MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2022

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 year ended August 31, 2022, in comparison with the corresponding periods ended August 31, 2021. 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, 2022, and 2021, 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 November 21, 2022. 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 November 21, 2022, 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 COVID-19 pandemic had a moderate impact on the consolidated financial statements for the year ended August 31, 2022, following the supply chain disruptions that affected manufacturing and distribution of its products and hospitals procedure disruptions. For the second semester of the year, there have been a decrease in the negative impacts generated by the COVID-19 pandemic.

OVERVIEW

OpSens is a leader in advanced 2nd generation fiber optic sensor applications for cardiovascular interventions. The Company's current 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) powered by the 2nd generation optical sensor, Fidela, to measure pressure in the diagnosis and to improve clinical outcomes in patients with coronary artery disease. OpSens recently entered the large and rapidly growing structural heart space with its introduction of the SavvyWire as the first and only Sensor-Guided TAVR solution, designed to support TAVR efficiency and lifetime patient management. 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 four pending patents to protect its technologies in the Medical and Industrial sectors.

SECTORS OF ACTIVITY

In the Medical sector, OpSens markets the OptoWire and OptoMonitor to diagnose coronary artery disease. The 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 artery 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 primarily utilizes distributors in Europe (including the Middle East) and Japan.

OpSens is currently starting the broader commercialization of its proprietary SavvyWire, a product targeting structural heart market, one of the fastest growing segments of interventional cardiology. The SavvyWire is developed specifically for transcatheter aortic valve replacement ("TAVR"), was approved in Canada in April 2022, and cleared by the FDA for the U.S. market in September 2022.

OpSens also provides its proprietary sensing technology in the form of highly customizable microscale fiber optic sensors for pressure and temperature, which can be used in a wide range of applications and are designed to be integrated seamlessly into medical devices and life science research environments.

In the Industrial sector, OpSens' expertise, technology, and products meet the needs of multiple markets, including aerospace, nuclear, military, power electronics, geotechnical, and mining. 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 radiation-resistant fibre optic pressure and temperature sensor have grabbed the attention of many industries such as aerospace and nuclear.

MARKET OVERVIEW

In the Medical sector, coronary artery disease represents a significant and growing opportunity for the Company. The prevalence of coronary artery disease is increasing rapidly. In the AHA report "Heart Disease and Stroke Statistics" - based on health data compiled in more than 190 countries - coronary heart disease was the leading cause of death worldwide in 2017 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 this disease is a significant burden to society. The benefits of FFR in patients with chronic coronary artery disease were demonstrated through randomized clinical trials studies such as FAME I and FAME II published in 2009 and 2012 in the New England Journal of Medicine (NEJM) and several other outcome studies. FFR-guided treatment, compared to assessment based only on angiography, led, after one year, respectively to a reduction of about 30% in mortality, myocardial infarction, readmission for revascularization through percutaneous coronary intervention and coronary bypass (FAME I study). FFR-guided treatment, compared to optimal medical therapy, also showed a

reduction of almost 90% in the risk of urgent revascularizations (FAME II study). Several reports also showed how inaccurate diagnoses can lead to unnecessary use of "stents" to treat the coronary artery disease.

FFR-guided treatment, following the publication of FAME I and FAME II, have been recognized with the highest recommendation (Class IA) by the European Society of Cardiology (ESC). 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 chronic 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.

In the late 2010s, the use of non-hyperemic pressure ratios (NHPRs) has been an important factor to increase coronary physiology penetration to make faster and easier assessment of coronary occlusions, by removing the need for hyperemic drug injection. Like FFR, NHPRs also obtained the highest recommendation in the clinical guidelines for the diagnostic assessment of coronary lesions thanks to the DEFINE and SWEDEHEART studies.

FFR and NHPR-guided coronary interventions have also been validated in patients with Acute Coronary Syndromes (ACS) as a diagnostic tool to assess the severity of the non-culprit occlusion after the culprit blockage's treatment, showing a reduction in major adverse cardiovascular events compared to a culprit-occlusion-only treatment strategy, with FFR being used in both a staged (DANAMI-3-PRIMULTI trial, published on LANCET) and acute (COMPARE-ACUTE trial, published on NEJM) setting. This approach for patients with acute disease can expand the benefits of FFR to a population twice as large as the chronic one.

These developments contribute to the steady growth of the coronary artery disease measurement market. According to management and industry source estimates[1], this market exceeded US$600 million worldwide in 2022 and anticipates growth in the medium term to reach US$1 billion. This growth will be progressively fueled by upcoming technologies implementing angiography-based or computed tomography (CT)-based physiology measurements. Currently these assessments are being validated and the penetration in the physiology market is mainly due to the clinical studies being performed. Angio and CT-based physiology is expected to partially expand at the expense of the wire-based physiology procedures, but mainly to grow the overall market addressing patients not being diagnosed with physiology today.

