MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD ENDED MAY 31, 2021

The following comments are intended to provide a review and analysis of the results of operations, financial condition, and cash flows of OpSens Inc. for the three-month period and the nine-month period ended May 31, 2021, in comparison with the corresponding periods ended May 31, 2020. In this Management's Discussion and Analysis ("MD&A"), "OpSens," "the Company," "we," "us" and "our" mean OpSens Inc. and its subsidiaries. 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, 2020 and 2019, 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 12, 2021. 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 12, 2021, 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 year. 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 that these events may have on the Company's future financial results because of the uncertainties about future developments. Thus far, the Company has had minimal manufacturing, supply chain, or distribution disruptions and has continued to fulfill orders to customers. However, the Company has had limited access to the cath labs and has adjusted its sales force consequently.

OVERVIEW

The Company's primary focus is the measurement of Fractional Flow Reserve ("FFR") and the diastolic pressure algorithm ("dPR") in the coronary artery disease market. OpSens offers an optical guidewire (OptoWire) to measure pressure to diagnose and treat to improve clinical outcomes in patients with coronary heart disease. OpSens also operates in the Industrial segment 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 21 patents and has three pending patents to protect its technologies in the Medical and Industrial sectors.

SECTORS OF ACTIVITY

In the Medical sector, OpSens markets OptoWire and OptoMonitor to diagnose and treat coronary artery disease. OptoWire provides 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 regulatory 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 to diagnose coronary disease 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 product is available through the OptoMonitor and works in combination with the OptoWire. OpSens' dPR is marketed in Japan, the 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 aeronautic, geotechnical, infrastructures, nuclear, mining, military, 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.

As an example, fibre optic sensors perform well in the presence of electromagnetic fields, radio frequencies, micro-waves, high-intensity magnetic waves (MR) or high temperatures, elements that typically disrupt results with conventional sensors. Customers' needs are wide-ranging and require measuring various parameters like pressure, temperature, strain, and others.

The Company focuses on business opportunities with the highest returns and has developed new products to fulfill their specific needs. As an example, the new OPP-GD fibre optic differential pressure sensor and the new OEC fibre optic extensometer sensors have grabbed the attention of many industries such as aeronautic and energy.

MARKET OVERVIEW

In the Medical sector, coronary artery disease 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 increase in the use of physiologic 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 an expansion in the 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 medical fees and established a requirement to assess functional ischemia (blockage of arteries) prior to treatment.

These developments contribute to the steady growth of the coronary artery disease measurement market. According to management and industry source estimates[(1)], this market exceeds US$500 million worldwide in 2020 and is expected to exceed US$1 billion annually in the medium term (2025).

In the Industrial sector, under this reportable segment, the Corporation’s technology, expertise, and products can serve several markets including aeronautic, geotechnical, infrastructures, nuclear, mining, military, and others. The Company focuses mainly on the following markets:

- Nuclear market: the opportunities in this market are related principally to new nuclear technologies to produce energy. The new and recently patented fibre optic differential pressure sensor is the main solution for that market;
- Aeronautic market: the opportunities in this market are principally related to fuel monitoring systems for aircraft. New industrial version of the absolute pressure sensor and the recent addition of a differential pressure sensor are the main products for these applications; and
- Traditional Niche Applications Market: they include niche applications in which the Company is currently engaged, such as electro-pyrotechnic devices.

COMPETITION

In the Medical sector, coronary artery disease measurement market has 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. Competition is based primarily on technological advantages. Our direct competition is made up of both opened and closed-ended companies with a global presence.

CORPORATE GROWTH STRATEGY

OpSens’ growth strategy is to become a key player in the Medical sector focusing on the coronary artery disease 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.

(1) OpSens FFR Market Calculations based on GRAND VIEW RESEARCH (Feb. 2019).

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 artery disease market.

