MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2019

The following comments are intended to provide a review and analysis of the results of operations, financial condition and cash flows of Opsens Inc. for the three-month period ended November 30, 2019, in comparison with the corresponding period ended November 30, 2018. In this Management's Discussion and Analysis (MD&A), Opsens, "the Company", "we", "us" and "our" mean Opsens Inc. and its subsidiary. This MD&A should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This document was prepared on January 10, 2020. All amounts are in Canadian dollars unless otherwise indicated.

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

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on all currently available information, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business. The forward-looking information set forth therein reflects the Company's expectations as of January 10, 2020, and is subject to change after this date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

OVERVIEW

The Company's primary focus is on physiological measurement such as Fractional Flow Reserve (FFR) and the diastolic pressure ratio (dPR) in the interventional cardiology market. This measurement is mainly used for the diagnosis of blockages in the coronary arteries and has potential to extend to other physiological measurement. Opsens offers an optical guidewire (OptoWire) to measure pressure to diagnose and improve clinical outcomes in patients with coronary heart disease. Opsens also operates in the Industrial sector through its wholly-owned subsidiary Opsens Solutions Inc. (Solutions). Solutions develops, manufactures and installs innovative measurement solutions using fibre optic sensors for critical and demanding industrial applications.

Opsens owns ten patents and has nine patents pending to protect technologies in its Medical and Industrial sectors.

SECTORS OF ACTIVITY

In the Medical sector, Opsens markets the OptoWire and the OptoMonitor for interventional cardiology to provide cardiologists with an optimized pressure guidewire to navigate coronary arteries and cross blockages with ease while measuring intracoronary blood pressure. This procedure is called FFR measurement also referred to as physiological measurement.

Opsens has obtained the required commercial approvals for the OptoWire and OptoMonitor in the world's largest markets, namely the United States, Europe (including the Middle East), Japan and Canada. Furthermore, the need for coronary physiology without hyperemia induced by the injection of heart stimulating drugs has emerged. In response, Opsens has developed its proprietary diastolic pressure ratio to meet this need. Non-Hyperemic Pressure Resting indices ("NHPR"), such as Opsens' dPR, are beneficial for some patients as they reduce procedure time, costs and discomfort. This new product is available through the OptoMonitor and works in combination with the OptoWire. Opsens' dPR is already being marketed in Japan, United States, Canada and Europe.

Opsens has established a direct sales force in the United States and Canada and utilizes distributors in Europe (including the Middle East) and Japan.

Opsens also provides a broad selection of miniature optical sensors to measure pressure and temperature that can be used in a wide range of applications and can be integrated into other medical devices.

In the Industrial sector, Opsens' expertise, technology and products meet the needs of multiple markets, including aerospace, semiconductor, geotechnical, structural, oil and gas, mining, laboratories and others. Opsens' portfolio of products and technologies can be adapted to measure various parameters under the most difficult conditions and bring significant benefits in terms of optimizing production and reducing risks to the environment and health.

MARKET OVERVIEW

In the Medical sector, particularly in interventional cardiology, FFR and dPR represent a significant and growing opportunity for the Company. In recent years, the prevalence of coronary heart disease has increased rapidly. In the AHA report, "Heart Disease and Stroke Statistics - 2017", which is based on health data compiled in more than 190 countries, coronary heart disease is the leading cause of death worldwide with 17.3 million deaths per year. This number is expected to exceed 23.6 million deaths in 2030. Coronary heart disease is one of the leading causes of death in the developed world, and the cost of managing and treating these diseases is a significant burden to society. The benefits of FFR were demonstrated in various clinical studies such as FAME I and FAME II published in 2009 and 2012, respectively in the New England Journal of Medicine. The FAME I study showed that the FFR-guided treatment rather than the standard angiography alone led to a reduction in mortality, myocardial infarction, readmission for percutaneous coronary intervention and coronary bypass by about 30% after a year. Several reports have also shown inaccurate diagnoses that can lead to misuse or inappropriate use of "stents."

The measurement of FFR has been shown to be more accurate and now holds the highest recommendation from the European Society of Cardiology (Class IA).

In the United States, support for the increasing use of FFR continues to grow. In March 2017, the appropriate use criteria (AUC) for stable ischemic heart disease were updated to emphasize the use of FFR given its importance. The goal of the AUC is to provide a framework for assessing general clinical practices and improving the quality of care. The new AUCs reflect a recognition of the role and value of FFR, which should be beneficial for the expand use of FFR technologies. Payers, including Medicare, use the AUC to help formulate their repayment criteria.

