

Condensed Consolidated Interim Financial Statements

OpSens Inc.

Three-month periods ended November 30, 2022 and 2021
(unaudited)

OpSens Inc.

Three-month periods ended November 30, 2022 and 2021

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OpSens Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(in Canadian dollars) (unaudited)

	Three-month periods ended November 30,	
	2022	2021
	\$	\$
Revenues		
Sales	9,910,774	8,046,252
Other	282,505	49,266
	10,193,279	8,095,518
Cost of sales	4,326,404	3,978,050
Gross margin	5,866,875	4,117,468
Operating expenses		
Administrative	2,600,113	2,136,625
Sales and marketing	4,628,385	2,108,344
Research and development	2,467,945	1,765,757
	9,696,443	6,010,726
Financial expenses (income)	(7,034)	158,757
Loss (gain) on foreign currency translation	(194,864)	10,347
Loss before income taxes	(3,627,670)	(2,062,362)
Current income tax expense	10,790	26,951
Net loss	(3,638,460)	(2,089,313)
Other comprehensive loss		
<i>Item that may be reclassified subsequently to net loss</i>		
Net changes in unrealized gain (loss) on translation of foreign operations	(14,039)	(905)
Comprehensive loss	(3,652,499)	(2,090,218)
Basic and diluted net loss per share (Note 6)	(0.03)	(0.02)

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

OpSens Inc.

Condensed Consolidated Interim Statements of Changes in Equity

Three-month period ended November 30, 2022

(in Canadian dollars) (unaudited)

	Common shares			Share capital	Reserve – Stock option plan	Accumulated other comprehensive income – Foreign operations translation	Deficit	Total
	Issued	Subscribed	Total					
	(number)	(number)	(number)	\$	\$	\$	\$	\$
Balance as at August 31, 2022	108,835,039	-	108,835,039	85,943,567	4,090,989	(2,135)	(55,773,679)	34,258,742
Common shares issued pursuant to the stock option plan (Note 5a)	51,773	20,000	71,773	85,959	(29,162)			56,797
Stock-based compensation costs	-	-	-		304,376			304,376
Other comprehensive loss – Net changes in unrealized gain on translation of foreign operations	-	-	-			(14,039)		(14,039)
Net loss	-	-	-				(3,638,460)	(3,638,460)
Balance as at November 30, 2022	108,886,812	20,000	108,906,812	86,029,526	4,366,203	(16,174)	(59,412,139)	30,967,416

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

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, 2022	As at August 31, 2022
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 7)	17,501,414	23,816,490
Trade and other receivables	6,883,719	5,855,295
Government assistance receivable	276,725	264,695
Tax credits receivable	539,995	655,418
Inventories	8,227,078	6,672,179
Prepaid expenses	1,478,048	1,751,567
	34,906,979	39,015,644
Property, plant and equipment	3,251,571	2,683,077
Intangible assets	1,729,198	1,786,491
Right-of-use assets (Note 4)	8,507,831	5,026,079
	48,395,579	48,511,291
Liabilities		
Current		
Accounts payable and accrued liabilities	6,959,060	7,300,262
Warranty provision (Note 8)	49,524	52,419
Deferred revenues	244,209	204,283
Current income taxes payable	19,066	10,979
Current portion of long-term debt (Note 3)	462,864	470,516
Current portion of lease liabilities (Note 4)	1,124,383	562,484
	8,859,106	8,600,943
Long-term debt (Note 3)	530,550	639,560
Lease liabilities (Note 4)	8,038,507	5,012,046
	17,428,163	14,252,549
Shareholders' equity		
Share capital (Note 5a)	86,029,526	85,943,567
Reserve – Stock option plan (Note 5b)	4,366,203	4,090,989
Accumulated other comprehensive income	(16,174)	(2,135)
Deficit	(59,412,139)	(55,773,679)
	30,967,416	34,258,742
	48,395,579	48,511,291

Subsequent event (note 11)

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,	
	2022	2021
	\$	\$
Operating activities		
Net loss for the period	(3,638,460)	(2,089,313)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	469,798	387,347
Amortisation of intangible assets	69,616	64,503
Loss on disposal of property, plant and equipment	5,010	48,959
Stock-based compensation costs	304,376	322,636
Interest expense	(27,149)	74,190
Unrealized foreign exchange loss (gain)	(72,526)	(15,947)
Changes in non-cash operating working capital items (Note 7)	(2,350,487)	(49,668)
	(5,239,822)	(1,257,293)
Investing activities		
Acquisition of property, plant and equipment	(914,182)	(180,225)
Additions to intangible assets	(60,331)	(84,407)
Interest received	159,270	41,034
	(815,243)	(223,598)
Financing activities		
Reimbursement of long-term debt	(118,766)	(5,913,856)
Payment of lease liabilities (Note 4)	(235,952)	(125,582)
Proceeds from issuance of shares (Note 5a)	56,797	992,124
Interest paid	(18,489)	(85,208)
	(316,410)	(5,132,522)
Effect of foreign exchange rate changes on cash and cash equivalents	56,399	14,807
Decrease in cash and cash equivalents	(6,315,076)	(6,598,606)
Cash and cash equivalents – Beginning of period	23,816,490	38,563,271
Cash and cash equivalents – End of period	17,501,414	31,964,665

