

Consolidated Financial Statements

Opsens Inc.

August 31, 2009 and 2008

Opsens Inc.

August 31, 2009 and 2008

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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, 2009 and 2008 and the consolidated statements of loss and comprehensive loss, shareholders' equity 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, 2009 and 2008 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 9, 2009

¹ Chartered accountant auditor permit n° 11848

Opsens Inc.

Consolidated Statements of Loss and Comprehensive Loss Years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
Revenues		
Sales	3,087,816	2,844,239
Cost of sales	1,999,843	1,432,385
Gross margin	1,087,973	1,411,854
Expenses (Revenues)		
Administrative	1,178,659	984,316
Marketing	871,972	730,309
Research and development	827,406	698,957
Stock option-based compensation (Note 14b)	229,408	252,576
Amortization of property, plant and equipment	164,460	100,257
Amortization of intangible assets	21,387	40,340
Financial income	(34,687)	(58,213)
	3,258,605	2,748,542
Loss before income taxes	(2,170,632)	(1,336,688)
Income taxes (Note 20)	-	-
Net loss and comprehensive loss	(2,170,632)	(1,336,688)
Net loss per share (Note 15)		
Basic	(0.05)	(0.04)
Diluted	(0.05)	(0.04)

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

Additional information on the Statements of Loss is presented in Note 24.

Opsens Inc.

Consolidated Statements of Shareholders' Equity

Year ended August 31, 2009

	2009									
	Common shares	Warrant	Stock options	Total	Common Shares	Stock options	Warrant	Contributed surplus	Deficit	Total
	(number)	(number)	(number)	(number)	\$	\$	\$	\$	\$	\$
Balance as at August 31, 2008	40,431,677	8,104,453	2,242,500	50,778,630	10,257,259	554,528	1,400,069	-	(6,382,486)	5,829,370
Share issuance – Private placement	2,916,667	204,167	-	3,120,834	1,750,000	-	59,055	-	-	1,809,055
Share issuance – Warrants exercised	50,000	(50,000)	-	-	28,000	-	(8,000)	-	-	20,000
Issuance expenses on equity component	-	-	-	-	-	-	-	-	(175,588)	(175,588)
Warrants expired (Note 14c)	-	(5,369,111)	-	(5,369,111)	-	-	(595,047)	595,047	-	-
Options granted	-	-	705,500	705,500	-	-	-	-	-	-
Options cancelled	-	-	(160,000)	(160,000)	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	229,408	-	-	-	229,408
Net loss	-	-	-	-	-	-	-	-	(2,170,632)	(2,170,632)
Balance as at August 31, 2009	43,398,344	2,889,509	2,788,000	49,075,853	12,035,259	783,936	856,077	595,047	(8,728,706)	5,541,613

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

Opsens Inc.

Consolidated Statements of Shareholders' Equity

Year ended August 31, 2008

2008

	Common shares	Warrant	Stock options	Total	Common Shares	Stock options	Warrant	Contributed surplus	Deficit	Total
	(number)	(number)	(number)	(number)	\$	\$	\$	\$	\$	\$
Balance as at August 31, 2007	32,628,610	6,902,722	2,033,333	41,564,665	5,332,483	408,701	834,506	-	(4,587,145)	1,988,545
Share issuance – Inflo Solutions Inc. acquisition (Note 6)	1,199,997	-	-	1,199,997	525,574	-	-	-	-	525,574
Share issuance – options exercised	408,333	-	(408,333)	-	244,249	(106,749)	-	-	-	137,500
Share issuance – warrants exercised	1,483,611	(1,483,611)	-	-	1,042,253	-	(207,642)	-	-	834,611
Share issuance – Private placement	4,711,126	-	-	4,711,126	3,112,700	-	-	-	-	3,112,700
Warrants issuance	-	2,685,342	-	2,685,342	-	-	773,205	-	-	773,205
Issuance expenses on equity component	-	-	-	-	-	-	-	-	(532,340)	(532,340)
Options granted	-	-	912,500	912,500	-	-	-	-	-	-
Options cancelled	-	-	(295,000)	(295,000)	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	252,576	-	-	-	252,576
Net loss	-	-	-	-	-	-	-	-	(1,336,688)	(1,336,688)
Changes in accounting policies (Note 2)	-	-	-	-	-	-	-	-	73,687	73,687
Balance as at August 31, 2008	40,431,677	8,104,453	2,242,500	50,778,630	10,257,259	554,528	1,400,069	-	(6,382,486)	5,829,370

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

Opsens Inc.

