

Condensed Consolidated Interim Financial Statements

**OpSens Inc.**

Three-month periods ended November 30, 2021 and 2020  
(unaudited)

# OpSens Inc.

Three-month periods ended November 30, 2021 and 2020

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# OpSens Inc.

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

(in Canadian dollars) (unaudited)

	Three-month periods ended November 30,	
	2021	2020
	\$	\$
<b>Revenues</b>		
Sales	8,046,252	8,318,909
Other	49,266	17,580
	8,095,518	8,336,489
Cost of sales	3,978,050	3,664,159
Gross margin	4,117,468	4,672,330
<b>Operating expenses</b>		
Administrative	2,136,625	1,468,612
Sales and marketing	2,108,344	1,587,956
Research and development	1,765,757	1,295,786
	6,010,726	4,352,354
Other income	-	(490,279)
Financial expenses	169,104	216,104
<b>Income (loss) before income taxes</b>	<b>(2,062,362)</b>	594,151
Current income tax expense	26,951	-
<b>Net income (loss)</b>	<b>(2,089,313)</b>	594,151
<b>Other comprehensive income (loss)</b>		
<i>Item that may be reclassified subsequently to net income (loss)</i>		
Net changes in unrealized gain (loss) on translation of foreign operations	(905)	55
<b>Comprehensive income (loss)</b>	<b>(2,090,218)</b>	594,206
<b>Basic and diluted net income (loss) per share (Note 6)</b>	<b>(0.02)</b>	0.01

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

# OpSens Inc.

## Condensed Consolidated Interim Statements of Changes in Equity

Three-month period ended November 30, 2021

(in Canadian dollars) (unaudited)

	Common shares	Share capital	Reserve – Stock option plan	Accumulated other comprehensive income – Foreign operations translation	Deficit	Total
	(number)	\$	\$	\$	\$	\$
Balance as at August 31, 2021	<b>107,157,039</b>	82,894,802	3,821,980	8,662	(44,395,449)	<b>42,329,995</b>
Common shares issued pursuant to the stock option plan (Note 5a)	<b>822,750</b>	1,380,402	(388,278)	-	-	<b>992,124</b>
Stock-based compensation costs	-	-	322,636	-	-	<b>322,636</b>
Other comprehensive loss – Net changes in unrealized loss on translation of foreign operations	-	-	-	(905)	-	<b>(905)</b>
Net loss	-	-	-	-	(2,089,313)	<b>(2,089,313)</b>
Balance as at November 30, 2021	<b>107,979,789</b>	84,275,204	3,756,338	7,757	(46,484,762)	<b>41,554,537</b>

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

# OpSens Inc.

## Condensed Consolidated Interim Statements of Changes in Equity

Three-month period ended November 30, 2020

(in Canadian dollars) (unaudited)

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

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

# OpSens Inc.

## Condensed Consolidated Interim Statements of Financial Position

(in Canadian dollars) (unaudited)

	As at November 30, 2021	As at August 31, 2021
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 7)	31,964,665	38,563,271
Trade and other receivables	4,407,879	4,135,446
Tax credits receivable	413,395	320,000
Inventories	5,635,485	6,115,091
Prepaid expenses	801,224	648,884
	<b>43,222,648</b>	49,782,692
Property, plant and equipment	2,623,325	2,731,508
Intangible assets	1,671,784	1,676,597
Right-of-use assets	4,162,083	4,321,608
	<b>51,679,840</b>	58,512,405
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	3,716,327	3,842,871
Warranty provision (Note 8)	80,457	83,803
Deferred revenues	184,003	120,710
Current income taxes payable	38,807	19,895
Current portion of long-term debt (Note 4)	519,566	2,802,223
Current portion of lease liabilities	534,227	525,494
	<b>5,073,387</b>	7,394,996
Long-term debt (Note 4)	993,411	4,594,594
Lease liabilities	4,058,505	4,192,820
	<b>10,125,303</b>	16,182,410
<b>Shareholders' equity</b>		
Share capital (Note 5a)	84,275,204	82,894,802
Reserve – Stock option plan (Note 5b)	3,756,338	3,821,980
Accumulated other comprehensive income	7,757	8,662
Deficit	<b>(46,484,762)</b>	(44,395,449)
	<b>41,554,537</b>	42,329,995
	<b>51,679,840</b>	58,512,405

