

Condensed Consolidated Interim Financial Statements

Opsens Inc.

Six-month periods ended February 29, 2020 and February 28, 2019
(unaudited)

Opsens Inc.

Six-month periods ended February 29, 2020 and February 28, 2019

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Opsens Inc.

Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Earnings

(unaudited)

	Three-month periods ended		Six-month periods ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Revenues				
Sales	8,257,751	7,255,386	15,246,652	14,056,155
Licensing	-	663,500	-	2,965,469
	8,257,751	7,918,886	15,246,652	17,021,624
Cost of sales	4,009,394	3,361,350	7,088,333	6,822,898
Gross margin	4,248,357	4,557,536	8,158,319	10,198,726
Expenses (revenues)				
Administrative	1,248,703	1,125,949	2,723,223	2,238,311
Sales and marketing	2,834,821	2,460,087	5,684,802	4,882,744
Research and development	1,422,570	1,318,646	2,718,705	2,391,996
Financial expenses (revenues)	124,285	26,687	284,520	(32,806)
	5,630,379	4,931,369	11,411,250	9,480,245
Net (loss) earnings and comprehensive (loss) earnings	(1,382,022)	(373,833)	(3,252,931)	718,481
Basic and diluted net (loss) earnings per share (Note 6)	(0.02)	(0.00)	(0.04)	0.01

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

Opsens Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Six-month period ended February 29, 2020

(unaudited)

	Common shares		Total	Share capital	Reserve – Stock option plan	Deficit	Total
	Issued	Subscribed					
	(number)	(number)	(number)	\$	\$	\$	\$
Balance as at August 31, 2019	90,180,317	51,149	90,231,466	54,709,401	3,409,390	(40,678,055)	17,440,736
Impact of adopting IFRS 16 (Note 2)	-	-	-	-	-	76,838	76,838
Shares issued pursuant to the stock option plan (Note 5a)	100,000	(51,149)	48,851	58,968	(24,171)	-	34,797
Stock-based compensation costs	-	-	-	-	263,038	-	263,038
Net loss and comprehensive loss	-	-	-	-	-	(3,252,931)	(3,252,931)
Balance as at February 29, 2020	90,280,317	-	90,280,317	54,768,369	3,648,257	(43,854,148)	14,562,478

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

Opsens Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Six-month period ended February 28, 2019

(unaudited)

	Common shares	Share capital	Reserve – Stock option plan	Reserve – Warrants	Deficit	Total
	(number)	\$	\$	\$	\$	\$
Balance as at August 31, 2018	89,868,817	54,341,014	3,058,196	2,899,294	(41,625,541)	18,672,963
Shares issued pursuant to the stock option plan (Note 5a)	100,000	73,896	(29,896)	-	-	44,000
Reserve – Warrants transfer to deficit ⁽¹⁾	-	-	-	(2,899,294)	2,899,294	-
Stock-based compensation costs	-	-	208,469	-	-	208,469
Net earnings and comprehensive earnings	-	-	-	-	718,481	718,481
Balance as at February 28, 2019	89,968,817	54,414,910	3,236,769	-	(38,007,766)	19,643,913

⁽¹⁾ The Company prospectively changed its accounting policy regarding its Reserve – Warrants. When warrants expire without being exercised or are cancelled, the Company now transfers to the Deficit the corresponding amount that was previously included in the Reserve – Warrants.

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

Opsens Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

	As at February 29, 2020	As at August 31, 2019
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 7)	10,977,565	14,855,982
Trade and other receivables	5,042,776	5,115,249
Tax credits receivables	381,549	297,391
Inventories	4,735,122	5,133,051
Prepaid expenses	977,223	697,345
	22,114,235	26,099,018
Property, plant and equipment	3,035,017	2,962,270
Intangible assets	1,324,594	1,027,195
Right-of-use assets (Notes 2 and 4)	4,945,240	-
	31,419,086	30,088,483
Liabilities		
Current		
Accounts payable and accrued liabilities	3,434,944	4,293,483
Warranty provision (Note 8)	138,663	134,460
Deferred revenues	19,857	-
Current portion of long-term debt (Note 3)	365,020	359,305
Current portion of lease liabilities (Notes 2 and 4)	499,277	-
	4,457,761	4,787,248
Long-term debt (Note 3)	7,838,646	7,135,020
Lease liabilities (Notes 2 and 4)	4,560,201	-
Deferred lease inducements (Note 2)	-	725,479
	16,856,608	12,647,747
Shareholders' equity		
Share capital (Note 5a)	54,768,369	54,709,401
Reserve – Stock option plan (Note 5b)	3,648,257	3,409,390
Deficit	(43,854,148)	(40,678,055)
	14,562,478	17,440,736
	31,419,086	30,088,483

