MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD ENDED MAY 31, 2020

The following comments are intended to provide a review and analysis of the results of operations, financial condition and cash flows of Opsens Inc. for the three-month and nine-month period ended May 31, 2020, in comparison with the corresponding period ended May 31, 2019. In this Management's Discussion and Analysis (MD&A), Opsens, "the Company", "we", "us" and "our" mean Opsens Inc. and its subsidiary. This MD&A should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This document was prepared on July 14, 2020. All amounts are in Canadian dollars unless otherwise indicated.

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

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on all currently available information, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business. The forward-looking information set forth therein reflects the Company's expectations as of July 14, 2020 and is subject to change after this date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

COVID-19

The global economy has significantly changed during the past few months. The spread of COVID-19 virus, declared on March 11, 2020 as a pandemic by the World Health Organization (WHO), has led many governments to adopt exceptional measures to slow the advancement of COVID-19. These events cause significant uncertainties that could damage the Company's activities. At the current time, it is not possible to reliably estimate the duration and impact of these events may have on the Company's future financial results because of the uncertainties about future developments. However, thus far, the Company has had no manufacturing, supply chain, or distribution disruptions and has continued to fulfill orders to customers.

OVERVIEW

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

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

SECTORS OF ACTIVITY

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

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

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

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

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

MARKET OVERVIEW

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

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

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

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

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

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

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

COMPETITION

In the Medical sector, the Coronary Physiology measurement markets have five competitors and is currently dominated by two major players who commercialize standard electrical technology. Competition is based on technological advantages, brand recognition, customer service, marketing support and price.

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

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

CORPORATE GROWTH STRATEGY

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

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

- Increase of its market shares in the fast-growing Coronary Physiology market

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

- Direct Sales Force: Opsens has established a sales team, hiring a seasoned staff with solid expertise in interventional cardiology. This sales force has been implemented to increase Opsens' market and commercialization penetration in the United States and Canada. In the context of COVID-19, the Company has adjusted its methods and the number of representatives using remote approaches rather than in-person visits to catheterization laboratories. In the short term, this approach better aligns to customers wishing to limit the number of in-person visitors to hospitals.
- Distributor Sales Force: Opsens has signed distribution agreements in Europe, Asia and the Middle East. These agreements allow Opsens to focus on market penetration with leading business partners in their respective markets.

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

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

- Clinical data

Clinical studies have been suspended due to the COVID-19 pandemic. It will restart when the situation will return to normal.

- Innovation

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

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

Also, Opsens received approval for commercialization of the newest version of its coronary pressure guidewire, «OptoWire III», for United States, Japan and Canada market thus far.

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

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

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

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

NON-IFRS FINANCIAL MEASURES – EBITDAO

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

RECONCILIATION OF EBITDAO TO NET EARNINGS (LOSS)

(In thousands of Canadian dollars)	Three-month period ended May 31, 2020	Three-month period ended May 31, 2019(2)	Nine-month period ended May 31, 2020	Nine-month period ended May 31, 2019(2)
	$	$	$	$
Net earnings (loss)	52	(1,053)	(3,201)	(334)
Financial expenses (income)	44	30	328	(3)
Depreciation of property, plant and equipment and right-of-use assets	396	197	1,162	597
Amortisation of intangible assets	48	22	96	66
EBITDA	540	(804)	(1,615)	326
Stock-based compensation costs	96	160	360	368
EBITDAO	636	(644)	(1,255)	694

The positive variance of EBITDAO for the three-month period ended May 31, 2020, is mainly explained by the fact that we had lower sales and marketing expenses and we recorded a grant related to the Canada Emergency Wage Subsidy (CEWS) program, as explained further below. Furthermore, the adoption on September 1st, 2019 of *IFRS 16 - Leases* contributed to increase by $183,000 the EBITDAO for the three-month period ended May 31, 2020.

(2) Comparative figures have not been adjusted to reflect the adoption of IFRS 16 – Leases as set out in the accounting policy.

