysis has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). This document was prepared as of November 12, 2007.

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 except when it is required by law.

CORPORATE OVERVIEW

Opsens Inc. 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 instrument, energy, and scientific and military laboratory fields. The Company also offers technical, installation, and training services, as well as turnkey fiber optic measurement systems.

Opsens holds two (2) patents and five (5) 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 patented technologies and highly recognized expertise, Opsens meets consumer needs in the medical, oil and gas, electric transformer, and scientific laboratory markets.

VISION, STRATEGY AND PERSPECTIVE

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 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 the 2008 fiscal year, Opsens expects to record its first Oil & Gas revenues and to maintain products sales revenues growth in medical devices, energy and scientific and military laboratory markets.

SELECTED FINANCIAL DATA

(In thousands of dollars, except for information per share)	Fiscal year ended August 31, 2007	Fiscal year ended August 31, 2006	Fiscal year ended August 31, 2005
	$	$	$
Sales	813	691	131
Partnership revenues	-	231	619
Revenues	813	922	750
Cost of sales	639	362	169
Gross margin	174	560	581
Administrative expenses	968	309	197
Marketing expenses	825	434	221
R&D expenses	591	363	285
Financial expenses (income)	(9)	143	94
Amortization of property, plant and Equipment	72	63	54
Amortization of intangible assets	18	13	3
Write-off of intangible assets	12	-	-
Amortization of deferred financing fees	10	5	1
Class A retractable shares increase in value	-	273	-
	2,487	1,603	855
Loss before income taxes	(2,313)	(1,043)	(274)
Income taxes	-	-	-
Net loss	(2,313)	(1,043)	(274)
Net loss per share - Basic	(0.08)	(0.05)	(0.01)
Net loss per share - Diluted	(0.08)	(0.05)	(0.01)

(In thousands of dollars)	As at August 31, 2007	As at August 31, 2006	As at August 31, 2005
	$	$	$
Current assets	2,543	1,172	712
Total assets	3,029	1,610	1,041
Current liabilities	541	889	497
Long-term debt	499	623	935
Convertible debentures	-	-	279
Class A retractable shares	-	773	-
Shareholders' equity	1,989	(675)	(670)

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 periods in which Opsens published interim financial statements.

(In thousands of dollars)	**Three-month period ended August 31, 2007**	**Three-month period ended May 31, 2007**	**Three-month period ended February 28, 2007**	**Three-month period ended November 30, 2006**
	$	**$**	**$**	**$**
Revenues	187	187	265	174
Net loss	531	700	520	562
Net loss per share - Basic	(0.02)	(0.02)	(0.02)	(0.02)
Net loss per share - Diluted	(0.02)	(0.02)	(0.02)	(0.02)

FOURTH QUARTER 2007

For the fourth quarter ended August 31, 2007, the Company recorded a net loss of $531,000 or $0.02 per share. For the same quarter in fiscal year 2006, the loss was $169,000 or $0.01 per share. The increased loss during the fourth quarter of fiscal year 2007 is explained particularly by increased administrative and marketing expenses. Seasonal fluctuations and year-end adjustments had no impacts on operating revenues and net loss for fourth quarter 2007.

Revenues totalled $187,000 for the three-month period ended August 31, 2007, compared to $312,000 for the corresponding period in 2006. In 2006, partnership revenues of $40,000 were recorded.

Administrative expenses amounted to $263,000 for the three-month period ended August 31, 2007, compared to $80,000 for the same period in 2006. This increase was generated in particular by $74,000 in stock-based compensation, $40,000 in increased salaries and fringe benefits, and $32,000 in increased professional fees.

Marketing expenses reached $165,000 and $119,000 respectively for the three-month periods ended August 31, 2007 and 2006. The increase was caused mainly by higher salaries and fringe benefits in the amount of $37,000 in view of an enlarged sales force.

R&D expenses totalled $110,000 for the three-month period ended August 31, 2007, compared to $91,000 for the same period in 2006. The decreased tax credit reimbursement rate following the conclusion of the qualifying transaction resulted in an unfavourable variance of $67,000. On the other hand, favourable variances were generated in research equipment and subcontracting expenses for a total of $41,000.

