

Condensed Consolidated Interim Financial Statements

OpSens Inc.

Three-month periods ended November 30, 2020 and 2019
(unaudited)

OpSens Inc.

Three-month periods ended November 30, 2020 and 2019

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OpSens Inc.

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

(unaudited)

	Three-month periods ended November 30,	
	2020	2019
	\$	\$
Revenues		
Sales	8,318,909	6,988,901
Licensing	17,580	-
	8,336,489	6,988,901
Cost of sales	3,664,159	3,078,939
Gross margin	4,672,330	3,909,962
Operating expenses		
Administrative	1,468,612	1,474,520
Sales and marketing	1,587,956	2,849,981
Research and development	1,295,786	1,296,135
	4,352,354	5,620,636
Other income	(490,279)	-
Financial expenses	216,104	160,235
Net income (loss)	594,151	(1,870,909)
Other comprehensive income		
<i>Items that may be reclassified subsequently to net income (loss)</i>		
Net changes in unrealized gain on translation of foreign operations (Note 2)	55	-
Comprehensive income (loss)	594,206	(1,870,909)
Basic and diluted net earnings (loss) per share (Note 5)	0.01	(0.02)

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

OpSens Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Three-month period ended November 30, 2020

(unaudited)

	Common shares	Share capital	Reserve – Stock option plan	Accumulated other comprehensive income – Foreign operations translation	Deficit	Total
	(number)	\$	\$	\$	\$	\$
Balance as at August 31, 2020	90,280,317	54,768,369	3,823,514	-	(43,245,021)	15,346,862
Stock-based compensation costs	-	-	75,279	-	-	75,279
Other comprehensive income – Net changes in unrealized gain on translation of foreign operations (Note 2)	-	-	-	55	-	55
Net income	-	-	-	-	594,151	594,151
Balance as at November 30, 2020	90,280,317	54,768,369	3,898,793	55	(42 650 870)	16,016,347

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

OpSens Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Three-month period ended November 30, 2019

(unaudited)

	Common shares		Total	Share capital	Reserve – Stock option plan	Deficit	Total
	Issued	Subscribed					
	(number)	(number)	(number)	\$	\$	\$	\$
Balance as at August 31, 2019	90,180,317	51,149	90,231,466	54,709,401	3,409,390	(40,678,055)	17,440,736
Impact of adopting IFRS 16	-	-	-	-	-	76,838	76,838
Issued pursuant to the stock option plan (Note 4a)	100,000	(51,149)	48,851	58,968	(24,171)	-	34,797
Stock-based compensation costs	-	-	-	-	119,818	-	119,818
Net loss and comprehensive loss	-	-	-	-	-	(1,870,909)	(1,870,909)
Balance as at November 30, 2019	90,280,317	-	90,280,317	54,768,369	3,505,037	(42,472,126)	15,801,280

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

OpSens Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

	As at November 30, 2020	As at August 31, 2020
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 6)	12,157,592	10,884,019
Trade and other receivables	3,777,301	4,041,080
Government assistance receivable	440,481	428,601
Tax credits receivable	117,282	105,677
Inventories	6,988,857	6,505,094
Prepaid expenses	720,497	578,893
	24,202,010	22,543,364
Property, plant and equipment	3,048,233	3,229,787
Intangible assets	1,681,920	1,622,310
Right-of-use assets	4,368,072	4,512,978
	33,300,235	31,908,439
Liabilities		
Current		
Accounts payable and accrued liabilities	3,866,131	3,545,323
Warranty provision (Note 7)	137,715	153,138
Deferred revenues	86,955	48,951
Current portion of long-term debt (Note 3)	2,214,800	1,460,654
Current portion of lease liabilities	416,985	447,169
	6,722,586	5,655,235
Long-term debt (Note 3)	6,348,353	6,607,911
Lease liabilities	4,212,949	4,298,431
	17,283,888	16,561,577
Shareholders' equity		
Share capital (Note 4a)	54,768,369	54,768,369
Reserve – Stock option plan (Note 4b)	3,898,793	3,823,514
Accumulated other comprehensive income (Note 2)	55	-
Deficit	(42,650,870)	(43,245,021)
	16,016,347	15,346,862
	33,300,235	31,908,439