Subsequent event (Note 11)

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

Approved by the Board

Signed [Jean Lavigueur], director

Signed [Louis Laflamme], director

Opsens Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

	Three-month periods ended		Six-month periods ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Operating activities				
Net (loss) earnings for the period	(1,382,022)	(373,833)	(3,252,931)	718,481
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	385,927	199,207	766,059	400,221
Amortisation of intangible assets	25,584	20,288	47,737	43,700
Loss on disposal of property, plant and equipment	57	5,767	2,378	12,114
Write-off of intangible assets	-	-	-	7,988
Stock-based compensation costs	143,220	99,096	263,038	208,469
Interest expense (revenue)	116,243	(16,810)	257,242	(34,497)
Unrealized foreign exchange (gain) loss	(14,132)	2,613	(16,387)	(9,442)
Changes in non-cash operating working capital items (Note 7)	(1,316,038)	(901,574)	(719,494)	(1,139,629)
	(2,041,161)	(965,246)	(2,652,358)	207,405
Investing activities				
Acquisition of property, plant and equipment	(236,795)	(151,669)	(551,772)	(443,003)
Additions to intangible assets	(215,858)	(38,097)	(315,684)	(70,917)
Interest received	55,628	35,750	121,342	73,882
	(397,025)	(154,016)	(746,114)	(440,038)
Financing activities				
Deferred financing fees	-	(20,000)	-	(20,000)
Increase in long-term debt, net of transaction costs	-	-	244,206	-
Reimbursement of long-term debt	(95,710)	(208,718)	(214,670)	(328,051)
Payment of lease liabilities	(108,885)	-	(213,245)	-
Proceeds from issuance of shares (Note 5a)	-	-	34,797	44,000
Interest paid	(156,685)	(7,576)	(347,420)	(16,069)
	(361,280)	(236,294)	(496,332)	(320,120)
Effect of foreign exchange rate changes on cash and cash equivalents	14,132	(2,613)	16,387	9,442
Decrease in cash and cash equivalents	(2,785,334)	(1,358,169)	(3,878,417)	(543,311)
Cash and cash equivalents – Beginning of period	13,762,899	11,701,646	14,855,982	10,886,788
Cash and cash equivalents – End of period	10,977,565	10,343,477	10,977,565	10,343,477

Additional information on the condensed consolidated interim statements of cash flows is presented in Note 7.

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

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

1. Incorporation and Description of Business

Opsens Inc. (Opsens or the Company) is incorporated under the Business Corporations Act (Quebec). Opsens focuses mainly on physiological measurement such as Fractional Flow Reserve (FFR) and dPR in interventional cardiology and 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. Opsens offers an advanced optical-based pressure guidewire (OptoWire) that aims at improving the clinical outcome of patients with coronary artery disease. Opsens is also involved in industrial activities through its wholly-owned subsidiary Opsens Solutions Inc. (Solutions). Solutions develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications. The Company's head office is located at 750, du Parc-Technologique Blvd., Quebec City, Quebec, Canada, G1P 4S3.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International *Accounting Standards Board* (IASB) applicable to the preparation of interim financial statements, including International Accounting Standards (IAS) 34, *Interim Financial Reporting* and using the same accounting policies and methods of computation as the most recent annual financial statements, except for the changes in accounting policies described below. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

Changes in Accounting Policies

The accounting policies and basis of measurement applied in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended August 31, 2019, except as disclosed below.

New standard adopted by the Company during the period

IFRS 16, Leases

On January 13, 2016, the IASB released IFRS 16, *Leases*, which replace IAS 17, *Leases*, and the related interpretations on leases such as IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – Incentives* and SIC 27, *Evaluating the substance of transactions in the legal form of a lease*. This new standard specifies how to recognize, measure, present and disclose leases. It also provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless lease term is twelve months or less or the underlying asset has a small value. Accounting for the lessor remains substantially unchanged. The standard is effective for periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*.