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

Approved by the Board

Signed [Jean Lavigueur], director

Signed [Louis Laflamme], director

# OpSens Inc.

## Condensed Consolidated Interim Statements of Cash Flows

(in Canadian dollars) (unaudited)

	Three-month periods ended	
	November 30,	
	2021	2020
	\$	\$
<b>Operating activities</b>		
Net income (loss) for the period	(2,089,313)	594,151
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	387,347	378,247
Amortisation of intangible assets	64,503	51,518
Loss on disposal of property, plant and equipment	48,959	41,683
Stock-based compensation costs	322,636	75,279
Interest expense	74,190	130,785
Unrealized foreign exchange loss (gain)	(15,947)	17,675
Changes in non-cash operating working capital items (Note 7)	(49,668)	14,929
	<b>(1,257,293)</b>	<b>1,304,267</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(180,225)	(149,983)
Additions to intangible assets	(84,407)	(111,228)
Interest received	41,034	9,728
	<b>(223,598)</b>	<b>(251,483)</b>
<b>Financing activities</b>		
Increase in long-term debt, net of transaction costs	-	600,000
Reimbursement of long-term debt	(5,913,856)	(115,592)
Payment of lease liabilities	(125,582)	(115,909)
Proceeds from issuance of shares (Note 5a)	992,124	-
Interest paid	(85,208)	(130,090)
	<b>(5,132,522)</b>	<b>238,409</b>
Effect of foreign exchange rate changes on cash and cash equivalents	14,807	(17,620)
Increase (decrease) in cash and cash equivalents	(6,598,606)	1,273,573
Cash and cash equivalents – Beginning of period	38,563,271	10,884,019
Cash and cash equivalents – End of period	<b>31,964,665</b>	<b>12,157,592</b>

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

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

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

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#### 1. Incorporation and Description of Business

OpSens Inc. (“OpSens” or the “Company”) is incorporated under the Business Corporations Act (Quebec). OpSens focuses mainly on physiological measurement such as Fractional Flow Reserve (FFR) and Diastolic Pressure Ratio (dPR) in the coronary artery disease market and also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. OpSens offers an advanced optical-based pressure guidewire (OptoWire) that aims at improving the clinical outcome of patients with coronary artery disease. OpSens is also involved in industrial activities through its wholly-owned subsidiary OpSens Solutions Inc. (“Solutions”). Solutions develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications. The Company’s head office is located at 750, du Parc-Technologique Blvd., Quebec City, Quebec, Canada, G1P 4S3.

#### 2. Basis of Preparation

##### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* and using the same accounting policies and methods of computation as the most recent annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

##### Impact Assessment of the COVID-19 Pandemic

Recently, several additional measures have been introduced by many governments to contain the spread of the Omicron variant. So, there are still some economic and business uncertainties that could have an impact on the critical accounting estimates, assumptions and judgments that are made by management when preparing the condensed consolidated interim financial statements. Accordingly, management continues to monitor and evaluate the situation and its impact on the Company’s activities. Nonetheless, the impacts of the COVID-19 pandemic did not have a material impact on the condensed consolidated interim financial statements for the three-month period ended November 30, 2021.

Thus far, the Company has had minimal manufacturing, supply chain, or distribution disruptions caused by the COVID-19 pandemic and has continued to fulfill orders to customers. However, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company’s financial results, business conditions and cash flows because of the uncertainties about future developments.

##### Changes in Accounting Policies

The accounting policies and basis of measurement applied in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended August 31, 2021.



# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

#### 3. New Line of Credit

On September 9, 2021, the Company signed an amendment to its credit agreement dated February 26, 2019. Pursuant to this amendment, the Company has an additional non-revolving credit facility of \$10,000,000 that can be used for growth and working capital purposes and that is secured by a first-rank movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets. The credit facility shall be available to the Company in two advances to be made by August 31, 2022. Any amount which remains unused shall be automatically and permanently cancelled and terminated. Any amount drawn under this credit facility bears interest at the prime rate plus 1.50%. The Company shall pay a 0.50% annual fee on the unused portion of the credit facility. The used portion of the credit facility is repayable in equal monthly payments from September 2022 until the credit facility maturity in August 2026. The credit line was not used as at November 30, 2021.