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

- Direct Sales Force: OpSens has established a direct sales team, hiring a seasoned staff with solid expertise in coronary artery disease. 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 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 is better aligned to customers wishing to limit the number of in-person visitors to hospitals. With COVID-19 pandemic partially under control, OpSens has started to increase its sales force. OpSens also targets agreements with group purchasing organizations to accelerate penetration, particularly in the United States. OpSens has successfully signed agreements with group purchasing organizations, with more expected to come; and
- 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 with the heart 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, essential to cardiologists' decision-making in the diagnosis and treatment of coronary artery disease; and
- Better connectivity as OptoWire is insensitive to blood contamination. It can be easily reconnected without compromising measurement accuracy.

- Clinical data

Major clinical studies previously suspended due to the COVID-19 pandemic have recently resumed.

- 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 coronary artery disease measurement products and develop new fibre optic sensing technologies for cardiology assessment that address other 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 transaortic valve replacement procedures (TAVR). This innovation is a structural heart pressure guidewire that measures and displays critical hemodynamics information in real time during valve replacement procedures.

OpSens innovative pressure guidewire for TAVR is scheduled to be evaluated in a 20-patient study by the end of the summer. This study is one of the last steps before OpSens files for regulatory 510(k) clearance with the U.S. Food and Drug Administration ("FDA").

Also, OpSens received regulatory approval for the commercialization of the newest version of its coronary pressure guidewire, OptoWire III, for the United States, Japan, EMEA, and Canada thus far.

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 aims to partner with key players in the industry. The partnership with Abiomed Inc. ("Abiomed"), for the use of its miniature sensors and technology, is an example of the type of partnership the Company targets.

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

- Target Market: Solutions' target markets are aeronautic, geotechnical, infrastructures, nuclear, mining, military and others. These are markets where OpSens' products offer unique advantages over its competitors; and

- Innovation: Solutions continually invest in innovations for its products, so they can offer unique advantages over competitors. For example, the Company's optical strain and pressure sensors have received the attention of major players in the aeronautic 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 income (loss) and Earnings Before Interest, Taxes, Depreciation, Amortization 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 income (loss), financial expenses, depreciation and amortization 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 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 INCOME (LOSS)

(In thousands of Canadian dollars)	Three-month period ended May 31, 2021	Three-month period ended May 31, 2020	Nine-month period ended May 31, 2021	Nine-month period ended May 31, 2020
	$	$	$	$
Net income (loss)	(570)	52	64	(3,201)
Financial expenses	471	44	980	328
Depreciation of property, plant and equipment and right-of-use assets	397	396	1,158	1,162
Amortization of intangible assets	60	48	170	96
Stock-based compensation costs	161	96	329	360
EBITDAO	519	636	2,701	(1,255)

The negative variance of EBITDAO for the three-month period ended May 31, 2021, is mainly explained by the increase in our operating expenses and by lower grant related to the Canada Emergency Wage Subsidy ("CEWS"). This increase was partly offset by higher gross margin related to increase in sales.

The positive variance of EBITDAO for the nine-month period ended May 31, 2021, is mainly explained by the fact that we increased our sales in all segments, and significantly reduced our sales and marketing expenses following the reorganization of your direct sales force in the United States since the beginning of the global pandemic.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Three-month period ended May 31, 2021	Three-month period ended May 31, 2020	Nine-month period ended May 31, 2021	Nine-month period ended May 31, 2020
	$	$	$	$
Revenues				
Sales				
Medical	8,501	6,124	23,651	19,936
Industrial	713	506	2,692	1,941
	9,214	6,630	26,343	21,877
Other	19	-	56	-
	9,233	6,630	26,399	21,877
Cost of sales	3,809	2,986	11,734	10,074
Gross margin	5,424	3,644	14,665	11,803
Gross margin percentage	59%	55%	56%	54%
Operating expenses				
Administrative	1,722	1,301	4,679	4,025
Sales and marketing	2,316	1,637	5,458	7,322
Research and development	1,590	1,411	4,170	4,130
	5,628	4,349	14,307	15,477
Other income	(121)	(801)	(721)	(801)
Financial expenses	471	44	980	328
Income (loss) before income taxes	(554)	52	99	(3,201)
Income taxes	16	-	35	-
Net income (loss)	(570)	52	64	(3,201)
Basic and diluted net income (loss) per share	(0.01)	0.00	0.00	(0.04)

