

Consolidated Financial Statements of

**Opsens Inc.**

August 31, 2008 and 2007

# Opsens Inc.

August 31, 2008 and 2007

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## Auditors' Report

To the Shareholders of  
Opsens Inc.

We have audited the consolidated balance sheets of Opsens Inc. as at August 31, 2008 and 2007 and the consolidated statements of loss and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Samson Bélair  
Deloitte & Touche s.e.n.c.r.l.*

Chartered Accountants

October 10, 2008

# Opsens Inc.

## Consolidated Statements of Loss and Comprehensive Loss Years ended August 31, 2008 and 2007

	2008	2007
	\$	\$
Revenues		
Sales	2,844,239	813,108
Cost of sales	1,432,385	638,898
Gross margin	1,411,854	174,210
Expenses (Revenues)		
Administrative	984,316	622,991
Marketing	730,309	825,392
Research and development	698,957	590,772
Stock option-based compensation (Note 12b)	252,576	345,368
Amortization of property, plant and equipment	100,257	71,723
Amortization of intangible assets	40,340	17,696
Write-off of intangible assets	-	12,209
Amortization of deferred financing fees	-	9,938
Financial income	(58,213)	(8,861)
	2,748,542	2,487,228
Loss before income taxes	(1,336,688)	(2,313,018)
Income taxes (Note 18)	-	-
<b>Net loss and comprehensive loss</b>	<b>(1,336,688)</b>	<b>(2,313,018)</b>
Net loss per share (Note 13)		
Basic	(0.04)	(0.08)
Diluted	(0.04)	(0.08)

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

Additional information on the Statements of Loss is presented in Note 22.

# Opsens Inc.

## Consolidated Statements of Deficit Years ended August 31, 2008 and 2007

	2008	2007
	\$	\$
<b>Balance at beginning</b>	<b>4,587,145</b>	1,757,494
Changes in accounting policies (Note 2)	<b>(73,687)</b>	-
Net loss	<b>1,336,688</b>	2,313,018
Issuance expenses on equity component	<b>532,340</b>	516,633
<b>Balance at end</b>	<b>6,382,486</b>	4,587,145

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

# Opsens Inc.

## Consolidated Balance Sheets

August 31, 2008 and 2007

	2008	2007
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 14)	3,742,520	1,839,379
Accounts receivable (Note 5)	743,951	120,697
Income tax credits receivable (Note 18)	183,950	177,355
Work in progress	237,551	-
Inventories (Note 6)	453,271	372,650
Prepaid expenses	100,454	32,593
	<b>5,461,697</b>	2,542,674
Property, plant and equipment (Note 7)	554,180	339,293
Intangible assets (Note 8)	159,768	142,444
Deferred financing costs	-	4,336
Goodwill	676,574	-
	<b>6,852,219</b>	3,028,747
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Notes 10 and 16)	547,204	320,960
Deferred revenue	-	20,000
Current portion of long-term debt (Note 11)	223,265	200,315
	<b>770,469</b>	541,275
Long-term debt (Note 11)	252,380	498,927
	<b>1,022,849</b>	1,040,202
<b>Shareholders' equity</b>		
Share capital (Note 12a)	10,257,259	5,332,483
Stock-options (Note 12b)	554,528	408,701
Warrants (Note 12c)	1,400,069	834,506
Deficit	(6,382,486)	(4,587,145)
	<b>5,829,370</b>	1,988,545
	<b>6,852,219</b>	3,028,747

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

References:

Commitments (Note 15)  
Contractual guarantees (Note 16)  
Subsequent events (Note 24)

Approved by the Board

Signed [Mario Jacob] Director

Signed [Pierre Carrier] Director

# Opsens Inc.

## Consolidated Statements of Cash Flows Years ended August 31, 2008 and 2007

	2008	2007
	\$	\$
<b>Operating activities</b>		
Net loss	<b>(1,336,688)</b>	(2,313,018)
Adjustments for:		
Amortization of property, plant and equipment	<b>100,257</b>	71,723
Amortization of intangible assets	<b>40,340</b>	17,696
Write-off of intangible assets	-	12,209
Amortization of deferred financing costs	-	9,938
Premium payable to <i>Canada Economic Development</i>	<b>16,799</b>	10,908
Premium payable to <i>Investissement Québec</i>	<b>8,520</b>	8,520
Stock option-based compensation	<b>252,576</b>	345,368
Changes in non-cash operating working capital items (Note 14)	<b>(811,991)</b>	185,878
	<b>(1,730,187)</b>	(1,650,778)
<b>Investing activities</b>		
Acquisition of property, plant and equipment	<b>(315,144)</b>	(142,300)
Disposal of property, plant and equipment	-	20
Acquisition of intangible assets	<b>(37,664)</b>	(73,661)
Cash and cash equivalents paid in business combination (Note 4)	<b>(168,647)</b>	-
	<b>(521,455)</b>	(215,941)
<b>Financing activities</b>		
Increase in deferred financing costs	-	(48,164)
Increase in long-term debt	<b>72,966</b>	106,900
Reimbursement of demand loan	-	(204,824)
Reimbursement of long-term debt	<b>(243,859)</b>	(183,615)
Issuance of equity component	<b>4,741,011</b>	3,495,000
Issuance of equity component expenses	<b>(415,335)</b>	(341,335)
Cash and cash equivalents acquired in the qualifying transaction (Note 1)	-	558,716
	<b>4,154,783</b>	3,382,678
Increase in cash and cash equivalents	<b>1,903,141</b>	1,515,959
Cash and cash equivalents at beginning	<b>1,839,379</b>	323,420
Cash and cash equivalents at end	<b>3,742,520</b>	1,839,379

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

Additional information is presented in Note 14.