The Company has chosen the retrospective application of IFRS 16 with the cumulative effect of initially applying the standard recognized at the date of initial application. Consequently, the Company did not restate the comparative information. The approach allows for two transition options to measure the right-of-use asset at transition. The Company has chosen that the right-of-use asset will be equal to the lease liability at the date of initial application.

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

2. Basis of Preparation (continued)

Changes in Accounting Policies (continued)

New standard adopted by the Company during the period (continued)

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities on the statements of financial position for its leases that were considered operating leases under IAS 17. A depreciation expense on the right-of-use assets and an interest expense on the lease liabilities replace the straight line operating lease expense under IAS 17. As at August 31, 2019, under IAS 17, the Company's leases were classified as operating leases as they did not transfer substantially all the risks and rewards of ownership to the Company. Consequently, lease payments related to the Company's operating leases were recognized as rent expense on a straight-line basis over the period of the lease. The lease inducements were classified as *Deferred lease inducements* in the consolidated statements of financial position.

At transition on September 1, 2019, the Company recognized right-of-use assets for leases. Right-of-use assets were measured for an amount equal to the lease liabilities. Lease liabilities were measured at the present value of the remaining lease payments on a discounted basis, using the incremental borrowing rate. As a practical expedient, the deferred lease inducements related to free rents have been derecognized as an adjustment to the deficit and the deferred lease inducement related to financing activity, which does not represent a locative component, have been reclassified as a long-term debt for the Company as at September 1, 2019. The following table summarizes the impacts of adopting IFRS 16:

	September 1, 2019
	\$
Right-of-use assets	5,272,723
Lease liabilities	5,272,723
Adjustment recognized in deficit	76,838

To measure the lease liabilities, the Company used the present value of the remaining lease payments on a discounted basis, using the incremental borrowing rate applied as at September 1, 2019, which was 5.95%. The lease liabilities recognized can be reconciled to the lease commitments as at August 31, 2019 as follows:

	September 1, 2019
	\$
Lease commitments as at August 31, 2019	4,147,840
Effect of discounting	(1,827,981)
Lease commitments relating to low-value assets	(24,573)
Renewal options reasonably certain to be exercised	2,977,437
Lease liabilities recognized as at September 1, 2019	5,272,723

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

2. Basis of Preparation (continued)

Changes in Accounting Policies (continued)

New standard adopted by the Company during the period (continued)

The Company recognizes right-of-use assets and lease liabilities at the start date of the contract. Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made at or before the commencement date, less any lease incentives received and the costs to be incurred to dismantle and remove the underlying asset. Right-of-use assets are depreciated using the straight-line method over the period from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the leases term. The leases term includes the non-cancellable period and the renewal options reasonably certain to be exercised. Depreciation methods and useful lives are reviewed annually.

At the commencement date of the lease, the lease liabilities are measured at the present value of the lease payments to be made over the period of the lease. The present value is determined using the incremental borrowing rate of the Company at the start date of the contract if the implicit interest rate cannot be readily determined. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities but instead are recognized as expenses when the payment occurs. After the commencement date, the carrying amount of lease liabilities is then increased to reflect interest on the lease liabilities and reduced to reflect the lease payments made. The carrying amount of lease liabilities is remeasured when there is a change in future lease payments, in renewal options or in the periods of the lease. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use assets, or in the consolidated statements of loss and comprehensive loss when the carrying amount of the right-of-use assets is reduced to zero.

Depreciation charge for right-of-use assets, expenses related to variable lease payments not included in the measurement of lease liabilities and loss (gain) related to lease modifications are, if applicable, allocated between the functions presented in the consolidated statements of loss and comprehensive loss. Interests related to the lease liabilities are rather classified as financial expenses. Lease payments related to the principal portion of the lease liabilities are classified as *Payment of lease liabilities* within cash flows from financing activities. Lease payments related to the interest portion of the lease liabilities are classified as *Interest paid* within cash flows from financing activities.

IFRIC 23, Uncertainty Over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23, *Uncertainty Over Income Tax Treatments* (the "interpretation"). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019.

The interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The adoption of the interpretation did not have an impact on the Company's condensed consolidated interim financial statements.