Aortic Valve Stenosis occurs when the heart's aortic valve becomes diseased and subsequently narrows. This narrowing prevents the valve from fully opening, reducing, or blocking the blood flow from the heart into the aorta (the main artery to the body) and onward to the rest of the body. In multiple studies, minimally invasive TAVR has been shown to be superior to open-chest Surgical Aortic Valve Replacement (SAVR), with benefits including reduction in hospital stay and lower mortality, for both high and low-risk patients.

The TAVR market size is significant and growing, with an estimated 2022 global market opportunity of $5 billion doubling to an estimated size of $10 billion by 2028[(2)]. This overall increase is being underpinned with investments in device innovation combined with clinical[(3)] and economic evidence generation for intermediate and low risk - and eventually asymptomatic patients – leading to larger patient populations in currently served markets, and growing adoption in emerging markets. With the SavvyWire, Opsens is targeting a portion of that market. We currently estimate that global 2023 TAVR volume will approach 275,000, with nearly 50% of the implants occurring in North America and another 30% in Western Europe[(4)].

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1. OpSens FFR Market Calculations based on GRAND VIEW RESEARCH (Feb. 2019).
2. Edwards Lifesciences, Dec. 8, 2021 Investor Conference, accessed February, 2022.
3. Edwards Lifesciences: PARTNER 3, EARLY TAVR (asymptomatic severe aortic stenosis), PROGRESS Trial (moderate AS) and Medtronic: Evolut in Low-Risk patients.

4. OpSens TAVR and guidewire market calculations based on iData Research Inc. (Feb. 2022).

The overall value of the TAVR guidewire market is dependent on continued TAVR market expansion, growing adoption of pre-shaped guidewires and is sensitive to pricing constraints, especially in geographies with national healthcare systems. With anticipated growth in the TAVR market, adoption of pre-shaped guidewires, and additional clinical utility, we anticipate the global unit volume opportunity to exceed 400,000 units by 2027[4].

Original Equipment Manufacturer (**OEM)**: the Company's technology, expertise, and products can serve several markets including cardiovascular, neurovascular, MRI-adjacent therapies, renal, and others. The Company focuses mainly on the following markets:

- Cardiology Market: the opportunities in this market are related to several sub-markets where hemodynamic monitoring and/or blood temperature measurement are likely to improve existing therapies or make new therapies possible, namely coronary and peripheral interventions, structural heart interventions, heart failure, and electrophysiology;

- Neurology Market: the opportunities in this market are related principally to neurovascular interventions such as coil embolization, thrombectomy, and neuro-oncology. Fiber optic sensors' immunity to MRI and microscale properties are particularly pertinent for this market.

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

- Aerospace Market: the opportunities in this market are principally related to fuel monitoring systems for aircrafts. A new industrial version of the absolute pressure sensor and the recent addition of a differential pressure sensor are the main products for these applications;
- 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;
- Military and Power Electronics Markets: they include niche applications in which the Company is currently engaged, such as EMI assessment of electro-pyrotechnic devices and thermal characterization of power electronics devices.

4. OpSens TAVR and guidewire market calculations based on iData Research Inc. (Feb. 2022).

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. Over the past years, CT and angiography-based FFR technologies, have emerged with new tools for functional lesion assessment without the need for dedicated pressure wires.

For TAVR, the current global guidewire market is segmented into straight and pre-shaped guidewires and is currently dominated by pre-shaped wires supplied by two companies. We anticipate these companies to continue providing iterative, rather than platform, innovation and one additional entrant to the market sometime in early calendar year 2023. OpSens' entrance into this market is expected to be notable, as no current TAVR guidewire combines the benefits of being pre-shaped with the ability to deliver reliable left-ventricular rapid pacing while accurately measuring real-time hemodynamic pressure.

In the Industrial sector, there is a sizable 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 and on the TAVR procedure, 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 conducted by taking market share in the established and growing coronary artery disease space and to enter a segment of the large, rapidly growing global TAVR market:

Coronary Artery Disease:
Interventional cardiologists have started focusing on measurements performed with the heart at rest. These measurements require greater accuracy and constant and repeated guidewire performance over time. With Fidela, its second-generation optical sensor, the Company is convinced that there will be a growing interest in the OptoWire beyond the 200,000 patients already served. Key differentiators include:

- highly accurate measurement technology for improved reliability, essential to cardiologists' decision-making in the diagnosis of coronary artery disease; and
- better and more trustworthy connectivity that is insensitive to blood contamination. The OptoWire can be easily disconnected to be used as interventional wire and reconnected to measure the post-intervention value without compromising accuracy.