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.

FISCAL YEARS ENDED AUGUST 31, 2007 AND 2006

DISTRIBUTION, SALES, AND LONG-TERM RECURRING REVENUES

The Company recorded $813,000 in revenue for the fiscal year ended August 31, 2007, compared to $922,000 for the fiscal year ended August 31, 2006.

During the fiscal year ended August 31, 2007, the Company's continued its sales-oriented strategy, generating $813,000 compared to $691,000 for the fiscal year ended August 31, 2006, an increase of 17.7%. As at August 31, 2007, the order backlog was $380,000. This order backlog includes, in particular, a $200,000 order obtained on May 16, 2007, from a major oil sand producer from Alberta.

In 2006, Opsens dedicated significant resources for the achievement of partnership milestones which generated partnership revenues of $231,000 for the fiscal year ended August 31, 2006. Opsens 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.

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 fiscal year ended August 31, 2007, the average conversion rates were lesser than those in the previous year, which affected the amount of sales by $13,000. 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.

The gross margin rate and the gross margin on product sales decreased for the fiscal year ended August 31, 2007, compared to last year. The decrease was generated by the establishment of a production department capable of supporting a higher sales volume, which should be observed beginning in fiscal year 2008.

PRODUCTS AND INNOVATION

R&D expenses increased to $591,000 and $363,000 respectively for fiscal years 2007 and 2006.

The Company constantly works to improve its position in terms of intellectual property and what it can offer to its customers. During the fiscal year ended August 31, 2007, Opsens emphasized the continuous improvement of its existing product line and products for the oil and gas market. The Company's R&D strategy involves 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 change in R&D expenses during the fiscal year 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 Annual Results

(In thousands of dollars)	Fiscal year ended August 31, 2007	Fiscal year August 31, 2006	Fiscal year August 31, 2005
	$	$	$
Net loss for the period	(2,313)	(1,043)	(274)
Financial expenses (income)	(9)	143	94
Amortization of property, plant, and equipment	72	63	54
Amortization of intangible assets	18	13	3
Write-off of intangible assets	12	-	-
Amortization of deferred financing fees	10	5	1
Increase in the value of class A retractable shares	-	273	-
EBITDA[1]	(2,210)	(546)	(122)
Stock-based compensation costs	345	-	-
EBITDA before stock-based compensation costs	(1,865)	(546)	(122)

(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 about 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.

For the fiscal year ended August 31, 2007, net loss totalled $2,313,000, compared to $1,043,000 for the fiscal year ended August 31, 2006. Net loss and EBITDA before stock-based compensation costs increased during fiscal year 2007 due to intensified marketing activities, lower R&D tax credits, and the establishment of a corporate structure. Net results for the next fiscal year will be strongly influenced by product sales volume. Commercialization in the oil and gas market planned for the next fiscal year should contribute positively to net results.

Administrative expenses

Administrative expenses increased by $659,000 to $968,000 for the fiscal year ended August 31, 2007, compared to the $309,000 as at August 31, 2006.

Stock-based compensation expenses in the amounts of $345,000 and $0 respectively were recorded into administrative expenses for the fiscal years 2007 and 2006, which explains a large part of the change. During fiscal year 2007, stock options were granted to employees, directors, and an advisory committee member. For the sake of good corporate governance, options granted to the directors and the advisory committee member are not subject to a vesting period. Consequently, a $154,000 stock-based compensation was recorded for the fiscal year ended August 31, 2007. For the next fiscal year, stock-based compensation expenses related to options already granted should be lower than in 2007.

Without considering stock-based compensation expenses, administrative expenses were $314,000, reflecting the establishment of a corporate structure necessary for future sales growth and the appropriate governance of a public company. With the exception of stock-based compensation, administrative expenses for fiscal year 2008 should increase slightly compared to fiscal year 2007, starting in second quarter 2008.

Marketing expenses

Marketing expenses increased by $391,000 to $825,000 for the fiscal year ended August 31, 2007, compared to $434,000 for fiscal year 2006.