The negative variance of EBITDAO for the nine-month period ended May 31, 2020, is mainly explained by the fact that we received a licensing revenue related to the licensing agreement for the same period last year. This is partly offset by the recognition of a grant related to the CEWS program, as explained further below. Furthermore, the adoption on September 1st, 2019 of IFRS 16 - Leases contributed to increase by $587,000 the EBITDAO for the nine-month period ended May 31, 2020.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	**Three-month period ended May 31, 2020**	**Three-month period ended May 31, 2019(2)**	**Nine-month period ended May 31, 2020**	**Nine-month period ended May 31, 2019(2)**
	$	**$**	**$**	**$**
Revenues				
Sales				
Medical	6,124	7,155	19,936	19,910
Industrial	506	371	1,941	1,672
	6,630	7,526	21,877	21,582
Licensing agreement	-	337	-	3,302
	6,630	7,863	21,877	24,884
Cost of sales	2,986	3,339	10,074	10,162
Gross margin	3,644	4,524	11,803	14,722
Gross margin percentage	55%	58%	54%	59%
Operating expenses				
Administrative	1,301	1,195	4,025	3,433
Sales and marketing	1,637	3,059	7,322	7,941
Research and development	1,411	1,293	4,130	3,685
	4,349	5,547	15,477	15,059
Other income	(801)	-	(801)	-
Financial expenses (income)	44	30	328	(3)
Net (loss) earnings and comprehensive (loss) earnings	52	(1,053)	(3,201)	(334)
Basic and diluted net (loss) earnings per share	0.00	(0.01)	(0.04)	(0.00)

Revenues

The Company reported revenues of $6,630,000 for the three-month period ended May 31, 2020, compared to revenues of $7,863,000 for the corresponding period in 2019, a decrease of $1,233,000 or 16%.

Sales in the Medical sector totalled $6,124,000 for the three-month period ended May 31, 2020, compared to sales of $7,155,000 for the same period in 2019. The decrease in Medical sector revenues is explained by lower sales in all sector related to the COVID-19 pandemic. Coronary physiology sales decreased by 15% or $774,000 compared with the same quarter in 2019. The original equipment manufacturer (OEM) medical sales decreased by $257,000 compared to the same period last year.

Sales in the Industrial sector totalled $506,000 for the three-month period ended May 31, 2020, compared to sales of $371,000 for the same period in 2019. The increase is mostly explained by a higher volume of orders compared to the same period last year.

(2) Comparative figures have not been adjusted to reflect the adoption of IFRS 16 – Leases as set out in the accounting policy.

The decrease in revenues is also explained by the recognition last year of a nonrecurring revenue of $337,000 for the achievement of the last technical milestones of the licensing agreement.

For the three-month period ended May 31, 2020 and 2019, pricing fluctuations did not have a significant impact on revenues.

The Company's revenues are generated in U.S. dollars, Canadian dollars, euros and British pounds; fluctuations in the exchange rate affect revenues and net earnings (loss). For the three-month period ended May 31, 2020, revenues were positively affected by $162,000 compared to the same period last year (sales were positively impacted by $332,000 for the three-month period ended May 31, 2019).

As at May 31, 2020, Opsens' total backlog of orders amounted to $11,939,000 ($9,428,000 as at May 31, 2019).

Gross Margin

Information and analysis in this section do not take into consideration licensing revenues (nil for the three-month period ended May 31, 2020, and $337,000 for the three-month period ended May 31, 2019, respectively).

Gross margin was $3,644,000 for the three-month period ended May 31, 2020, compared to $4,187,000 for the same period last year. The gross margin percentage stay stable from 56% for the three-month period ended May 31, 2019, to 55% for the three-month period ended May 31, 2020. The adoption of *IFRS 16 – Leases* resulted in an increase of the gross margin of $31,000 for the three-month period ended May 31, 2020.

Administrative Expenses

Administrative expenses were $1,301,000 and $1,195,000, respectively, for the three-month period ended May 31, 2020 and May 31, 2019. The increase is mainly explained by higher headcount, bonus expenses for production employees related to the COVID-19 and professional fees. This is partly offset by lower recruiting and travelling expenses. The adoption of *IFRS 16 – Leases* resulted in a non significant impact for the three-month period ended May 31, 2020.

Sales and Marketing Expenses

Sales and marketing expenses totalled $1,637,000 for the three-month period ended May 31, 2020, a decrease of $1,422,000 over the $3,059,000 reported during the same period in 2019. The decrease is largely explained by lower headcount, commissions, trade shows and travelling expenses when compared to last year related to the adjustment of the size of our direct sales force in the United States. The adoption of *IFRS 16 – Leases* resulted in a non significant impact for the three-month period ended May 31, 2020.

