Consolidated Financial Statements

OpSens Inc.

Years ended August 31, 2020 and 2019

OpSens Inc.
Years ended August 31, 2020 and 2019

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Independent Auditor's Report

To the shareholders and the Board of Directors of OpSens Inc.

Opinion
We have audited the consolidated financial statements of OpSens Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sophie Fortin.

/s/ Deloitte LLP [1]

Quebec City, Canada

November 18, 2020

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1 CPA auditor, CA, public accountancy permit No. A124208

OpSens Inc.

Consolidated Statements of Loss and Comprehensive Loss
Years ended August 31, 2020 and 2019

	2020	2019
	$	$
Revenues		
Sales	**29,453,350**	29,449,124
Licensing (Note 5)	**-**	3,302,394
	29,453,350	32,751,518
Cost of sales	**13,833,858**	14,036,385
Gross margin	**15,619,492**	18,715,133
Operating expenses (Note 24)		
Administrative	**5,040,700**	4,593,182
Sales and marketing	**8,780,110**	11,116,277
Research and development	**5,441,027**	4,800,939
	19,261,837	20,510,398
Other income (Note 19)	**(1,682,608)**	-
Financial expenses (Note 25)	**684,067**	156,543
Net loss and comprehensive loss	**(2,643,804)**	(1,951,808)
Basic and diluted net loss per share (Note 16)	**(0.03)**	(0.02)

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

OpSens Inc.

Consolidated Statement of Changes in Equity
Year ended August 31, 2020

	Common shares				Reserve –		
	Issued	Subscribed	**Total**	Share capital	Stock option plan	Deficit	**Total**
	(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 4)	-	-	**-**	-	-	76,838	**76,838**
Shares issued pursuant to the stock option plan (Note 15a)	100,000	(51,149)	**48,851**	58,968	(24,171)	-	**34,797**
Stock-based compensation costs (Note 15b)	-	-	**-**	-	438,295	-	**438,295**
Net loss and comprehensive loss	-	-	**-**	-	-	(2,643,804)	**(2,643,804)**
Balance as at August 31, 2020	90,280,317	-	**90,280,317**	54,768,369	3,823,514	(43,245,021)	**15,346,862**

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

OpSens Inc.

Consolidated Statement of Changes in Equity
Year ended August 31, 2019

	Common share							
	Issued	Subscribed	**Total**	Share capital	Reserve – Stock option plan	Reserve – Warrants	Deficit	**Total**
	(number)	(number)	**(number)**	$	$	$	$	**$**
Balance as at August 31, 2018	89,868,817	-	**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 15a)	311,500	51,149	**362,649**	368,387	(137,985)	-	-	**230,402**
Reserve – Warrants transfer to deficit [1]	-	-	**-**	-	-	(2,899,294)	2,899,294	**-**
Stock-based compensation costs (Note 15b)	-	-	**-**	-	489,179	-	-	**489,179**
Net loss and comprehensive loss	-	-	**-**	-	-	-	(1,951,808)	**(1,951,808)**
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**

[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 consolidated financial statements.

OpSens Inc.
Consolidated Statements of Financial Position

	As at August 31, 2020	As at August 31, 2019
	$	$
Assets		
Current		
Cash and cash equivalents (Note 17)	**10,884,019**	14,855,982
Trade and other receivables (Note 6)	**4,041,080**	5,115,249
Government assistance receivable (Note 19)	**428,601**	-
Tax credits receivable (Note 21)	**105,677**	297,391
Inventories (Note 7)	**6,505,094**	5,133,051
Prepaid expenses	**578,893**	697,345
	22,543,364	26,099,018
Property, plant and equipment (Note 8)	**3,229,787**	2,962,270
Intangible assets (Note 9)	**1,622,310**	1,027,195
Right-of-use assets (Notes 4 and 14)	**4,512,978**	-
	31,908,439	30,088,483
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 12)	**3,545,323**	4,293,483
Warranty provision (Note 18)	**153,138**	134,460
Deferred revenues	**48,951**	-
Current portion of long-term debt (Note 13)	**1,460,654**	359,305
Current portion of lease liabilities (Notes 4 and 14)	**447,169**	-
	5,655,235	4,787,248
Long-term debt (Note 13)	**6,607,911**	7,135,020
Lease liabilities (Notes 4 and 14)	**4,298,431**	-
Deferred lease inducements (Note 4)	**-**	725,479
	16,561,577	12,647,747
Shareholders' equity		
Share capital (Note 15a)	**54,768,369**	54,709,401
Reserve – Stock option plan (Note 15b)	**3,823,514**	3,409,390
Deficit	**(43,245,021)**	(40,678,055)
	15,346,862	17,440,736
	31,908,439	30,088,483

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

Approved by the Board

Signed [Jean Lavigueur], director

Signed [Louis Laflamme], director

OpSens Inc.

Consolidated Statements of Cash Flows
Years ended August 31, 2020 and 2019

	2020	2019
	$	$
Operating activities		
Net loss	**(2,643,804)**	(1,951,808)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (Notes 8 and 14)	**1,547,713**	802,149
Amortisation of intangible assets (Note 9)	**119,780**	91,284
Loss on disposal of property, plant and equipment	**80,381**	75,585
Write-off of intangible assets	**-**	7,988
Stock-based compensation costs (Note 15b)	**438,295**	489,179
Interest expense	**616,472**	87,300
Unrealized foreign exchange loss	**10,565**	23,936
Changes in non-cash operating working capital items (Note 17)	**(1,154,458)**	(872,786)
	(985,056)	(1,247,173)
Investing activities		
Acquisition of property, plant and equipment (Notes 8 and 17)	**(1,220,582)**	(704,768)
Additions to intangible assets (Notes 9 and 17)	**(689,896)**	(499,244)
Interest received	**145,228**	199,694
	(1,765,250)	(1,004,318)
Financing activities		
Increase in long-term debt, net of transaction costs	**244,206**	6,912,532
Reimbursed of long-term debt	**(372,391)**	(663,381)
Payment of lease liabilities	**(409,788)**	-
Proceeds from issuance of shares (Note 15a)	**34,797**	230,402
Interest paid	**(707,916)**	(234,932)
	(1,211,092)	6,244,621
Effect of foreign exchange rate changes on cash and cash equivalents	**(10,565)**	(23,936)
(Decrease) increase in cash and cash equivalents	**(3,971,963)**	3,969,194
Cash and cash equivalents – Beginning of year	**14,855,982**	10,886,788
Cash and cash equivalents – End of year	**10,884,019**	14,855,982

Additional information on the consolidated statements of cash flows is presented in Note 17.