During fiscal year 2007, Opsens developed its sales team and strengthened its presence at conventions in order to capitalize on its unique product line and the recognized expertise of its R&D team. Sales & marketing expenses for fiscal year 2008 should increase compared to 2007, considering the increased sales force for entire fiscal year.

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

Financial income was $9,000 and financial expenses of $143,000 respectively for fiscal years 2007 and 2006. 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. Exchange losses of $14,000 and $13,000 respectively were recorded during fiscal years 2007 and 2006 due to the appreciation of the Canadian dollar against the US dollar. Financial expenses should be low during fiscal year 2008.

For the period ended August 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 Capital DCB 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 fiscal year ended August 31, 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 fiscal year 2007.

(In thousands of dollars)	**Use of proceeds forecasted in the DCI**	**Fiscal year ended August 31, 2007**
	$	**$**
Marketing of Opsens products	700	825
R&D	700	591
Financing fees for the qualifying transaction and investment	250	262
Investments in fixed assets and intangibles	300	216
General and administrative expenses	300	623
Total	2,250	2,517

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.*

  On March 22, 2007, Opsens announced an order with a medical customer with high potential. On August 13, 2007, Opsens announced that it had successfully undergone the evaluation of its readout devices with a European medical customer. These announcements demonstrate the significant progress made in relation to this milestone. The successful achievement of this milestone requires no additional significant investment.

- *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 on May 15, 2007, from a major oil sands producer in Alberta. Sales in the oil and gas field should begin during fiscal year 2008. This milestone will be successfully achieved in the normal course of business. Nevertheless, the Company expects to continue to invest in marketing in order to expand its current customer base in this high-potential sector.

- *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. The successful achievement of this milestone requires no significant investment. Nevertheless, the Company expects to continue to invest in marketing in order to expand its current customer base in this sector.

- 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.*

  Several strategic fixed assets were acquired during the fiscal year within both the production and R&D departments. The investment amount will fluctuate based on the robustness of the 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 were 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 placement.

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 were subject to a holding period until 12 February 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 placement.

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 purchase 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 were subject to a four-month restriction period expiring 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 fiscal year ended August 31, 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.

After the end of the fiscal year ended August 31, 2007 to October 17, 2007, 1,196,111 warrants entitling their holders to acquire one common share in the Company at a price of $0.55 per share were exercised for a total amount of $662,111. The book value of the exercised warrants was transferred to Share Capital in the amount of $176,017.

The funding obtained will provide Opsens with cash resources to expand its sales and marketing activities and finalize the three 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	33,824,721
Stock options	2,033,333
Warrants	5,706,611
Securities on a fully diluted basis	41,564,665

Investing activities cash flow

Opsens acquired various fixed assets for $142,000 for the fiscal year ended August 31, 2007, compared to $62,000 in fiscal year 2006. These acquisitions were made primarily to gain access to high-tech R&D and production equipment.

As for intangible assets, Opsens invested $74,000 for the fiscal year ended August 31, 2007. These investments involve patent protection for the Company's inventions.

Cash and cash equivalents

As at August 31, 2007, the Company had cash and cash equivalents of $1,839,000 compared to $323,000 as at August 31, 2006. Of this amount as at August 31, 2007, $1,755,000 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%. The restrictive clauses of the Company’s financial institution have been respected since the closing of the qualifying transaction with DCB Capital Inc.

Financial position

As at August 31, 2007, Opsens had working capital of $2,002,000, compared to working capital of $283,000 as at August 31, 2006. Based on recent financing activities, its cash and cash-equivalents, its working capital, and its order backlog, Opsens has the minimum financial resources necessary 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 report. During the next fiscal year, the fluctuation of cash and cash-equivalents will depend on the revenue growth rate in particular.

Commitments

The following table summarizes the Company's minimum contractual commitments for the future twelve-month periods ending August 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	$199	$201
2009	$3	$1	$2	$170	$172
2010	$3	$1	$2	$104	$106
2011	$3	$1	$2	$98	$100
2012	$2	$-	$2	$60	$62

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 $108,000.

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.

Related party transactions

In the normal course of 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. Management fees paid to a shareholder in 2007 were paid prior to the cancellation of the shareholder agreement on October 3, 2006. Professional fees were disbursed in exchange for administrative support and management consulting.