# Opsens inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 1. Description of business

During the year ended August 31, 2007, the Company, formerly known as DCB Capital Inc., changed its name to Opsens Inc. following the completion of a qualifying transaction.

The Company issued from the qualifying transaction specializes in developing and manufacturing technical and scientific instruments.

This transaction constitutes a qualifying transaction as per Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual. The transaction was realized by means of an acquisition followed by a merger carried out on October 3, 2006.

As part of the qualifying transaction and according to the rules of the TSX Venture Exchange, DCB Capital Inc. issued 20,000,000 of its common shares to shareholders holding Opsens Inc. class A shares in exchange for the acquisition of all Opsens Inc. class A shares, at the price of \$0.40 per common share.

For accounting and disclosure purposes, this type of share exchange constitutes a reverse takeover, under which Opsens Inc. is deemed to have issued shares in consideration for the net assets of DCB Capital Inc. Consequently, the control of DCB Capital Inc. was transferred to the shareholders of Opsens Inc.

In compliance with EIC-10 of the CICA Handbook, this reverse takeover constitutes an equity transaction rather than a business combination. Consequently, no goodwill or intangible assets are accounted for, and the company's financial statements present the continuance of Opsens Inc.

Under the terms of the qualifying transaction, the net value of the acquired assets of DCB Capital Inc. is as follows:

	October 3, 2006
	\$
Cash and cash equivalents (\$558,716) and other current assets	576,735
Demand loan receivable from Opsens Inc.	250,000
Liabilities	(18,432)
<b>Net value</b>	<b>808,303</b>

The consideration issued as part of this business combination is allocated as follows:

	October 3, 2006
	\$
20,000,000 common shares	744,970
333,333 stock options revalued at fair value as of October 3, 2006	63,333
	<b>808,303</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 2. Changes in accounting policies

#### *Impact of adopting the new Financial instruments standards*

On September 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding Financial instruments- Recognition and measurement (Section 3855), Financial Instruments - Disclosure and presentation (Section 3861), Hedges (Section 3865) and Comprehensive Income (section 1530). Information released prior to September 1, 2007 was not restated.

On September 1, 2007, the Company made the following adjustments in order to conform to the new accounting standards:

	Amount
	\$
<i>Decrease</i>	
Balance Sheet	
Assets	
Deferred financing costs	4,336
Liabilities	
Long-term debt	78,023
Statement of deficit	
Change in accounting policies	73,687

#### *Financial Instruments - Recognition and measurement*

##### *Short-term investments*

Short-term investments are classified as financial instruments "held for trading". As such, these financial instruments are recorded at their fair values. Changes in the fair value of held for trading instruments are recorded as investment income and disclosed as financial income in the statement of loss.

The fair value of financial instruments represents the amount at which the financial instruments could be traded knowingly and voluntarily between the parties involved. The fair value is based on market prices (buyer-seller prices) in an active market. If this is not the case, the fair value is based on market prices prevailing for instruments with similar risk profiles or characteristics or on internal or external valuation models that use observable market data.

##### *Derivative financial instruments*

Derivative financial instruments must be recorded at fair value unless they are specifically designated in an effective hedging relationship, and the change in fair value will be recorded directly in net earnings.

##### *Long-term debt*

The long-term debt is classified as "other liabilities" and is recorded at amortized cost.

Transaction fees related to "other liabilities" are capitalized and presented against long-term debt. They are amortized using the effective interest rate and are recorded in the statement of loss.

##### *Other comprehensive income (loss)*

According to the new accounting standards, the Company must present a comprehensive income statement. Since the Company has classified all of its financial instruments as financial instruments "held for trading", except for the long-term debt which is classified as "other liabilities", there is no element to be disclosed distinctively in other comprehensive income. Consequently, the net earnings (net loss) also represents the results of the comprehensive income (loss).

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 3. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following policies:

#### *Principles of consolidation*

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary Opsens Solutions Inc. since its acquisition.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments redeemable anytime or with a maturity of three months or less beginning on the acquisition date.

#### *Inventories*

Raw materials are valued at the lower of cost and replacement cost, and finished goods are valued at the lower of cost and the net realizable value. Cost is determined using the moving average method.

#### *Property, plant and equipment and intangible assets*

Property, plant and equipment and intangible assets with finite lives are recorded at their acquisition cost. Amortization is provided using the declining balance method based on their useful lives, except for patents, which are amortized using the straight-line method, at the following annual rates:

#### *Property, plant and equipment and intangible assets*

Office furniture and equipment	20%
Production equipment	20%
Automotive equipment	30%
Research and development equipment	20%
Research and development computer equipment	30%
Computer equipment	30%
Leasehold improvements	Lease Term

#### *Intangible assets with limited lives*

Patents	Term of underlying patent, 5 to 20 years
Software	30%

Service contracts are intangible assets with definite useful life which were accounted for at cost. Amortization was based on the fair value of the contracts on the total value of the contracts portfolio acquired. The service contracts were fully amortized during the year.

#### *Intangible assets with indefinite lives*

Intangible assets with indefinite lives are recorded at cost and are tested for impairment annually or more frequently if events of changes in circumstances indicate a potential impairment in value. The excess of the carrying value over the fair value is recorded in loss.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 3. Accounting policies (continued)

#### *Impairment of long-lived assets*

Long-lived assets held are reviewed annually or more frequently when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

#### *Deferred financing costs*

Deferred financing costs comprise legal expenses and expenses incurred for the issuance of long-term debt and expenses incurred to complete the qualifying transaction and the related placement. Until August 31, 2007, they were amortized using the straight-line method over the term of the corresponding debt. Since September 1<sup>st</sup>, 2007, the amounts paid are amortized using and presented against corresponding debt (Note 2). Expenses related to the qualifying transaction are applied against shareholders' equity.