Structural Heart:
OpSens has designed and developed the SavvyWire, leveraging the same Fidela second-generation optical sensor used in OptoWire and Abiomed's Impella systems. Unlike competitive TAVR guidewires that are just a wire, SavvyWire is more than a wire and enables the world's first and only sensor-guided TAVR solution. SavvyWire uniquely provides a 3-in-1 solution for stable aortic valve delivery and positioning, continuous accurate hemodynamic measurement during the procedure, and reliable left ventricular pacing without the need for adjunct devices or venous access.

These key attributes are considered significant benefits to the medical community and have been highly anticipated by physicians who perform TAVR procedures to optimize efficiency and workflow by eliminating products and device exchanges. OpSens received Health Canada Approval in April 2022, completed a limited market release in August, and now has over 100 patients served in Canada.

We received FDA 510(k) clearance in September 2022 just ahead of a major TCT conference, then announced first use in the U.S. with 10 consecutive patients treated with a variety of anatomies and levels of complexity

including bicuspid valve, severe vessel tortuosity, horizontal aorta, failed prior surgical valve (valve-in-valve) using both balloon-expandable and self-expandable valves, and balloon valvuloplasty. We are conducting a limited market release in the U.S. through the end of calendar year 2022, with a full launch anticipated in early 2023.

Finally, OpSens has submitted for CE Mark, and we anticipate approval in FY23. We will leverage CE Mark, Health Canada Approval and FDA clearance to register and conduct initial cases in FY23 in Europe and Middle East.

OptoMonitor:
Ease of use and seamless workflow of the OptoMonitor III monitoring system also play a significant role in the expansion of physiology assessment and enable sensor-guided TAVR. OpSens is playing a growing role in the competitive arena both with hardware and software solutions aiming to integrate physiology in the interventional workflow and hemodynamics and pacing into the TAVR workflow.

Sales Force:
Direct Sales Force: OpSens has established a direct sales team, hiring a seasoned staff with solid expertise in coronary artery disease and structural heart disease. This sales force has been implemented to increase OpSens' market and commercialization penetration in the United States and Canada and has doubled within FY 2022. OpSens also targets agreements with group purchasing organizations to accelerate penetration, particularly in the United States. OpSens has successfully signed several agreements with group purchasing organizations.

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.

Clinical Data

Major clinical studies previously suspended due to the COVID-19 pandemic have now fully resumed with pre-pandemic enrollment speed. Recent studies were designed and prepared during the pandemic with limited cathlab operation and are now about to start. Opsens aims to generate meaningful clinical data on OptoWire performance and benefit, but also on the importance of hemodynamic in the treatment of coronary artery disease. We are also planning clinical studies to come in 2023 on SavvyWire. On October 26, 2022, OpSens announced first SavvyWire cases in Europe and launch of SAFE-TAVI study.

Innovation

In this ever-evolving and state-of-the-art market, OpSens plans to leverage its expertise in fiber-optic sensing medical devices to create new 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.

OpSens offers a broad selection of microscale optical sensors to measure pressure and temperature that can be used in a wide range of applications and that are designed to be integrated into other medical devices. The Company aims to partner with key players in the medical device 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: OpSens Solutions' target markets are aerospace, nuclear, military, power electronics, geotechnical, and mining. These are markets where OpSens' products offer unique advantages over its competitors; and
- Innovation: OpSens Solutions continually invests 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 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 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, taxes, 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)	**Year ended August 31, 2022**	**Year ended August 31, 2021**	**Year ended August 31, 2020**
	$	**$**	**$**
Net income (loss)	(11,378)	(1,150)	(2,644)
Financial expenses	312	637	684
Depreciation of property, plant and equipment and right-of-use assets	1,553	1,544	1,548
Amortization of intangible assets	264	230	120
Stock-based compensation costs	1,161	459	438
Current income tax expense	43	21	-
EBITDAO	(8,045)	1,741	146