In April 2018, the Ministry of Health, Labour and Welfare (MHLW) in Japan introduced a new regulation requiring the physiology evaluation of all coronary artery stenosis prior to its treatment, specifically mentioning FFR as an evaluation method. The MHLW revised the medical fees and established a requirement to assess functional ischemia (blockage of arteries) prior to treatment.

These recent developments contribute to the steady growth of the FFR market. According to management and industry sources estimates [(1)], this market exceeds US$500 million worldwide in 2019 and is expected to exceed US$1 billion annually in the medium term (2025).

(1) Opsens FFR Market Calculations based on GRAND VIEW RESEARCH (Feb 2019),

In the Industrial sector, the Company focuses mainly on the following markets:

- Pressure Monitoring Solutions Market: Opportunities are mainly related to absolute and differential pressure measurements. Pressure measurements are at the heart of many industrial applications in aeronautic, energy, geotechnics and oil and gas. The new industrial versions of the pressure sensor and the latest of a differential pressure sensor are the main flagship products for these applications;
- Traditional Niche Applications Market: Opsens is currently engaged in niche applications such as semiconductor, electro-explosive devices (EEDs), steam-assisted gravity drainage (SAGD) in Western Canada, and in laboratories (special projects and customized products);
- Structural Integrity Monitoring Market: Opportunities are mainly related to stress, load and displacement measures. The applications are in geotechnics, civil engineering, energy and oil and gas. The new industrial versions of strain sensors such as the extensometer and the load cell are the main flagship products for these applications.

COMPETITION

In the Medical sector, the FFR and dPR measurement markets have five competitors and is currently dominated by two major players who commercialize a first-generation electrical technology. Competition is based on technological advantages, brand recognition, customer service, marketing support and price.

In the Industrial sector, there is a significant number of competitors in the sector. Competition is based primarily on technological advantages. Our direct competition is made up of both open and closed-end companies with a global presence.

CORPORATE GROWTH STRATEGY

Opsens' growth strategy is to become a key player in the Medical sector, particularly in the field of interventional cardiology, focusing on the measurement of FFR and dPR, where its products and technologies offer major advantages over the competition. The Company also aims to capitalize on its technologies and products in the industrial markets. To this end, the Company implements its corporate strategy based on its various segments of operations.

In the Medical sector, the Company's growth strategy in the field of interventional cardiology is carried out by:

- Increase of its market shares in the fast-growing FFR and dPR market

To achieve this, management has set up the following sales forces:

- Direct Sales Force: Opsens has established a sales team, hiring a seasoned staff with solid expertise in interventional cardiology. This sales force has been implemented to increase Opsens' market and commercialization penetration in the United States and Canada;
- Distributor Sales Force: Opsens has signed distribution agreements in Europe, Asia and the Middle East. These agreements allow Opsens to focus on market penetration with leading business partners in their respective markets.

Interventional cardiologists have started focusing on new measurements performed at rest. These measurements require greater accuracy and constant and repeated guidewire performance over time. With its second-generation optical sensor, the Company is convinced that there will be a growing interest in the OptoWire's recognized features which include:

- A low-drift measurement technology for improved reliability of FFR measurements, essential in cardiologists' decision-making;
- Better connectivity as the OptoWire is insensitive to blood contamination. It can be easily reconnected without compromising accuracy of the measurement.

- Clinical data

The Company is presently conducting a variety of clinical studies to demonstrate the value of Opsens' products.

- Innovation

In this ever-evolving and state-of-the-art market, Opsens plans to leverage its expertise in fibre optic sensing medical devices to create new FFR products and develop new fibre optic sensing technologies for cardiology assessment that address other invasive unmet medical needs. Commitment to innovation has always been a driving force behind the Company's success and desire to improve its intellectual property portfolio and value proposition for customers.

As an example of innovation, the Company is developing a pressure guidewire designed to assist cardiologists during a trans aortic valve replacement procedure (TAVR). This innovation is a structural heart pressure guidewire that measures critical hemodynamics information in real time during a valve replacement procedure.