(In thousands of dollars)	Fiscal year ended August 31, 2007	2006
	$	$
Premiums related to notes		
payable to certain shareholders	-	5
Management fees		
Paid to a shareholder	1	6
Company controlled by a shareholder and director		
Professional fees	35	-
	36	11

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 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. The Company expects that its weighting of Canadian sales will increase simultaneously with sales in the oil and gas sector, which will ease the fluctuation of foreign exchanges on sales in a weighted manner.

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 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, and based on the opportunities, Opsens may make strategic acquisitions during the next fiscal year. Opsens remains open to any business opportunities that could occur at any time.

RECENT ACCOUNTING POLICIES

a) Future accounting changes

Financial instruments

Five new accounting standards published by the Canadian Institute of Chartered Accountants ("ICCA") will be in force for the Company on September 1, 2007: Section 1530 "Comprehensive Income," Section 3251 "Equity," Section 3855 "Financial Instruments – Recognition and Measurement," Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges."

Financial instruments – Recognition and measurement

Under this new standard, all financial assets will be classified in one of the following four categories:

- held to maturity,
- loans and receivables,
- held for trading,
- available for sale.

Under this new standard, all financial liabilities will be classified in one of the following two categories:

- held for trading,
- other.

Financial assets and liabilities held for trading will be valued at their fair value, and gains and losses will be recorded in net earnings. Held-to-maturity financial assets, loans and receivables, and financial liabilities classified as "Other" will be recognized at amortized cost using the effective interest rate method. Available-for-sale financial assets will be valued at fair value, and all unrealized gains and losses will be recorded in other comprehensive income. The new standard will enable entities to designate all financial instruments as held for trading when they are initially recognized or when this standard is adopted, even if this financial instrument does not fall within the definition of a financial instrument held for trading. Financial instruments held for trading under the fair value option must have a reliable fair value.

All financial instruments must initially be recorded at fair value on the balance sheet except those pertaining to related party transactions. The valuation in subsequent periods will be determined based on the category in which the financial instrument has been classified.

The fair value of financial instruments is equal to the amount at which this instrument could be traded knowingly and voluntarily between the parties involved. The fair value is based on the 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.

According to this new standard, 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.

Financial instruments – Disclosure and Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Comprehensive income

Following the adoption of these standards, a new item, "Accumulated other comprehensive income," will be added to the balance sheet under shareholders' equity. The new item will include unrealized gains and losses net of income taxes for financial assets classified as available for sale as well as gains and losses on the foreign currency translation.

Hedges

This new standard specifies the criteria for hedge accounting as well as how to apply hedge accounting to each hedging strategy allowed.

Equity

This Section establishes standards for the presentation of equity and changes in equity during the reporting period.

Impacts of adopting these new standards

The adjustments attributable to the classification of certain assets and liabilities as held for trading will be recognized in the opening balance of retained earnings (loss) as of September 1, 2007. Adjustments attributable to the revaluation of financial assets classified as available for sale will be recognized in the opening balance of other accumulated comprehensive income as of September 1, 2007.

The Company has not yet determined the impact that adopting these new standards will have on its financial statements.

i) For the year ended August 31, 2006

Consolidation of variable interest entities

On September 1, 2005, the Company adopted the recommendations of Accounting Guideline 15 (AcG-15), "Consolidation of Variable Interest Entities" (VIEs). AcG-15 provides clarification on the consolidation of those entities defined as VIEs, in which equity investors are not considered to have a controlling financial interest, or in which they have not invested enough equity to allow the entity to finance its activities without additional subordinated financial support from other parties. According to AcG-15, a company must consolidate a VIE when it is considered to be the primary beneficiary. The adoption of this guideline had no impact on the Company's financial statements.

Financial instruments

The Company adopted the recommendations of Section 3860 of the CICA Handbook on the classification of financial instruments as liabilities or equity. Therefore, Class A retractable shares are presented as liabilities at their retraction amount of $773,767 rather than as equity. This accounting policy was adopted effective September 1, 2005. The adoption of this recommendation had no impact on the financial statements of previous years. The effect of this recommendation was to reduce share capital by $501,087 and increase long-term liabilities by $773,767, representing the retraction amount of these shares as at August 31, 2006. In addition, the net loss for the year ended August 31, 2006, increased by $272,680, representing the increase in value on these shares since their issuance.