Revenues

The Company reported revenues of $9,233,000 for the three-month period ended May 31, 2021, compared to revenues of $6,630,000 for the corresponding period in 2020, an increase of $2,603,000 or 39%.

Sales in the Medical segment totalled $8,501,000 for the three-month period ended May 31, 2021, compared to sales of $6,124,000 for the same period in 2020, an increase of $2,377,000 or 39%. The increase in Medical segment revenues is explained by higher sales in coronary artery disease measurement line of business (FFR and dPR) of $1,815,000 or compared with the same period in 2020. Original equipment manufacturer ("OEM") medical sales also increased by $562,000 compared to the same period last year.

The Company also reported other revenues of $19,000 related to a new development project with an OEM partner.

Sales in the Industrial segment totalled $713,000 for the three-month period ended May 31, 2021, compared to sales of $506,000 for the same period in 2020. The increase is explained by a higher volume of orders in the nuclear field compared to the same period last year.

For the three-month period ended May 31, 2021 and 2020, 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 income (loss). For the three-month period ended May 31, 2021, revenues were negatively affected by $750,000 compared to the same period last year (sales were positively impacted by $332,000 for the three-month period ended May 31, 2020).

As at May 31, 2021, OpSens' total backlog of orders amounted to $5,008,000 ($11,939,000 as at May 31, 2020).

Gross Margin

Information and analysis in this section do not take into consideration other revenues ($19,000 for the three-month period ended May 31, 2021, and nil for the three-month period ended May 31, 2020, respectively).

Gross margin was $5,405,000 for the three-month period ended May 31, 2021, compared to $3,644,000 for the same period last year. The gross margin percentage increased to 59% for the three-month period ended May 31, 2021 compared to 55% for the three-month period ended May 31, 2020. The increase in gross margin percentage reflects higher sales volume and the related economies of scale combined with enhanced productivity.

Administrative Expenses

Administrative expenses were at $1,722,000 and $1,301,000, respectively, for the three-month periods ended May 31, 2021 and May 31, 2020. The increase is largely explained by higher headcount and recruiting expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $2,316,000 for the three-month period ended May 31, 2021, an increase of $679,000 over the $1,637,000 reported during the same period in 2020. The increase is largely explained by higher commissions, publicity, trade shows and travelling expenses as compared to last year when expenses were significantly reduced due to COVID-19.

Research and Development Expenses

Research and development expenses totalled $1,590,000 for the three-month period ended May 31, 2021, an increase of $179,000 over the $1,411,000 reported during the same period in 2020. The increase is largely explained by higher headcount and subcontractor expenses. This was partly offset by higher grant from Industrial Research Assistance Program (IRAP) received for the development of our new pressure guidewire for the structural heart and Scientific Research and Experimental Development tax credit.

Other Income

Other income was $121,000 and 801,000, respectively, for the three-month period ended May 31, 2021 and the three-month period ended May 31, 2020. The decrease is explained by the lower non-refundable contribution under the CEWS program for an amount of $680,000.

Financial Expenses

Financial expenses totalled $471,000 for the three-month period ended May 31, 2021, compared to $44,000 for the same period in 2020. The increase in financial expenses is mainly explained by a less favorable exchange rate of $462,000. This is partly offset by higher interest revenues of $27,000.