#### *Government assistance and income tax credits for research and development*

Government grants are recorded when there is reasonable assurance that the Company has complied with and will continue to comply with all the conditions of the grant. Non-repayable grants or contributions related to operating expenses are included in the statement of loss when the related expenses are incurred. Grants related to capital expenditures are netted against the related assets when acquired.

The Company is also eligible for income tax credits for scientific research and experimental development (SR&ED) awarded by the federal and provincial governments. The portion of SR&ED credits immediately receivable is accounted for in the year during which the related costs or capital expenses are incurred. The portion of SR&ED credits not immediately receivable is accounted for in the year during which these costs or expenses are incurred, provided the Company has reasonable assurance that these credits will be recovered.

Income tax credits are applied against expenses or related assets. Recorded income tax credits are based on management's estimates of amounts expected to be recovered and are subject to an audit by the taxation authorities.

#### *Loss per share*

Loss per share is determined using the weighted average number of outstanding shares during the period. The Company uses the treasury stock method to calculate the diluting effect of share purchase options and warrants. Reconciliations of the numerators and the denominators used in the calculation of the basic and diluted loss are disclosed in accordance with the GAAP.

#### *Stock-based compensation and other stock-based payments*

The Company uses the fair value method to assess the fair value of stock options or warrants as at their date of allocation. The fair value is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When stock options or warrants are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 3. Accounting policies (continued)

#### *Income taxes*

The Company accounts for income taxes using the tax liability method. Under this method, future income tax assets and liabilities are recognized for deductible or taxable temporary differences between the carrying value and the tax value of the assets and liabilities based on the enacted or substantially enacted tax rates expected to apply to the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

#### *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date while non-monetary items are translated at the historical rate. Revenues and expenses denominated in foreign currencies are recorded at the average rate of exchange prevailing during the period, except for depreciation and amortization, which is translated at the historical rate. Foreign exchange gains or losses are included in expenses for the year.

#### *Goodwill*

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

#### *Revenue recognition and work in progress*

Revenues related to product sales are recognized when convincing evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collection is reasonably guaranteed.

Sensor installation services, contract revenues earned over a long period, and partnership revenues are recorded using the percentage of completion method. Therefore, these revenues are recognized proportionately with the degree of completion of the work. The Company uses the efforts expended method to calculate the degree of completion of work based on the number of hours incurred as at the balance sheet date compared to the estimated total number of hours. Work in progress is valued by taking into consideration the number of hours worked but not yet invoiced and the payments received. Losses are recorded as soon as they become apparent.

#### *Financial instruments*

Short-term investments are classified as financial instruments "held for trading". As such, these financial instruments are recorded at their fair values. Changes in the fair value of held for trading instruments are recorded as investment income and disclosed as financial expenses in the income statement.

The long-term debt is classified as "other liabilities" and is recorded at amortized cost.

Transaction fees related to "other liabilities" are capitalized and presented against long-term debt. They are amortized using the effective interest rate and are recorded in the income statement.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 3. Accounting policies (continued)

#### *Use of estimates*

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The main accounting estimates relate to the income tax credit receivable, the provision for warranty and the assumptions used in the determination of the fair value of the stock options and warrants. Actual results could differ from those estimates.

#### *Future accounting changes*

The CICA has issued new accounting standards:

- a) Section 3031, Inventories. This Section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. Management of the Company is a review of the new standard and does not expect the adoption of this standard will have a significant impact on the Company's consolidated financial statements.
- b) Section 3862, Financial Instruments – Disclosures. This section describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the Company is exposed and how the Company manages those risks. This Section complements the principles of recognition, measurement, and presentation of financial instruments of Section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation and Section 3865, Hedges. The Company's management does not expect the adoption of this standard will have an impact on the consolidated financial statements as the standard relates to note disclosure.
- c) Section 3863, Financial Instruments – Presentation. This section establishes standards for presentation of financial instruments and non-financial derivatives. It replaces standards of Section 3861, Financial Instruments – Disclosure and Presentation. The Company does not expect the adoption of this standard will have an impact on the consolidated financial statements as the standard relates to note disclosure.
- d) Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Company does not expect the adoption of this standard will have an impact on the consolidated financial statements as the standard relates to note disclosure.

The above standards will be effective for the Company as of September 1, 2008.

- e) Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning September 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 3. Accounting policies (continued)

#### *Future accounting changes (continued)*

##### International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will converge to International Financial Reporting Standards ("IFRS") over a transition period that is expected to be complete by 2011. On February 13, 2008, the CICA confirmed 2011 as the official changeover date from current Canadian GAAP to IFRS. The Company will convert to these new standards according to the timetable set with these new rules.

The Company has not begun to assess the future impact of these new standards on its consolidated financial statements.

### 4. Business acquisition

On December 11, 2007, the Company concluded the acquisition of all outstanding shares of Inflo Solutions Inc. ("Inflo"), a company dedicated to the design and installation of reservoir surveillance solutions based on optical and conventional sensors to the oil and gas market. The purchase price is comprised of 1,199,997 Opsens common shares and \$120,000 cash. At the closing, 510,000 shares out of the first 600,000 shares were paid into escrow and will be released over a 48-month period. The balance of the shares and the cash, represented by a series of promissory notes, have also been paid in escrow, to be released or cancelled, as applicable, over a 48-month period ending December 11, 2011, following the achievement or non achievement of certain performance milestones. The Company has also committed to invest up to \$350,000 into the working capital of Inflo during the 48-month period following the acquisition. The shares issued at closing are subject to a statutory 4-month hold period ending on April 12, 2008.

On April 8, 2008, a milestones had been achieved which had effect to release a series of promissory notes for a total value of \$60,000. This amount had been booked as goodwill.