Research and Development Expenses

Research and development expenses totalled $1,411,000 for the three-month period ended May 31, 2020, an increase of $118,000 over the $1,293,000 reported during the same period in 2019. The increase is mainly explained by higher headcount for our development activities related to the OW3, OM3 and the new structural heart projects and by lower R&D tax credits. This is partially offset by lower subcontractors' fees. The adoption of *IFRS 16 – Leases* resulted in a non significant impact for the three-month period ended May 31, 2020.

Other income

Other income were $801,000 and nil, respectively, for the three-month period ended May 31, 2020 and 2019. The increase is explained by the recognition of a non-refundable contribution under the CEWS program for an amount of $801,000.

Financial Expenses

Financial expenses totalled $44,000 for the three-month period ended May 31, 2020, compared to $30,000 for the same period in 2019. The increase in financial expenses is mainly explained by a higher interest expenses of $72,000 related to the implementation of *IFRS 16 - Leases* and by lower interest income of $43,000. This is partly offset by a more favourable foreign exchange gain of $71,000.

Net earnings (loss)

As a result of the foregoing, net earnings for the three-month period ended May 31, 2020, was $52,000 compared to a net loss of $1,053,000 for the same period in 2019.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at May 31, 2020	As at August 31, 2019
	$	$
Current assets	22,287	26,099
Total assets	31,525	30,089
Current liabilities	5,139	4,787
Long-term liabilities	11,675	7,861
Shareholders' equity	14,711	17,441

Total assets as at May 31, 2020, were $31,525,000 compared to $30,089,000 as at August 31, 2019. The increase is mainly related to the accounting of a right-of-use asset of $4,781,000 related to the implementation of IFRS 16, by higher inventory of 1,059,000, by higher intangible asset of $477,000 for our medical activities and by higher government assistance of $801,000. This is partly offset by lower cash and cash equivalents of $4,885,000 and by lower account receivable of $849,000.

Current liabilities totalled $5,139,000 as at May 31, 2020, compared to $4,787,000 as at August 31, 2019. The increase is mainly explained by higher current portion of lease liabilities of $529,000 related to the implementation of IFRS 16 and by higher current portion of long-term debt of $476,000. This is partly offset by lower account payable and accrued liabilities of $625,000.

Long-term liabilities totalled $11,675,000 as at May 31, 2020, compared to $7,861,000 as at August 31, 2019, an increase of $3,814,000. The increase is mainly explained by a long-term lease liability of $4,428,000 following the implementation of IFRS 16. This is partly offset by lower deferred lease inducement of $725,000.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended May 31, 2020	Three-month period ended February 29, 2020	Three-month period ended November 30, 2019	Three-month period ended August 31, 2019
	$	$	$	$
Revenues	6,630	8,258	6,989	7,867
Net earnings (loss) for the period	52	(1,382)	(1,871)	(1,617)
Basic and diluted net earnings (loss) per share	0.00	(0.02)	(0.02)	(0.02)

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended May 31, 2019	Three-month period ended February 28, 2019	Three-month period ended November 30, 2018	Three-month period ended August 31, 2018
	$	$	$	$
Revenues	7,863	7,919	9,103	5,866
Net earnings (loss) for the period	(1,053)	(374)	1,092	(1,501)
Basic and diluted net earnings (loss) per share	(0.01)	(0.00)	0.01	(0.02)

For the Medical sector, activities are generally slower in the fourth quarter due to the summer vacations of physicians.

For the year ended August 31, 2019, Opsens' coronary physiology (FFR and dPR) business showed growth despite usual seasonal impact.

During the three-month period ended May 31, 2020 activities were slower due to the COVID-19 situation.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2020, the Company had cash and cash equivalents of $9,971,000 compared to $14,856,000 as at August 31, 2019. Of this amount as at May 31, 2020, $9,123,000 were invested in highly-liquid, safe investments. As at May 31, 2020, Opsens had a working capital of $17,148,000, compared to $21,312,000 as at August 31, 2019. The decrease in working capital is mainly related to lower cash and cash equivalents.

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

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

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

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Three-month period ended May 31, 2020	Three-month period ended May 31, 2019	Nine-month period ended May 31, 2020	Nine-month period ended May 31, 2019
	$	$	$	$
Operating activities	(282)	381	(2,935)	588
Investing activities	(351)	(308)	(1,096)	(748)
Financing activities	(410)	6,665	(907)	6,345
Effect of foreign exchange rate changes on cash and cash equivalents	36	23	53	33
Net change in cash and cash equivalents	(1,007)	6,761	(4,885)	6,218

Operating Activities

For the three-month period ended May 31, 2020, cash flows used by our operating activities were $282,000 compared to cash flows generated of $381,000 for the same period last year. The increase in cash flows used by our operating activities is mainly explained by a negative variance of changes in non-cash operating working capital items related to inventory of $781,000 and government assistance receivable of $801,000.