Net Income (Loss)

As a result of the foregoing, net loss for the three-month period ended May 31, 2021, was $570,000 compared to net income of $52,000 for the same period in 2020.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	**As at May 31, 2021**	**As at August 31, 2020**
	$	**$**
Current assets	51,090	22,543
Total assets	60,179	31,908
Current liabilities	7,568	5,655
Long-term liabilities	9,629	10,906
Shareholders’ equity	42,982	15,347

Total assets as at May 31, 2021, were $60,179,000 compared to $31,908,000 as at August 31, 2020. The increase is mainly related to higher cash and cash equivalents of $27,894,000 following the completion of an equity financing on February 25, 2021.

Current liabilities totalled $7,568,000 as at May 31, 2021, compared to $5,655,000 as at August 31, 2020. The increase is mainly explained by a higher current portion of long-term debt of $1,287,000 and by higher accounts payable and accrued liabilities of $514,000.

Long-term liabilities totalled $9,629,000 as at May 31, 2021, compared to $10,906,000 as at August 31, 2020, a decrease of $1,277,000. The decrease is mainly explained by a lower long-term debt of $1,303,000.

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, 2021	Three-month period ended February 28, 2021	Three-month period ended November 30, 2020	Three-month period ended August 31, 2020
	$	$	$	$
Revenues	9,233	8,829	8,336	7,576
Net income (loss) for the period	(570)	41	594	557
Basic and diluted net income (loss) per share	(0.01)	0.00	0.01	0.01

(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 income (loss) for the period	52	(1,382)	(1,871)	(1,617)
Basic and diluted net income (loss) per share	0.00	(0.02)	(0.02)	(0.02)

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

For the quarter ended August 31, 2019, OpSens' coronary artery disease line of business showed growth despite the usual seasonal impact.

During the second semester of fiscal year 2020, activities were slower due to the COVID-19 global pandemic.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2021, the Company had cash and cash equivalents of $38,778,000 compared to $10,884,000 as at August 31, 2020. Of this amount as at May 31, 2021, $35,818,000 were invested in highly-liquid, safe investments.

As at May 31, 2021, OpSens had a working capital of $43,522,000, compared to $16,888,000 as at August 31, 2020. The increase in working capital is mainly related to higher cash and cash equivalents.

On February 25, 2021, the Company completed a bought deal public offering for aggregate gross proceeds of $28,750,000. In connection with the offering, the Company issued a total of 15,972,222 shares at a price of $1.80 per share.

Transaction costs of the offering include underwriting fees of $1,725,000 and other professional fees and miscellaneous fees of $401,000 for total transaction costs of $2,126,000.

The company intend the use of proceeds from the equity financing as follow:

(In Canadian dollars)	Use of funds as planned	Over-Allotment	Funds available to Opsens from equity financing	Actual use of funds as at May 31, 2021	Funds remaining to be used
	$	$	$	$	$
Net proceeds from the issue, including the over-allotment option	22,848,843	3,750,000	26,598,843	3,694,658	22,904,185
Use of proceeds					
Sales and Marketing	7,000,000	-	7,000,000	2,209,114	4,790,886
Research and Development	8,000,000	-	8,000,000	1,275,471	6,724,529
Capital expenditures and production ramp-up	3,000,000	-	3,000,000	210,073	2,789,927
Working capital	4,848,843	3,750,000	8,598,843	-	8,598,843
Total use of proceeds	22,848,843	3,750,000	26,598,843	3,694,658	22,904,185

Under a new loan agreement with a Canadian financial institution, the Company may receive a maximum amount of $600,000. The loan bears interest at the prime rate plus 1.00% and is repayable in monthly instalments of $16,667 and will mature in October 2024. The loan has a nine months moratorium period without payment of principal following the date of the signature of the agreement. It is secured by a movable hypothec on the universality of the property, plant and equipment and intangible assets, present and future of the Company. On November 27, 2020, the Company received $600,000 of this loan. Under this loan agreement, the Company is subject to certain covenants, which were met as of the date of this MD&A.