During the year ended August 31, 2007, the agreement between Opsens Inc. shareholders was terminated, and the retraction right of the shares was also cancelled. Consequently, the Class A shares retractable at the option of the shareholder presented in the liabilities were reclassified into equity.

Warranties

The Company accounts for a provision based on the estimated costs associated with warranties on products when the sales-related revenues of these products are recognized. The Company's products are generally covered by a replacement warranty on defective parts for a period of one year following delivery of the product. The liabilities generated by the exercise of warranties depend on the rate of product default and the prescribed developments with respect to the requirements in the territories where the Company conducts business.

The estimate of the Company's costs is based on the historical failure of its products and components as well as the anticipated rate of product default and the repair costs of the units. Based on the fluctuation of the rate of product default or repair costs of the units, the Company may be required to review the estimate of the warranty provision.

SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity of three months or less beginning on the acquisition date.

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. They are amortized using the declining balance method based on their 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%
Production equipment	20%
Research and development equipment	20%
Research and development computer equipment	30%
Computer equipment	30%
Leasehold improvements	Lease Term
Intangible assets with finite lives	
Patents	Term of underlying patent, 5 to 20 years
Software	30%

Intangible assets and indefinite lives

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

Deferred financing costs

Deferred financing costs comprise legal expenses, expenses incurred for the issuance of long-term debt, and expenses incurred to complete the qualifying transaction and the related investment. They are amortized using the straight-line method over the term of the corresponding debt and are applied against equity for expenses related to the qualifying transaction.

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 accounted for in the year during which the related costs or capital expenses are incurred. The portion of SR&ED credits not immediately receivable is accounted for in the year during which these costs or expenses are incurred, provided that the Company has reasonable assurance that these credits will be recovered.

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

Loss per share

Loss per share is determined using the weighted average number of outstanding shares during the period. The Company uses the treasury stock method to calculate the diluting effect of share purchase options, 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.

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 expected to apply to 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 prevailing as of 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.

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.

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 which have not yet been invoiced, and receipts. Losses are recorded as soon as they become apparent.

Financial instruments

The Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) on the classification of financial instruments as liabilities or equity. As a result, the liability and equity components of convertible debentures are presented separately. Accordingly, 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, under the same terms and conditions, but without a conversion option. The liability component is recorded at a discounted amount of its nominal value. This value will increase over its term through charges to interest expense and, at maturity, this value will be equal to the nominal value of the debentures.

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. Actual results could differ from those estimates.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Control's disclosure controls and procedures. As required by securities legislation, 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 August 31, 2007, and have concluded that the controls and procedures in question are effective.

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 fiscal year ended August 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 are not the only risks and uncertainties that could impact the Company:

Capital requirements

Additional financing may required for operating and investment activities. There is no guarantee that additional capital would be available for situations that would be acceptable for Opsens and favourable for its growth.

Revenues

Opsens draws most of its revenue from the sale of readout devices and fiber optic sensors. The company feels that the revenue from these products will continue to represent a significant share of Opsens' revenue for the foreseeable future. Consequently, Opsens is particularly vulnerable to fluctuations in the demand for its products. Therefore, if demand for Opsens products decreases significantly, the company and the operating results could be unfavourably affected.

Labour and key personnel

Opsens depends on the services of its engineers, technical employees, and key management personnel. The loss of one of these people could have a significant unfavourable impact on the company, its operating results, and its financial position. The success of Opsens is largely dependent upon its ability to identify, hire, train, motivate, and retain highly skilled management employees, engineers, technical employees, and sales and marketing personnel. Competition for its employees can be intense, and Opsens can only ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its ability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have an unfavourable impact on its growth and future profitability. Opsens may be obligated to increase the compensation paid to current or new employees, which could substantially increase operating expenses.