On August 31, 2008, the Company renegotiated the agreement made on December 11, 2007. The revised agreement eliminated the possibility of cancelling 499,997 shares against an escrow ending on December 11, 2011.

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 4. Business acquisition (continued)

The acquisition has been accounted for using the purchase method, and the results of operations have been included in the consolidated financial statements of the company from the date of acquisition. The purchase price allocation shown below is based on the fair value estimate made by the company :

	Amount
	\$
<b>Assets</b>	
Cash	6,029
Current assets	42,024
Service contracts	20,000
	<u>68,053</u>
<b>Liabilities</b>	
Current liabilities	44,377
	<u>44,377</u>
<b>Net identifiable assets acquired</b>	23,676
<b>Goodwill*</b>	676,574
	<u>700,250</u>
<b>Purchase price</b>	700,250
<b>Less :</b>	
Cash acquired	6,029
Issuance of shares in connection with the acquisition	525,574
	<u>531,603</u>
<b>Net cash used for the acquisition</b>	<u>168,647</u>

\* Goodwill is not deductible for income taxes calculation.

On December 11, 2007, the company Inflo changed its name for Opsens Solutions Inc. ("Opsens Solutions").

### 5. Accounts receivable

	2008	2007
	\$	\$
Trade	729,406	73,929
Allowance for doubtful accounts	(14,031)	-
Taxes receivable	28,576	33,824
Others	-	12,944
	<u>743,951</u>	<u>120,697</u>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 6. Inventories

	2008	2007
	\$	\$
Raw materials	380,885	299,007
Finished goods	72,386	73,643
	<b>453,271</b>	<b>372,650</b>

### 7. Property, plant and equipment

	2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office furniture and equipment	52,723	24,666	28,057
Leased office furniture and equipment	12,535	3,225	9,310
Production equipment	88,020	25,018	63,002
Leased Automotive equipment	16,500	2,200	14,300
Research and development equipment, net of income tax credits of \$23,834	582,134	202,577	379,557
Research and development computer equipment, net of income tax credits of \$3,078	24,270	15,649	8,621
Computer equipment	74,298	27,713	46,585
Leasehold improvements	12,905	8,157	4,748
	<b>863,385</b>	<b>309,205</b>	<b>554,180</b>

	2007		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office furniture and equipment	44,942	16,276	28,666
Leased office furniture and equipment	12,535	2,128	10,407
Production equipment	51,267	14,153	37,114
Research and development equipment, net of income tax credits of \$23,834	360,109	145,139	214,970
Research and development computer equipment, net of income tax credits of \$3,078	20,331	12,304	8,027
Computer equipment	52,158	18,182	33,976
Leasehold improvements	6,900	767	6,133
	<b>548,242</b>	<b>208,949</b>	<b>339,293</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 8. Intangible assets

	2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Indefinite lives			
Trademarks	200	-	200
Limited lives			
Patents	172,036	30,445	141,591
Software, net of income tax credits of \$1,518	41,578	23,601	17,977
	<b>213,814</b>	<b>54,046</b>	<b>159,768</b>

  

	2007		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Indefinite lives			
Trademarks	200	-	200
Limited lives			
Patents	139,260	16,772	122,488
Software, net of income tax credits of \$1,518	36,690	16,934	19,756
	<b>176,150</b>	<b>33,706</b>	<b>142,444</b>

Due to the abandonment of a patent application, an impairment loss of \$12,209 was recognized as of August 31, 2007.

### 9. Authorized line of credit

The Company has an authorized line of credit for a maximum amount of \$200,000, \$50,000 of which is available at all times and which does not take into consideration the margining. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds \$100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of ensured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios.

The Company also has credit cards for a maximum amount of \$50,000 to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 10. Accounts payable and accrued liabilities

	2008	2007
	\$	\$
Suppliers	527,204	304,648
Provision for warranty	20,000	16,312
	<b>547,204</b>	<b>320,960</b>

### 11. Long-term debt

	2008	2007
	\$	\$
BDC loan of an authorized amount of \$285,000, bearing interest at the Bank's prime rate plus 2.5%, repayable in monthly principal instalments of \$3,690 and a final payment of \$870 in January 2011, secured by a first-rank movable hypothec in the amount of \$285,000 on the universality of the Company's present and future, tangible and intangible property, subordinated only with respect to trade accounts receivable and inventories provided as security for the operating loans or operating lines of credits, and for which the BDC granted a subordinate clause in favour of <i>Investissement Québec</i> for an amount of \$255,750 on the intellectual property, and by joint and several suretyship of certain shareholders for an amount equal to 25% of the outstanding commitment	126,330	170,610
<i>Investissement Québec</i> loan of an authorized amount of \$213,000, bearing interest at the weekly variable rate plus 3%, repayable in monthly principal instalments of \$5,071 and a monthly premium of \$1,014 starting in March 2006, maturing in September 2009, secured by a first-rank movable hypothec in the amount of \$255,750 on the universality of the Company's present and future, tangible and intangible property, subordinated only with respect to trade accounts receivable and inventories provided as security for the operating loans or operating lines of credit, up to a maximum amount of \$213,000	58,417	129,017
Amounts carried forward	<b>184,747</b>	<b>299,627</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 11. Long-term debt (continued)

