

Interim Consolidated Financial Statements

**Opsens Inc.**

Six-month periods ended February 28, 2009 and February 29, 2008

## **Notice**

These interim consolidated financial statements have not been reviewed by the Company's external auditors.

# Opsens Inc.

February 28, 2009

## Table of Contents

Consolidated Statements of Loss and Comprehensive Loss.....	1
Consolidated Statements of Deficit .....	2
Consolidated Statements of Contributed Surplus .....	2
Consolidated Balance Sheets .....	3
Consolidated Statements of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5-22

# Opsens Inc.

## Consolidated Statements of Loss and Comprehensive Loss Periods ended February 28, 2009 and February 29, 2008

(unaudited)	Second quarter		Six months	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	606,163	637,273	1,218,056	1,205,982
Cost of sales	464,417	395,433	885,913	663,185
Gross margin	141,746	241,840	332,143	542,797
Expenses (Revenues)				
Administrative	316,329	244,115	631,025	446,291
Marketing	242,805	134,615	437,222	329,701
Research and development	204,978	185,908	409,846	348,766
Stock option-based compensation (Note 6b)	59,491	43,010	126,811	93,448
Amortization of property, plant and equipment	38,740	20,759	74,519	39,331
Amortization of intangible assets	6,411	14,119	11,432	18,973
Financial income (Note 4)	(45,431)	2,078	(121,786)	16,148
	823,323	644,604	1,569,069	1,292,658
Loss before income taxes	(681,577)	(402,764)	(1,236,926)	(749,861)
Income taxes	-	-	-	-
<b>Net loss and comprehensive income</b>	<b>(681,577)</b>	<b>(402,764)</b>	<b>(1,236,926)</b>	<b>(749,861)</b>
<b>Net loss per share (Note 7)</b>				
Basic	(0.02)	(0.01)	(0.03)	(0.02)
Diluted	(0.02)	(0.01)	(0.03)	(0.02)

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

# Opsens Inc.

## Consolidated Statements of Deficit

Periods ended February 28, 2009 and February 29, 2008

(unaudited)	Second quarter ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
	\$	\$	\$	\$
<b>Balance at beginning</b>	6,937,835	4,860,555	6,382,486	4,587,145
Change in accounting policies (Note 1)	-	-	-	(73,687)
Net loss	681,577	402,764	1,236,926	749,861
<b>Balance at end</b>	<b>7,619,412</b>	<b>5,263,319</b>	<b>7,619,412</b>	<b>5,263,319</b>

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

## Consolidated Statements of Contributed Surplus

Periods ended February 28, 2009 and February 29, 2008

(unaudited)	Second quarter ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
	\$	\$	\$	\$
<b>Balance at beginning</b>	578,380	-	-	-
Warrants expiry (Note 6c)	16,667	-	595,047	-
<b>Balance at end</b>	<b>595,047</b>	<b>-</b>	<b>595,047</b>	<b>-</b>

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

# Opsens Inc.

## Consolidated Balance Sheets

	February 28, 2009 (unaudited)	August 31, 2008 (audited)
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 8)	2,536,102	3,742,520
Accounts receivable	519,041	743,951
Income tax credits receivable	280,796	183,950
Work in progress	34,770	237,551
Inventories	733,225	453,271
Prepaid expenses	60,484	100,454
	<u>4,164,418</u>	<u>5,461,697</u>
Property, plant and equipment	681,141	554,180
Intangible assets	164,714	159,768
Goodwill	676,574	676,574
	<u>5,686,847</u>	<u>6,852,219</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	540,111	547,204
Current portion of long-term debt	131,456	223,265
	<u>671,567</u>	<u>770,469</u>
Long-term debt	276,025	252,380
	<u>947,592</u>	<u>1,022,849</u>
<b>Shareholders' equity</b>		
Share capital (Note 6a)	10,285,259	10,257,259
Stock-options (Note 6b)	681,339	554,528
Warrants (Note 6c)	797,022	1,400,069
Contributed surplus	595,047	-
Deficit	(7,619,412)	(6,382,486)
	<u>4,739,255</u>	<u>5,829,370</u>
	<u>5,686,847</u>	<u>6,852,219</u>