For the nine-month period ended May 31, 2020, cash flows used by our operating activities were $2,935,000 compared to cash flows generated of $588,000 for the same period last year. The increase in cash flows used by our operating activities is mainly explained by a negative variance of EBITDAO as explained previously and by a negative variance of changes in non-cash operating working capital items for our medical activities mainly related to inventory of $1,138,000, accounts payable and accrued liabilities of $1,925,000 and government assistance receivable of $801,000. This is partly offset by a positive variance related to trade and other receivables of $2,296,000.

Investing Activities

For the three-month period ended May 31, 2020, cash flows used by our investing activities reached $351,000 compared to $308,000 for the same period in 2019. The increase in cash flows used is mainly explained by lower interest received.

For the nine-month period ended May 31, 2020, cash flows used by our investing activities reached $1,096,000 compared to $748,000 for the same period in 2019. The increase in cash flows used is mainly explained by higher acquisition of intangible assets and property, plant and equipment for the Medical sector.

Financing Activities

For the three-month period ended May 31, 2020, cash flows used by financing activities reached $410,000 compared to cash flows generated of $6,665,000 for the same period in 2019. The variation is mainly explained by the fact that we signed a credit agreement last year and the disbursement occurred on March 1, 2019. The adoption of *IFRS 16 – Leases* resulted in an increase of cash flows used for our financing activities of $102,000 for the three-month period ended May 31, 2020.

For the nine-month period ended May 31, 2020, cash flows used by financing activities reached $907,000 compared to cash flows generated of $6,345,000 for the same period in 2019. The variation is mainly explained by the fact that we signed a credit agreement last year and the disbursement occurred on March 1, 2019. The adoption of *IFRS 16 – Leases* resulted in an increase of cash flows used for our financing activities of $316,000 for the nine-month period ended May 31, 2020.

INFORMATION BY REPORTABLE SEGMENTS

Segmented Information

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

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

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

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

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

	Three-month period ended May 31, 2020			Three-month period ended May 31, 2019		
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	6,124,237	506,180	6,630,417	7,491,390	371,369	7,862,759
Internal sales	-	13,643	13,643	-	5,483	5,483
Gross margin	3,398,525	245,724	3,644,249	4,362,401	161,180	4,523,581
Depreciation of property, plant and equipment and right-of-use assets	328,139	67,387	395,526	186,078	10,750	196,828
Amortisation of intangible assets	46,127	1,899	48,026	18,571	3,792	22,363
Other income	657,094	143,660	800,754	-	-	-
Financial expenses (income)	(30,592)	74,509	43,917	(44,381)	73,946	29,565
Net (loss) earnings	103,030	(51,415)	51,615	(780,276)	(272,370)	(1,052,646)
Acquisition of property, plant and equipment	160,733	-	160,733	120,575	4,822	125,397
Additions to intangible assets	200,616	27,120	227,736	230,004	-	230,004
Segment assets	29,318,370	2,206,203	31,524,573	29,579,590	1,740,695	31,320,285
Segment liabilities	16,332,401	481,607	16,814,008	11,991,711	494,046	12,485,757

	Nine-month period ended May 31, 2020			Nine-month period ended May 31, 2019		
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	19,935,575	1,941,494	21,877,069	23,212,411	1,671,972	24,884,383
Internal sales	-	57,388	57,388	-	56,834	56,834
Gross margin	10,638,622	1,163,946	11,802,568	13,709,755	1,012,552	14,722,307
Depreciation of property, plant and equipment and right-of-use assets	968,052	193,533	1,161,585	560,459	36,590	597,049
Amortisation of intangible assets	86,676	9,087	95,763	54,783	11,280	66,063
Other income	657,094	143,660	800,754	-	-	-
Financial expenses (income)	94,873	233,564	328,437	(208,929)	205,688	(3,241)
Net (loss) earnings	(3,110,584)	(90,732)	(3,201,316)	(50,078)	(284,087)	(334,165)
Acquisition of property, plant and equipment	645,686	28,748	674,434	454,332	43,150	497,482
Additions to intangible assets	536,977	35,895	572,872	298,924	5,375	304,299
Segment assets	29,318,370	2,206,203	31,524,573	29,579,590	1,740,695	31,320,285
Segment liabilities	16,332,401	481,607	16,814,008	11,991,711	494,046	12,485,757