	2008	2007
	\$	\$
Amounts carried forward	<b>184,747</b>	299,627
Contribution repayable to <i>Canada Economic Development</i> for a maximum amount of \$100,000, repayable by annual royalties equal to 4% of gross annual sales effective September 1, 2004 up to 150% of the contribution paid. The total amount of the contribution should be repaid no later than November 1, 2011. The first repayment is due and payable effective November 1, 2006. Subsequent payments are due annually	-	33,121
Contributions repayable to <i>Canada Economic Development</i> for a maximum amount of \$297,835, repayable in five equal and consecutive annual instalments effective February 1, 2008 for the first contribution and June 11, 2009 for the second	<b>191,203</b>	331,036
Canada Small Business Financing Act loan, for an authorized amount of \$119,340, bearing interest at the financial institution's prime rate plus 2.75% annually, repayable in monthly principal instalments of \$1,423 until May 2009, secured by a first-rank movable hypothec in the amount of \$119,340 on specific property	<b>77,132</b>	25,160
Capital lease, bearing interest at 10.6%, payable in monthly instalments of \$98, including interest and a final payment of \$486 maturing in March 2011	<b>2,964</b>	3,783
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$140, including interest and a final payment of \$740 maturing in August 2012	<b>5,663</b>	6,515
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$375, including interest and a final payment of \$1,650 maturing in August 2012	<b>13,936</b>	-
	<b>475,645</b>	699,242
Current portion	<b>223,265</b>	200,315
	<b>252,380</b>	498,927

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 11. Long-term debt (continued)

Principal payments required over the next five years are as follows:

	Obligations – Capital lease			Other debt	Debt and principal portion of capital lease
	Total payments	Imputed interest	Principal payments		
	\$	\$	\$	\$	\$
2009	7,363	2,094	5,269	217,996	223,265
2010	7,363	1,535	5,828	82,440	88,268
2011	7,258	901	6,357	75,932	82,289
2012	5,296	187	5,109	38,479	43,588
2013	-	-	-	38,235	38,235

Under the terms and conditions of the agreement on long-term debt with *Investissement Québec* and its financial institution, the Company is subject to certain covenants with respect to maintaining minimum financial ratios.

### 12. Share capital, stock-options and warrants

#### a) Share capital

Authorized, unlimited number

Common shares, voting and participating without par value

Year ended August 31, 2008

Outstanding shares and the changes occurred during the year are as follows:

Issued and fully paid

	Number	Amount \$
Balance at beginning of year	32,628,610	5,332,483
Share issuance – Inflo Solutions Inc. (Note 4)	1,199,997	525,574
Share issuance – options exercised	408,333	244,249
Share issuance – warrants exercised i)	1,483,611	1,042,253
Share issuance – Private placement ii)	4,711,126	3,112,700
<b>Balance as at August 31, 2008</b>	<b>40,431,677</b>	<b>10,257,259</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### **12. Share capital, stock-options and warrants**

#### *a) Common share capital (continued)*

##### *i) Warrants exercised*

During the year ended August 31, 2008, 1,483,611 warrants entitling their holders to acquire one common share of the Company at an average price of \$0.56 per share were exercised for a total amount of \$834,611. The book value of the exercised warrants was transferred to Share capital for an amount of \$207,642.

##### *ii) Private Placement*

On April 8, 2008, the Company realized a private placement of 4,711,126 units at a price of \$0.80 per unit for gross proceeds of \$3,768,901. Each unit is comprised of one common share and one-half common share purchase warrant of the Company. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$1.10 for a period of 24 months following the closing of the Offering, or in the event the 20-day volume weighted average price of the common shares of Opsens trade, on the TSX Venture Exchange, is at or above \$1.50 during this same 24-month period. Then, the warrants must be exercised or will expire 30 calendar days after notice of such event is received or deemed received by the warrant holders. The notice must be given within the 10-working-day period following the event date.

Opsens paid to the Agents a cash commission equal to \$263,823 and issue broker compensation warrants entitling the Agents to purchase 329,779 common shares of Opsens. The Broker Warrants shall be issuable at an exercise price per common share equal to the Offering Price for a period of 24 months from the closing of the Offering. The securities issued pursuant to the Offering will be subject to a 4-month restricted period expiring on August 9, 2008.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 12. Share capital, stock-options and warrants (continued)

#### a) Common share capital (continued)

Year ended August 31, 2007

Following the transaction described in Note 1 and in accordance with EIC-10, the capital structure appearing is that of DCB Capital Inc. and the dollar amounts presented are that of Opsens Inc.

Outstanding shares and the changes occurred during the year ended August 31, 2007 are as follows:

	Number	Amount \$
Balance as at August 31, 2006		1,082,372
Reclassification of Class A common shares retractable at the option of the shareholder following the cancellation of the retraction right iii)		773,767
	4,346,666	1,856,139
Common shares issued pursuant to the reverse takeover iv)	20,000,000	744,970
Share issuance – Private placement v)	2,600,000	754,000
Share issuance – Private placement vi)	2,937,500	851,875
Share issuance – Private placement vii)	2,444,444	912,499
Share issuance – warrants exercised viii)	300,000	213,000
Balance as at August 31, 2007	32,628,610	5,332,483

#### iii) Termination of the shareholders' agreement and cancellation of the retraction right

Immediately preceding the share exchange, the agreement between shareholders of Opsens Inc. was terminated and the retraction right of the shares was also cancelled. Consequently, the Class A retractable shares retractable at the option of the shareholder, in the amount of \$773,767, presented in the liabilities of Opsens Inc. as at August 31, 2006 were reclassified in equity.

#### iv) Qualifying transaction

As part of the qualifying transaction and according to the rules of the TSX Venture Exchange, DCB Capital Inc. issued 20,000,000 of its common shares to shareholders holding Opsens Inc. class A shares in exchange for the acquisition of all Opsens Inc. class A shares, at the price of \$0.40 per common share.

#### v) Private placement – October 3, 2006

On October 3, 2006, the Company realized a private placement of 2,600,000 units at a price of \$0.40 per unit, for a total of \$1,040,000. Each unit is made up of one common share and one share purchase warrant of the Company. Each purchase warrant entitles its holder to acquire one common share of the Company at a price of \$0.60 per share no later than October 3, 2008. The underlying securities for the units issued as part of this placement are subject to a holding period until February 4, 2007.