Consolidated Balance Sheets

August 31, 2009 and 2008

	2009	2008
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 16)	2,887,085	3,742,520
Accounts receivable (Note 7)	573,310	743,951
Income tax credits receivable (Note 20)	214,624	183,950
Work in progress	-	237,551
Inventories (Note 8)	1,125,260	453,271
Prepaid expenses	80,198	100,454
	4,880,477	5,461,697
Property, plant and equipment (Note 9)	723,424	554,180
Intangible assets (Note 10)	169,799	159,768
Goodwill	676,574	676,574
	6,450,274	6,852,219
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 12)	518,782	547,204
Current portion of long-term debt (Note 13)	133,440	223,265
	652,222	770,469
Long-term debt (Note 13)	256,439	252,380
	908,661	1,022,849
Shareholders' equity		
Share capital (Note 14a)	12,035,259	10,257,259
Stock options (Note 14b)	783,936	554,528
Warrants (Note 14c)	856,077	1,400,069
Contributed surplus	595,047	-
Deficit	(8,728,706)	(6,382,486)
	5,541,613	5,829,370
	6,450,274	6,852,219

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

References:

Commitments (Note 17)
Contractual guarantees (Note 18)

Approved by the Board

Signed [Mario Jacob] Director

Signed [Pierre Carrier] Director

Opsens Inc.

Consolidated Statements of Cash Flows Years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
Operating activities		
Net loss	(2,170,632)	(1,336,688)
Adjustments for:		
Amortization of property, plant and equipment	164,460	100,257
Amortization of intangible assets	21,387	40,340
Premium payable to <i>Canada Economic Development</i>	24,353	16,799
Premium payable to <i>Investissement Québec</i>	8,520	8,520
Stock option-based compensation	229,408	252,576
Changes in non-cash operating working capital items (Note 16)	(302,637)	(811,991)
	(2,025,141)	(1,730,187)
Investing activities		
Acquisition of property, plant and equipment	(333,704)	(315,144)
Acquisition of intangible assets	(31,418)	(37,664)
Cash and cash equivalents paid in business combination (Note 6)	-	(168,647)
	(365,122)	(521,455)
Financing activities		
Increase in long-term debt	84,295	72,966
Reimbursement of long-term debt	(202,934)	(243,859)
Issuance of equity component	1,770,000	4,741,011
Issuance of equity component expenses	(116,533)	(415,335)
	1,534,828	4,154,783
Increase (decrease) in cash and cash equivalents	(855,435)	1,903,141
Cash and cash equivalents at beginning	3,742,520	1,839,379
Cash and cash equivalents at end	2,887,085	3,742,520

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

Additional information is presented in Note 16.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

1. Description of business

The Company, issued from a merger completed as of October 3, 2006, is incorporated under part IA of the *Québec Companies Act*. The Company specializes in developing and manufacturing technical and scientific instruments.

2. Changes in accounting policies

Changes applied for the exercise ended August 31, 2008

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 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. This new policy has no impact on the current consolidated financial statements.

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.

Changes applied for the exercise ended August 31, 2008

On September 1, 2007, the Company adopted the new accounting standards issued by the 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.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

2. Changes in accounting policies (continued)

Changes applied for the exercise ended August 31, 2008 (continued)

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, 2009 and 2008

2. Changes in accounting policies (continued)

Future accounting changes

The CICA has issued new accounting standards:

- a) 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.
- b) In January 2009, the CICA issued Handbook Section 1582, Business Combinations, replacing Section 1581, Business Combinations. The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. As this section is consistent with IFRS, it will be applied in accordance with our IFRS conversion framework.
- c) In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, non-controlling interests, which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. As these sections are consistent with IFRS, they will be applied in accordance with our IFRS conversion framework.

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 changeover date applies to the annual and interim financial statements beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules.

The Company is currently assessing the future impact of these new standards on its financial information systems and its consolidated financial statements.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

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

Inventories are valued at the lower of cost and 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, 2009 and 2008

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.

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 the corresponding shareholder's equity account. When stock options or warrants are exercised, the corresponding account and the proceeds received by the Company are credited to share capital.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

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

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.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

3. Accounting policies (continued)

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.

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.