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

Approved by the Board

Signed [Mario Jacob] Director

Signed [Pierre Carrier] Director

# Opsens Inc.

## Consolidated Statements of Cash Flows

Periods ended February 28, 2009 and February 29, 2008

(unaudited)	Second quarter ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss	(681,577)	(402,764)	(1,236,926)	(749,861)
Adjustments for:				
Amortization of property, plant and equipment	38,740	20,759	74,519	39,331
Amortization of intangible assets	6,411	14,119	11,432	18,973
Premium payable to <i>Canada Economic     Development</i>	-	7,569	-	15,138
Premium payable to <i>Investissement Québec</i>	2,130	2,130	4,260	4,260
Stock-based compensation	59,491	43,010	126,811	93,448
Changes in non-cash operating working capital items (Note 8)	(225,462)	(281,789)	83,768	(676,991)
	<u>(800,267)</u>	<u>(596,966)</u>	<u>(936,136)</u>	<u>(1,255,702)</u>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(43,385)	(90,878)	(201,480)	(107,473)
Acquisition of intangible assets	(10,503)	(15,568)	(16,378)	(27,846)
Cash and cash equivalents paid in business combination	-	(63,647)	-	(63,647)
	<u>(53,888)</u>	<u>(170,093)</u>	<u>(217,858)</u>	<u>(198,966)</u>
<b>Financing activities</b>				
Increase in long-term debt	29,009	26,173	35,826	26,173
Reimbursement of long-term debt	(64,988)	(89,915)	(108,250)	(151,518)
Issuance of equity component	-	93,000	20,000	800,111
	<u>(35,979)</u>	<u>29,258</u>	<u>(52,424)</u>	<u>674,766</u>
Increase (decrease) in cash and cash equivalents	(890,134)	(737,801)	(1,206,418)	(779,902)
Cash and cash equivalents at beginning	3,426,236	1,797,278	3,742,520	1,839,379
<b>Cash and cash equivalents at end</b>	<u>2,536,102</u>	<u>1,059,477</u>	<u>2,536,102</u>	<u>1,059,477</u>

The accompanying notes are an integral part of the interim consolidated financial statements. Additional information is presented in Note 8.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 1. Changes in accounting policies

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

On September 1, 2008, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding "Capital Disclosures" (Section 1535), "Inventories" (Section 3031), "Instruments – Disclosures" (Section 3862) and "Financial Instruments – Presentation" (section 3863). The new standards were applied prospectively without restatement of comparative financial statements.

#### *Inventories*

Section 3031 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.

Since this standard came into effect, the Company has been recording its raw materials inventory at the lower of cost and net realizable value. In the past, the Company recorded raw materials inventory at the lower of cost and replacement value.

#### *Capital Disclosures*

Section 1535 "Capital Disclosures", established standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. Since the standard came into effect, the Company has been presenting relevant information about capital management in the "Capital Management" note.

#### *Financial Instruments*

Sections 3862 and 3863 place heightened importance on disclosure, enabling financial statement users to assess the nature and extent of the risks associated with the financial instruments to which the Company is exposed and the manner in which it manages these risks.

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

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 2. Accounting policies

The significant accounting policies used to prepare these financial statements are summarized below.

#### *Principles of consolidation*

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

#### *Unaudited interim financial statements*

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements, and they are consistent with the accounting policies and methods used in the preparation of the Company's most recent audited financial statements. However, they do not include all information required for annual consolidated financial statements. These unaudited consolidated interim financial statements and related notes should be read in conjunction with the most recent Company's annual audited financial statements.

The consolidated financial statements as at February 28, 2009 and for the three-month and six-month periods ended February 28, 2009 and February 29, 2008 are unaudited. However, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, considered necessary for a fair presentation of the consolidated results of operations for the period presented, have been included. Consolidated results for the interim periods presented are not necessarily indicative of the results that may be expected for the year.

All amounts are disclosed in Canadian dollars.