On February 27, 2019, OpSens announced that it has entered into a $8,000,000 credit agreement (the "Agreement") with a Canadian financial institution. 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 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, 2021	Three-month period ended May 31, 2020	Nine-month period ended May 31, 2021	Nine-month period ended May 31, 2020
	$	$	$	$
Operating activities	836	(282)	2,452	(2,935)
Investing activities	(263)	(351)	(757)	(1,096)
Financing activities	(1,004)	(410)	26,371	(907)
Effect of foreign exchange rate changes on cash and cash equivalents	(104)	36	(172)	53
Net change in cash and cash equivalents	(535)	(1,007)	27,894	(4,885)

Operating Activities

For the three-month period ended May 31, 2021, cash flows generated by our operating activities were $836,000 compared to cash flows used of $282,000 for the same period last year. The increase in cash flows generated by our operating activities is mainly explained by a positive variance of changes in non-cash operating working capital items related to inventory of $1,119,000, government assistance receivable of $866,000 and by accounts payable and accrued liabilities of $581,000. This is partly offset by a negative variance of changes in non-cash operating working capital items related to trade and other receivables of $894,000.

For the nine-month period ended May 31, 2021, cash flows generated by our operating activities were $2,452,000 compared to cash flows used of $2,935,000 for the same period last year. The increase in cash flows generated by our operating activities is mainly explained by a positive variance of EBITDAO, as explained previously and by a positive variance of changes in non-cash operating working capital items related to inventory of $1,402,000, government assistance receivable of $1,189,000 and by accounts payable and accrued liabilities of $1,234,000. This is partly offset by a negative variance of changes in non-cash operating working capital items related to trade and other receivables of $2,143,000.

Investing Activities

For the three-month period ended May 31, 2021, cash flows used by our investing activities reached $263,000 compared to $351,000 for the same period in 2020. The decrease in cash flows used is mainly explained by lower acquisition of intangible assets for the Medical sector. This is partly offset by higher acquisition of property, plant, and equipment and intangible assets for the Medical sector.

For the nine-month period ended May 31, 2021, cash flows used by our investing activities reached $757,000 compared to $1,097,000 for the same period in 2020. The decrease in cash flows used is mainly explained by lower acquisition of property, plant, and equipment and intangible assets for the Medical sector. This is partly offset by lower interest received.

Financing Activities

For the three-month period ended May 31, 2021, cash flows used by financing activities reached $1,004,000 compared to $410,000 for the same period in 2020. The variation is mainly explained by the reimbursement of long-term debt.

For the nine-month period ended May 31, 2021, cash flows generated by financing activities reached $26,371,000 compared to cash flows used of $907,000 for the same period in 2020. The variation is mainly explained by completion of a bought deal public offering in February 2021.

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 the coronary artery disease market 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 other revenues 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 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, 2021			Three-month period ended May 31, 2020		
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	8,520,376	712,517	9,232,893	6,124,237	506,180	6,630,417
Internal sales	36,042	91,726	127,768	-	13,643	13,643
Gross margin	4,906,684	517,004	5,423,688	3,398,525	245,724	3,644,249
Depreciation of property, plant and equipment and right-of-use assets	342,323	54,471	396,794	328,139	67,387	395,526
Amortisation of intangible assets	56,371	3,190	59,561	46,127	1,899	48,026
Other income	-	121,097	121,097	657,094	143,660	800,754
Financial expenses	351,012	119,871	470,883	(30,592)	74,509	43,917
Current income taxes expense	16,110	-	16,110	-	-	-
Net income (loss)	(566,769)	(3,705)	(570,474)	103,030	(51,415)	51,615
Acquisition of property, plant and equipment	250,720	40,014	290,734	160,733	-	160,733
Additions to intangible assets	33,423	-	33,423	200,616	27,120	227,736
Segment assets	57,409,323	2,770,152	60,179,475	29,318,370	2,206,203	31,524,573
Segment liabilities	16,099,694	1,097,092	17,196,786	16,332,401	481,607	16,814,008