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

Approved by the Board

Signed [Jean Lavigueur], director

Signed [Louis Laflamme], director

OpSens Inc.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

	Three-month periods ended	
	November 30,	
	2020	2019
	\$	\$
Operating activities		
Net income (loss) for the period	594,151	(1,870,909)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	378,247	380,132
Amortisation of intangible assets	51,518	22,153
Loss on disposal of property, plant and equipment	41,683	2,321
Stock-based compensation costs	75,279	119,818
Interest expense	130,785	140,999
Unrealized foreign exchange loss (gain)	17,675	(2,255)
Changes in non-cash operating working capital items (Note 6)	14,929	596,544
	1,304,267	(611,197)
Investing activities		
Acquisition of property, plant and equipment	(149,983)	(314,977)
Additions to intangible assets	(111,228)	(99,826)
Interest received	9,728	65,714
	(251,483)	(349,089)
Financing activities		
Increase in long-term debt, net of transaction costs	600,000	244,206
Reimbursement of long-term debt	(115,592)	(118,960)
Payment of lease liabilities	(115,909)	(104,360)
Proceeds from issuance of shares (Note 4a)	-	34,797
Interest paid	(130,090)	(190,735)
	238,409	(135,052)
Effect of foreign exchange rate changes on cash and cash equivalents	(17,620)	2,255
Increase (decrease) in cash and cash equivalents	1,273,573	(1,093,083)
Cash and cash equivalents – Beginning of year	10,884,019	14,855,982
Cash and cash equivalents – End of period	12,157,592	13,762,899

Additional information on the condensed consolidated interim statements of cash flows is presented in Note 6.

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

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

1. Incorporation and Description of Business

OpSens Inc. (OpSens or the Company) is incorporated under the Business Corporations Act (Quebec). OpSens focuses mainly on physiological measurement such as Fractional Flow Reserve (FFR) and dPR in 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. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International *Accounting Standards Board* (IASB) applicable to the preparation of interim financial statements, including International Accounting Standards (IAS) 34, *Interim Financial Reporting* and using the same accounting policies and methods of computation as the most recent annual financial statements, except for the changes in accounting policies described below. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

Assessment of COVID-19 Impact

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 condensed consolidated interim financial statements. No significant change is necessary following this review for these condensed consolidated interim financial statements in comparison with the consolidated financial statements for the year ended August 31, 2020. 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 condensed consolidated interim financial statements. This could lead to the necessity for the Company to review the critical accounting estimates, assumptions and judgements prospectively over the next periods. Management continues to monitor and evaluate the situation and its impact on the Company's activities.

Thus far, the Company has had no manufacturing, supply chain, or distribution disruptions caused by the spread of COVID-19 virus. 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.

Changes in Accounting Policies

The accounting policies and basis of measurement applied in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended August 31, 2020, except as disclosed below.

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

2. Basis of Preparation (continued)

Changes in Accounting Policies (continued)

Basis of Consolidation

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

Foreign Operations

Each subsidiary determines its own functional currency. The items included in its financial statements are therefore measured in this functional currency. For entities that have a functional currency that differs from the Company, their financial statements are translated in Canadian dollar as follows: assets and liabilities are translated at the end-of-period exchange rate and revenues and expenses are translated at the monthly average exchange rates in effect during the period. If exchange rates fluctuate significantly, revenues and expenses are instead translated using the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income as *Net changes in unrealized gain on translation of foreign operations*.

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

3. Long-term Debt

	As at November 30, 2020	As at August 31, 2020
	\$	\$
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	30,000
Imputed interest	(199)	(400)
	29,801	29,600
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	143,339
Imputed interest	(18,118)	(20,513)
	125,221	122,826
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of \$18,750, maturing in November 2020 with no principal payment from March to August 2020 inclusive due to a six-month moratorium. Amounts received are net of transaction costs of \$9,000.	-	56,236
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of \$4,500, maturing in August 2022 with no principal payment from March to August 2020 inclusive due to a six-month moratorium. Amounts received are net of transaction costs of \$2,160.	94,210	107,624
Amounts to be carried forward	249,232	316,286

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

3. Long-term Debt (continued)

	As at November 30, 2020 \$	As at August 31, 2020 \$
Amounts carried over	249,232	316,286
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 an agreement in March 2019. The principal is payable in 36 monthly instalments of \$194,444. Amounts received are net of transaction costs of \$87,468.	6,953,513	6,947,412
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 first tranche of the loan on October 2019. As at November 30, 2020, the Company only received the first tranche of the loan for an amount of \$249,256. The principal is payable in 48 monthly instalments of \$10,938. Amounts received are net of transaction costs of \$5,250.	224,557	245,704
Term loan bearing interest at 6.66% payable in 111 monthly instalments of \$8,070, maturing in September 2025.	535,851	559,163
Term loan, bearing interest at prime rate plus 1.00%, 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 12-month period following the signature of an agreement in March 2020. The principal is payable in 36 monthly instalments of \$16,668.	600,000	-
	8,563,153	8,068,565
Current portion	2,214,800	1,460,654
	6,348,353	6,607,911

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

4. Shareholders' Equity

a) Share Capital

During the three-month period ended November 30, 2020, the Company did not issue common shares.