#### *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.

#### *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*

Inventories are valued at the lower of cost and replacement cost. Cost is determined using the moving average method.

#### *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.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 2. Accounting policies (continued)

#### *Revenue recognition*

Opsens Inc. reportable segment revenues related to the sale of products are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Opsens Solutions Inc. reportable segment revenues related to the sale of products and sensor installation services are recognized when persuasive evidence of an arrangement exists, on site installation has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. For contract revenues earned over a long period, 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.

#### *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.

#### *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.

Accounts receivable are classified as loans and receivables, and are recorded at amortized cost.

Accounts payable, accrued liabilities and long-term debt are classified as "other liabilities" and are 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

February 28, 2009 and February 29, 2008

(unaudited)

### 2. Accounting policies (continued)

#### *Future accounting changes*

The CICA has issued new accounting standards:

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

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 interim and annual consolidated financial statements.

#### *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 interim and annual consolidated financial statements.

### 3. Capital management

The Company uses its capital to finance marketing expenses, research and development activities, administrative and working capital and capital assets. Historically, the Company has financed activities through rounds of public and private financing, debt financing as well as government grants.

The Company quarterly reviews net loss and burn rate. Burn rate is defined by the Company as the cash flows from operating activities without taking in consideration changes in non-cash operating working capital items.

	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
	\$	\$	\$	\$
Net loss	(681,577)	(402,764)	(1,236,926)	(749,861)
Burn rate	(574,805)	(315,177)	(1,019,904)	(578,711)

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 3. Capital management (continued)

The Company targets to improve these ratios which negatively vary for the first and second quarter 2009 compare to first and second quarter 2008. The Company believes that its current liquid assets are sufficient to finance its activities on the short term.

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. Under the terms and conditions of the credit agreement, the Company is subject to certain covenants with respect to maintaining minimum financial ratios related to the maintenance of a maximum ratio of 3 to 1 for total debt to equity, and a ratio of at least than 1.5 to 1 for debt to working capital, with a minimum working capital of \$200,000. These ratios apply equally to long-term debt valued at \$67,467. Another loan, valued at \$13,508, is subject to a maximum total debt to equity ratio of 2.5 to 1, and a ratio of at least 1.5 to 1 for working capital. The covenants are met as of February 28, 2009.

### 4. Financial instruments

#### *Cash equivalents and temporary investments*

The Company is exposed to various types of risks in the management of its cash and cash equivalents, including those related to the use of financial instruments. To manage these risks, controls were put in place, particularly those related to investment policy. The investment policy is approved by the Board of Directors. The Company's investment policy aims primarily to protect capital, while considering return on investment and income taxes.

#### *Market Risk*

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the parameters underlying their measurement, particularly interest rates and market prices.

#### *Interest Rate Risk*

Interest rate risk exists when interest rate fluctuations modify the cash flows of the Company's investments. The Company owns investments with fixed interest rates. As of February 28, 2009, the Company was holding more than 94.2% of its cash equivalents portfolio in all time redeemable term-deposit.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

#### 4. Financial instruments (continued)

##### *Financial charges (income)*

	Three months ended		Six months ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
	\$	\$	\$	\$
Interest and bank charges	4,210	(380)	8,968	2,103
Interest on long-term debt	5,955	13,322	13,513	35,440
Gain on foreign currency translation	(35,920)	1,255	(95,830)	8,516
Interest income	(19,676)	(12,119)	(48,437)	(29,911)
	(45,431)	2,078	(121,786)	16,148

##### *Credit Risk*

The use of financial instruments can create a credit risk that is the risk of financial loss resulting from a counterparty's inability or refusal to fully discharge its contractual obligations. 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.

##### *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 of February 28, 2009, the Company was holding more than 94.2% of its cash equivalents portfolio in all time redeemable term-deposit.

##### *Operational credit risk*

The Company provides credit for a conventional period of 30 days 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 27% of the Company's accounts receivable as at February 28, 2009.