#### vi) Private placement – October 11, 2006

On October 11, 2006, the Company realized a private placement of 2,937,500 units at a price of \$0.40 per unit, for a total of \$1,175,000. Each unit is made up of one common share and one share purchase warrant of the Company. Each purchase warrant entitles its holder to acquire one common share of the Company at a price of \$0.60 per share no later than October 11, 2008. The underlying securities for the units issued as part of this placement are subject to a holding period until February 12, 2007.

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### **12. Share capital, stock-options and warrants** (continued)

#### *a) Common share capital* (continued)

##### *vii) Private placement – December 5, 2006*

On December 5, 2006, the Company realized a private placement of 2,444,444 units at a price of \$0.45 per unit, for a total of \$1,100,000. Each unit is made up of one common share and a half share purchase warrant of the Company. Each complete warrant entitles its holder to acquire one common share of the Company at a price of \$0.55 per share no later than December 5, 2008. The underlying securities for the units issued as part of this placement are subject to a holding period until April 6, 2007. Pursuant to an underwriting agreement entered into with Desjardins Securities Inc. dated October 3, 2006, the Company paid a lump sum of \$50,000 in fees.

##### *viii) Warrants exercised*

During the year ended August 31, 2007, 300,000 warrants entitling their holders to acquire one common share of the Company at a price of \$0.60 per share were exercised for a total amount of \$180,000. The book value of the exercised warrants was transferred to Share Capital in the amount of \$33,000.

#### *b) Stock options*

The Company changed the stock option plan on January 22, 2008. The number of common shares reserved by the Board of Directors for options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The plan is available to the Company's directors, consultants, officers and employees.

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by TSX Venture Exchange. The exercise period cannot exceed five years, beginning on the grant date.

The compensation expense in regards to the stock option plan included in the administrative expenses for the year ended August 31, 2008 is \$252,576 (\$345,368 for the year ended August 31, 2007).

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 12. Share capital, stock-options and warrants (continued)

#### b) Stock options (continued)

The fair value of these options was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	Between 2.98% and 4.15%
Expected volatility	Between 70% and 95%
Expected dividend yield on shares	- %
Duration	5 years

Fair value per option at the grant date                      Between \$0.22 and \$0.70

The Black-Scholes options valuation model was developed to estimate the fair value of traded options, which have no vesting restrictions and are fully transferable, a practice which differs significantly from the Company's stock option awards. In addition, 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.

The situation of the outstanding stock option plan and the changes that took place during the years ended August 31, 2007 and 2008 are as follows:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of year	2,033,333	0.53	-	-
Options assumed following the qualifying transaction with DCB Capital Inc.	-	-	333,333	0.30
Options granted	912,500	0.77	1,700,000	0.57
Options cancelled	(295,000)	0.58	-	-
Options exercised	(408,333)	0.34	-	-
Outstanding at end of the year	2,242,500	0.65	2,033,333	0.53
Options exercisable at end of the year	765,000	0.59	833,333	0.46

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 12. Share capital, stock-options and warrants (continued)

#### b) Stock options (continued)

The table below provides information on the outstanding stock options as at August 31, 2008:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.45	50,000	12,500	3.26
0.50	1,050,000	562,500	3.09
0.60	20,000	-	4.99
0.72	500,000	-	4.28
0.80	150,000	100,000	3.91
0.87	272,500	40,000	4.64
0.95	200,000	50,000	3.62
	2,242,500	765,000	3.67

#### c) Warrants

The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions:

	Units issued	Commission paid
Exercisable price	\$0.55 and \$0.60	\$0.40 and \$0.80
Risk-free interest rates	From 2.72% to 4.04%	From 2.72 to 4.04%
Expected volatility	From 70% to 76%	From 70% to 76%
Expected dividend yield on shares	- %	- %
Duration	2 years	2 years
Fair value by warrant	\$0.11, \$0.15 and \$0.28	\$0.16 and \$0.35

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 12. Share capital, stock-options and warrants (continued)

#### c) Warrants (continued)

The situation of the outstanding warrants and the changes that took place during the years ended August 31, 2007 and 2008 are as follows:

	2008		2007	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding at beginning of year	<b>6,902,722</b>	<b>0,58</b>	-	-
Warrants issued on October 3, 2006 in relation with the private placement (Note 12 a)v)	-	-	2,600,000 208,000	0.60 0.40
Warrants issued on October 10, 2006 in relation with the private placement (Note 12 a)vi)	-	-	2,937,500 235,000	0.60 0.40
Warrants issued on December 5, 2006 in relation with the private placement (Note 12 a)vii)	-	-	1,222,222	0.55
Warrants exercised	-	-	(300,000)	0.60
Warrants exercised during the period (Note 12a)i)	<b>(1,483,611)</b>	<b>0.56</b>	-	-
Warrants issued, private placement (Note 12a)ii)	<b>2,355,563</b>	<b>1.10</b>	-	-
Warrants issued, private placement (Note 12a)ii)	<b>329,779</b>	<b>0.80</b>	-	-
Outstanding at end of year	<b>8,104,453</b>	<b>0.74</b>	6,902,722	0.58
Warrants exercisable at end of year	<b>8,104,453</b>	<b>0,74</b>	6,902,722	0.58

The table below provides information on the outstanding warrants as at August 31, 2008:

Exercise price \$	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
0.40	443,000	443,000	0.10
0.55	111,111	111,111	0.26
0.60	4,865,000	4,865,000	0.10
0.80	329,779	329,779	1.60
1.10	2,355,563	2,355,563	1.60
	<b>8,104,453</b>	<b>8,104,453</b>	<b>0.60</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 13. Loss per share

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

	<b>2008</b>	2007
	\$	\$
<b>Numerator</b>		
Net loss	<b>(1,336,688)</b>	(2,313,018)
Amount available for calculating the loss per share	<b>(1,336,688)</b>	(2,313,018)
<b>Denominator</b>		
Number of shares		
Weighted average number of shares outstanding	<b>36,327,185</b>	30,819,163
Dilutive effect of stock options and warrants	-	-
Weighted average number of shares outstanding on diluted basis	<b>36,327,185</b>	30,819,163
<b>Amount per share</b>		
Net loss per share		
Basic	<b>(0.04)</b>	(0.08)
Diluted	<b>(0.04)</b>	(0.08)

The calculation of dilution effects excludes options and warrants that have an anti-diluting effect.