The negative variance of EBITDAO for the year ended August 31, 2022, is mainly explained by the increase in our operating expenses and by lower gross margin in the medical segment.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year ended August 31, 2022	Year ended August 31, 2021	Year ended August 31, 2020
	$	$	$
Revenues			
Sales			
Medical	31,427	30,985	26,996
Industrial	3,577	3,363	2,457
	35,004	34,348	29,453
Other	320	116	-
	35,324	34,464	29,453
Cost of sales	17,523	15,783	13,834
Gross margin	17,801	18,681	15,619
Gross margin percentage	50%	54%	53%
Operating expenses			
Administrative	7,822	6,473	5,041
Sales and marketing	12,576	7,649	8,780
Research and development	8,358	5,510	5,441
	28,756	19,632	19,262
Other income	-	(740)	(1,683)
Financial expenses	312	637	684
Loss on foreign currency	68	281	-
Loss before income taxes	(11,335)	(1,129)	(2,644)
Current income tax expense	43	21	-
Net loss	(11,378)	(1,150)	(2,644)
Basic and diluted net loss per share	(0.11)	(0.01)	(0.03)

The following table presents share-based payment and related expenses amounts recognized by the Company:

(In thousands of Canadian dollars)	Year ended August 31, 2022	Year ended August 31, 2021	Year ended August 31, 2020
	$	$	$
Cost of sales	31	31	31
Administrative	540	175	173
Sales and marketing	331	99	137
Research and development	259	154	97
Stock-based compensation costs	1,161	459	438

Revenues

The Company reported revenues of $35,324,000 for the year ended August 31, 2022, compared to $34,464,000 for the corresponding period in 2021, an increase of $860,000 or 2%. Sales in the Medical segment totalled $31,427,000 (excluding other revenues) for the year ended August 31, 2022, compared to $30,985,000 for the same period in 2021, an increase of $442,000. The increase in Medical segment revenues is explained by higher sales in the original equipment manufacturer ("OEM") line of business of $1,439,000 compared with the same period in 2021. This is partly offset by lower sales in the coronary artery disease measurement sales (FFR and dPR) of $1,087,000 compared to the same period last year. The Company recorded its first revenue related to its new guidewire for TAVR procedure during the fiscal year 2022.

The Company also reported other revenues of $320,000 related to a new development project with OEM partners for the year ended August 31, 2022, compared to $116,000 for the same period in 2021.

Sales in the Industrial segment totalled $3,577,000 for the year ended August 31, 2022, compared to sales of $3,363,000 for the same period in 2021. The slight increase is explained by a higher volume of orders compared to the same period last year.

For the years ended August 31, 2022, and 2021, price has been slightly reduced by GPO's agreements.

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 loss. For the year ended August 31, 2022, revenues were negatively affected by $565,000 compared to the same period last year (sales were negatively impacted by $1,360,000 for the year ended August 31, 2021).

As at August 31, 2022, OpSens' total backlog of purchases orders received from clients amounted to $18,104,000 ($14,565,000 as at August 31, 2021).

Gross Margin

Gross margin was $17,801,000 for the year ended August 31, 2022, compared to $18,681,000 for the same period last year. The gross margin percentage decreased to 50% for the year ended August 31, 2022, compared to 54% for the year ended August 31, 2021. The decrease in gross margin is mainly explained by the end-of-life of the production for OptoWire 2, higher manufacturing costs during the COVID-19 period and by the decrease in the average sales price for the EMEA market due to the depreciation of the euro currency.

Administrative Expenses

Administrative expenses were at $7,822,000 and $6,473,000, respectively, for the years ended August 31, 2022, and 2021. The increase is largely explained by higher headcount and by higher share-based compensation expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $12,576,000 for the year ended August 31, 2022, an increase of $4,927,000 over the $7,649,000 reported during the same period in 2021. The increase is largely explained by higher headcount, commissions, in-person trade shows, subcontractors, travelling expenses and share-based compensation expenses related to the expansion of our direct sales force to accelerate the growth of our coronary artery disease market and to enter a segment of the large, rapidly growing global TAVR market.

Research and Development Expenses

Research and development expenses totalled $8,358,000 for the year ended August 31, 2022, an increase of $2,848,000 over the $5,510,000 reported during the same period in 2021. The increase is largely explained by higher headcount and subcontractors dedicated to the development of new products and software in our medical segment. These investments are justified in order to improve OpSens' competitiveness and achieve our growth objectives.

Other Income

Other income was nil and $740,000, respectively, for the years ended August 31, 2022, and 2021. Last year we received a non-refundable contribution under the Canada Emergency Wage Subsidy (CEWS) program.

Financial Expenses

Financial expenses totalled $312,000 for the year ended August 31, 2022, compared to $637,000 for the same period in 2021. The decrease in financial expenses is mainly explained by lower interest expenses of $294,000 following the repayment of the long-term loan with a Canadian financial institution in September 2021.

Loss on Foreign Currency

Loss on foreign currency totalled $68,000 for the year ended August 31, 2022, compared to $281,000 for the same period in 2021.