In other medical products, Opsens offers a broad selection of miniature optical sensors to measure pressure and temperature that can be used in a wide range of applications and that can be integrated into other medical devices. The Company also aims to partner with key players in the industry, such as its partnership with Abiomed inc. (Abiomed), for the use of its miniature sensors and technology.

In the Industrial sector, the Company's business strategy is achieved by:

- Target Market Opsens Solutions' target markets are semiconductors, aerospace and laboratories. These are markets where Opsens' products offer unique advantages over its competitors;

- Innovation Opsens Solutions continually invests in innovations of its products, so they can offer unique advantages over its competitors. For example, the Company's optical strain and pressure sensors have received the attention of major players in the aerospace industry because they require no shielding or grounding and because of their ease of deployment.

NON-IFRS FINANCIAL MEASURES – EBITDAO

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

RECONCILIATION OF EBITDAO TO NET LOSS

(In thousands of Canadian dollars)	**Three-month period ended November 30, 2019**	**Three-month period ended November 30, 2018**
	$	**$**
Net (loss) earnings	(1,871)	1,092
Financial expenses (revenues)	160	(59)
Depreciation of property, plant and equipment and right-of-use assets	380	201
Amortisation of intangible assets	22	23
EBITDA	(1,309)	1,257
Stock-based compensation costs	120	109
EBITDAO	(1,189)	1,366

The negative variance of EBITDAO for the three-month period ended November 30, 2019, is mainly explained by the fact that we received a licensing revenue related to the Abiomed agreement for the same period last year.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	**Three-month period ended November 30, 2019**	**Three-month period ended November 30, 2018**
	$	**$**
Revenues		
Sales		
Medical	6,461	6,207
Industrial	528	594
	6,989	6,801
Licensing agreement	-	2,302
	6,989	9,103
Cost of sales	3,079	3,462
Gross margin	3,910	5,641
Gross margin percentage	56%	62%
Expenses (revenues)		
Administrative	1,475	1,112
Sales and marketing	2,850	2,423
Research and development	1,296	1,073
Financial expenses (revenues)	160	(59)
	5,781	4,549
Net (loss) earnings and comprehensive (loss) earnings	(1,871)	1,092
Basic and diluted net (loss) earnings per share	(0.02)	0.01

Revenues

The Company reported revenues of $6,989,000 for the three-month period ended November 30, 2019, compared to revenues of $9,103,000 for the corresponding period in 2018, a decrease of $2,114,000 or 23%.

Sales in the Medical sector totalled $6,461,000 for the three-month period ended November 30, 2019, compared to sales of $6,207,000 for the same period in 2018. The increase in Medical sector revenues is explained by a higher other Medical sale of $641,000 compared to the same period last year. Coronary physiology (FFR and dPR) sales totalled $4,293,000 for the three-month period ended November 30, 2019, a decrease of $387,000 compared to the $4,680,000 reported for the same period last year. The decrease is explained by a decline in revenues of $1.7 million from Japan, given the anticipated transition from OptoWire II to OptoWire III. The decline in revenues from Japan was partially offset by a $1.1 million revenue increase in the United States, Europe and Canada.

Sales in the Industrial sector totalled $528,000 for the three-month period ended November 30, 2019, compared to sales of $594,000 for the same period in 2018. The decrease is mostly explained by a lower volume of orders compared to the same period last year.

The decrease in revenues is also explained by the recognition last year of a nonrecurring revenue of $2,302,000 for the achievement of the last technical milestones of the Abiomed agreement.

For the three-month period ended November 30, 2019 and 2018, pricing fluctuations did not have a significant impact on revenues.

The Company's revenues are generated in U.S. dollars, Canadian dollars, euros and British pounds; fluctuations in the exchange rate affect revenues and net earnings (loss). For the three-month period ended November 30, 2019, revenues were positively affected by $3,000 compared to the same period last year (sales were positively impacted by $247,000 for the three-month period ended November 30, 2018).

As at November 30, 2019, Opsens’ total backlog of orders amounted to $1,515,000 ($5,443,000 as at November 30, 2018).

Gross Margin

Information and analysis in this section do not take into consideration licensing revenues (nil for the three-month period ended November 30, 2019, and $2,302,000 for the three-month period ended November 30, 2018, respectively).

Gross margin was $3,910,000 for the three-month period ended November 30, 2019, compared to $3,339,000 for the same period last year. The gross margin percentage increased from 49% for the three-month period ended November 30, 2018, to 56% for the three-month period ended November 30, 2019. The increase in gross margin is mainly explained by higher sales from our other medical products line combined with a decrease in our production cost.