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

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 the coronary artery stenosis market 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 stenosis. 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. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company has consistently applied the accounting policies throughout all years presented, except for the changes in accounting policies as disclosed in note 4.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, OpSens Solutions Inc. All intra-group transactions, balances, revenues and expenses are fully eliminated upon consolidation until they are realized with a third party.

Subsidiary

A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date control is obtained and they are no longer consolidated at the date control ceases.

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company sells products through a direct sales force and to distributors. The Company recognizes sales revenues for both medical and industrial segments upon shipment of products to customers, when the control has been transferred to the buyer, there is no continuing management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Company is entitled to receive in exchange for transferring the promised products, net of any trade and volume discounts.

Milestone

Milestone income is recognized over the agreement residual terms at the point in time when it is highly probable that the respective milestone event criteria is met, and the risk of reversal of revenue recognition is remote.

Reporting Currency and Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company, as this is the principal currency of the economic environment in which it operates.

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate in effect at the date of the consolidated statements of financial position, non monetary assets and liabilities that are denominated in foreign currencies are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange differences are recognized in consolidated statements of loss and comprehensive loss in the period in which they arise.

Research and Development Costs

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet generally accepted criteria for deferral, in which case, the costs are capitalized and amortised to operations over the estimated period of benefit. No development costs have been capitalized during any of the years presented.

Refundable Research and Development Tax Credits and Government Assistance

Refundable research and development (R&D) tax credits and government assistance, except for the Canada Emergence Wage Subsidy (CEWS), are accounted for using the cost reduction method. Accordingly, refundable R&D tax credits and government assistance are recorded as a reduction of the related expenses or capital expenditures in the period in which the expenses are incurred.

The Company receive a non-refundable contribution for admissible salaries related to its workforce according to the CEWS program. This contribution is classified as *Other income* in the consolidated statements of loss and comprehensive loss. The contribution receivable regarding the CEWS is classified as *Government assistance receivable* in the consolidated statements of financial position

Refundable R&D tax credits and government assistance are accounted when the Company has reasonable assurance that it will comply with the conditions attaching to them and that the grants will be received.

Shareholders' Equity

Share capital represents the value of shares that have been issued. Any transaction costs associated with the issuance of shares are deducted from share capital.

2. Summary of Significant Accounting Policies (continued)

Share-based Compensation

The Company offers a stock option plan described in note 15b, which is determined as an equity-settled plan.

The Company uses the fair value-based method to measure the fair value of stock options as at their grant date. The fair value is determined using the Black-Scholes option pricing model and is recognized in the consolidated statements of loss and comprehensive loss as a compensation expense and credited to the stock option plan reserve, using a graded vesting schedule over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is recognized in the consolidated statements of loss and comprehensive loss such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to the stock option plan reserve.

Any consideration received by the Company upon the exercise of stock options is credited to share capital, and the stock option plan reserve component resulting from stock-based compensation is transferred to share capital upon the issuance of the shares.

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is essentially determined using the weighted average cost. The cost of work in progress and finished goods comprises the cost of raw materials, direct labour costs and an allocation of fixed and variable manufacturing overhead, including applicable depreciation of property, plant and equipment and right-of-use assets based on normal production capability.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a change in economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down.

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes the purchase price and the directly attributable costs of acquisition.

Depreciation is recorded using the straight-line method over the estimated useful life, considering any residual value, as follows:

Office furniture and equipment	10 years
Production equipment	7 years
Research and development equipment	7 years
Diagnostic and demonstration equipment	3 to 5 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Remaining lease terms of six years and one year

Depreciation methods, residual values and useful life of property, plant and equipment are reviewed annually. Any change is accounted for prospectively as a change in accounting estimates.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the consolidated statements of loss and comprehensive loss.

Intangible Assets

Intangible assets with finite useful life consist of patents and software, including software development costs. Intangible assets acquired separately are recorded at cost. The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria, and comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. After initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded using the straight-line method over the estimated useful life considering any residual value, as follows:

Patents	Term of underlying patent - 20 years
Software	3 to 15 years
Software development in progress	5 years

The Company’s indefinite-life intangible assets consist of trademarks and are not amortised.

2. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

Indefinite-Life Intangible Assets

The carrying values of identifiable intangible assets with indefinite life are tested annually for impairment. Indefinite-life intangible assets are allocated to cash generating units (CGUs) for the purpose of impairment testing based on the level at which management monitors it, which is not higher than an operating segment. The Company has elected to carry its annual impairment test during the last quarter of each year or at any time if an indicator of impairment exists.

Non-Financial Assets with Finite Useful Life

The carrying values of non-financial assets with finite useful life, such as property, plant and equipment, intangible assets with finite useful life and right-of-use assets, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an indicator exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of Impairment Charge

The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment charge is recognized in the consolidated statements of loss and comprehensive loss. Impairment charges recognized in prior periods are determined at each reporting date for any indications that the impairment charge has decreased or no longer exists. When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment charges been recognized for the asset or CGU in prior years. An impairment charge recognized for goodwill cannot be reversed.

2. Summary of Significant Accounting Policies (continued)

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are recognized on the statements of financial position with right-of-use assets and lease liabilities, except for short-term leases and leases for which the underlying asset is of low value. For these, the Company decided to recognize lease payments as expenses on a straight-line basis over the period of the lease.

Right-of-Use Assets

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.

Lease Liabilities

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.

Classification and Presentation

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.

Warranty Provision

The Company offers a standard 12-month warranty excluding consumables and accessories. Provision for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the warranty obligation.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Income tax expenses comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current Income Taxes

The current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or received by the taxation authorities. The income tax rates used to calculate the amount are those that are enacted or substantively enacted at the date of the consolidated statements of financial position in the tax jurisdiction where the Company and its subsidiary generate taxable income/loss.

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between carrying values and tax values of assets and liabilities as well as the carry forward of unused tax losses and deductions, using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which the assets are expected to be realized or the liabilities settled.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences and for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or to different taxable entities that intend to settle the balances on a net basis.