Net Loss

As a result of the foregoing, net loss for the year ended August 31, 2022, was $11,378,000 compared to $1,150,000 for the same period in 2021.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	**As at August 31, 2022**	**As at August 31, 2021**	**As at August 31, 2020**
	$	**$**	**$**
Current assets	39,015	49,783	22,543
Total assets	48,511	58,512	31,098
Current liabilities	8,601	7,395	5,655
Long-term liabilities	5,651	8,787	10,906
Shareholders' equity	34,259	42,330	15,347

Total assets as at August 31, 2022, were $48,511,000 compared to $58,512,000 as at August 31, 2021. The decrease is mainly related to lower cash and cash equivalents of $14,747,000 following the repayment of the long-term loan with a Canadian financial institution and the increase in the operating expenses.

Current liabilities totalled $8,601,000 as of August 31, 2022, compared to $7,395,000 as of August 31, 2021. The increase is mainly explained by higher accounts payable and accrued liabilities of $3,457,000. This is partly offset by a lower current portion of long-term debt of $2,332,000.

Long-term liabilities totalled $5,651,000 as of August 31, 2022, compared to $8,787,000 as of August 31, 2021, a decrease of $3,136,000. The decrease is mainly explained by the repayment of the long-term loan with a Canadian financial institution. This is partly offset by the increase of the lease liabilities.

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 August 31, 2022**	**Three-month period ended May 31, 2022**	**Three-month period ended February 28, 2022**	**Three-month period ended November 30, 2021**
	$	**$**	**$**	**$**
Revenues	9,052	10,076	8,100	8,096
Net loss for the period	(4,029)	(2,856)	(2,404)	(2,089)
Basic and diluted net loss per share	(0.04)	(0.03)	(0.02)	(0.02)

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended August 31, 2021**	**Three-month period ended May 31, 2021**	**Three-month period ended February 28, 2021**	**Three-month period ended November 30, 2020**
	$	**$**	**$**	**$**
Revenues	8,066	9,233	8,829	8,336
Net income (loss) for the period	(1,215)	(570)	41	594
Basic and diluted net income (loss) per share	(0.01)	(0.01)	0.00	0.01

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

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2022, the Company had cash and cash equivalents of $23,816,000 compared to $38,563,000 as at August 31, 2021. Of this amount as at August 31, 2022, $21,194,000 were invested in highly-liquid, safe investments.

As at August 31, 2022, OpSens had a working capital of $30,415,000, compared to $42,388,000 as at August 31, 2021. The decrease in working capital is mainly related to lower cash and cash equivalents following the reimbursement of the long-term loan with a Canadian financial institution and the increase in the operating expenses.

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 intends 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 August 31, 2022	Funds remaining to be used
	$	$	$	$	$
Net proceeds from the issue, including the over-allotment option	22,874,000	3,750,000	26,624,000	16,810,211	9,813,789
Use of proceeds					
Sales and Marketing	7,000,000	-	7,000,000	7,000,000	-
Research and Development	8,000,000	-	8,000,000	8,000,000	-
Capital expenditures and production ramp-up	3,000,000	-	3,000,000	1,501,733	1,498,267
Working capital	4,874,000	3,750,000	8,624,000	308,478	8,315,522
Total use of proceeds	22,874,000	3,750,000	26,624,000	16,810,211	9,813,789

Under a loan agreement with a Canadian financial institution, the Company is authorized to draw a maximum amount of $600,000 under the facility. 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-month 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 proceeds of $600,000 from this facility. Under this loan 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)	Year ended August 31, 2022	Year ended August 31, 2021
	$	$
Operating activities	(8,781)	2,839
Investing activities	(973)	(937)
Financing activities	(5,011)	25,875
Effect of foreign exchange rate changes on cash and cash equivalents	18	(98)
Net change in cash and cash equivalents	(14,747)	27,679

Operating Activities

For the year ended August 31, 2022, cash flows used by our operating activities were $8,781,000 compared to cash flows generated of 2,839,000 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 related to trade and other receivables and prepaid expenses. This is partly offset by a positive variance of changes in non-cash operating working capital items related to accounts payable and accrued liabilities.

Investing Activities

For the year ended August 31, 2022, cash flows used by our investing activities reached $973,000 compared to $937,000 for the same period in 2021. The slight increase in cash flows used is mainly explained by higher acquisition of property, plant and equipment assets for the Medical sector. This is partly offset by an increase in interest received.

Financing Activities

For the year ended August 31, 2022, cash flows used by financing activities reached $5,011,000 compared to cash flows generated of $25,875,000 for the same period in 2021. The variation is mainly explained by completion of a bought deal public offering in February 2021 and by the repayment of the long-term loan with a Canadian financial institution in September 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 and on the TAVR procedure in the structural market. Opsens 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.