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, 2022 and 2021

(in Canadian dollars) (unaudited)

1. Incorporation and Description of Business

OpSens Inc. (“OpSens” or the “Company”) is incorporated under the Business Corporations Act (Quebec). OpSens focuses mainly on physiological measurement such as Fractional Flow Reserve (FFR) and Diastolic Pressure Ratio (dPR) in the coronary artery disease market and on transcatheter aortic valve replacement (TAVR) in the structural heart market. The Company supplies an optical-based pressure guidewire for coronary artery disease (OptoWire), an optical-based pressure guidewire used in the TAVR procedure (SavvyWire) and 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 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., Québec, Québec, 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, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

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, 2022.

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2022 and 2021

(in Canadian dollars) (unaudited)

3. Long-term Debt

	As at November 30, 2022	As at August 31, 2022
	\$	\$
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	66,680	76,679
Imputed interest	(3,873)	(5,101)
	62,807	71,578
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.	206,681	239,300
Term loan bearing interest at 6.66% payable in 111 monthly instalments of \$8,070, maturing in September 2025.	334,737	361,361
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.	389,189	437,837
	993,414	1,110,076
Current portion	462,864	470,516
	530,550	639,560

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2022 and 2021

(in Canadian dollars) (unaudited)

4. Leases

Right-of-Use Assets

The following tables present changes in right-of-use assets for the Company as at November 30, 2022 and 2021:

	As at November 30, 2022		
	Buildings	Hosting servers	Total
	\$	\$	\$
Balance as at August 31, 2022	5,000,521	25,558	5,026,079
New leases / leases modifications	3,709,159	-	3,709,159
Depreciation of right-of-use assets	(218,216)	(12,780)	(230,996)
Effect of foreign exchange differences	3,589	-	3,589
Balance as at November 30, 2022	8,495,053	12,778	8,507,831

	As at November 30, 2021		
	Buildings	Hosting servers	Total
	\$	\$	\$
Balance as at August 31, 2021	4,307,220	14,388	4,321,608
Depreciation of right-of-use assets	(152,331)	(7,194)	(159,525)
Balance as at November 30, 2021	4,154,889	7,194	4,162,083

Lease Liabilities

The following tables present changes in lease liabilities for the Company as at November 30, 2022 and 2021:

	As at November 30, 2022		
	Buildings	Hosting servers	Total
	\$	\$	\$
Balance as at August 31, 2022	5,545,947	28,583	5,574,530
New leases / leases modifications	3,709,159	-	3,709,159
Payment of lease liabilities	(223,132)	(12,822)	(235,954)
Interest expense on lease liabilities	111,301	227	111,528
Effect of foreign exchange differences	3,625	-	3,627
Balance as at November 30, 2022	9,146,901	15,988	9,162,890
Current portion	1,108,395	15,988	1,124,383
Long-term lease liabilities as at November 30, 2022	8,038,507	-	8,038,507

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2022 and 2021

(in Canadian dollars) (unaudited)

4. Leases (continued)

	As at November 30, 2021		
	Buildings	Hosting servers	Total
	\$	\$	\$
Balance as at August 31, 2021	4,702,589	15,725	4,718,314
New leases / leases modifications			
Payment of lease liabilities	(185,960)	(8,846)	(194,806)
Interest expense on lease liabilities	69,039	185	69,224
Effect of foreign exchange differences			
Balance as at November 30, 2021	4,585,668	7,064	4,592,732
Current portion	527,163	7,064	534,227
Long-term lease liabilities as at November 30, 2021	4,058,505	-	4,058,505

5. Shareholders' Equity

a) Share Capital

During the three-month period ended November 30, 2022, following the exercise of stock options, the Company issued 51,773 common shares (822,750 common shares for the three-month period ended November 30, 2021) for a cash consideration of \$56,797 (\$992,124 for the year ended August 31, 2021). As a result, an amount of \$29,162 was reallocated from Reserve – Stock option plan to Share capital in shareholders' equity (\$388,278 for the three-month period ended November 30, 2021). Also, during the three-month period ended November 30, 2022, 20,000 common shares have been subscribed following the exercise of stock options.