Loss per Share

Basic net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year.

Diluted net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This method requires that diluted net loss per share be calculated using the treasury stock method, as if all dilutive potential common share equivalents had been exercised at the beginning of the reporting period, or period of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the fair value of the common shares during the period.

2. Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial assets at fair value through profit and loss (FVTPL): Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Financial liabilities at FVTPL: These financial liabilities are initially recognized at fair value, and transaction costs directly attributable to issuing the financial liabilities are expensed in the consolidated statements of loss and comprehensive loss. Financial liabilities that are required to be measured at FVTPL have all fair value movements, including those related to changes in the credit risk of the liability, recognized in the consolidated statements of loss and comprehensive loss.

Financial assets at fair value through other comprehensive income (FVTOCI): Investments in equity and debt instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss and comprehensive loss in the period in which they arise without subsequent reclassification to net income in the case of equity instruments.

Financial assets at amortised cost: A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortised cost less any impairment.

Impairment of financial assets at amortised cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost. As at August 31, 2020 and 2019, the loss allowance was nil.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the related asset or related liability.

For all these items, relevant accounting policies are discussed in note 2 of these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both the current and future periods.

Because of the economic and business uncertainties caused by the spread of COVID-19 virus, the Company reviewed all the critical accounting estimates, assumptions and judgements that are made by management during the preparation of the consolidated financial statements. No significant change is necessary following this review for these consolidated financial statements. However, because of the uncertain and evolving situation associated with the spread of COVID-19, new information could emerge after the approval date of the consolidated financial statements. This could lead to the necessity for the Company to review the critical accounting estimates, assumptions and judgements prospectively over the next years.

3. Critical Accounting Estimates, Assumptions and Judgments (continued)

Thus far, the Company has had no manufacturing, supply chain, or distribution disruptions and has continued to fulfill orders to customers. However, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company's financial results, business conditions and cash flows because of the uncertainties about future developments.

The following critical estimates, judgments and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

The Company measures its inventories at the lower of cost, determined with the weighted average cost basis method, and net realizable value, and provides reserves for excess and obsolete inventories. The Company determines its reserves for excess and obsolete inventories based on the quantities on hand at the reporting dates, compared to foreseeable needs over the next twelve months, considering changes in demand, technology and market.

Useful Life of Depreciable Assets

Management reviews the useful life of depreciable assets at each reporting date. As at August 31, 2020, management stated that the useful life represents the expected utility of the assets to the Company. The carrying amounts are presented in notes 8 and 9. Actual results, however, may vary due to technical obsolescence or changes in the market, particularly for computer equipment and software.

Impairment of Non-Financial Assets

When the Company performs an impairment test for its non-financial assets, the fair value of CGU must be determined. For that purpose, the Company evaluates the recoverable amount, which is the higher of assets fair value less costs of disposal and its value in use. This evaluation requires a high degree of judgment and several estimates including future cash flows, discount rates and other variables.

Leases

Upon the occurrence of either a significant event or a significant change in circumstances, the Company reviews if it has the reasonable certainty to exercise an extension option of the lease, or not to exercise a termination option. Future lease payments are also reviewed by management, resulting in a remeasurement of the carrying amount of right-of-use assets and lease liabilities. To measure lease liabilities at the present value of the remaining lease payments, the Company must also determine its incremental borrowing rate when the implicit interest rate of the contract cannot be readily determined.

Government Assistance and Refundable R&D Tax Credits

Government assistance, including the CEWS, and refundable R&D tax credits are recorded in the consolidated financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all of the conditions necessary to obtain the government assistance and refundable R&D tax credits.

Warranty Provision

The Company estimated warranty provision based on the history of defective products and the probability that these defects will arise, as well as the related costs.

Stock-based Compensation

The Company uses judgment in assessing expected life, volatility, risk-free interest rates, as well as the estimated number of options that will ultimately vest.

3. Critical Accounting Estimates, Assumptions and Judgments (continued)

Revenue Recognition

Delivery generally occurs when the product is handed over to a transporter for shipment. At the time of the transaction, the Company assesses whether the price associated with its revenue transaction is fixed or determinable and whether collection is reasonably assured. The Company assesses collection based on several factors, including past transaction history and the creditworthiness of the customer.

Functional Currency

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which each operates. The Company has determined that the functional currency for the Company and its subsidiary is the Canadian dollar. The determination of functional currency may require certain judgments to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

Deferred Income Tax Asset

A deferred income tax asset will be recognized in the consolidated financial statements only when the Company concludes that these tax assets will probably be materialized by shielding profits from taxes or otherwise. The tax asset amount will be recorded based on the enacted and substantively enacted income tax rates for the year in which the differences are expected to reverse.

4. Changes in Accounting Policies

New standards adopted by the Company during the year

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 assets at transition. The Company has chosen that the right-of-use assets will be equal to the lease liabilities at the date of initial application.

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities on the consolidated 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.

4. Changes in Accounting Policies (continued)

New standards adopted by the Company during the year (continued)

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**

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 consolidated financial statements.

5. Licensing Agreement

On April 15, 2014, the Company announced it had entered into an agreement with Abiomed, Inc. (Abiomed) in connection with its miniature optical pressure sensor technology for applications in circulatory assisted devices. The Company has granted Abiomed an exclusive worldwide license to integrate its miniature pressure sensor in connection with Abiomed's circulatory assisted devices. Under the agreement, Abiomed had to pay OpSens an aggregate amount of US$6,000,000. An amount of $1,647,000 (US$1,500,000) has been paid on closing, while the balance has been disbursed based on the achievement of certain milestones. For the year ended August 31, 2019, the Company achieved the last technical milestones related to the agreement with Abiomed and consequently, it allowed the Company to record, in the consolidated statements of loss and comprehensive loss as licensing revenues an amount of $3,260,725 (US$2,500,000).