As at February 28, 2009, more than 26% of the accounts receivables were of more than 90 days whereas more than 33% of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On February 28, 2009, the bad debt provision was established at \$14,000 (\$14,031 on August 31, 2008).

Management considers that substantially all receivables are fully collectible as most of our customers are large corporations with good credit standing and no history or default.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

#### 4. Financial instruments (continued)

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

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

Assuming the cash equivalents and long-term debt as reported on February 28, 2009 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$521 and \$1,106 on the net loss for the respective three-month and six-month periods ended February 28, 2009. The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

##### *Foreign exchange risk*

The Company realizes certain sales 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.

For the three-month and six-month periods ended February 28, 2009, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, after-tax net income and other comprehensive income would have been respectively \$26,000 and \$63,000 lower. Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar with all other variables held constant, after-tax net income and other comprehensive income would have been \$26,000 and \$63,000 higher for the same periods.

As at February 28, 2009, the risk to which the Company was exposed to established as follows:

---

	\$
Cash	118,141
Accounts receivable	364,139
Accounts payable and accrued liabilities	(41,003)
<b>Total</b>	<b>441,277</b>

---

##### *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.

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 4. Financial instruments (continued)

#### *Liquidity Risk*

Liquidity risk represents the possibility of the Company not being able to raise the funds needed to meet financial commitments at the appropriate time and under reasonable conditions. The Company manages this risk by maintaining permanent and sufficient liquidity to meet current and future financial obligations, under both normal and exceptional circumstances. The funding strategies used to manage this risk include turning to capital markets to carry out issues of equity and debt securities.

The following are the contractual maturities of the financial liabilities, principal and interest (assuming current interest rates), at February 28, 2009:

	Total	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	540,111	540,111	-	-	-
Long-term debt	483,558	162,272	142,033	179,253	-
Obligation under capital lease	54,204	24,242	21,575	8,387	-
Commitments	800,754	224,789	170,184	405,781	-
<b>Total</b>	<b>1,878,627</b>	<b>951,414</b>	<b>333,792</b>	<b>593,421</b>	<b>-</b>

### 5. 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

February 28, 2009 and February 29, 2008

(unaudited)

### 5. 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	<u>44,377</u>
<b>Net identifiable assets acquired</b>	23,676
<b>Goodwill*</b>	<u>676,574</u>
<b>Purchase price</b>	700,250
<b>Less :</b>	
Cash acquired	6,029
Issuance of shares in connection with the acquisition	<u>525,574</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").

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

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

#### a) Share capital

*Authorized*, unlimited number

Common shares, voting and participating without par value

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

*Issued and fully paid*

	Number	Amount
		\$
Balance at beginning of year	40,431,677	10,257,259
Share issuance – Warrants exercised (Note 5a)i)	50,000	28,000
Balance as at February 28, 2009	40,481,677	10,285,259

#### i) Warrants exercised

During the six-month period ended February 28, 2009, 50,000 warrants entitling their holders to acquire one common share of the Company at a price of \$0.40 per share were exercised for a total amount of \$20,000. The book value of the exercised warrants was transferred to Share capital for an amount of \$8,000.

#### b) Stock options

The Company changed the stock option plan on January 20, 2009. 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. These options generally vest over a four-year period, except for 540,000 outstanding options granted which are completely vested at grant.

The compensation expense in regards to the stock option plan included in the administrative expenses for the six-month period ended February 28, 2009 is \$126,811 (\$93,448 for the period ended February 29, 2008).

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

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

#### b) Stock options (continued)

The situation of the outstanding stock option plan and the changes that took place during the six-month period ended February 28, 2009 are as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding at beginning of year	2,242,500	0.65
Options granted	300,000	0.46
Options cancelled	(10,000)	0.87
<b>Outstanding at end of the year</b>	<b>2,532,500</b>	<b>0.63</b>
<b>Options exercisable at end of the year</b>	<b>1,077,500</b>	<b>0.59</b>