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 August 31, 2009, the Company was holding more than 85.4% of its cash equivalents in all time redeemable term-deposit.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

4. Financial instruments (continued)

Financial charges (income)

	2009	2008
	\$	\$
Interest and bank charges	25,599	13,173
Interest on long-term debt	42,684	48,964
Gain on foreign currency translation	(20,524)	(32,809)
Interest income	(82,446)	(87,541)
	(34,687)	(58,213)

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 August 31, 2009, the Company was holding more than 85.4% 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. Four major customers represent 50.73% of the Company's accounts receivable as at August 31, 2009.

As at August 31, 2009, 23.66% of the accounts receivable were of more than 90 days whereas 33.49% of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On August 31, 2009, the bad debt provision was established at \$14,678 (\$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.

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 August 31, 2009 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$1,975 and \$2,926 on the net loss for the years ended August 31, 2009 and 2008. The net loss would have had an equal but opposite effect for a hypothetical 1% interest rate decrease.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

4. Financial instruments (continued)

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 years ended August 31, 2009 and 2008, 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 \$138,000 and \$168,000 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 \$138,000 and \$168,000 higher for the same periods.

As at August 31, 2009, the risk to which the Company was exposed is established as follows:

	2009
	\$
Cash	78,752
Accounts receivable	471,847
Accounts payable and accrued liabilities	(30,545)
Total	520,054

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.

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.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

4. Financial instruments (continued)

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities, principal and interest (assuming current interest rates), at August 31, 2009:

	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	518,782	518,782	-	-	-
Long-term debt	423,573	150,072	137,952	135,549	-
Obligation under capital lease	88,827	33,904	22,829	32,094	-
Commitments	749,986	231,677	175,862	342,447	-
Total	1,781,168	934,435	336,643	510,090	-

5. 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 Earnings before Interest, Taxes, Depreciation, Amortization and Stock option-based compensation "EBITDAO". The EBITDAO has no normalized sense prescribed by the CICA. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. The EBITDAO is defined by the Company as the cash flows from operating activities without taking in consideration changes in non-cash operating working capital items.

	2009	2008
	\$	\$
Net loss	(2,170,632)	(1,336,688)
Financial income	(34,687)	(58,213)
Amortization of property, plant and equipment	164,460	100,257
Amortization of intangible assets	21,387	40,340
Stock option-based compensation	229,408	252,576
EBITDAO	(1,790,064)	(1,001,728)

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

5. Capital management (continued)

The Company targets to improve these ratios which negatively vary for the year ended August 31, 2009 compare to the same period in 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 for debt to working capital, with a minimum working capital of \$200,000. The covenants are met as of August 31, 2009.

6. 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.

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, 2009 and 2008

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

* Goodwill is not deductible for income taxes calculation.

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

7. Accounts receivable

	2009	2008
	\$	\$
Trade	537,573	729,406
Allowance for doubtful accounts	(14,678)	(14,031)
Taxes receivable	50,415	28,576
	<u>573,310</u>	<u>743,951</u>

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

8. Inventories

	2009	2008
	\$	\$
Raw materials	636,084	380,885
Finished goods	489,176	72,386
	1,125,260	453,271

9. Property, plant and equipment

	2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office furniture and equipment	74,483	32,283	42,200
Leased office furniture and equipment	8,326	5,875	2,451
Production equipment	113,514	37,366	76,148
Leased Automotive equipment	59,028	10,963	48,065
Research and development equipment, net of income tax credits of \$23,834	734,428	300,469	433,959
Research and development computer equipment, net of income tax credits of \$3,078	27,122	18,617	8,505
Computer equipment	111,269	44,466	66,803
Leased computer equipment	29,009	8,703	20,306
Leasehold improvements	39,908	14,921	24,987
	1,197,087	473,663	723,424

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

9. Property, plant and equipment (continued)

	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
	863,385	309,205	554,180

10. Intangible assets

	2009		
	Cost	Accumulated amortization	Net Book value
	\$	\$	\$
Indefinite lives			
Trademarks	200	-	200
Limited lives			
Patents	203,454	46,414	157,040
Software, net of income tax credits of \$1,518	41,578	29,019	12,559
	245,232	75,433	169,799

	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
	213,814	54,046	159,768

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

11. 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 (see Note 5).

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%.