6. Trade and Other Receivables

	As at August 31, 2020	As at August 31, 2019
	$	$
Trade	**3,922,452**	4,619,148
Sales taxes receivable	**99,902**	441,189
Other receivables	**18,726**	54,912
Total	**4,041,080**	5,115,249

Loss allowance

	Years ended August 31,	
	2020	2019
	$	$
Balance – Beginning of year	**-**	(817,823)
Additional provisions recognized	**-**	(2,347)
Amounts recovered during the year	**-**	18,568
Unused amounts reversed during the year	**-**	796,240
Foreign exchange variance	**-**	5,362
Balance – End of year	**-**	-

7. Inventories

	As at August 31, 2020	As at August 31, 2019
	$	$
Raw materials	**2,695,700**	2,534,907
Work in progress	**1,153,315**	1,831,171
Finished goods	**2,656,079**	766,973
Total	**6,505,094**	5,133,051

For the year ended August 31, 2020, $8,493,824 of inventories were expensed in the consolidated statements of loss and comprehensive loss and presented in cost of sales ($9,369,472 for the year ended August 31, 2019).

Write-downs of inventories amounting to $122,945 ($131,530 for the year ended August 31, 2019) were included under cost of sales.

8. Property, Plant and Equipment

	Office furniture and equipment, net of income tax credits of $3,420	Production equipment, net of income tax credits of $103,160	Diagnostic and demonstration equipment	Research and development equipment, net of income tax credits and government assistance of $55,303	Research and development computer equipment, net of income tax credits of $3,078	Computer equipment	Leasehold improvements, net of income tax credits of $44,823	Total
	$	$	$	$	$	$	$	$
Cost								
Balance as at August 31, 2019	545,066	3,157,367	543,313	1,485,462	98,963	536,013	1,213,471	7,579,655
Additions	17,098	698,116	280,173	82,605	26,504	61,672	87,033	1,253,201
Disposals	-	-	(173,229)	-	-	-	-	(173,229)
Balance as at August 31, 2020	562,164	3,855,483	650,257	1,568,067	125,467	597,685	1,300,504	8,659,627
Accumulated depreciation								
Balance as at August 31, 2019	235,028	1,766,112	216,748	1,199,856	73,648	470,829	655,164	4,617,385
Disposals	-	-	(92,848)	-	-	-	-	(92,848)
Depreciation	47,486	450,132	134,564	85,965	16,446	51,412	119,298	905,303
Balance as at August 31, 2020	282,514	2,216,244	258,464	1,285,821	90,094	522,241	774,462	5,429,840
Net book value								
as at August 31, 2020	279,650	1,639,239	391,793	282,246	35,373	75,444	526,042	3,229,787

8. Property, Plant and Equipment (continued)

	Office furniture and equipment, net of income tax credits of $3,420	Production equipment, net of income tax credits of $103,160	Diagnostic and demonstration equipment	Research and development equipment, net of income tax credits and government assistance of $55,303	Research and development computer equipment, net of income tax credits of $3,078	Computer equipment	Leasehold improvements, net of income tax credits of $44,823	Total
	$	$	$	$	$	$	$	$
Cost								
Balance as at August 31, 2018	453,004	3,076,424	471,137	1,378,355	74,971	488,731	1,094,419	7,037,041
Additions	92,062	80,943	194,717	107,107	23,992	47,282	119,052	665,155
Disposals	-	-	(122,541)	-	-	-	-	(122,541)
Balance as at August 31, 2019	545,066	3,157,367	543,313	1,485,462	98,963	536,013	1,213,471	7,579,655
Accumulated depreciation								
Balance as at August 31, 2018	189,994	1,366,452	151,513	1,120,982	62,216	420,938	550,097	3,862,192
Disposals	-	-	(46,956)	-	-	-	-	(46,956)
Depreciation	45,034	399,660	112,191	78,874	11,432	49,891	105,067	802,149
Balance as at August 31, 2019	235,028	1,766,112	216,748	1,199,856	73,648	470,829	655,164	4,617,385
Net book value as at August 31, 2019	310,038	1,391,255	326,565	285,606	25,315	65,184	558,307	2,962,270

9. Intangible Assets

	Indefinite life – Trademarks	Finite life – Software in progress	Finite life – Software, net of income tax credits of $1,518	Internally developed Finite life – Patents	Total
	$	$	$	$	$
Cost					
Balance as at August 31, 2019	**25,982**	**188,965**	**322,702**	**1,125,519**	**1,663,168**
Additions	**19,691**	**521,827**	**27,089**	**272,816**	**841,423**
Grant recorded against intangible assets (Note 19)	**-**	**(126,528)**	**-**	**-**	**(126,528)**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance as at August 31, 2020	**45,673**	**584,264**	**349,791**	**1,398,335**	**2,378,063**
Accumulated amortisation					
Balance as at August 31, 2019	**-**	**-**	**204,099**	**431,874**	**635,973**
Amortisation	**-**	**-**	**17,085**	**102,695**	**119,780**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance as at August 31, 2020	**-**	**-**	**221,184**	**534,569**	**755,753**
Net book value as at August 31, 2020	**45,673**	**584,264**	**128,607**	**863,766**	**1,622,310**

	Indefinite life – Trademarks	Finite life – Software in progress	Finite life – Software, net of income tax credits of $1,518	Internally developed Finite life – Patents	Total
	$	$	$	$	$
Cost					
Balance as at August 31, 2018	22,317	-	210,655	941,909	1,174,881
Additions	3,665	217,965	112,047	195,900	529,577
Grant recorded against intangible assets (Note 19)	-	(29,000)	-	-	(29,000)
Disposals	-	-	-	(12,290)	(12,290)
Balance as at August 31, 2019	25,982	188,965	322,702	1,125,519	1,663,168
Accumulated amortisation					
Balance as at August 31, 2018	-	-	177,936	371,055	548,991
Amortisation	-	-	26,163	65,121	91,284
Disposals	-	-	-	(4,302)	(4,302)
Balance as at August 31, 2019	-	-	204,099	431,874	635,973
Net book value as at August 31, 2019	25,982	188,965	118,603	693,645	1,027,195

The Company has considered indicators of impairment as at August 31, 2020 and did not record an impairment loss attributable to patent requests that have not been pursued ($7,988 for the year ended August 31, 2019).

10. Impairment Testing

The COVID-19 pandemic has resulted in an overall decline in equity markets, as well as ongoing economic uncertainty, impacted the Company activities and revenues during the year ended August 31, 2020. Management identified a potential impairment indicator of assets and as a result, has performed an impairment test for the Medical segment cash-generating unit (CGU). The Company estimated the CGU's fair value less costs of disposal to determine the recoverable amount and considers the relationship between its market capitalization and its book value, among other factors, when assessing for impairment. As at August 31, 2020, the market capitalization of the Company exceeded the carrying amount of the CGU, indicating no impairment required.