Information by geographic segment

	Three-month periods ended		Nine-month periods ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
	$	$	$	$
Revenue by geographic segment				
United States	2,260,691	3,202,265	8,409,666	11,129,375
Japan	1,934,165	2,320,851	5,048,412	7,839,858
Canada	559,732	689,397	1,917,404	1,708,588
Other*	1,875,829	1,650,246	6,501,587	4,206,562
	6,630,417	7,862,759	21,877,069	24,884,383

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

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

During the three-month period ended May 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. 29% (31% for the three-month period ended May 31, 2019) and 22% (23% for the three-month period ended May 31, 2019).

During the nine-month period ended May 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% (36% for the nine-month period ended May 31, 2019) and 23% (19% for the nine-month period ended May 31, 2019).

Medical segment

Information and analysis in this section for revenue and gross margin do not take into consideration licensing revenues (nil for the three-month period ended May 31, 2020, and $337,000 for the three-month period ended May 31, 2019, respectively).

For the three-month period ended May 31, 2020, sales from the Medical segment were $6,124,000 compared to $7,155,000 for the three-month period ended May 31, 2019, a decrease of $1,031,000. The decrease is explained by lower OEM medical sales of $257,000 and by lower Coronary physiology (FFR and dPR) sales of $774,000 following the COVID-19 pandemic situation.

Gross margin was $3,398,000 for the three-month period ended May 31, 2020, compared to $4,025,000 for the three-month period ended May 31, 2019, a decrease of $627,000. This decrease is mainly due to lower sales following the COVID-19 pandemic. The gross margin percentage was stable at 56% for the three-month period ended May 31, 2020 and 2019. The adoption of *IFRS 16 – Leases* resulted in an increase of the gross margin of $25,000 for the three-month period ended May 31, 2020.

Net earnings for the Medical segment was $103,000 for the three-month period ended May 31, 2020, compared to a net loss of $780,000 for the same period last year. The increase in net earnings is mainly explained by the recognition of a government assistance related to the CEWS program of $657,000 and lower sales and marketing expenses.

Working capital for the Medical segment as at May 31, 2020, was $15,779,000 compared to $20,192,000 as at August 31, 2019. The decrease of $4,413,000 is mainly explained by lower cash and cash equivalents of $5,200,000. This is partly offset by higher inventory of $996,000 and government assistance of $657,000.

Industrial segment

For the three-month period ended May 31, 2020, external sales from the Industrial segment were $506,000 compared to $371,000 for the three-month period ended May 31, 2019, an increase of $135,000 mostly explained by a higher volume of orders compared to the same period last year.

Gross margin was $246,000 for the three-month period ended May 31, 2020, compared to $161,000 for the same period in 2019, an increase of $85,000. Gross margin went from 43% for the three-month period ended May 31, 2019, to 47% for the three-month period ended May 31, 2020. The increase in gross margin percentage is mainly explained by a higher volume of sale. The adoption of *IFRS 16 – Leases* resulted in an increase of the gross margin of $6,000 for the three-month period ended May 31, 2020.

Net loss for the Industrial segment was $51,000 for the three-month period ended May 31, 2020, compared to $272,000 for the three-month period ended May 31, 2019. The decrease in net loss is mainly explained by the recognition of a government assistance related to the CEWS program of $144,000.

Working capital for the Industrial segment as at May 31, 2020, was at $1,369,000 compared to $1,119,000 as at August 31, 2019. The increase is mainly explained by higher cash and cash equivalent of $315,000 and by a government assistance receivable of $144,000. This is partly offset by a higher current portion of lease liabilities of $203,000 related to the implementation of IFRS 16.

NINE-MONTH PERIODS ENDED MAY 31, 2020 AND MAY 31, 2019

Revenues

Revenues totalled $21,877,000 for the nine-month period ended May 31, 2020 compared to revenues of $24,884,000 for the corresponding period in 2019, a decrease of $3,007,000 or 12%. The decrease is explained by the recognition last year of a nonrecurring revenue of $3,302,000 for the achievement of the last technical milestones of the licensing agreement. This is partially offset by a products sales increase of $295,000.

Gross Margin

Information and analysis in this section do not take into consideration licensing revenues (nil for the nine-month period ended May 31, 2020 and $3,302,000 for the nine-month period ended May 31, 2019, respectively).