12. Accounts payable and accrued liabilities

	2009	2008
	\$	\$
Suppliers	491,461	527,204
Provision for warranty (Note 18)	27,321	20,000
	518,782	547,204

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

13. Long-term debt

	2009	2008
	\$	\$
Contributions repayable to <i>Canada Economic Development</i> , without interest, repayable in five equal and consecutive annual instalments effective of 39,567 and \$20,000, maturing in February 2012 and June 2013		
Debt balance	198,696	258,263
Imputed interest	(42,707)	(67,060)
	155,989	191,203
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	104,190	126,330
<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 reimbursed during year end 2009	-	58,417
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	55,561	77,132
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$1,367, including interest and a final payment of \$1,417, maturing in December 2010	19,211	-
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	2,054	2,964
Amounts carried forward	337,005	456,046

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

13. Long-term debt

	2009	2008
	\$	\$
Amounts carried forward	337,005	456,046
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	4,689	5,663
Capital lease, bearing interest at 9.7%, payable in monthly instalments of \$837, including interest and a final payment of \$837 maturing in April 2014	37,632	-
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	10,553	13,936
	389,879	475,645
Current portion	133,440	223,265
	256,439	252,380

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

	Obligations – Capital lease			Other	Debt and principal portion of capital lease
	Total payments	Imputed interest	Principal payments	debts	
	\$	\$	\$	\$	\$
2010	33,904	6,629	27,275	106,165	133,440
2011	22,829	3,678	19,151	107,090	126,241
2012	15,343	2,210	13,133	62,657	75,790
2013	10,047	1,099	8,112	39,828	47,940
2014	6,703	236	6,468	-	6,468

Under the terms and conditions of the agreement on long-term debt with its financial institution, the Company is subject to certain covenants with respect to maintaining minimum financial ratios (see Note 5).

Opsens Inc.

Notes to the Consolidated Financial Statements August 31, 2009 and 2008

14. Share capital, stock options and warrants

a) Share capital

Authorized, unlimited number

Common shares, voting and participating without par value

Year ended August 31, 2009

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 i)	50,000	28,000
Share issuance – Private placement ii)	2,916,667	1,750,000
Balance as at August 31, 2009	43,398,344	12,035,259

i) Warrants exercised

During the year ended August 31, 2009, 50,000 warrants entitling their holders to acquire one common share of the Company at an average 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.

ii) Private Placement

On June 25, 2009, the Company realized a private placement of 2,916,667 shares at a price of \$0.60 per unit for gross proceeds of \$1,750,000. Opsens paid to the Agents a cash commission equal to \$87,500 and issue broker compensation warrants entitling the Agents to purchase 204,167 common shares of Opsens. The Broker Warrants shall be issuable at an exercise price of \$0.60 for a period of 24 months from the closing of the Offering.

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 6)	1,199,997	525,574
Share issuance – options exercised	408,333	244,249
Share issuance – warrants exercised iii)	1,483,611	1,042,253
Share issuance – Private placement iv)	4,711,126	3,112,700
Balance as at August 31, 2008	40,431,677	10,257,259

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

14. Share capital, stock options and warrants

a) *Common share capital* (continued)

iii) *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.

iv) *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. The warrants will expire 30 days after actual or deemed receipt, by the warrants holders, of the notice confirming the occurrence of such an event.

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.

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 580,000 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 year ended August 31, 2009 is \$229,408 (\$252,576 for the year ended August 31, 2008).

Opsens Inc.

Notes to the Consolidated Financial Statements August 31, 2009 and 2008

14. 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 1.57% 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, 2009 and 2008 are as follows:

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of year	2,242,500	0.65	2,033,333	0.53
Options granted	705,500	0.40	912,500	0.77
Options cancelled	(160,000)	0.52	(295,000)	0.58
Options exercised	-	-	(408,333)	0.34
Outstanding at end of the year	2,788,000	0.61	2,242,500	0.65
Options exercisable at end of the year	1,228,125	0.61	765,000	0.59

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

14. 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, 2009:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.37	305,500	40,000	4.64
0.40	90,000	-	4.27
0.42	50,000	-	4.39
0.45	50,000	25,000	2.26
0.50	1,060,000	725,000	2.11
0.60	70,000	5,000	4.59
0.64	50,000	-	4.79
0.72	500,000	125,000	3.28
0.80	150,000	112,500	2.91
0.87	262,500	95,625	3.64
0.95	200,000	100,000	2.62
	2,788,000	1,228,125	3.05

c) Warrants

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

	Units issued	Broker compensation warrant
Exercisable price	\$1.10	\$0.60 and \$0.80
Risk-free interest rates	2.72%	From 1.33% to 2.72%
Expected volatility	76%	From 76% to 90%
Expected dividend yield on shares	- %	- %
Duration	2 years	2 years
Fair value by warrant	\$0.28	\$0.29 and \$0.35