11. Authorized Line of Credit

The Company has a revolving operating credit facility for a maximum of $1,000,000 (the credit limit). The available revolving operating credit is limited to the lesser of the credit limit and 75% of eligible accounts receivable, plus 50% of eligible inventories, minus priority claims. The aggregate outstanding amount under the revolver may not at any time exceed the credit limit. This revolving operating credit bears interest at the prime rate plus 1% and is repayable on the first anniversary of the date of the agreement. The Company is also allowed to prepay this facility in whole or in part at any time without penalty. It is secured by a first-rank movable hypothec on the universality of receivables and inventories. The credit line was not used as at August 31, 2020 and 2019.

The Company also has credit cards for a maximum of $100,000 to finance its current operations. The balance used on these credit cards bears interest at a rate of 19.99%.

12. Accounts Payable and Accrued Liabilities

	As at August 31, 2020	As at August 31, 2019
	$	$
Suppliers	**1,421,986**	2,159,323
Salaries, employee benefits and other	**1,284,450**	798,411
Other liabilities	**838,887**	1,335,749
Total	**3,545,323**	4,293,483

13. Long-term Debt

	As at August 31, 2020	As at August 31, 2019
	$	$
Contributions repayable to Ministère des Finances, without interest (effective rate of 9.00%), repayable in 5 equal and consecutive annual instalments of $82,718, maturing in February 2020.		
Debt balance	**-**	82,718
Imputed interest	**-**	(3,618)
	-	79,100
Contributions repayable to Canada Economic Development (CED), without interest (effective rate of 13.50%), repayable in 20 equal and consecutive quarterly instalments of $15,000, initially maturing in August 2020. Since April 2020, all payments due to CED are deferred for nine months (revised deadline in May 2021).		
Debt balance	**30,000**	60,000
Imputed interest	**(400)**	(4,531)
	29,600	55,469
Contributions repayable to Canada Economic Development (CED), 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, initially maturing in October 2023. The difference between amounts received and estimated fair value is recognized as government grants. Since April 2020, all payments due to CED are deferred for nine months (revised deadline in July 2024).		
Debt balance	**143,339**	166,670
Imputed interest	**(20,513)**	(33,199)
	122,826	133,471
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, initially maturing in May 2020. Amounts received are net of transaction costs of $9,000. Since March 2020, all capital payments are deferred for a maximum period of six months (revised deadline in November 2020).	**56,236**	168,336
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, initially maturing in February 2022. Amounts received are net of transaction costs of $2,160. Since March 2020, all capital payments are deferred for a maximum period of six months (revised deadline in August 2022).	**107,624**	134,147
Amounts to be carried forward	**316,286**	570,523

13. Long-term Debt (continued)

	As at August 31, 2020	As at August 31, 2019
	$	$
Amounts carried over	**316,286**	570,523
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.	**6,947,412**	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.	**245,704**	-
Term loan bearing interest at 6.66% payable in 111 monthly instalments of $8,070, maturing in September 2025.	**559,163**	-
	8,068,565	7,494,325
Current portion	**1,460,654**	359,305
	6,607,911	7,135,020

The annual principal instalments due on the long-term debt are:

	As at August 31, 2020	As at August 31, 2019
	$	$
Less than 1 year	**1,460,654**	359,305
1 to 2 years	**2,566,429**	1,226,054
2 to 3 years	**2,531,305**	2,376,009
3 to 4 years	**1,369,586**	2,361,417
4 to 5 years	**129,821**	1,171,540
More than 5 years	**10,770**	-
	8,068,565	7,494,325

Under the terms and conditions of the agreements on long-term debt with its lenders, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. As at August 31, 2020 and 2019, these financial ratios were met by the Company.

14. 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 August 31, 2020:

	Year ended August 31, 2020		
	Buildings	**Hosting servers**	**Total**
	$	**$**	**$**
Opening balance as at September 1, 2019	**5,190,001**	**82,722**	**5,272,723**
New leases / leases modifications	**(118,424)**	**1,089**	**(117,335)**
Depreciation of right-of-use assets	**(609,212)**	**(33,198)**	**(642,410)**
Net book value as at August 31, 2020	**4,462,365**	**50,613**	**4,512,978**

Lease Liabilities

The following table presents the lease liabilities for the Company as at August 31, 2020:

	Year ended August 31, 2020		
	Buildings	**Hosting servers**	**Total**
	$	**$**	**$**
Opening balance as at September 1, 2019	**5,190,001**	**82,722**	**5,272,723**
New leases / leases modifications	**(118,424)**	**1,089**	**(117,335)**
Payment of lease liabilities	**(688,874)**	**(34,725)**	**(723,599)**
Sublease income from right-of-use assets	**24,301**	**-**	**24,301**
Interest expense on lease liabilities	**285,527**	**3,983**	**289,510**
Lease liabilities as at August 31, 2020	**4,692,531**	**53,069**	**4,745,600**
Current portion	**411,290**	**35,879**	**447,169**
Long-term lease liabilities as at August 31, 2020	**4,281,241**	**17,190**	**4,298,431**

14. Leases (continued)

The lease payments, based on the expected undiscounted contractual cash flows, are as follows over the period of the leases:

	As at August 31, 2020
	$
Less than 1 year	**703,578**
1 to 2 years	**568,676**
2 to 3 years	**564,999**
3 to 4 years	**579,124**
4 to 5 years	**593,602**
More than 5 years	**3,254,251**
	6,264,230

For the year ended August 31, 2020, expenses relating to short-term leases and leases for which the underlying asset is of low value were not significant.

The Company is not exposed to a significant liquidity risk regarding its lease liabilities. The Company's treasury function oversees lease liabilities.

15. Shareholders' Equity

a) Share Capital

During the year ended August 31, 2020, following the exercise of stock options, the Company issued 48,851 common shares (311,500 common shares for the year ended August 31, 2019) for a cash consideration of $34,797 ($230,402 for the year ended August 31, 2019). As a result, an amount of $24,171 was reallocated from "Reserve – Stock option plan" to "Share capital" in shareholders' equity ($137,985 for the year ended August 31, 2019). Also, 51,149 subscribed common shares have been issued (nil for the year ended August 31, 2019).

b) Stock Options

According to the policies of the TSX Exchange, the stock option plan must be approved by the Company's shareholders every three years. So, the shareholders approved the stock option plan on January 21, 2020. The number of common shares reserved by the Board of Directors for options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The plan is available to the Company's directors, consultants, officers and employees.