	Years ended August 31					
			2022			2021
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	31,747,408	3,576,498	35,323,906	31,101,209	3,362,611	34,463,820
Internal sales	84,363	259,961	344,324	111,695	381,797	493,492
Gross margin	15,506,597	2,294,121	17,800,718	16,457,466	2,222,896	18,680,362
Depreciation of property, plant and equipment and right-of-use assets	1,342,485	210,896	1,553,381	1,362,247	181,951	1,544,198
Amortization of intangible assets	244,980	19,181	264,161	218,255	11,644	229,899
Other income	-	-	-	445,506	294,656	740,162
Financial expenses	13,854	297,633	311,487	318,488	318,636	637,124
Loss (gain) on foreign currency translation	73,558	(5,311)	68,247	221,522	59,102	280,624
Current income tax expense	43,693	-	43,693	21,186	-	21,186
Net (loss) income	(11,764,281)	386,051	(11,378,230)	(1,969,256)	818,828	(1,150,428)
Acquisition of property, plant and equipment	980,552	18,794	999,346	651,109	44,650	695,759
Additions to intangible assets	314,138	59,917	374,055	264,398	19,788	284,186
Segment assets	45,525,229	2,986,062	48,511,291	56,212,182	2,300,223	58,512,405
Segment liabilities	13,334,210	918,339	14,252,549	15,246,157	936,253	16,182,410

Information by geographic segment

	Years ended August 31,	
	2022	2021
	$	$
Revenue by geographic segment		
United States	14,883,524	12,862,452
Japan	5,993,435	7,277,326
Canada	3,428,461	3,270,982
Other*	11,018,486	11,053,060
	35,323,906	34,463,820

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

Revenues are attributed to the geographic segment based on the client's location.

Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are located in Canada, except non-current assets located in United States of $191,909 as at August 31, 2022 ($19,440 as at August 31, 2021).

For the year ended August 31, 2022, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company i.e., 23% and 16% (21% and 19% for the year ended August 31, 2021).

Medical Segment

For the year ended August 31, 2022, sales from the Medical segment were $31,427,000 compared to $30,985,000 for the year ended August 31, 2021, an increase of $442,000. The increase is explained by higher OEM medical sales of $1,439,000. This is partly offset by lower coronary artery disease product sales of $1,087,000.

Gross margin was $15,507,000 for the year ended August 31, 2022, compared to $16,458,000 for the year ended August 31, 2021, a decrease of $951,000. The gross margin percentage decreased at 49% for the year ended August 31, 2022, compared to 53% for year ended August 31, 2021. The decrease in gross margin percentage is mainly explained by the end-of-life production for OptoWire 2, higher manufacturing costs during the COVID-19 period and by the decreased in the average sales price for the EMEA market due to depreciation for the euro currency.

Net loss for the medical segment was $11,764,000 for the year ended August 31, 2022, compared to $1,969,000 for the same period last year. The increase in net loss is mainly explained by higher operating expenses in the current year and by lower gross margin.

Working capital for the Medical segment as at August 31, 2022, was $28,719,000 compared to $41,372,000 as at August 31, 2021. The decrease of $12,653,000 is mainly explained by lower cash and cash equivalents of $15,001,000. This is partly offset by higher prepaid expenses of $1,079,000 and by higher trade and other receivables of $1,384,000.

Industrial Segment

For the year ended August 31, 2022, external sales from the Industrial segment were $3,577,000 compared to $3,363,000 for the year ended August 31, 2021, an increase of $214,000 mostly explained by a higher volume of orders compared to the same period last year.

Gross margin was $2,294,000 for the year ended August 31, 2022, compared to $2,223,000 for the same period in 2021, an increase of $71,000. The gross margin percentage slightly increased from 59% for the year ended August 31, 2021, to 60% for the year ended August 31, 2022.

Net income for the Industrial segment was $386,000 for the year ended August 31, 2022, compared to $819,000 for the year ended August 31, 2021. The decrease is mainly explained by a non-refundable contribution under the Canada Emergency Wage Subsidy (CEWS) program received last year.

Working capital for the Industrial segment as at August 31, 2022, was $1,696,000 compared to $1,016,000 as at August 31, 2021. The increase is mainly explained by higher trade and other receivables of $339,000, by higher cash and cash equivalents of $252,000 and by higher inventory of $179,000. This is partly offset by higher accounts payable and accrued liabilities of $207,000.

FOURTH QUARTER 2022

Revenues

Revenues totalled $9,052,000 for the three-month period ended August 31, 2022, compared to $8,066,000 for the corresponding period in 2021, an increase of $986,000. The increase is explained by higher revenues in all segments.