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

14. 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, 2009 and 2008 are as follows:

	2009		2008	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding at beginning of year	8,104,453	0.74	6,902,722	0.58
Warrants issued, private placement (Note 14 a) <i>ii</i>)	204,167	0.60	-	-
Warrants cancelled	(5,369,111)	0.56	-	-
Warrants exercised during the year 2009 (Note 14 a) <i>i</i>)	(50,000)	0.40	-	-
Warrants exercised during the period 2008 (Note 14a) <i>iii</i>)	-	-	(1,483,611)	0.56
Warrants issued, private placement (Note 14a) <i>iv</i>)	-	-	2,355,563	1.10
Warrants issued, private placement (Note 14a) <i>iv</i>)	-	-	329,779	0.80
Outstanding at end of year	2,889,509	1.03	8,104,453	0.74
Warrants exercisable at end of year	2,889,509	1.03	8,104,453	0.74

The table below provides information on the outstanding warrants as at August 31, 2009:

Exercise price \$	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
0.60	204,167	204,167	1.82
0.80	329,779	329,779	0.60
1.10	2,355,563	2,355,563	0.60
	2,889,509	2,889,509	0.69

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

15. Loss per share

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

	<u>2009</u>	<u>2008</u>
	\$	\$
Numerator		
Net loss	<u>(2,170,632)</u>	<u>(1,336,688)</u>
Amount available for calculating the loss per share	<u>(2,170,632)</u>	<u>(1,336,688)</u>
Denominator		
Number of shares		
Weighted average number of shares outstanding	41,010,627	36,327,185
Dilutive effect of stock options and warrants	-	-
Weighted average number of shares outstanding on diluted basis	<u>41,010,627</u>	<u>36,327,185</u>
Amount per share		
Net loss per share		
Basic	(0.05)	(0.04)
Diluted	<u>(0.05)</u>	<u>(0.04)</u>

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 \$0.37, \$0.42, \$0.45, \$0.50 and \$0.60, would have been dilutive and would have resulted in the addition of 106,072 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for year ended August 31, 2009 (2,434,422 as at August 31, 2008).

Opsens Inc.

Notes to the Consolidated Financial Statements August 31, 2009 and 2008

16. Additional information on the Statements of Cash Flows

	2009	2008
	\$	\$
<i>Changes in non-cash operating working capital items (net of effects of the business acquisition)</i>		
Accounts receivable	170,641	(584,425)
Income tax credits receivable	(30,674)	(6,595)
Inventories	(671,989)	(78,450)
Work in progress	237,551	(237,551)
Prepaid expenses	20,256	(66,837)
Accounts payable and accrued liabilities	(28,422)	181,867
Deferred revenue	-	(20,000)
	(302,637)	(811,991)

Cash and cash equivalents

Cash	422,168	147,574
Short-term investments	2,464,917	3,594,946
	2,887,085	3,742,520

Other information

Interests paid	49,456	56,283
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Non-cash transactions

On June 25, 2009, Opsens issued broker compensation warrants entitling the Agents to purchase 204,167 common shares of Opsens at an exercise price of \$0.60 per share for a book value of \$59,055.

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.

The Company concluded the acquisition of all outstanding shares at December 11, 2007 of Inflo Solutions Inc. ("Inflo") by the issuance of 1,199,997 Opsens common shares with a book value of \$525,574.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

17. 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 \$523,477.

Opsens Solutions rents three vehicles under an operating lease expiring in November 2010, September 2013 and October 2013. Future rent payments will amount to \$81,509.

Future payments for the leases and other commitments, totaling \$749,986, required in each of the next five years are as follows:

	\$
2010	231,677
2011	175,862
2012	147,257
2013	138,757
Thereafter	56,433

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.

18. 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, 2009, the Company recognized an expense of \$7,321 (\$3,688 for the year ended August 31, 2008) for guarantees. A provision for \$27,321 (\$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.

19. Government assistance

Industrial Research Assistance Programme (IRAP)

Under an agreement reached with the National Research Council with respect to the Industrial Research Assistance Programme (IRAP), the Company may receive non-refundable contributions for a maximum amount of \$498,500 to cover some of its incurred costs to carry out a development project of medical devices sensors. For the year ended August 31, 2009, the Company recorded contributions totalling \$22,116 which were accounted for against Research and development fees.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

19. Government assistance (continued)

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, training and product conception. During the year ended August 31, 2009, the Company received a cash contribution of \$45,640 which was recorded against research and development, marketing and administrative expenses.