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subjected to the price restrictions and other requirements imposed by the TSX Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 1,070,000 stock options (1,000,000 stock options granted as at August 31, 2019), which were completely vested at grant date. The exercise price of the options is the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of grant.

The compensation expense in regards to the stock option plan for the year ended August 31, 2020 is $438,295 ($489,179 for the year ended August 31, 2019).

15. Shareholders' Equity (continued)

b) Stock Options (continued)

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

	Years ended August 31,	
	2020	2019
Risk-free interest rate	**Between 0.24% and 1.67%**	Between 1.23% and 2.27%
Volatility	**Between 46.43% and 66.51%**	Between 45.24% and 56.05%
Dividend yield on shares	**Nil**	Nil
Expected life	**0 to 5 years**	0 to 5 years
Weighted share price	**$0.75**	$0.82
Weighted fair value per option at the grant date	**$0.27**	$0.30

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.

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected life of the options.

The changes in the number of stock options granted by the Company and their weighted-average exercise prices between August 31, 2018 and August 31, 2020 are as follows:

	Number of options	Weighted-average exercise price
		$
Outstanding as at August 31, 2018	5,695,000	1.10
Options granted	2,818,500	0.82
Options exercised	(311,500)	0.62
Options expired	(609,750)	0.79
Options cancelled	(588,250)	1.06
Outstanding as at August 31, 2019	7,004,000	1.04
Options granted	1,400,000	0.75
Options exercised	(100,000)	0.72
Options expired	(467,875)	0.95
Options cancelled	(1,239,750)	0.94
Outstanding as at August 31, 2020	6,596,375	1.01
Options exercisable as at August 31, 2020	3,352,844	1.15

15. Shareholders' Equity (continued)

b) Stock Options (continued)

The table below provides information on the outstanding stock options as at August 31, 2020:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average remaining contractual life (years)
$			
0.51 – 0.75	492,500	50,000	4.64
0.76 – 1.00	4,064,250	1,664,250	3.32
1.01 – 1.25	449,000	308,125	3.46
1.26 – 1.50	719,375	564,531	1.66
1.51 – 1.75	871,250	765,938	1.25
1.01	6,596,375	3,352,844	2.87

16. Net Loss per Share

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

	Years ended August 31,	
	2020	2019
	$	$
Net loss attributable to shareholders		
Basic and diluted	**(2,643,804)**	(1,951,808)
Number of shares		
Basic and diluted weighted average number of shares outstanding	**90,276,765**	90,010,061
Amount per share		
Basic and diluted net loss per share	**(0.03)**	(0.02)

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 stock options excluded from the calculation because their exercise price is greater than the average market price of common shares is presented below:

	Years ended August 31,	
	2020	2019
Stock options	**6,023,936**	4,663,500

For the years ended August 31, 2020 and 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.

17. Additional Information on the Consolidated Statements of Cash Flows

	Years ended August 31, 2020	2019
	$	$
Changes in non-cash operating working capital items		
Trade and other receivables	**1,045,169**	(2,269,964)
Government assistance receivable	**(428,601)**	-
Tax credits receivable	**191,714**	57,397
Inventories	**(1,372,043)**	86,909
Prepaid expenses	**118,452**	(190,009)
Accounts payable and accrued liabilities	**(776,778)**	1,583,073
Warranty provision	**18,678**	(2,960)
Deferred revenues	**48,951**	(41,669)
Deferred lease inducements	**-**	(95,563)
	(1,154,458)	(872,786)
Supplementary information		
Uncashed grant recorded against intangible assets	**-**	29,000
Unpaid acquisition of property, plant and equipment	**83,505**	50,886
Unpaid additions to intangible assets	**29,467**	33,468

	As at August 31, 2020	As at August 31, 2019
	$	$
Cash and cash equivalents		
Cash	**3,251,374**	1,275,252
Short-term investments	**7,632,645**	13,580,730
	10,884,019	14,855,982

18. 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:

	Years ended August 31,	
	2020	2019
	$	$
Balance – Beginning of year	**134,460**	137,420
Additional provision recognized	**80,500**	119,502
Unused amount reversed during the year	**-**	(16,000)
Amount used during the year	**(61,822)**	(106,462)
Balance – End of year	**153,138**	134,460

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.

19. Government assistance

The global economy has significantly changed with the spread of COVID-19 virus. This situation was declared on March 11, 2020, as a pandemic by the World Health Organization (WHO) and has led many governments to adopt exceptional measures like the implementation of the Canada Emergency Wage Subsidy (CEWS). For the year ended August 31, 2020, the Company recorded, as *Other income*, a non-refundable contribution under the CEWS program for an amount of $1,682,608 for admissible salaries related to its workforce (nil for the year ended August 31, 2019).

Under an agreement reached with the National Research Council Canada with respect to the Industrial Research Assistance Program (IRAP), the Company may receive a non-refundable contribution for a maximum amount of $500,000 to cover some of its incurred costs to develop a new product for the structural heart market. For the year ended August 31, 2020, the Company recorded contributions totalling $187,590 ($86,567 for the year ended August 31, 2019) which were accounted for against research and development expenses.

Under an agreement reached with the Ministère de l'Économie et de l'Innovation, through the Centre de Collaboration MiQro Innovation (C2MI) with respect to the Projet stratégique mobilisateur (PSM), the Company may receive a non-refundable contribution for a maximum amount of $290,234 to cover some of its costs to develop a new product for the structural heart market. For the year ended August 31, 2020, the Company recorded contributions totalling $94,007 (nil for the year ended August 31, 2019) which were accounted for against research and development expenses.

Under an agreement reached with the Ville de Québec, the Company may receive a non-refundable contribution for a maximum amount of $350,000 to cover expenses related to development of a software and sales and marketing expenses. For the year ended August 31, 2020, the Company recorded contributions totalling $180,000 (nil for the year ended August 31, 2019) which were accounted for against software – development in progress and sales and marketing expenses.