However, should the Company's basic earnings per share have been positive, some options and warrants, at an exercise price of \$0.30, \$0.40, \$0.45, \$0.50, \$0.55, \$0.60, \$0.72, \$0.80 and \$0.87, would have been dilutive and would have resulted in the addition of 2,434,422 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for year ended August 31, 2008 (1,544,293 as at August 31, 2007).

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 14. Additional information on the Statements of Cash Flows

	2008	2007
	\$	\$
<i>Changes in non-cash operating working capital items (net of effects of the business acquisition)</i>		
Accounts receivable	<b>(584,425)</b>	69,113
Income tax credits receivable	<b>(6,595)</b>	299,795
Inventories	<b>(78,450)</b>	(192,869)
Work in progress	<b>(237,551)</b>	-
Prepaid expenses	<b>(66,837)</b>	(12,770)
Accounts payable and accrued liabilities	<b>181,867</b>	22,609
Deferred revenue	<b>(20,000)</b>	-
	<b>(811,991)</b>	185,878

#### *Cash and cash equivalents*

Cash	<b>147,574</b>	84,063
Short-term investments	<b>3,594,946</b>	1,755,316
	<b>3,742,520</b>	1,839,379

#### *Other information*

Interests paid	<b>56,283</b>	56,343
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#### *Non-cash transactions*

The Company concluded the acquisition of all outstanding shares of Inflo Solutions Inc. ("Inflo") by the issuance of 1,199,997 Opsens common shares with a book value of \$525,574.

On April 8, 2008, Opsens issued broker compensation warrants entitling the Agents to purchase 329,779 common shares of Opsens at an exercise price of \$0.80 per share for a book value of \$117,005.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 15. Commitments

#### *Lease*

The Company leases offices under an operating lease expiring on January 31, 2014. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to \$640,604.

Opsens Solutions rents an office in Alberta with respect to a letter agreement. A lease should be signed in the next quarter in order to finalize a verbal commitment. In case the lease is not signed, the company is committed to pay the monthly lease payments until September 30, 2008. As a result, future lease payments will amount to \$4,478.

Opsens Solutions rents a vehicle under an operating lease expiring in November 2010. Future rent payments will amount to \$18,945.

The Company is committed to purchase an equipment for \$62,885.

Future payments for the leases and other commitments, totaling \$1,068,241, required in each of the next five years are as follows:

	\$
2009	372,239
2010	214,443
2011	184,628
2012	121,023
2013	121,523
Thereafter	54,385

#### *Licence*

Under an exclusive licence with a third party, the Company is committed to provide exclusive marketing of some of its products for a defined territory.

### 16. Contractual guarantees

During the normal course of business, the Company replaces defective parts under warranties offered at the sale of the products. The term of the warranties is 12 months. During the year ended August 31, 2008, the Company recognized an expense of \$3,688 (\$4,609 for the year ended August 31, 2007) for guarantees. A provision for \$20,000 (\$16,312 as at August 31, 2007) was recorded for guarantees. This provision estimate is based on past experience and is presented in liabilities under "Accounts payable and accrued liabilities." 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 Consolidated Financial Statements

August 31, 2008 and 2007

### 17. Government assistance

Under an agreement reached with Ministère du Développement économique, de l'Innovation et de l'Exportation, the Company received non-refundable contributions to cover some of its incurred costs for hiring an employee and for training. During the year ended August 31, 2008, the Company received a cash contribution of \$4,699 which was recorded against marketing expenses.

During the year ended August 31, 2007, the Company received a cash contribution of \$17,315 from Emploi Québec. Of this amount, \$12,105 was recorded against research and development expenses and \$5,210 against administrative expenses.

### 18. Income taxes

The effective income tax rate of the Company differs from the rate that would have been calculated using the combined statutory tax rate (federal and provincial). The difference is generated as follows:

	2008	2007
	\$	\$
Income tax recovery using the combined federal and provincial statutory tax rate	<b>(411,847)</b>	(717,834)
Non-deductible expenses	<b>88,566</b>	116,854
Deductible financing fees	<b>(57,801)</b>	(46,466)
Non-taxable income tax credits	<b>(18,123)</b>	(16,684)
Losses carried forward	<b>399,205</b>	664,130
Income tax using effective income tax rate	-	-

As at August 31, 2008, the Company has tax losses of approximately \$3,186,000 for federal purposes and \$3,133,500 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	\$	\$
2009	380,000	340,000
2013	96,000	121,000
2023	483,000	463,000
2024	42,000	40,000
2025	400	400
2027	1,524,000	1,508,000
2028	660,600	661,100
	<b>3,186,000</b>	<b>3,133,500</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 18. Income taxes (continued)

The Company also has undeducted research and development expenses in the amount of \$1,747,000 for federal purposes and \$2,629,000 for provincial purposes that are deferred over an undetermined period.

Future income tax assets related to tax losses, undeducted research and development expenses, and the difference between the undepreciated capital cost for tax purposes and the net book value of property, plant and equipment will be recorded in the financial statements once the Company concludes that these losses and tax benefits will likely be realized.