	Nine-month period ended May 31, 2021			Nine-month period ended May 31, 2020		
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	23,706,840	2,691,572	26,398,412	19,935,575	1,941,494	21,877,069
Internal sales	108,132	179,595	287,727	-	57,388	57,388
Gross margin	12,749,308	1,915,310	14,664,618	10,638,622	1,163,946	11,802,568
Depreciation of property, plant and equipment and right-of-use assets	1,030,331	127,260	1,157,591	968,052	193,533	1,161,585
Amortisation of intangible assets	161,122	8,455	169,577	86,676	9,087	95,763
Other income	445,506	275,895	721,401	657,094	143,660	800,754
Financial expenses	653,782	325,720	979,502	94,873	233,564	328,437
Current income taxes expense	34,814	-	34,814	-	-	-
Net income (loss)	(581,622)	646,046	64,424	(3,110,584)	(90,732)	(3,201,316)
Acquisition of property, plant and equipment	504,172	41,047	545,219	645,686	28,748	674,434
Additions to intangible assets	207,685	19,785	227,470	536,977	35,895	572,872
Segment assets	57,409,323	2,770,152	60,179,475	29,318,370	2,206,203	31,524,573
Segment liabilities	16,099,694	1,097,092	17,196,786	16,332,401	481,607	16,814,008

Information by geographic segment

	Three-month periods ended		Nine-month periods ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
	$	$	$	$
Revenue by geographic segment				
United States	3,552,305	2,260,691	9,706,591	8,409,666
Japan	1,638,755	1,934,165	5,745,345	5,048,412
Canada	857,260	559,732	2,447,747	1,917,404
Other*	3,184,573	1,875,829	8,498,729	6,501,587
	9,232,893	6,630,417	26,398,412	21,877,069

* 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 May 31, 2021, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 20% and 18% (29% and 22% for the three-month period ended May 31, 2020).

During the nine-month period ended May 31, 2021, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 22% and 19% (24% and 23% for the nine-month period ended May 31, 2020).

Medical Segment

Information and analysis in this section for revenue and gross margin do not take into consideration other revenues ($19,000 for the three-month period ended May 31, 2021, and nil for the three-month period ended May 31, 2020).

For the three-month period ended May 31, 2021, sales from the Medical segment were $8,501,000 compared to $6,124,000 for the three-month period ended May 31, 2020, an increase of $2,377,000. The increase is explained by higher coronary artery disease measurement sales of $1,815,000 and by higher OEM medical sales of $562,000.

Gross margin was $4,888,000 for the three-month period ended May 31, 2021, compared to $3,398,000 for the three-month period ended May 31, 2020, an increase of $1,490,000. The gross margin percentage was at 57% for the three-month period ended May 31, 2021 compared to 55% for the corresponding period in 2020. The increase in gross margin is mainly explained by higher volume of sales.

Net loss for the Medical segment was $567,000 for the three-month period ended May 31, 2021, compared to a net income of $103,000 for the same period last year. The increase in net loss is mainly explained by higher operating expenses, by a lower contribution of CEWS and by a less favorable exchange rate includes in financial expenses.

Working capital for the Medical segment as at May 31, 2021, was $42,201,000 compared to $15,495,000 as at August 31, 2020. The increase of $26,706,000 is mainly explained by higher cash and cash equivalents of $27,984,000 and by higher trade and other receivable of $868,000. This is partly offset by higher accounts payable and accrued liabilities of $347,000 and by higher current portion of long-term debt of $1,287,000.

Industrial Segment

For the three-month period ended May 31, 2021, external sales from the Industrial segment were $713,000 compared to $506,000 for the three-month period ended May 31, 2020, an increase of $207,000 mostly explained by a higher volume of orders in the nuclear field compared to the same period last year.