Under an agreement reached with the Ministère de l'Économie et de l'Innovation, the Company may receive a non-refundable contribution for a maximum amount of $50,000 to cover expenses related to development of a software. For the year ended August 31, 2020, the Company recorded contributions totalling $46,528 (nil for the year ended August 31, 2019) which were accounted for against software – development in progress.

20. Income Taxes

The reconciliation of the income tax provision calculated using the combined Canadian federal and provincial statutory income tax rate with the income tax provision in the consolidated financial statements is as follows:

	Years ended August 31,	
	2020	2019
	$	$
Income tax payable using the combined federal and provincial statutory tax rate (26.5%; 26.6% in 2019)	**(701,489)**	(519,832)
Non-deductible expenses and other	**739,747**	806,064
Deductible financing fees	**(106,145)**	(106,265)
Taxable income	**-**	(11,098)
Non-taxable income tax credits	**(28,040)**	(79,205)
Losses carried forward	**95,927**	(89,664)
Income tax using effective income tax rate	**-**	-

As at August 31, 2020, the Company has tax losses of approximately $26,789,400 for federal purposes and $27,657,400 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	$	$
2024	515,000	463,000
2025	42,000	40,000
2026	400	400
2027	1,552,000	1,509,000
2028	641,000	617,000
2029	617,000	426,000
2030	500,000	500,000
2031	2,123,000	2,146,000
2032	1,285,000	1,280,000
2033	237,000	239,000
2034	1,091,000	1,125,000
2035	2,513,000	2,510,000
2036	5,759,000	5,493,000
2037	5,447,000	5,427,000
2038	2,912,000	4,308,000
2039	271,000	325,000
2040	1,284,000	1,249,000
	26,789,400	27,657,400

20. Income Taxes (continued)

The Company also has undeducted research and development expenses of $11,719,000 ($11,224,000 as at August 31, 2019) for federal purposes and $14,814,000 ($14,264,000 as at August 31, 2019) for provincial purposes that are deferred over an undetermined period.

Deferred income tax assets related to unclaimed tax losses, financing costs, research and development expenses and others, as well as non-refundable R&D tax credits totalling approximately $15,043,000 ($14,586,000 as at August 31, 2019) were not recognized due to the uncertainty about the Company's ability to generate taxable income. In addition, deferred tax liabilities of approximately $878,000 ($841,000 as at August 31, 2019) related to federal investment tax credits on research and development expenses were recognized and offset by a deferred income tax asset.

21. R&D Tax Credits

For tax purposes, research and development expenses are detailed as follows:

	Years ended August 31,	
	2020	2019
	$	$
Federal	**598,000**	1,238,000
Provincial	**633,000**	1,267,000

These expenses have enabled the Company to become eligible for R&D tax credits reimbursable for the following amounts:

	Years ended August 31,	
	2020	2019
	$	$
Federal	**-**	-
Provincial	**105,677**	297,391
	105,677	297,391

These credits were recorded in research and development expenses in the consolidated statements of loss and comprehensive loss.

Reimbursable scientific research and experimental development income tax credits earned for the years ended August 31, 2020 and 2019 have not yet been reviewed by the taxation authorities, and the amounts granted could differ from those that have been recorded.

Over the years, the Company qualified for federal R&D tax credits, which were non-refundable and could be used against Part I Company tax. The accumulated credits as at August 31, 2020 are about $3,314,000 ($3,172,000 for the year ended August 31, 2019) and expire over a period of 5 to 20 years beginning in 2020.

22. 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 the coronary artery stenosis market 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. 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.

	Years ended August 31,					
			2020			2019
	Medical	**Industrial**	**Total**	Medical	Industrial	Total
	$	**$**	**$**	$	$	$
External sales	**26,996,184**	**2,457,166**	**29,453,350**	30,334,061	2,417,457	32,751,518
Internal sales	**-**	**96,090**	**96,090**	-	66,040	66,040
Gross margin	**14,179,616**	**1,439,876**	**15,619,492**	17,350,499	1,364,634	18,715,133
Depreciation of property, plant and equipment and right-of-use assets	**1,298,636**	**249,077**	**1,547,713**	748,728	53,421	802,149
Amortisation of intangible assets	**108,845**	**10,935**	**119,780**	75,660	15,624	91,284
Other income	**1,383,939**	**298,669**	**1,682,608**	-	-	-
Financial expenses (income)	**340,946**	**343,121**	**684,067**	(138,855)	295,398	156,543
Net (loss) earnings	**(2,647,823)**	**4,019**	**(2,643,804)**	(1,630,315)	(321,493)	(1,951,808)
Acquisition of property, plant and equipment	**1,224,453**	**28,748**	**1,253,201**	619,766	45,389	665,155
Additions to intangible assets	**676,967**	**37,928**	**714,895**	487,301	13,276	500,577
Segment assets	**29,777,672**	**2,130,767**	**31,908,439**	28,506,354	1,582,129	30,088,483
Segment liabilities	**16,070,310**	**491,267**	**16,561,577**	12,357,132	290,615	12,647,747

22. Segmented Information (continued)

Information by geographic segment

	Years ended August 31,	
	2020	2019
	$	$
Revenue by geographic segment		
United States	**11,408,452**	14,016,549
Japan	**6,313,784**	10,068,564
Canada	**2,644,881**	2,744,248
Other*	**9,086,233**	5,922,157
	29,453,350	32,751,518

* 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. Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are mainly located in Canada, but also in other countries for which amounts are individually not significant.

For the year ended August 31, 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% and 21%.

For the year ended August 31, 2019, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 31% and 27%.

23. 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 for the years ended August 31, 2020 and 2019 were as follows:

	Years ended August 31,	
	2020	2019
	$	$
Short-term salaries and other benefits	**1,109,901**	923,554
Option-based awards	**153,867**	131,177
	1,263,768	1,054,731

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

24. Additional Information to the Consolidated Statements of Loss and Comprehensive Loss

	Years ended August 31,	
Expenses (revenues) by function	**2020**	2019
	$	$
Salaries and Other Benefits	**13,254,678**	12,504,035
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Depreciation of Property, Plant and Equipment and Righ-of-Use Assets	**1,547,713**	802,149
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Amortisation of Intangible Assets	**119,780**	91,284
Administrative		
Research and development		
Government Assistance	**(391,797)**	(142,177)
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Refundable Research and Development Tax Credits	**(89,943)**	(316,743)
Research and development		

25. Financial Instruments

Fair Value

The fair value of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates 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 the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of long-term debt approximates its carrying value due to the current market rates.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, concentration risk and foreign exchange risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated basis.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. The Company's credit risk management policies include the authorization to carry out investment transactions with recognized financial institutions with credit ratings of at least A and higher, in either bonds, money market funds or guaranteed investment certificates. Consequently, the Company manages credit risk by complying with established investment policies.