#### 4. Long-term Debt

	As at November 30, 2021	As at August 31, 2021
	\$	\$
Contributions repayable to Canada Economic Development (CED), without interest (effective rate of 12.00%), repayable in 59 equal and consecutive monthly instalments of \$3,333 and a final payment of \$3,353, maturing in July 2024 without payment from April to December 2020 inclusive due to a nine month moratorium.		
Debt balance	106,676	116,675
Imputed interest	(9,762)	(11,622)
	<b>96,914</b>	105,053
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of \$4,500, maturing in August 2022 without principal payment from March to August 2020 inclusive due to a six-month moratorium. Amounts received are net of transaction costs of \$2,160.	<b>40,440</b>	53,900
Term loan, bearing interest at prime rate plus 2.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in February 2024 without principal payment for a 24-month period following the signature of an agreement in March 2019. The principal is payable in 36 monthly instalments of \$194,444. Amounts received are net of transaction costs of \$87,468. The Company finally prepaid the entire balance of the term loan in September 2021 for a principal amount of \$5,833,333.	-	5,804,813
Amounts to be carried forward	<b>137,354</b>	5,963,766

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

#### 4. Long-term Debt (continued)

	As at November 30, 2021 \$	As at August 31, 2021 \$
Amounts carried over	<b>137,354</b>	5,963,766
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in June 2024 without principal payment for a 12-month period following the receipt of the first tranche of the loan in October 2019. The second and last tranche of the loan for \$242,180 has been received in January 2021. The principal is payable in 44 monthly instalments of \$10,938 and a final payment of \$10,386. Amounts received are net of transaction costs of \$5,250.	<b>336,993</b>	369,507
Term loan bearing interest at 6.66% payable in 111 monthly instalments of \$8,070, maturing in September 2025.	<b>438,630</b>	463,544
Term loan, bearing interest at prime rate plus 1.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in November 2024 without principal payment for a 12-month period following the receipt of the loan in November 2020. The principal is payable in 37 monthly instalments of \$16,216.	<b>600,000</b>	600,000
	<b>1,512,977</b>	7,396,817
Current portion	<b>519,566</b>	2,802,223
	<b>993,411</b>	4,594,594

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

#### 5. Shareholders' Equity

##### a) Share Capital

During the three-month period ended November 30, 2021, following the exercise of stock options, the Company issued 822,750 common shares for a cash consideration of \$992,124. As a result, an amount of \$388,278 was reallocated from *Reserve – Stock option plan* to *Share capital* in shareholders' equity. During the three-month period ended November 30, 2020, the Company did not issue common shares.

##### b) Stock Options

The changes in the number of stock options granted by the Company and their weighted-average exercise prices, for the three-month periods ended November 30, 2021 and 2020, are as follows:

	Three-month period ended November 30, 2021		Three-month period ended November 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – Beginning of period	7,140,250	1.20	6,596,375	1.01
Options granted	567,750	3.43	495,000	1.01
Options exercised	(822,750)	1.21	-	-
Options expired	-	-	(128,125)	1.49
Options cancelled	(202,500)	1.05	(83,500)	0.85
Balance – End of period	6,682,750	1.39	6,879,750	1.00

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

	Three-month period ended November 30, 2021	Three-month period ended November 30, 2020
Risk-free interest rate	Between 0.38% and 1.46%	Between 0.26% and 0.39%
Volatility	Between 58.29% and 74.09%	Between 55.81% and 65.88%
Dividend yield on shares	Nil	Nil
Expected life	0 to 5 years	0 to 5 years
Weighted share price	\$3.43	\$1.01
Weighted fair value per option at the grant date	\$1.51	\$0.42

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

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

#### 6. Net Income (Loss) per Share

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

	Three-month periods ended November 30,	
	2021	2020
	\$	\$
<b>Net income (loss) attributable to shareholders</b>		
Basic and diluted	<b>(2,089,313)</b>	594,151
<b>Number of shares</b>		
Basic weighted average number of shares outstanding	<b>107,590,557</b>	90,280,317
Diluted weighted average number of shares outstanding	<b>107,590,557</b>	90,429,104
<b>Amount per share</b>		
Basic and diluted net income (loss) per share	<b>(0.02)</b>	0.01

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

	Three-month periods ended November 30,	
	2021	2020
Stock options	<b>467,750</b>	5,877,250

For the three-month period ended November 30, 2021, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for this period was calculated using the basic weighted average number of shares outstanding. For the three-month period ended November 30, 2020, the dilutive effect is about 148,787 units for stock options for which their exercise price is lesser than the average market price of common shares.