Gross Margin

Gross margin was $4,375,000 for the three-month period ended August 31, 2022, compared to $4,016,000 for the same period last year. The gross margin percentage decreased to 48% for the three-month period ended August 31, 2022, compared to 50% for the three-month period ended August 31, 2021. The decrease in gross margin percentage is mainly explained by the end-of-life production for OptoWire 2.

Administrative Expenses

Administrative expenses were at $1,872,000 and $1,794,000, respectively, for the three-month period ended August 31, 2022, and the three-month period ended August 31, 2021. The increase is largely explained by higher headcount.

Sales and Marketing Expenses

Sales and marketing expenses totalled $4,339,000 for the three-month period ended August 31, 2022, an increase of $2,148,000 over the $2,191,000 reported during the same period in 2021. The increase is largely explained by higher headcount, commissions, in person trade shows, subcontractors and travelling expenses when compared to last year related to the expansion of our direct sales force to accelerate the growth of our coronary artery disease market and to enter a segment of the large, rapidly growing global TAVR market.

Research and Development Expenses

Research and development expenses totalled $2,244,000 for the three-month period ended August 31, 2022, an increase of $904,000 over the $1,340,000 reported during the same period in 2021. The increase is largely explained by the higher headcount and subcontractors dedicated to the development of new products and software in our medical segment. These additions aim at improving OpSens' competitiveness and at achieving our growth objectives.

Other Income

Other income was nil and $19,000, respectively, for the three-month periods ended August 31, 2022, and August 31, 2021. The decrease is explained by a non-refundable contribution under the CEWS program received last year.

Financial Expenses

Financial expenses totalled $1,000 for the three-month period ended August 31, 2022, compared to $141,000 for the same period in 2021. The decrease in financial expenses is mainly explained by lower interest expenses of $65,000 and a higher interest income of $87,000.

Gain on Foreign Currency

Gain on foreign currency totalled $52,000 for the three-month period ended August 31, 2022, compared to $202,000 for the same period in 2021.

Net Loss

As a result of the foregoing, net loss for the three-month period ended August 31, 2022, was $4,029,000 compared to $1,215,000 for the same period in 2021.

PRODUCT DEVELOPMENT

	Years ended August 31	
	2022	2021
	$	$
SavvyWire	880,000	1,334,000
R&D expenses	7,478,000	4,176,000
	8,358,000	5,510,000
As a percentage of revenues	24%	16%

OpSens is developing the SavvyWire, a product targeting the TAVR market in structural cardiology, one of the fastest growing segments of cardiology, It is anticipated to become the first guidewire intended to deliver a valvular prosthesis while allowing continuous hemodynamic pressure measurement during the procedure and having reliable left ventricular pacing capacity.

OpSens has successfully completed the planned in-human clinical study on twenty patients required to complete regulatory filing in U.S. Regulatory filing for Canada, United States and Europe were done during Q2 2022. SavvyWire was approved in Canada in April 2022 and in the United States in September 2022. Product launch of the SavvyWire is deployed as authorizations are received.

Expenses related to the development of the SavvyWire since the beginning of the project total $3,298,000.

INFORMATION ON SHARE CAPITAL

For the year ended August 31, 2022, the Company granted to some employees and directors a total of 2,868,250 stock options with an average exercise price of $2.43, cancelled 553,375 stock options with an exercise price of $1.44, 1,678,000 stock options with an average exercise price of $1.29 were exercised, and 131,000 stock options with an exercise price of $1.44 expired.

For the year ended August 31, 2021, the Company granted to some employees and directors a total of 2,342,500 stock options with an average exercise price of $1.71, cancelled 566,625 stock options with an exercise price of $1.10, whereas 904,500 stock options with an average exercise price of $1.15 were exercised, and 327,500 stock options with an exercise price of $1.21 expired.

As at November 21, 2022, the following components of shareholders' equity are outstanding:

Common shares	108,884,312
Stock options	7,991,414
Securities on a fully diluted basis	116,875,726

No dividend was declared per share for each share class.

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, the Chief Commercial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors for the years ended August 31, 2022, and 2021 were as follows:

	Years ended August 31	
	2022	2021
	$	$
Short-term salaries and other benefits	1,718,459	1,219,527
Option-based awards	432,386	119,303
	2,150,845	1,338,830

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

FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

The fair value of long-term debt is based on the discounted value of future cash flows under the current financial arrangements at the interest rate the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of long-term debt approximates its carrying value due to the current market rates.