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

3. Long-term Debt

	As at February 29, 2020	As at August 31, 2019
	\$	\$
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Contributions repayable to ministère des Finances et de l'Économie (MFE), without interest (effective rate of 9.00%), repayable in 5 equal and consecutive annual instalments of \$82,718, maturing in February 2020 (final payment in March 2020).		
Debt balance	82,718	82,718
Imputed interest	-	(3,618)
	82,718	79,100
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Contributions repayable to Canada Economic Development, without interest (effective rate of 13.50%), repayable in 20 equal and consecutive quarterly instalments of \$15,000, maturing in August 2020.		
Debt balance	30,000	60,000
Imputed interest	(1,388)	(4,531)
	28,612	55,469
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Contributions repayable to Canada Economic Development, without interest (effective rate of 12.00%), repayable in 59 equal and consecutive monthly instalments of \$3,333 and a final payment of \$3,353, maturing in October 2023. The difference between amounts received and estimated fair value is recognized as government grants.		
Debt balance	146,672	166,670
Imputed interest	(26,093)	(33,199)
	120,579	133,471
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Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of \$18,750, maturing in May 2020. Amounts received are net of transaction costs of \$9,000.		
	74,944	168,336
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Amounts to be carried forward	306,853	436,376
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Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

3. Long-term Debt (continued)

	As at February 29, 2020 \$	As at August 31, 2019 \$
Amounts carried over	306,853	436,376
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of \$4,500, maturing in February 2022. Amounts received are net of transaction costs of \$2,160.	111,939	134,147
Term loan, bearing interest at prime rate plus 2.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in February 2024 with no principal payment for a 24-month period following the signature of the agreement on March 2019. The principal is payable in 36 monthly instalments of \$194,444. Amounts received are net of transaction costs of \$87,468.	6,935,361	6,923,802
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in September 2024 with no principal payment for a 12-month period following the receipt of the loan on October 2019. The principal is payable in 48 monthly instalments of \$5,197. Amounts received are net of transaction costs of \$5,250.	244,868	-
Term loan bearing interest at 6.66% payable in 111 monthly instalments of \$8,070, maturing in September 2025.	604,645	-
	8,203,666	7,494,325
Current portion	365,020	359,305
	7,838,646	7,135,020

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

4. Leases

The Company has leases for buildings and hosting servers.

Right-of-use assets

The following table presents the right-of-use assets for the Company as at February 29, 2020:

	Six-month period ended February 29, 2020		
	Buildings	Hosting servers	Total
	\$	\$	\$
Opening balance as at September 1, 2019	5,190,001	82,722	5,272,723
Depreciation of right-of-use assets	(310,939)	(16,544)	(327,483)
Net book value as at February 29, 2020	4,879,062	66,178	4,945,240

Lease liabilities

The following table presents the lease liabilities for the Company as at February 29, 2020:

	Six-month period ended February 29, 2020		
	Buildings	Hosting servers	Total
	\$	\$	\$
Opening balance as at September 1, 2019	5,190,001	82,722	5,272,723
Payment of lease liabilities	(359,841)	(14,319)	(374,160)
Sublease income from right-of-use assets	12,509	-	12,509
Interest expense on lease liabilities	146,202	2,204	148,406
Lease liabilities as at February 29, 2020	4,988,871	70,607	5,059,478
Current portion	465,384	33,893	499,277
Long-term lease liabilities as at February 29, 2020	4,523,487	36,714	4,560,201

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six-month periods ended February 29, 2020 and February 28, 2019

(unaudited)

5. Shareholders' equity

a) Share capital

During the six-month period ended February 29, 2020, following the exercise of stock options, the Company issued 48,851 common shares (100,000 common shares for the six-month period ended February 28, 2019) for a cash consideration of \$34,797 (\$44,000 for the six-month period ended February 28, 2019). As a result, an amount of \$24,171 was reallocated from "Reserve – Stock option plan" to "Share capital" in shareholders' equity (\$29,896 for the six-month period ended February 28, 2019). Also, 51,149 subscribed common shares have been issued (nil for the six-month period ended February 28, 2019).

b) Stock options

The changes in the number of stock options granted by the Company and their weighted-average exercise prices, for the six-month periods ended February 29, 2020 and February 28, 2019, are as follows:

	Six-month period ended February 29, 2020		Six-month period ended February 28, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning of year	7,004,000	1.04	5,695,000	1.10
Granted	722,500	0.87	530,000	0.83
Exercised	(100,000)	0.72	(100,000)	0.44
Cancelled	(238,375)	0.91	(523,750)	1.09
Expired	(176,250)	0.76	(471,250)	0.79
Balance – end of period	7,211,875	1.04	5,130,000	1.11

The fair value of the options granted issued was estimated using the Black-Scholes option pricing model using the following assumptions:

	Six-month period ended February 29, 2020	Six-month period ended February 28, 2019
Risk-free interest rate	Between 1.55% and 1.67%	Between 1.92% and 2.27%
Volatility	Between 46.43% and 50.02%	Between 47.44% and 56.05%
Dividend yield on shares	Nil	Nil
Expected life	0 to 5 years	0 to 5 years
Weighted share price	\$0.87	\$0.83
Weighted fair value per option at the grant date	\$0.29	\$0.32

In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Any changes in the subjective input assumptions can affect the fair value estimate.

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

6. Net (Loss) Earnings per Share

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

	Three-month periods ended		Six-month periods ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Net (loss) earnings attributable to shareholders				
Basic and diluted	(1,382,022)	(373,833)	(3,252,931)	718,481
Number of shares				
Basic and diluted weighted average number of shares outstanding	90,280,317	89,968,817	90,273,174	89,946,165
Amount per share				
Basic and diluted net (loss) earnings per share	(0.02)	(0.00)	(0.04)	0.01

Stock options are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares or when their effect is antidilutive. The number of such stock options excluded from the calculation is presented below:

	Three-month periods ended		Six-month periods ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Stock options	4,769,565	4,560,500	4,328,080	4,260,500

For the three-month and the six-month periods ended February 29, 2020 and February 28, 2019, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for these periods was calculated using the basic weighted average number of shares outstanding.

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

7. Additional Information on the Condensed Consolidated Interim Statements of Cash Flows

	Three-month periods ended		Six-month periods ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Trade and other receivables	(1,121,474)	(89,010)	43,473	(1,807,721)
Tax credits receivable	(59,292)	(56,521)	(84,158)	(111,949)
Inventories	665,017	262,913	397,929	754,496
Prepaid expenses	(468,444)	(441,677)	(279,878)	(262,726)
Accounts payable and accrued liabilities	(342,867)	(546,442)	(820,920)	382,311
Warranty provision	600	(6,797)	4,203	(4,888)
Deferred revenues	10,422	-	19,857	(41,669)
Deferred lease inducements	-	(24,040)	-	(47,483)
	(1,316,038)	(901,574)	(719,494)	(1,139,629)
<i>Supplementary information</i>				
Unpaid acquisition of property, plant and equipment	12,815	19,581	12,815	19,581
Unpaid additions to intangible assets	33,920	6,513	33,920	6,513
			As at February 29, 2020	As at August 31, 2019
			\$	\$
<i>Cash and cash equivalents</i>				
Cash			1,371,936	1,275,252
Short-term investments			9,605,629	13,580,730
			10,977,565	14,855,982

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

8. Warranty provision

During the normal course of business, the Company replaces defective parts under warranty provision offered at the sale of the products. The term of the warranty is generally 12 months. The following table summarizes changes in warranty provision:

	Six-month periods ended	
	February 29, 2020	February 28, 2019
	\$	\$
Balance – beginning of year	134,460	137,420
Provisions recognized	46,500	36,000
Amounts used during the period	(42,297)	(40,888)
Balance – end of period	138,663	132,532

This provision estimate is based on past experience. The actual costs that the Company may incur, as well as the moment when the parts should be replaced, can differ from the estimated amount.