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, 2022 and 2021, are as follows:

	Three-month period ended November 30, 2022		Three-month period ended November 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – Beginning of period	7,646,125	1.62	7,140,250	1.20
Options granted	648,000	2.27	567,750	3.43
Options exercised	(71,773)	1.15	(822,750)	1.21
Options expired	(6,250)	1.43	-	-
Options cancelled	(244,688)	2.85	(202,500)	1.05
Balance – End of period	7,971,414	1.64	6,682,750	1.39

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(in Canadian dollars) (unaudited)

5. Shareholders' Equity (continued)

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, 2022	Three-month period ended November 30, 2021
Risk-free interest rate	Between 3.49% and 3.90%	Between 0.38% and 1.46%
Volatility	Between 64.21% and 73.57%	Between 58.29% and 74.09%
Dividend yield on shares	Nil	Nil
Expected life	0 to 5 years	0 to 5 years
Weighted share price	\$2.27	\$3.43
Weighted fair value per option at the grant date	\$1.14	\$1.51

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

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(in Canadian dollars) (unaudited)

6. Net 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,	
	2022	2021
	\$	\$
Net loss attributable to shareholders		
Basic and diluted	(3,638,460)	(2,089,313)
Number of shares		
Basic weighted average number of shares outstanding	108,857,827	107,590,557
Diluted weighted average number of shares outstanding	108,857,827	107,590,557
Amount per share		
Basic and diluted net loss per share	(0.03)	(0.02)

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

	Three-month periods ended November 30,	
	2022	2021
Stock options	779,500	467,750

For the three-month period ended November 30, 2022 and 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.

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2022 and 2021

(in Canadian dollars) (unaudited)

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

	Three-month periods ended November 30,	
	2022	2021
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Trade and other receivables	(1,028,424)	(272,433)
Government assistance receivable	(10,676)	-
Tax credits receivable	115,423	(93,395)
Inventories	(1,554,899)	479,606
Prepaid expenses	273,519	(152,340)
Accounts payable and accrued liabilities	(190,548)	(89,965)
Warranty provision	(2,895)	(3,346)
Deferred revenues	39,926	63,293
Current income taxes payable	8,087	18,912
	(2,350,487)	(49,668)

Supplementary information

Unpaid acquisition of property, plant and equipment	69,777	20,565
Unpaid additions to intangible assets	2,385	786

	As at November 30, 2022	As at August 31, 2022
	\$	\$
<i>Cash and cash equivalents</i>		
Cash	3,698,080	2,622,426
Cash equivalents	13,803,334	21,194,064
	17,501,414	23,816,490

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2022 and 2021

(in Canadian dollars) (unaudited)

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,	
	2022	2021
	\$	\$
Balance – Beginning of period	52,149	83,803
Additional provision recognized	7,149	17,398
Amount used during the period	(9,922)	(20,838)
Effect of foreign exchange differences	148	94
Balance – End of period	49,524	80,457

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, 2022 and 2021

(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 on the TAVR procedure in the structural heart market. The Company 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, 2022			Three-month period ended November 30, 2021		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	9,176,812	1,016,467	10,193,279	7,390,941	704,577	8,095,518
Internal sales	-	33,227	33,227	30,003	66,294	96,297
Gross margin	5,156,552	710,323	5,866,875	3,740,056	377,412	4,117,468
Depreciation of property, plant and equipment and right-of-use assets	419,365	50,433	469,798	332,542	54,805	387,347
Amortisation of intangible assets	62,487	7,129	69,616	60,433	4,070	64,503
Financial expenses (income)	(83,666)	76,632	(7,034)	82,125	76,632	158,757
Loss (gain) on foreign currency translation	(154,345)	(40,519)	(194,864)	(30,172)	40,519	10,347
Current income tax expense	10,790	-	10,790	26,951	-	26,951
Net income (loss)	(3,909,259)	270,799	(3,638,460)	(1,999,794)	(89,519)	(2,089,313)
Acquisition of property, plant and equipment	794,235	15,947	810,182	163,003	5,360	168,363
Additions to intangible assets	12,323	-	12,323	54,778	4,912	59,690
Segment assets	45,720,493	2,753,171	48,473,664	49,302,846	2,376,994	51,679,840
Segment liabilities	16,793,383	712,865	17,506,248	9,172,212	953,091	10,125,303

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three-month periods ended November 30, 2022 and 2021

(in Canadian dollars) (unaudited)

9. Segmented Information (continued)

Information by geographic segment

	Three-month periods ended November 30,	
	2022	2021
	\$	\$
Revenue by geographic segment		
United States	5,334,680	3,413,896
Japan	932,913	1,244,267
Canada	791,688	849,700
Other*	3,133,998	2,587,655
	10,193,279	8,095,518

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

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 \$178,292 as at November 30, 2022 (\$191,909 as at August 31, 2022).

For the three-month period ended November 30, 2022, revenues from one clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 28% (25% and 15% for two clients for the three-month period ended November 30, 2021).

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, 2022 and 2021 were as follows:

	Three-month periods ended November 30,	
	2022	2021
	\$	\$
Short-term salaries and other benefits	535,894	364,348
Option-based awards	78,767	179,208
	614,661	543,556

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

OpSens Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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11. Subsequent event

On December 22, 2022, the Company completed a bought deal offering for aggregate gross proceeds of \$11,500,000. In connection with the offering, the Company issued a total of 6,052,632 shares at a price of \$1.90 per share.

12. 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 11, 2023.