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 31.72% of the Company's total accounts receivable as at August 31, 2020 (50.03% as at August 31, 2019).

As at August 31, 2020, 0.38% (2.59% as at August 31, 2019) of the accounts receivable were of more than 90 days whereas 34.51% (59.31% as at August 31, 2019) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2020 and 2019, the allowance for doubtful accounts was nil.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash and/or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operational, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. The funding strategies used to manage this risk include the Company's access to capital markets and debt securities issues.

25. Financial Instruments (continued)

Risk Management (continued)

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2020 and 2019:

As at August 31, 2020	**Carrying amount**	**Cash flows**	**0 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**3,545,323**	**3,545,323**	**3,545,323**	**-**	**-**
Long-term debt	**8,068,565**	**8,079,330**	**1,497,590**	**2,586,536**	**3,995,204**
Total	**11,613,888**	**11,624,653**	**5,042,913**	**2,586,536**	**3,995,204**

As at August 31, 2019	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	4,293,483	4,293,483	4,293,483	-	-
Long-term debt	7,494,325	7,613,137	405,463	1 260,663	5,947,011
Total	11,787,808	11,906,620	4,698,946	1 260,663	5,947,011

Interest Rate Risk

The Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Fixed and variable interest rates
Trade and other receivables	Non-interest-bearing
Accounts payable and accrued liabilities	Non-interest-bearing
Long-term debt	Non-interest-bearing and fixed and variable interest rates

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments. The Company owns investments with fixed and variable interest rates. As at August 31, 2020, the Company was holding more than 70% (91% as at August 31, 2019) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would have an impact of $74,220 on net loss and comprehensive loss for the year ended August 31, 2020 ($40,176 for the year ended August 31, 2019).

25. Financial Instruments (continued)

Risk Management (continued)

Interest Rate Risk (continued)

Financial Expenses (Revenues)

	Years ended August 31,	
	2020	2019
	$	$
Interest and bank charges	**71,262**	79,522
Interest on long-term debt	**472,298**	267,096
Interest on lease liabilities	**289,510**	-
Loss on foreign currency translation	**90**	10,578
Interest income	**(149,093)**	(200,653)
	684,067	156,543

Concentration Risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As at August 31, 2020 and 2019, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases mainly of raw materials, supplies and professional services in U.S. dollars, Euros and British pounds. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk

Foreign Currency Sensitivity Analysis

For the year ended August 31, 2020, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been $205,000 higher ($1,036,000 higher for the year ended August 31, 2019). Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been $205,000 lower for the year ended August 31, 2020 ($1,036,000 lower for the year ended August 31, 2019).

For the year ended August 31, 2020, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been $530,000 higher ($284,000 higher for the year ended August 31, 2019). Conversely, if the Canadian dollar had weakened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been $530,000 lower for the year ended August 31, 2020 ($284,000 lower for the year ended August 31, 2019).

For the year ended August 31, 2020, if the Canadian dollar had strengthened 10% against the British pound with all other variables held constant, net loss and comprehensive loss would have been $36,000 higher ($26,000 higher for the year ended August 31, 2019). Conversely, if the Canadian dollar had weakened 10% against the British pound with all other variables held constant, net loss and comprehensive loss would have been $36,000 lower for the year ended August 31, 2020 ($26,000 lower for the year ended August 31, 2019).

25. Financial Instruments (continued)

Risk Management (continued)

Foreign Exchange Risk (continued)

Foreign Currency Sensitivity Analysis (continued)

As at August 31, 2020 and 2019, the risk to which the Company was exposed is established as follows:

	As at August 31, 2020	As at August 31, 2019
	$	$
Cash and cash equivalents (US$1,516,591; US$616,438 as at August 31, 2019)	**1,977,938**	819,554
Cash and cash equivalents (€ 228,611; € 68,066 as at August 31, 2019)	**356,016**	99,574
Cash and cash equivalents (£ 36,258; £ 54,329 as at August 31, 2019)	**63,169**	87,931
Trade and other receivables (US$1,913,967; US$2,506,505 as at August 31, 2019)	**2,496,196**	3,332,399
Trade and other receivables (€ 613,597; € 495,207 as at August 31, 2019)	**955,554**	724,438
Trade and other receivables (£ 69,040; £ 49,060 as at August 31, 2019)	**120,282**	79,404
Accounts payable and accrued liabilities (US$692,710; US$1,044,681 as at August 31, 2019)	**(903,432)**	(1,388,903)
Accounts payable and accrued liabilities (€ 41,569; € 2,300 as at August 31, 2019)	**(64,736)**	(3,365)
Accounts payable and accrued liabilities (£ 9,520; £ 37,712 as at August 31, 2019)	**(16,585)**	(61,037)
Total	**4,984,402**	3,689,995

26. Capital Management

The Company's objective in managing capital, primarily composed of shareholders' equity, long-term debt and lease liabilities, is to ensure sufficient liquidity to fund production and R&D activities, general and administrative expenses, sales and marketing expenses, working capital and capital expenditures.

In the past, the Company has had access to liquidity through non-dilutive sources, including the sale of non-core assets, long-term debts, government assistance, R&D tax credits, interest income and to liquidity through dilutive sources as public equity offerings.

As at August 31, 2020, the Company's working capital amounted to $16,888,129 ($21,311,770 as at August 31, 2019), including cash and cash equivalents of $10,884,019 ($14,855,982 as at August 31, 2019). The accumulated deficit at the same date was $43,245,021 ($40,678,055 as at August 31, 2019). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2020.

The Company believes that its current liquid assets are sufficient to finance its activities in the short-term.

26. Capital Management (continued)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital management objectives, policies and procedures have broadly remained unchanged since the last fiscal year.

For the years ended August 31, 2020 and 2019, the Company has not been in default on any of its obligations regarding long-term debt and lease liabilities.

27. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 18, 2020.