Valuation Techniques and Assumptions Applied for the Purposes of Measuring Fair Value

The Company must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. The three input levels used by the Company to measure fair value are the following:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Risk Management

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

Credit Risk

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

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 35.98% of the Company's total accounts receivable as at August 31, 2022 (34.67% as at August 31, 2021).

As at August 31, 2022, 0.03% (10.36% as at August 31, 2021) of the accounts receivable were of more than 90 days whereas 68.02% (64.51% as at August 31, 2021) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2022, the allowance for doubtful accounts was nil ($213,353 as at August 31, 2021).

Liquidity Risk

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

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2022, and 2021:

As at August 31, 2022	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	7,300,262	7,300,262	7,300,262	-	-
Long-term debt	1,110,076	1,053,190	462,684	436,944	153,562
Total	8,410,338	8,353,452	7,762,946	436,944	153,562

As at August 31, 2021	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	3,842,871	3,842,871	3,842,871	-	-
Long-term debt	7,396,817	7,370,774	2,822,089	2,801,422	1,747,263
Total	11,239,688	11,213,645	6,664,960	2,801,422	1,747,263

Interest Rate Risk

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

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

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments. The Company owns investments with fixed and variable interest rates. As at August 31, 2022, the Company was holding more than 89% (93% as at August 31, 2021) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would have an impact of $8,507 on net loss and comprehensive loss for the year ended August 31, 2022 ($75,939 for the year ended August 31, 2021).

Financial Expenses (Revenues)

	Years ended August 31	
	2022	2021
	$	$
Interest and bank charges	210,822	80,498
Interest on long-term debt	102,401	398,605
Interest on lease liabilities	270,038	267,557
Interest income	(271,774)	(109,536)
	311,487	637,124

Concentration Risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As at August 31, 2022, and 2021, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

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

Foreign Currency Sensitivity Analysis

Based on the Company's foreign exchange risk noted above, varying the foreign exchange rate to reflect a 10% strengthening in the Canadian dollar would have decreased (increased) the net loss as follows, assuming that all other variables remained constant. An assumed 10% weakening of the foreign currency would have had an equal but opposite effect on the basis that all other variables remained constant.

Year ended August 31, 2022

		CA$/US$	CA$/EUR€	CA$/GBP£
		$	$	$
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	(461,000)	(580,000)	34,000
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	461,000	580,000	(34,000)

Year ended August 31, 2021

		CA$/US$	CA$/EUR€	CA$/GBP£
		$	$	$
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	(1,000,000)	(621,000)	25,000
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	1,000,000	621,000	(25,000)

As at August 31, 2022 and 2021, the risks to which the Company was exposed is established as follows:

	As at August 31, 2022	As at August 31, 2021
	$	$
Cash and cash equivalents (US$1,105,744; US$1,350,764 as at August 31, 2021)	1,449,741	1,704,259
Cash and cash equivalents (€ 344,904; € 233,721 as at August 31, 2021)	453,928	348,385
Cash and cash equivalents (£ 6,115; £ 3,039 as at August 31, 2021)	9,320	5,277
Trade and other receivables (US$2,848,057; US$1,828,513 as at August 31, 2021)	3,734,087	2,307,035
Trade and other receivables (€ 956,523; € 815,415 as at August 31, 2021)	1,258,880	1,215,458
Trade and other receivables (£ 97,768; £ 52,500 as at August 31, 2021)	149,008	91,166
Accounts payable and accrued liabilities (US$1,846,808; US$376,989 as at August 31, 2021)	(2,421,350)	(475,647)
Accounts payable and accrued liabilities (€ 63,690; € 9,273 as at August 31, 2021)	(83,822)	(13,822)
Accounts payable and accrued liabilities (£ 16,283; £ 6,753 as at August 31, 2021)	(24,817)	(11,726)
Total	4,524,975	5,170,385

CAPITAL MANAGEMENT

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

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

As at August 31, 2022, the Company's working capital amounted to $30,414,701 ($42,387,696 as at August 31, 2021), including cash and cash equivalents of $23,816,490 ($38,563,271 as at August 31, 2021). The accumulated deficit at the same date was $55,773,679 ($44,395,449 as at August 31, 2021). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2022.

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

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

For the years ended August 31, 2022, and 2021, the Company has not been in default on any of its obligations regarding long-term debt and lease liabilities.

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.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the requirements of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures (DC&P). Based upon the results of the evaluation, the Company's CEO and CFO have concluded that as at August 31, 2022, the Company's disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting (ICFR) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and disposals of assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposal of the Company's assets that could have a material effect on the financial instruments.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective as at August 31, 2022.

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 August 31, 2022, 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

November 21, 2022