During the year ended August 31, 2009, the Company received a cash contribution of \$4,856 from Emploi Québec. This amount was recorded against research and development expenses.

20. 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:

	2009	2008
	\$	\$
Income tax recovery using the combined federal and provincial statutory tax rate	(657,312)	(411,847)
Non-deductible expenses	478,946	88,566
Deductible financing fees	(102,007)	(57,801)
Non-taxable income tax credits	(77,450)	(18,123)
Losses carried forward	357,823	399,205
Income tax using effective income tax rate	-	-

As at August 31, 2008, the Company has tax losses of approximately \$4,037,400 for federal purposes and \$4,039,400 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	\$	\$
2015	96,000	121,000
2023	483,000	463,000
2024	42,000	40,000
2025	400	400
2027	1,524,000	1,509,000
2028	691,000	692,000
2029	1,201,000	1,214,000
	4,037,400	4,039,400

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

20. Income taxes (continued)

The Company also has undeducted research and development expenses in the amount of \$2,411,000 for federal purposes and \$3,535,000 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.

21. Income tax credits for scientific research and experimental development

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

	2009	2008
	\$	\$
Federal	2,434,000	1,175,000
Provincial	1,695,000	597,000

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

	2009	2008
	\$	\$
Federal	-	-
Provincial	214,624	158,975
	214,624	158,975

These credits were recorded in
research and development expenses
in the statements of loss

	214,624	158,975
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These credits were recorded
against the related property, plant
and equipment

	-	-
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Reimbursable scientific research income tax credits earned	214,624	158,975
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Reimbursable scientific research income tax credits earned for the year ended August 31, 2009 have not yet been reviewed by the taxation authorities, and the amounts granted could differ from those that have been recorded.

Over the years, the Company qualified to federal Research and development credit, which were non refundable and could be used against Part I Company tax. The accumulated credit for the year ended on August 31, 2009 is about \$655,000 and expired on a 10 years period beginning in 2014.

Opsens Inc.

Notes to the Consolidated Financial Statements

August 31, 2009 and 2008

22. 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.

	2009	2008
	\$	\$
Professional fees to a company controlled by a shareholder and director	-	30,000
	-	30,000

23. 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.

	2009			2008		
	Opsens Opsens inc.	Opsens Solutions	Total	Opsens Opsens inc.	Opsens Solutions	Total
	\$	\$	\$	\$	\$	\$
External sales	2,721,088	366,728	3,087,816	2,248,817	595,422	2,844,239
Internal sales	81,481	-	81,481	4,000	87,094	91,094
Amortization of property, plant and equipment	147,940	16,520	164,460	94,748	5,507	100,255
Amortization of intangible assets	21,387	-	21,387	20,340	20,000	40,340
Financial expenses	(92,939)	58,252	(34,687)	(71,787)	13,574	(58,213)
Net loss	(1,212,563)	(958,069)	(2,170,632)	(1,231,708)	(104,980)	(1,336,688)
Acquisition of property, plant and equipment	256,792	76,912	333,704	270,625	44,519	315,144
Acquisition of intangible assets	31,418	-	31,418	37,664	-	37,664
Segment assets	5,182,350	1,267,924	6,450,274	5,787,433	1,064,786	6,852,219

Opsens Inc.

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23. Segmented information (continued)

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

	2009	2008
	\$	\$
Revenue per geographic sector		
Canada	464,061	651,875
United States	754,214	933,916
Germany	363,586	416,805
United Kingdom	146,767	285,465
Other	1,359,188	556,178
	3,087,816	2,844,239

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, 2009, revenues from two clients represent individually more than 10% of the total revenues of the Company, i.e. approximately 15.92% (Opsens Inc.' reportable segment) and 11.16% (Opsens Inc.'s reportable segment). During the year ended August 31, 2008, revenues from three clients represent approximately 18.09% (Opsens Solutions' reportable segment), 17.62% (Opsens Inc.'s reportable segment) and 13.09% (Opsens Inc.'s reportable segment).

24. Additional information to the Statements of Loss

	2009	2008
	\$	\$
Government assistance	(76,391)	(4,699)
Income tax credits for research and development	(250,648)	(158,975)
Interest and bank charges	25,599	13,173
Interest on demand loan and long-term debt	42,684	48,964
Gain on foreign currency translation	(20,524)	(32,809)
Interest income	(82,446)	(87,541)