#### *Loss of private company status for purposes of income tax credits for scientific research and experimental development*

Following the qualifying transaction described in Note 1, Opsens has lost its private company status and, consequently, income tax credits for scientific research and experimental development have been reduced by half. Also, the federal government credits are no longer reimbursable, but can be used only to compensate for income taxes otherwise payable.

### 19. Income tax credits for scientific research and experimental development

For tax purposes, research and development expenses are detailed as follows:

	2008	2007
	\$	\$
Federal	1,175,000	1,048,000
Provincial	597,000	569,000

These expenses have enabled the Company to become eligible for scientific research and experimental development tax credits reimbursable for the following amounts:

	2008	2007
	\$	\$
Federal	-	41,285
Provincial	158,975	190,473
	<b>158,975</b>	<b>231,758</b>

These credits were recorded in

research and development expenses  
in the statements of loss

158,975      231,758

These credits were recorded

against the related property, plant  
and equipment

-      -

Reimbursable scientific research income tax credits earned	<b>158,975</b>	<b>231,758</b>
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Reimbursable scientific research income tax credits earned for the year ended August 31, 2008 have not yet been reviewed by the taxation authorities, and the amounts granted could differ from those that have been recorded.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 20. Related party transactions

In the normal course of its operations, the Company has entered into transactions with related parties. These transactions have been measured at the exchange amount.

	2008	2007
	\$	\$
Management fees paid to a shareholder	-	833
Professional fees to a company controlled by a shareholder and director	<b>30,000</b>	35,000
	<b>30,000</b>	<b>35,833</b>

### 21. Segmented information

#### *Sector's information*

The Company's reportable segments are strategic business units managed separately as one is focused on developing, producing, and supplying fiber optic sensors (Opsens Inc.) and the other (Opsens Solutions) is specialized in the commercialization and the installation of optical and conventional sensors for the oil and gas industry.

	2008			2007		
	Opsens inc.	Opsens Solutions	Total	Opsens inc.	Opsens Solutions	Total
	\$	\$	\$	\$	\$	\$
External sales	2,248,817	595,422	2,844,239	813,108	-	813,108
Internal sales	4,000	87,094	91,094	-	-	-
Amortization of property, plant and equipment	94,748	5,507	100,255	71,723	-	71,723
Amortization of intangible assets	20,340	20,000	40,340	29,905	-	29,905
Financial expenses	(71,787)	13,574	(58,213)	(8,861)	-	(8,861)
Net loss	<b>(1,231,708)</b>	<b>(104,980)</b>	<b>(1,336,688)</b>	(2,313,018)	-	(2,313,018)
Acquisition of property, plant and equipment	270,625	44,519	315,144	142,280	-	142,280
Acquisition of intangible assets	37,664	-	37,664	73,661	-	73,661

# Opsens Inc.

## Notes to the Consolidated Financial Statements August 31, 2008 and 2007

### 21. Segmented information (continued)

These operating units generate revenue in various geographic segments as follows:

	2008	2007
	\$	\$
Revenue per geographic sector		
Canada	<b>651,875</b>	27,047
United States	<b>933,916</b>	315,883
Germany	<b>416,805</b>	228,538
United Kingdom	<b>285,465</b>	49,994
Other	<b>556,178</b>	191,646
	<b>2,844,239</b>	813,108

Revenues are attributed to the geographic sector based on the clients' location.

Capital assets, which include property, plant and equipment and intangible assets, are all located in Canada.

During the year ended August 31, 2008, revenues from three clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 18.09% (Opsens Solutions' reportable segment), 17.62% (Opsens Inc.'s reportable segment) and 13.09% (Opsens Inc.'s reportable segment). For the year ended August 31, 2007, revenues from one client represented 28.11% of the Company's total revenues.

### 22. Additional information to the Statements of Loss

	2008	2007
	\$	\$
Government assistance	<b>(4,699)</b>	(17,315)
Income tax credits for research and development	<b>(158,975)</b>	(231,758)
Interest and bank charges	<b>13,174</b>	19,225
Interest on demand loan and long-term debt	<b>48,964</b>	44,195
(Gain) loss on foreign currency translation	<b>(32,809)</b>	14,013
Interest income	<b>(87,541)</b>	(86,292)

# Opsens Inc.

## Notes to the Consolidated Financial Statements

August 31, 2008 and 2007

### 23. Financial instruments

#### *Credit risk*

The Company provides credit to its customers in the normal course of business. Credit evaluations are performed on an ongoing basis of all its accounts receivable and an allowance for doubtful accounts is recorded when those accounts are deemed uncollectible. Two major customers represent 49% of the Company's accounts receivable as at August 31, 2008.

#### *Interest rate and cash flow risk*

The Company is exposed to interest rate fluctuations on the demand loan and certain long-term debt that bears interest at variable rates. The Company does not actively manage this risk.

#### *Foreign exchange risk*

The Company realizes certain sales and partnership revenue and purchases certain supplies and professional services in US dollars. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

#### *Fair value*

The fair value of cash and cash equivalents, accounts receivable, income tax credits receivable and accounts payable and accrued liabilities approximate 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.

### 24. Subsequent events

On October 3, 2008, 50,000 warrants entitling its holder to acquire one common share of the Company at a price of \$0.40 per share were exercised for an amount of \$20,000. The book value of the exercised warrants was transferred to Share Capital in the amount of \$8,000.

After year end, 393,000 and 4,865,000 warrants entitling its holder to acquire one common share of the Company at a price of \$0.40 and \$0.60 per share respectively expired.

In addition, the Company granted to some employees a total of 210,000 stock options with an average exercise price of \$0.48 per share.

### 25. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current year.