Gross margin was $517,000 for the three-month period ended May 31, 2021, compared to $246,000 for the same period in 2020, an increase of $271,000. The gross margin percentage increased from 47% for the three-month period ended May 31, 2020, to 64% for the three-month period ended May 31, 2021. The increased in gross margin percentage is mainly explained by the higher volume of sales.

Net loss for the Industrial segment was $4,000 for the three-month period ended May 31, 2021, compared to $51,000 for the three-month period ended May 31, 2020. The decrease in net loss is mainly explained by the higher volume of sales as explained before. This is partly offset by higher sales and marketing expenses.

Working capital for the Industrial segment as at May 31, 2021, was $1,321,000 compared to $1,393,000 as at August 31, 2020. The decrease is mainly explained by lower cash and cash equivalents of $90,000, by higher accounts payable and accrued liabilities of $167,000. This is partly offset by higher inventory of $182,000.

NINE-MONTH PERIODS ENDED MAY 31, 2021 AND MAY 31, 2020

Revenues

Revenues totalled $26,399,000 for the nine-month period ended May 31, 2021 compared to revenues of $21,877,000 for the corresponding period in 2020, an increase of $4,522,000 or 21%. The increase is mainly explained by higher sales in the coronary artery disease line of business (FFR and dPR) of $3,762,000 and the industrial segment of $751,000.

Gross Margin

Information and analysis in this section do not take into consideration other revenues ($56,000 for the nine-month period ended May 31, 2021, and nil for the nine-month period ended May 31, 2020, respectively).

Gross margin was $14,609,000 for the nine-month period ended May 31, 2021, compared to $11,803,000 for the same period last year. The gross margin percentage slightly increased to 55% for the nine-month period ended May 31, 2021 compared to 54% for the same period last year.

Administrative Expenses

Administrative expenses were at $4,679,000 and $4,025,000, respectively, for the nine-month period ended May 31, 2021 and the nine-month period ended May 31, 2020. The increase is largely explained by higher headcount, professional fees, insurance and recruiting expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $5,458,000 for the nine-month period ended May 31, 2021, a decrease of $1,864,000 over the $7,322,000 reported during the same period in 2020. The decrease is largely explained by lower headcount, commissions, trade shows and travelling expenses when compared to last year related to the size adjustment of our direct sales force in the United States due to COVID-19.

Research and Development Expenses

Research and development expenses totalled $4,170,000 for the nine-month period ended May 31, 2021, an increase of $41,000 over the $4,130,000 reported during the same period in 2020. Expenses in 2021 are mainly related the development of our new pressure guidewire for the structural heart.

Other Income

Other income was $721,000 and 801,000, respectively, for the nine-month period ended May 31, 2021 and May 31, 2020. The decrease is explained by a lower non-refundable contribution under the CEWS program for an amount of $80,000.

Financial Expenses

Financial expenses totalled $980,000 for the nine-month period ended May 31, 2021, compared to $328,000 for the same period in 2020. The increase in financial expenses is mainly explained by a less favorable exchange rate of $658,000.

Net Income (Loss)

As a result of the foregoing, net income for the nine-month period ended May 31, 2021, was $64,000 compared to net loss of $3,201,000 for the same period in 2020.

INFORMATION ON SHARE CAPITAL

For the nine-month period ended May 31, 2021, the Company granted to some employees and directors a total of 1,582,500 stock options with an average exercise price of $1.42, cancelled 345,375 stock options with an exercise price of $0.99, 563,000 stock options with an average exercise price of $1.07 were exercised, and 299,375 stock options with an exercise price of $1.20 expired.

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.

As at July 12, 2021, the following components of shareholders' equity are outstanding:

Common shares	106,935,539
Stock options	7,196,125
Securities on a fully diluted basis	114,131,664

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 compensation, 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, 2021, that have materially affected, or are reasonably likely materially affecting its ICFR.

RISK FACTORS

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

There are 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, 2021, 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 12, 2021