Administrative Expenses

Administrative expenses were $1,475,000 and $1,112,000, respectively, for the three-month period ended November 30, 2019 and 2018. The increase is mainly explained by higher headcount, professionals’ fees and recruiting expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $2,850,000 for the three-month period ended November 30, 2019, an increase of $427,000 over the $2,423,000 reported during the same period in 2018. The increase is largely explained by higher headcount, commissions and publicity when compared to last year due to the expansion of Opsens’ sales presence for its coronary physiology (FFR and dPR) products in the United States and EMEA.

Research and Development Expenses

Research and development expenses totalled $1,296,000 for the three-month period ended November 30, 2019, an increase of $223,000 over the $1,073,000 reported during the same period in 2018. The increase is mainly explained by higher headcount, supplies, process validation and subcontractors’ fees for our development activities related to the OW3, OM3 and the new structural heart projects.

Financial Expenses (Revenues)

Financial expenses totalled $160,000 for the three-month period ended November 30, 2019, compared to financial revenue of $59,000 for the same period in 2018. The increase in financial expenses is mainly explained by a higher long-term debt expense of $103,000 related to the CIBC agreement and $83,000 related to the lease liabilities. Also, the increase is explained by a less favourable exchange rate of $55,000. This is partly offset by higher interest revenue of $28,000.

Net Loss

As a result of the foregoing, net loss for the three-month period ended November 30, 2019, was $1,871,000 compared to net earnings of $1,092,000 for the same period in 2018.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at November 30, 2019	As at August 31, 2019
	$	$
Current assets	23,934	26,099
Total assets	33,252	30,089
Current liabilities	4,869	4,787
Long-term liabilities	12,582	7,861
Shareholders' equity	15,801	17,441

Total assets as at November 30, 2019, were $33,252,000 compared to $30,089,000 as at August 31, 2019. The increase is mainly related to the accounting of a right-of-use asset of $5,109,000 related to the implementation of IFRS 16. This is partly offset by lower cash and cash equivalents of $1,093,000 and by lower accounts receivable of $1,175,000.

Current liabilities totalled $4,869,000 as at November 30, 2019, compared to $4,787,000 as at August 31, 2019. The increase is mainly explained by the current portion of lease liabilities of $478,000 related to the implementation of IFRS 16. This is partly offset by lower accounts payable and accrued liabilities of $442,000.

Long-term liabilities totalled $12,582,000 as at November 30, 2019, compared to $7,861,000 as at August 31, 2019, an increase of $4,721,000. The increase is mainly explained by a long-term lease liability of $4,690,000 following the implementation of IFRS 16.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended November 30, 2019**	**Three-month period ended August 31, 2019**	**Three-month period ended May 31, 2019**	**Three-month period ended February 28, 2019**
	$	**$**	**$**	**$**
Revenues	6,989	7,867	7,863	7,919
Net loss for the period	(1,871)	(1,617)	(1,053)	(374)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.01)	(0.00)

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended November 30, 2018**	**Three-month period ended August 31, 2018**	**Three-month period ended May 31, 2018**	**Three-month period ended February 28, 2018**
	$	**$**	**$**	**$**
Revenues	9,103	5,866	6,398	5,442
Net earnings (loss) for the period	1,092	(1,501)	(846)	(1,267)
Basic and diluted net earnings (loss) per share	0.01	(0.02)	(0.01)	(0.01)

For the Medical sector, activities are generally slower in the fourth quarter due to the summer vacations of physicians. For the year ended August 31, 2019, Opsens' coronary physiology (FFR and dPR) business showed growth despite usual seasonal impact.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2019, the Company had cash and cash equivalents of $13,763,000 compared to $14,856,000 as at August 31, 2019. Of this amount as at November 30, 2019, $12,504,000 were invested in highly-liquid, safe investments. As at November 30, 2019, Opsens had a working capital of $19,065,000, compared to $21,312,000 as at August 31, 2019. The decrease in working capital is mainly related to lower cash and cash equivalents and by lower trade and other receivables.