Growth management and market development

There is no guarantee that Opsens can develop its market significantly, thus affecting its profitability. Opsens' expected rapid growth may create significant pressure on management, operations, and technical resources. Opsens foresees increased operating and personnel expenses in the future. In order to manage its growth, Opsens may need to increase the size of its technical and operational staff and manage its personnel while maintaining many effective relationships with third parties. There is no guarantee that Opsens will be able to manage its business growth. The inability of Opsens to establish consistent management systems, add economic resources, or manage its expansion adequately will have a significant, unforeseeable effect on its activities and operating results.

Pricing policies

The competitive market in which Opsens operates could force it to reduce its prices. If its competitors offer large discounts on certain products and services in order to gain market share or sell products and services, Opsens may need to lower its prices and offer other favourable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavourable impact on its operating results. Some of Opsens' competitors could offer products and services that compete with theirs for promotion purposes or as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices that Opsens may charge for its products and services. If Opsens cannot offset these price reductions with a corresponding increase in sales or decreased expenses, the decreased revenues from product and services could unfavourably affect its profit margins and operating results.

Products failures and mistakes

Opsens products are complex and therefore may contain failures and mistakes that could be detected at any time in a product's life cycle. Failures and mistakes in its products could have a significant unfavourable impact on its reputation, open it up to significant costs, delay product launch dates, and harm its ability to sell its products in the future. The costs of correcting a failure or mistake in one of these products could be significant and negatively affect its operating margins. Although Opsens expects to continue to test products to detect failures and mistakes and to work with its customers through its support and maintenance services in order to find and correct failures and mistakes, they could appear in its products in the future.

Warranties, recalls, and legal proceedings

Opsens is exposed to warranty expenses, product recalls, and other claims, particularly if the products prove to be defective, which would harm business development and the Company's reputation.

Intellectual property and exclusive rights

In order to protect its intellectual property rights, Opsens relies on a combination of laws related to patents and trademarks, trade secrets, confidentiality procedures, and contractual provisions. Despite Opsens' best efforts to protect its intellectual property rights, unauthorized individuals may attempt to copy certain aspects of Opsens products or obtain information that Opsens considers to be its property. The monitoring of the unauthorized use of exclusive technologies, if applicable, may prove difficult, time-consuming, and expensive. In addition, the laws of certain countries in which Opsens products will be sold do not protect their products and their related intellectual property rights in the same way as the laws of Canada and the United States. There is no certainty that Opsens will successfully protect its intellectual property rights, which could unfavourably affect it. Patents applications, claims, PCTs, and Continuations in Part files by Opsens could be incomplete, invalid, circumvented, or deemed not applicable. Legal proceedings could prove necessary to carry out patent applications, claims, PCTs, and Continuations in Part. These cases could lead to considerable expenses without any guarantee of success. Despite Opsens' best efforts to ensure its right to market its products on its target markets, competitor patents could impede the sales potential of certain products.

Competition and technological obsolescence

Competitors and new companies could launch new products. In order to remain on the cutting edge of technology, Opsens may need to launch a new generation of fiber optic sensors and develop its related products and services. Whether it is competition from development companies and/or marketing of fiber optic sensors or a merger or acquisition of existing companies, competition within certain fiber optic sensor industry sectors offering solutions similar to what Opsens offers is vigorous and could increase. Some of Opsens' competitors have significantly greater financial, technical, distribution, and marketing resources than Opsens. Technological progress and product development could make Opsens products obsolete or reduce their value.

Currency exchange rate

Since Opsens makes most of its sales in US dollars, while a large part of its operating expenses are incurred in Canadian dollars, exchange rate fluctuations between the two currencies may have an unfavourable impact on its activities, financial position, and operating results. Based on outlooks and its expected penetration in the oil and gas market, the weighting of Canadian sales should increase during the coming fiscal years and, consequently, reduce the Opsens' currency exchange risk.

Restrictive clauses

The Company has restrictive clauses regarding indebtedness and working capital in the agreement with its financial institution. If these restrictive clauses are not respected, Opsens may need to allocate a portion of its working capital to repaying the LFPEC loan, valued at $25,160 as at August 31, 2007.

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

November 12, 2007