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

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

	Three-month periods ended November 30,	
	2021	2020
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Trade and other receivables	(272,433)	263,779
Government assistance receivable	-	(11,880)
Tax credits receivable	(93,395)	(11,605)
Inventories	479,606	(483,763)
Prepaid expenses	(152,340)	(141,604)
Accounts payable and accrued liabilities	(89,965)	377,421
Warranty provision	(3,346)	(15,423)
Deferred revenues	63,293	38,004
Current income taxes payable	18,912	-
	<b>(49,668)</b>	14,929
<i>Supplementary information</i>		
Unpaid acquisition of property, plant and equipment	20,565	26,992
Unpaid additions to intangible assets	786	29,367
	<b>As at November 30, 2021</b>	<b>As at August 31, 2021</b>
	\$	\$
<i>Cash and cash equivalents</i>		
Cash	2,904,497	2,700,529
Cash equivalents	29,060,168	35,862,742
	<b>31,964,665</b>	<b>38,563,271</b>

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

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#### 8. Warranty provision

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

	Three-month periods ended November 30,	
	2021	2020
	\$	\$
Balance – Beginning of period	<b>83,803</b>	153,138
Additional provision recognized	<b>17,398</b>	9,562
Amount used during the period	<b>(20,838)</b>	(24,864)
Effect of foreign exchange differences	<b>94</b>	(121)
Balance – End of period	<b>80,457</b>	137,715

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

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

#### 9. Segmented Information

##### *Segmented Information*

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

Medical segment: in this segment, OpSens focuses mainly on physiological measurement such as FFR and dPR in the coronary artery disease market and also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. This also includes 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 reflected in this note include the Company's organizational structure, the nature of the reporting lines to the President and Chief Executive Officer and the structure of internal reporting documentation such as management accounts and budgets.

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

	Three-month period ended November 30, 2021			Three-month period ended November 30, 2020		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	7,390,941	704,577	8,095,518	7,336,416	1,000,073	8,336,489
Internal sales	30,003	66,294	96,297	33,473	33,067	66,540
Gross margin	3,740,056	377,412	4,117,468	4,003,868	668,462	4,672,330
Depreciation of property, plant and equipment and right-of-use assets	332,542	54,805	387,347	343,652	34,595	378,247
Amortisation of intangible assets	60,433	4,070	64,503	48,995	2,523	51,518
Other income	-	-	-	440,481	49,798	490,279
Financial expenses	103,099	66,005	169,104	121,599	94,505	216,104
Current income tax expense	26,951	-	26,951	-	-	-
Net income (loss)	(1,999,794)	(89,519)	(2,089,313)	349,501	244,650	594,151
Acquisition of property, plant and equipment	163,003	5,360	168,363	93,470	-	93,470
Additions to intangible assets	54,778	4,912	59,690	106,199	4,929	111,128
Segment assets	49,302,846	2,376,994	51,679,840	30,830,328	2,469,907	33,300,235
Segment liabilities	9,172,212	953,091	10,125,303	16,882,021	401,867	17,283,888

# OpSens Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

### Three-month periods ended November 30, 2021 and 2020

(in Canadian dollars) (unaudited)

#### 9. Segmented Information (continued)

##### Information by geographic segment

	Three-month periods ended November 30,	
	2021	2020
	\$	\$
Revenue by geographic segment		
United States	3,413,896	3,199,543
Japan	1,244,267	1,719,719
Canada	849,700	704,066
Other*	2,587,655	2,713,161
	<b>8,095,518</b>	<b>8,336,489</b>

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

Revenues are attributed to the geographic segment based on the clients' location. Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are mainly located in Canada. Non-current assets located in other countries are not significant.

During the three-month period ended November 30, 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. 25% and 15% (21% and 21% for the three-month period ended November 30, 2020).

#### 10. Related Party Transactions

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors during the three-month periods ended November 30, 2021 and 2020 were as follows:

	Three-month periods ended November 30,	
	2021	2020
	\$	\$
Short-term salaries and other benefits	364,348	285,709
Option-based awards	179,208	21,576
	<b>543,556</b>	<b>307,285</b>

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

#### 11. Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on January 12, 2022.