Under a loan agreement with Investissement Québec (IQ), the Company may receive a maximum amount of $519,750 net of transaction costs of $5,250. The loan bears interest at the prime rate plus 0.25% and it is repayable in monthly instalments of $10,938 and will mature in September 2024. The loan has a moratorium period without capital payment for a period of 12 months following the date of the first disbursement of the loan. It is secured by a movable hypothec on the universality of the property, tangible and intangible, present and future of the Company. On October 4, 2019, the Company received $249,000 of this loan. Under this loan agreement, the Company is required to maintain certain financial ratios. As of the date of this MD&A, the financial ratios were all met.

On February 27, 2019, Opsens announced that it has entered into a $8,000,000 credit agreement (the “Agreement”) with CIBC. The Agreement consists of a $7,000,000 term loan, set to mature in 60 months with no principal payment for a 24-month period following the signature of the Agreement, bearing interest at prime rate plus 2.00% per annum and of a $1,000,000 revolving operating credit margin bearing interest at prime rate plus 1.00%, set to mature in one year and that may be renewed on an annual basis. The disbursement of the $7,000,000 term loan occurred on March 1, 2019, and the revolving operating credit was also available at that time. Deferred financing fees related to the Agreement include professional fees and miscellaneous fees of $87,468. Under this Agreement, the Company is subject to certain covenants, which were met as of the date of this MD&A.

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

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Three-month period ended November 30, 2019	Three-month period ended November 30, 2018
	$	$
Operating activities	(611)	1,173
Investing activities	(349)	(286)
Financing activities	(135)	(84)
Effect of foreign exchange rate changes on cash and cash equivalents	2	12
Net change in cash and cash equivalents	(1,093)	815

Operating Activities

For the three-month period ended November 30, 2019, cash flows used by our operating activities were $611,000 compared to cash flows generated of $1,173,000 for the same period last year. The decrease in cash flows used by our operating activities is mainly explained by a negative variance of EBITDAO as explained previously.

Investing Activities

For the three-month period ended November 30, 2019, cash flows used by our investing activities reached $349,000 compared to $286,000 for the same period in 2018. The increase in cash flows used is mainly explained by higher acquisition of intangible assets for the Medical sector.

Financing Activities

For the three-month period ended November 30, 2019, cash flows used by financing activities reached $135,000 compared to $84,000 for the same period in 2018. The variation is mainly explained by higher interest on long-term debt and payment of the lease liabilities. This is partly offset by the increase in long-term debt of $244,000 related to the new IQ loan as explained previously.

INFORMATION BY REPORTABLE SEGMENTS

Segmented Information

The Company is organized into two segments: Medical and Industrial.

Medical segment: in this segment, Opsens focuses mainly on physiological measurement such as FFR and dPR in interventional cardiology but also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. This also includes licensing revenue related to its optical sensor technology.

Industrial segment: in this segment, Opsens' develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications.

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

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

	Three-month period ended November 30, 2019			Three-month period ended November 30, 2018		
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	6,461,168	527,733	6,988,901	8,508,716	594,022	9,102,738
Internal sales	-	22,089	22,089	-	26,941	26,941
Gross margin	3,640,628	269,334	3,909,962	5,263,099	378,091	5,641,190
Depreciation of property, plant and equipment and right-of-use assets	315,564	64,568	380,132	187,558	13,456	201,014
Amortisation of intangible assets	18,176	3,977	22,153	19,597	3,815	23,412
Financial expenses (revenues)	76,148	84,087	160,235	(124,630)	65,137	(59,493)
Net (loss) earnings	(1,671,314)	(199,595)	(1,870,909)	1,115,556	(23,242)	1,092,314
Acquisition of property, plant and equipment	292,313	24,091	316,404	237,912	9,205	247,117
Additions to intangible assets	143,951	-	143,951	32,032	220	32,252
Segment assets	31,324,639	1,927,744	33,252,383	23,942,927	1,602,039	25,544,966
Segment liabilities	16,804,391	646,712	17,451,103	5,330,128	296,188	5,626,316

Information by geographic segment

	Three-month periods ended November 30,	
	2019	2018
	$	$
Revenue by geographic segment		
United States	2,999,291	4,671,210
Japan	1,293,734	2,940,193
Canada	649,950	515,824
Other*	2,045,926	975,511
	6,988,901	9,102,738

* Comprised of revenues generated in countries for which amounts are individually not significant.

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

During the three-month period ended November 30, 2019, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. 26% (Medical's reportable segment) and 18% (Medical's reportable segment).