The table below provides information on the outstanding stock options as at February 28, 2009:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.40	90,000	-	4.77
0.42	50,000	-	4.89
0.45	50,000	25,000	2.76
0.50	1,210,000	725,000	2.86
0.60	20,000	-	4.49
0.72	500,000	125,000	3.78
0.80	150,000	112,500	3.41
0.87	262,500	40,000	4.15
0.95	200,000	50,000	3.13
	<b>2,532,500</b>	<b>1,077,500</b>	<b>3.35</b>

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

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

#### c) Warrants

The situation of the outstanding warrants and the changes that took place during the period ended February 28, 2009 are as follows:

	Number of warrants	Weighted average exercise price \$
Outstanding at beginning of year	8,104,453	0.74
Warrants exercised (Note 5a)i)	(50,000)	0.40
Warrants expired during the period (Note 5c)i)	(5,369,111)	0.59
Outstanding at end of year	2,685,342	1.06
Warrants exercisable at end of year	2,685,342	1.06

#### i) Warrants expired

For the period ended February 28, 2009, 393,000, 111,111 and 4,865,000 warrants entitling its holder to acquire one common share of the Company at a price of \$0.40, \$0.55 and \$0.60 per share respectively expired.

The table below provides information on the outstanding warrants as at February 28, 2009:

Exercise price \$	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
0.80	329,779	329,779	1.11
1.10	2,355,563	2,355,563	1.11
	2,685,342	2,685,342	1.11

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 7. Loss per share

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

	Three-month period ended February 28/29		Six-month period ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Numerator</b>				
Net loss	(681,577)	(402,764)	(1,236,926)	(749,861)
Amount available for calculating the loss per share				
	(681,577)	(402,764)	(1,236,926)	(749,861)
<b>Denominator</b>				
Number of shares				
Weighted average number of shares outstanding	40,481,677	34,543,842	40,468,694	33,889,462
Dilutive effect of stock options and warrants	-	-	-	-
Weighted average number of shares outstanding on diluted basis				
	40,481,677	34,543,842	40,468,694	33,889,462
<b>Amount per share</b>				
Net loss per share				
Basic	(0,02)	(0,01)	(0,03)	(0,02)
Diluted	(0,02)	(0,01)	(0,03)	(0,02)

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 \$0.40 and \$0.45, would have been dilutive and would have resulted in the addition of – share and 2,468 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for the respective three-month and six-month period ended February 28, 2009 (2,396,376 and 2,410,030 as at February 29, 2008).

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

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

	Second quarter		Six-month period	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Accounts receivable	210,295	(75,489)	224,910	(439,828)
Income tax credits receivable	(47,340)	(39,959)	(96,846)	(89,673)
Work in progress	24,530	(64,291)	202,781	(64,291)
Inventories	(138,102)	(69,718)	(279,954)	(112,547)
Prepaid expenses	139	(45,114)	39,970	(73,441)
Accounts payable and accrued liabilities	(274,984)	12,782	(7,093)	102,789
	(225,462)	(281,789)	83,768	(676,991)
<i>Other information</i>				
Interests paid	6,327	13,322	18,842	35,440
Cash	146,706	93,957	146,706	93,957
Short-term investments	2,389,396	965,520	2,389,396	965,520
	2,536,102	1,059,477	2,536,102	1,059,477

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 9. 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 \$582,738.

Opsens Solutions Inc. rents an office in Alberta with respect to an operating lease expiring on May 30, 2009. Future lease payments will amount to \$3,000.

Opsens Solutions Inc. rents two vehicles under operating lease expiring in November 2010 and October 2013. Future rent payments will amount to \$49,016.

Future payments for the leases and other commitments, totaling \$800,754, required in each of the next five years are as follows:

	\$
2009	224,789
2010	170,184
2011	158,369
2012	128,869
2013	118,543

#### *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.

### 10. 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 generally 12 months. During the three-month and six-month period ended February 28, 2009, the Company recognized an expense for \$462 (\$ - for the three-month and six-month periods ended February 29, 2008) for guarantees. A provision for \$20,462 (\$20,000 as at August 31, 2008) 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

February 28, 2009 and February 29, 2008

(unaudited)

### 11. 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.

	Second quarter ended		Six-month period ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
	\$	\$	\$	\$
Professional fees to a company controlled by a shareholder and director	-	-	-	15,000

### 12. 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 Inc.) is specialized in the commercialization and the installation of optical and conventional sensors for the oil and gas industry.