Gross margin was $11,803,000 for the nine-month period ended May 31, 2020 compared to $11,420,000 for the same period last year. The gross margin percentage was stable at 53% for the nine-month period ended May 31, 2019 compared to 54% for the nine-month period ended May 31, 2020. The adoption of *IFRS 16 – Leases* resulted in an increase of the gross margin of $62,000 for the nine-month period ended May 31, 2020.

Administrative Expenses

Administrative expenses were $4,025,000 and $3,433,000, respectively, for the nine-month period ended May 31, 2020 and May 31, 2019. The increase is mainly explained by higher headcount, bonus expenses for production employees related to the COVID-19, professional fees, and insurance expenses. The adoption of *IFRS 16 – Leases* resulted in a non significant impact for the nine-month period ended May 31, 2020.

Sales and Marketing Expenses

Sales and marketing expenses totalled $7,322,000 for the nine-month period ended May 31, 2020, a decrease of $619,000 over the $7,941,000 reported during the same period in 2019. The decrease is largely explained by lower headcounts, commissions, trade shows, travelling and subcontractors' expenses when compared to last year related to the adjustment of the size of our direct sales force in the United States due to the COVID-19. The adoption of *IFRS 16 – Leases* resulted in a non insignificant impact for the nine-month period ended May 31, 2020.

Research and Development Expenses

Research and development expenses totalled $4,130,000 for the nine-month period ended May 31, 2020, an increase of $445,000 over the $3,685,000 reported during the same period in 2019. The increase is mainly explained by higher headcount and subcontractors' fees for our development activities related to OW3, OM3 and the new structural heart projects. The adoption of *IFRS 16 – Leases* resulted in a non insignificant impact for the nine-month period ended May 31, 2020.

Other income

Other income were $801,000 and nil, respectively, for the nine-month period ended May 31, 2020 and 2019. The increase is explained by the recognition a non-refundable contribution under the CEWS program for an amount of $801,000.

Financial Expenses (income)

Financial expenses totalled $328,000 for the nine-month period ended May 31, 2020 compared to financial income of $3,000 for the same period in 2019. The increase in financial expenses is mainly explained by a higher long-term debt expense of $207,000 related to a loan agreement with a major Canadian financial institution and $220,000 related to the implementation of *IFRS 16 - Leases*. This is partly offset by a more favourable foreign exchange gain of $87,000.

Net earning (loss)

As a result of the foregoing, net loss for the nine-month period ended May 31, 2020 was $3,201,000 and 334,000 for the same period in 2019.

INFORMATION ON SHARE CAPITAL

For the nine-month period ended May 31, 2020, the Company granted to some employees and directors a total of 1,175,000 stock options with an average exercise price of $0.75, cancelled 1,150,375 stock options with an exercise price of $0.93, 100,000 stock options with an average exercise price of $0.72 were exercised, and 242,875 stock options with an exercise price of $0.80 expired.

For the nine-month period ended May 31, 2019, the Company granted to some employees and Directors a total of 2,556,000 stock options with an average exercise price of $0.81, cancelled 538,250 stock options with an exercise price of $1.08, whereas 211,500 stock options with an average exercise price of $0.60 were exercised, and 599,250 stock options with an exercise price of $0.79 expired.

As at July 14, 2020, the following components of shareholders' equity are outstanding:

Common shares	90,280,317
Stock options	6,518,250
Securities on a fully-diluted basis	96,798,567

No dividend was declared per share for each share class.

CAPACITY TO PRODUCE RESULTS

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

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

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

In accordance with the requirements of National Instrument 52-109–Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”), the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and the design of internal controls over financial reporting. There have been no changes in the Company’s ICFR during the three-month period ended May 31, 2020, that have materially affected, or are reasonably likely materially affecting its ICFR.

RISK FACTORS

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

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact the Corporation by decreasing short-term market for our products by delaying the execution of elective interventional cardiology procedures and by causing operating, supply chain and project development delays and disruptions, labour shortages, reduced product demand, travel disruption and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Corporation.

Also, the medical industry is very competitive, and the Company continuously face new risk like change in the way Coronary Physiology data are obtained.

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

OFF-BALANCE SHEET ARRANGEMENTS

As of May 31, 2020, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements.

OTHER INFORMATION

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

On behalf of management,
Chief Financial Officer and Corporate Secretary

(s) Robin Villeneuve, CPA, CA

July 14, 2020