During the three-month period ended November 30, 2018, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e. 35% (Medical's reportable segment) and 32% (Medical's reportable segment).

Medical segment

Information and analysis in this section for revenue and gross margin do not take into consideration licensing revenues (nil for the three-month period ended November 30, 2019, and $2,302,000 for the three-month period ended November 30, 2018, respectively).

For the three-month period ended November 30, 2019, sales from the Medical segment were $6,461,000 compared to $6,207,000 for the three-month period ended November 30, 2018, an increase of $254,000. The increase is explained by higher other medical sales of $641,000.

Gross margin was $3,641,000 for the three-month period ended November 30, 2019, compared to $2,961,000 for the three-month period ended November 30, 2018, an increase of $680,000. The gross margin percentage for the three-month period ended November 30, 2019, was 56% compared to 48% for the three-month period ended November 30, 2018. The increase in gross margin is mainly explained by higher sales from our other medical products line combined with a decrease in our production cost.

Net loss for the Medical segment was $1,671,000 for the three-month period ended November 30, 2019, compared to net earnings of $1,116,000 for the same period last year. The increase in net loss is mainly explained by the licensing revenue recognized last year, partly offset by improvement of the gross margin, as explained previously.

Working capital for the Medical segment as at November 30, 2019, was $18,133,000 compared to $20,192,000 as at August 31, 2019. The decrease of $2,059,000 is mainly explained by lower cash and cash equivalents of $1,100,000 and by lower trade and other receivables of $1,141,000.

Industrial segment

For the three-month period ended November 30, 2019, external sales from the Industrial segment were $528,000 compared to $594,000 for the three-month period ended November 30, 2018, a decrease of $66,000 mostly explained by a lower volume of orders compared to the same period last year.

Gross margin was $269,000 for the three-month period ended November 30, 2019, compared to $378,000 for the same period in 2018, a decrease of $109,000. Gross margin went from 61% for the three-month period ended November 30, 2018, to 49% for the three-month period ended November 30, 2019. The decrease in gross margin percentage is mainly explained by a lower volume of sale.

Net loss for the Industrial segment was $200,000 for the three-month period ended November 30, 2019, compared to $23,000 for the three-month period ended November 30, 2018.

Working capital for the Industrial segment as at November 30, 2019, was at $932,000 compared to $1,119,000 as at August 31, 2019. The decrease is mainly explained by a higher current portion of lease liabilities related to the implementation of IFRS 16.

INFORMATION ON SHARE CAPITAL

For the three-month period ended November 30, 2019, the Company granted to some employees a total of 345,000 stock options with an average exercise price of $0.89, cancelled 101,250 stock options with an exercise price of $0.97 and 100,000 stock options with an average exercise price of $0.72 were exercised.

For the three-month period ended November 30, 2018, the Company granted to some employees a total of 300,000 stock options with an average exercise price of $0.80, cancelled 153,750 stock options with an exercise price of $1.28, whereas 100,000 stock options with an average exercise price of $0.44 were exercised, and 120,000 stock options with an exercise price of $0.85 expired.

As at January 10, 2020, the following components of shareholders' equity are outstanding:

Common shares	90,280,317
Stock options	6,979,375
Securities on a fully-diluted basis	97,259,692

No dividend was declared per share for each share class.

CAPACITY TO PRODUCE RESULTS

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

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

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

In accordance with the requirements of National Instrument 52-109–Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and the design of internal controls over financial reporting. There have been no changes in the Company's ICFR during the three-month period ended November 30, 2019, that have materially affected, or are reasonably likely materially affecting its ICFR.

RISK FACTORS

The Company operates in an industry that contains various risks and uncertainties. Additional risks and uncertainties not presently known by the Company, or which the Company deems to be currently insignificant, may impede the Company's performance. The materialization of one of the risks could harm the Company's activities and have significant negative impacts on its financial situation and its operating results. In that case, the Company's stock price could be affected.

There are important risks which management believes could impact the Company's business. For information on risks and uncertainties, please also refer to the "Risk Factors" section of our most recent Annual Information Form.

OFF-BALANCE SHEET ARRANGEMENTS

As of November 30, 2019, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements.

OTHER INFORMATION

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

On behalf of management,
Chief Financial Officer and Corporate Secretary

(s) Robin Villeneuve, CPA, CA

January 10, 2020