Same accounting policies are used for both reportable segments. Operations are carried out in the normal course of operations and are measured at the exchange value.

	Three-month period ended February 28, 2009			Three-month period ended February 29, 2008		
	Opsens inc.	Opsens Solutions Inc.	Total	Opsens inc.	Opsens Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	493,326	112,837	606,163	450,612	186,661	637,273
Internal sales	29,355	-	29,355	-	-	-
Amortization of property, plant and equipment	36,117	2,623	38,740	20,204	555	20,759
Amortization of intangible assets	6,411	-	6,411	5,689	8,430	14,119
Financial expenses	(55,560)	10,129	(45,431)	1,721	357	2,078
Net loss	(412,663)	(268,914)	(681,577)	(400,893)	(1,871)	(402,764)
Acquisition of property, plant and equipment	38,710	4,675	43,385	55,753	35,125	90,878
Acquisition of intangible assets	10,503	-	10,503	15,568	-	15,568
Segment assets	4,807,926	878,921	5,686,847	2,821,385	731,270	3,552,655

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 12. Segmented information (continued)

	Six-month period ended February 28, 2009			Six-month period ended February 29, 2008		
	Opsens			Opsens		
	Opsens inc.	Solutions Inc.	Total	Opsens inc.	Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	1,010,232	207,824	1,218,056	1,019,321	186,661	1,205,982
Internal sales	50,079	-	50,079	-	-	-
Amortization of property, plant and equipment	69,572	4,947	74,519	38,776	555	39,331
Amortization of intangible assets	11,432	-	11,432	10,543	8,430	18,973
Financial expenses	(139,959)	18,173	(121,786)	15,791	357	16,148
Net loss	(750,386)	(486,540)	(1,236,926)	(747,990)	(1,871)	(749,861)
Acquisition of property, plant and equipment	189,933	11,547	201,480	72,348	35,125	107,473
Acquisition of intangible assets	16,378	-	16,378	27,846	-	27,846
Segment assets	4,807,926	878,921	5,686,847	2,821,385	731,270	3,552,655

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

	Three-month period ended February 28/29		Six-month period ended February 28/29	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue per geographic sector				
Canada	115,902	188,899	231,565	203,011
United States	88,182	136,050	373,992	469,939
Germany	225,848	108,537	265,375	161,961
United Kingdom	29,699	31,017	84,433	179,930
France	1,583	115,325	1,881	121,453
Mexico	36,505	4,468	128,284	4,468
Other	108,444	52,977	132,526	65,220
	606,163	637,273	1,218,056	1,205,982

# Opsens Inc.

## Notes to the Consolidated Financial Statements

February 28, 2009 and February 29, 2008

(unaudited)

### 12. Segmented information (continued)

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 three-month and the six-month periods ended February 28, 2009, revenues from two clients represent individually more than 10 % of the total revenues of the company, i.e. approximately 36.86% (Opsens Inc.'s reportable segment), 16.86% (Opsens Solutions Inc.'s reportable segment) and 13.23 % (Opsens Inc.'s reportable segment), 21.59% (Opsens Inc.'s reportable segment) respectively. For the three-month and the six-month periods ended February 29, 2008, revenues from four clients represent respectively 23.49% (Opsens Solutions Inc.'s reportable segment), 18.52% (Opsens Inc.'s reportable segment), 16.86% (Opsens Inc.'s reportable segment), 12.37% (Opsens Inc.'s reportable segment) and 25.76% (Opsens Inc.'s reportable segment), 18.91% (Opsens Inc.'s reportable segment), 14.51% (Opsens Solutions Inc.'s reportable segment), 13.47% (Opsens Inc.'s reportable segment) of the Company's total revenues.

### 13. Subsequent events

After February 28, 2009, 150,000 stock options with an exercise price of \$0.50 were cancelled.

### 14. Comparative figures

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