During the three-month period ended November 30, 2019, following the exercise of stock options, the Company issued 48,851 common shares for a cash consideration of \$34,797. As a result, an amount of \$24,171 was reallocated from "Reserve – Stock option plan" to "Share capital" in shareholders' equity. Also, 51,149 subscribed common shares have been issued.

b) Stock Options

The changes in the number of stock options granted by the Company and their weighted-average exercise prices, for the three-month periods ended November 30, 2020 and 2019, are as follows:

	Three-month period ended November 30, 2020		Three-month period ended November 30, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – Beginning of year	6,596,375	1.01	7,004,000	1.04
Options granted	495,000	1.01	345,000	0.89
Options exercised	-	-	(100,000)	0.72
Options expired	(128,125)	1.49	-	-
Options cancelled	(83,500)	0.85	(101,250)	0.97
Balance – End of period	6,879,750	1.00	7,147,750	1.04

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

	Three-month period ended November 30, 2020	Three-month period ended November 30, 2019
Risk-free interest rate	Between 0.26% and 0.39%	Between 1.55% and 1.59%
Volatility	Between 55.81% and 65.88%	Between 46.43% and 50.02%
Dividend yield on shares	Nil	Nil
Expected life	0 to 5 years	0 to 5 years
Weighted share price	\$1.01	\$0.89
Weighted fair value per option at the grant date	\$0.42	\$0.32

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

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

5. Net Earnings (Loss) per Share

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

	Three-month periods ended November 30,	
	2020	2019
	\$	\$
Net income (loss) attributable to shareholders		
Basic and diluted	594,151	(1,870,909)
Number of shares		
Basic weighted average number of shares outstanding	90,280,317	90,266,031
Diluted weighted average number of shares outstanding	90,429,104	90,266,031
Amount per share		
Basic and diluted net earnings (loss) per share	0.01	(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:

	Three-month periods ended November 30,	
	2020	2019
Stock options	5,877,250	4,530,464

For the three-month period ended November 30, 2020, the dilutive effect is about 148,787 units for stock options for which their exercise price is lesser than the average market price of common shares. For the three-month period ended November 30, 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 this period was calculated using the basic weighted average number of shares outstanding.

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

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

	Three-month periods ended November 30,	
	2020	2019
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Trade and other receivables	263,779	1,164,947
Government assistance receivable	(11,880)	-
Tax credits receivable	(11,605)	(24,866)
Inventories	(483,763)	(267,088)
Prepaid expenses	(141,604)	188,566
Accounts payable and accrued liabilities	377,421	(478,053)
Warranty provision	(15,423)	3,603
Deferred revenues	38,004	9,435
	14,929	596,544

Supplementary information

Uncashed grant recorded against intangible assets	-	19,070
Unpaid acquisition of property, plant and equipment	26,992	52,313
Unpaid additions to intangible assets	29,367	67,663

	As at November 30, 2020	As at August 31, 2020
	\$	\$
<i>Cash and cash equivalents</i>		
Cash	3,857,455	3,251,374
Short-term investments	8,300,137	7,632,645
	12,157,592	10,884,019

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

7. 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:

	Three-month periods ended November 30,	
	2020	2019
	\$	\$
Balance – Beginning of year	153,138	134,460
Additional provision recognized	9,562	25,500
Amount used during the period	(24,864)	(21,897)
Effect of foreign exchange differences	(121)	-
Balance – End of period	137,715	138,063

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

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

(unaudited)

8. 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.

	Three-month period ended November 30, 2020			Three-month period ended November 30, 2019		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	7,336,416	1,000,073	8,336,489	6,461,168	527,733	6,988,901
Internal sales	33,473	33,067	66,540	-	22,089	22,089
Gross margin	4,003,868	668,462	4,672,330	3,640,628	269,334	3,909,962
Depreciation of property, plant and equipment and right-of-use assets	343,652	34,595	378,247	315,564	64,568	380,132
Amortisation of intangible assets	48,995	2,523	51,518	18,176	3,977	22,153
Other income	440,481	49,798	490,279	-	-	-
Financial expenses	121,599	94,505	216,104	76,148	84,087	160,235
Net income (loss)	349,501	244,650	594,151	(1,671,314)	(199,595)	(1,870,909)
Acquisition of property, plant and equipment	93,470	-	93,470	292,313	24,091	316,404
Additions to intangible assets	106,199	4,929	111,128	143,951	-	143,951
Segment assets	30,830,328	2,469,907	33,300,235	31,324,639	1,927,744	33,252,383
Segment liabilities	16,882,021	401,867	17,283,888	16,804,391	646,712	17,451,103

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2020 and 2019

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8. Segmented Information (continued)

Information by geographic segment

	Three-month periods ended November 30,	
	2020	2019
	\$	\$
Revenue by geographic segment		
United States	3,199,543	2,999,291
Japan	1,719,719	1,293,734
Canada	704,066	649,950
Other*	2,713,161	2,045,926
	8,336,489	6,988,901

* 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. Non-current assets located in other countries are not significant.

During the three-month period ended November 30, 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. 21% and 21% (26% and 18% for the three-month period ended November 30, 2019).

9. Related Party Transactions

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Chief Executive Officer, the Executive Chairman, the Chief Financial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors during the three-month periods ended November 30, 2020 and 2019 were as follows:

	Three-month periods ended November 30,	
	2020	2019
	\$	\$
Short-term salaries and other benefits	285,709	267,485
Option-based awards	21,576	35,668
	307,285	303,153

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

10. Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on January 12, 2021.