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

9. Segmented Information

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 February 29, 2020			Three-month period ended February 28, 2019		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	7,350,170	907,581	8,257,751	7,212,305	706,581	7,918,886
Internal sales	-	21,656	21,656	-	24,410	24,410
Gross margin	3,599,469	648,888	4,248,357	4,084,255	473,281	4,557,536
Depreciation of property, plant and equipment and right-of-use assets	324,349	61,578	385,927	186,823	12,384	199,207
Amortisation of intangible assets	22,373	3,211	25,584	16,615	3,673	20,288
Financial expenses (revenues)	49,317	74,968	124,285	(39,918)	66,605	26,687
Net (loss) earnings	(1,542,300)	160,278	(1,382,022)	(385,358)	11,525	(373,833)
Acquisition of property, plant and equipment	192,640	4,657	197,297	95,845	29,123	124,968
Additions to intangible assets	192,410	8,775	201,185	36,888	5,155	42,043
Segment assets	29,183,336	2,235,750	31,419,086	22,915,392	1,624,918	24,540,310
Segment liabilities	16,319,764	536,844	16,856,608	4,595,642	300,755	4,896,397

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six-month periods ended February 29, 2020 and February 28, 2019

(unaudited)

9. Segmented Information (continued)

	Six-month period ended February 29, 2020			Six-month period ended February 28, 2019		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	13,811,338	1,435,314	15,246,652	15,721,021	1,300,603	17,021,624
Internal sales	-	43,745	43,745	-	51,351	51,351
Gross margin	7,240,097	918,222	8,158,319	9,347,354	851,372	10,198,726
Depreciation of property, plant and equipment and right-of-use assets	639,913	126,146	766,059	374,381	25,840	400,221
Amortisation of intangible assets	40,549	7,188	47,737	36,212	7,488	43,700
Financial expenses (revenues)	125,465	159,055	284,520	(164,548)	131,742	(32,806)
Net (loss) earnings	(3,213,614)	(39,317)	(3,252,931)	730,198	(11,717)	718,481
Acquisition of property, plant and equipment	484,953	28,748	513,701	333,757	38,328	372,085
Additions to intangible assets	336,361	8,775	345,136	68,920	5,375	74,295
Segment assets	29,183,336	2,235,750	31,419,086	22,915,392	1,624,918	24,540,310
Segment liabilities	16,319,764	536,844	16,856,608	4,595,642	300,755	4,896,397

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements Six-month periods ended February 29, 2020 and February 28, 2019 (unaudited)

9. Segmented Information (continued)

Information by geographic segment

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Revenue by geographic segment				
United States	3,149,684	3,255,900	6,148,975	7,927,110
Japan	1,820,513	2,578,814	3,114,247	5,519,007
Canada	707,722	503,367	1,357,672	1,019,191
Other*	2,579,832	1,580,805	4,625,758	2,556,316
	8,257,751	7,918,886	15,246,652	17,021,624

* 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 February 29, 2020, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 23% (32% for the three-month period ended February 28, 2019) and 22% (25% for the three-month period ended February 28, 2019).

During the six-month period ended February 29, 2020, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 24% (32% for the six-month period ended February 28, 2019) and 20% (31% for the six-month period ended February 28, 2019).

Opsens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six-month periods ended February 29, 2020 and February 28, 2019

(unaudited)

10. Related Party Transactions

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Chief Executive Officer, the Executive Chairman, the Chief Financial Officer and the President of Opsens Solutions Inc. Compensation of key management personnel and directors during the three-month and the six-month periods ended February 29, 2020 and February 28, 2019 were as follows:

	Three-month periods ended		Six-month periods ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Short-term salaries and other benefits	267,089	214,444	534,574	428,588
Option-based awards	65,440	10,851	101,108	21,702
	332,529	225,295	635,682	450,290

The compensation of key executives is determined by the Human Resources and Compensation Committee, taking into consideration individual performance and market trends.

11. Subsequent Event

The global economy has significantly changed between the end of the reporting period and the approval date of the condensed consolidated interim financial statements. The spread of COVID-19 virus, declared on March 11, 2020 as a pandemic by the World Health Organization (WHO), has led many governments to adopt exceptional measures to slow the advancement of COVID-19. Quebec government has ordered the minimization of all non-priority services and activities as of March 25 and until May 4, 2020. These events cause significant uncertainties that could damage the Company's activities. At the current time, it is not possible to reliably estimate the duration and impact of these events may have on the Company's future financial results because of the uncertainties about future developments. However, thus far, the Company has had no manufacturing, supply chain, or distribution disruptions and has continued to fulfill orders to customers. Moreover, the Company, as a manufacturer of medical instruments, is exempt from the March 23, 2020 Quebec province order.

12. Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on April 8, 2020.