

Interim Consolidated Financial Statements

Opsens Inc.

Nine-month periods ended May 31, 2010 and 2009

Opsens Inc.

Notice

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

Opsens Inc.

May 31, 2010

Table of Contents

Consolidated Statements of Loss and Comprehensive Loss.....	1
Consolidated Statements of Shareholders' Equity.	2-3
Consolidated Balance Sheets	4
Consolidated Statements of Cash Flows.....	5
Notes to the Consolidated Financial Statements.....	6-23

Opsens Inc.

Consolidated Statements of Loss and Comprehensive Loss Periods ended May 31, 2010 and 2009

(unaudited)	Third quarter		Nine months	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales	1,468,407	1,279,464	3,586,040	2,497,520
Cost of sales	769,574	610,824	2,111,543	1,496,737
Gross margin	698,833	668,640	1,474,497	1,000,783
Expenses (Revenues)				
Administrative	386,022	262,222	1,121,437	893,247
Marketing	233,165	231,335	652,422	668,557
Research and development	345,507	216,202	818,618	626,048
Stock option-based compensation (Note 5b)	43,269	50,110	145,566	176,921
Amortization of property, plant and equipment	45,291	43,077	131,233	117,596
Amortization of intangible assets	5,311	5,094	25,575	16,526
Financial charges (income) (Note 3)	(18,545)	75,326	2,761	(46,460)
	1,040,020	883,366	2,897,612	2,452,435
Loss before income taxes	(341,187)	(214,726)	(1,423,115)	(1,451,652)
Income taxes	-	-	-	-
Net loss and comprehensive income	(341,187)	(214,726)	(1,423,115)	(1,451,652)
Net loss per share (Note 6)				
Basic	(0.01)	(0.01)	(0.03)	(0.04)
Diluted	(0.01)	(0.01)	(0.03)	(0.04)

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

Opsens Inc.

Consolidated Statements of Shareholders' Equity

Period ended May 31, 2010

(unaudited)

	Common shares	Warrant	Stock options	Total	Common Shares	Warrant	Stock options	Contributed surplus	Deficit	Total
	(number)	(number)	(number)	(number)	\$	\$	\$	\$	\$	\$
Balance as at August 31, 2009	43,398,344	2,889,509	2,788,000	49,075,853	12,035,259	856,077	783,936	595,047	(8,728,706)	5,541,613
Share issuance – Private placement	4,287,500	2,143,750	-	6,431,250	2,958,375	686,000	-	-	-	3,644,375
Warrant issuance – Issuance expenses - Private placement	-	299,299	-	299,299	-	116,727	-	-	-	116,727
Share issuance – Warrants exercised	178,889	(178,889)	-	-	206,580	(63,469)	-	-	-	143,111
Warrants cancelled	-	(2,506,453)	-	(2,506,453)	-	(733,553)	-	733,553	-	-
Share issuance – Stock options	1,250	-	(1,250)	-	1,404	-	(316)	-	-	1,088
Options granted	-	-	40,000	40,000	-	-	-	-	-	-
Options cancelled	-	-	(6,000)	(6,000)	-	-	-	-	-	-
Issuance expenses on equity component	-	-	-	-	-	-	-	-	(462,408)	(462,408)
Stock-based compensation	-	-	-	-	-	-	145,566	-	-	145,566
Net loss	-	-	-	-	-	-	-	-	(1,423,115)	(1,423,115)
Balance as at May 31, 2010	47,865,983	2,647,216	2,820,750	53,333,949	15,201,618	861,782	929,186	1,328,600	(10,614,229)	7,706,957

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

Opsens Inc.

Consolidated Statements of Shareholders' Equity

Period ended May 31, 2009

(unaudited)

	Common shares	Warrant	Stock options	Total	Common Shares	Warrant	Stock options	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	1,400,069	554,528	-	(6,382,486)	5,829,370
Share issuance – warrants exercised	50,000	(50,000)	-	-	28,000	(8,000)	-	-	-	20,000
Warrants cancelled	-	(5,369,111)	-	(5,369,111)	-	(595,047)	-	595,047	-	-
Options granted	-	-	538,000	538,000	-	-	-	-	-	-
Options cancelled	-	-	(160,000)	(160,000)	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	176,921	-	-	176,921
Net loss	-	-	-	-	-	-	-	-	(1,451,652)	(1,451,652)
Balance as at May 31, 2009	40,481,677	2,685,342	2,620,500	45,787,519	10,285,259	797,022	731,449	595,047	(7,834,138)	4,574,639

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

Opsens Inc.

Consolidated Balance Sheets

	May 31, 2010 (unaudited)	August 31, 2009 (audited)
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 7)	3,605,871	2,887,085
Accounts receivable	1,478,288	573,310
Income tax credits receivable	313,122	214,624
Work in progress	104,196	-
Inventories	1,493,754	1,125,260
Prepaid expenses	121,934	80,198
	<u>7,117,165</u>	<u>4,880,477</u>
Property, plant and equipment	667,493	723,424
Intangible assets	177,695	169,799
Goodwill	676,574	676,574
	<u>8,638,927</u>	<u>6,450,274</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	657,146	518,782
Current portion of long-term debt	132,984	133,440
	<u>790,130</u>	<u>652,222</u>
Long-term debt	141,840	256,439
	<u>931,970</u>	<u>908,661</u>
Shareholders' equity		
Share capital (Note 5a)	15,201,618	12,035,259
Stock-options (Note 5b)	929,186	783,936
Warrants (Note 5c)	861,782	856,077
Contributed surplus	1,328,600	595,047
Deficit	(10,614,229)	(8,728,706)
	<u>7,706,957</u>	<u>5,541,613</u>
	<u>8,638,927</u>	<u>6,450,274</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 May 31, 2010 and 2009

(unaudited)	Third quarter ended		Nine months ended	
	May 31, 2010	May 31, 2009	May 31, 2010	May 31, 2009
	\$	\$	\$	\$
Operating activities				
Net loss	(341,187)	(214,726)	(1,423,115)	(1,451,652)
Adjustments for:				
Amortization of property, plant and equipment	45,291	43,077	131,233	117,596
Amortization of intangible assets	5,311	5,094	25,575	16,526
Premium payable to <i>Investissement Québec</i>	-	2,130	-	6,390
Stock-based compensation	43,269	50,110	145,566	176,921
Changes in non-cash operating working capital items (Note 7)	(660,285)	(606,505)	(1,379,538)	(522,737)
	<u>(907,601)</u>	<u>(720,820)</u>	<u>(2,500,279)</u>	<u>(1,656,956)</u>
Investing activities				
Acquisition of property, plant and equipment	(37,724)	(75,126)	(75,302)	(276,606)
Acquisition of intangible assets	(16,378)	(9,927)	(33,471)	(26,305)
	<u>(54,102)</u>	<u>(85,053)</u>	<u>(108,773)</u>	<u>(302,911)</u>
Financing activities				
Increase in long-term debt	4,386	45,410	15,410	81,236
Reimbursement of long-term debt	(44,083)	(46,986)	(130,465)	(155,236)
Issuance of equity component	-	-	3,788,574	20,000
Issuance expenses on equity component	8,314	-	(345,681)	-
	<u>(31,383)</u>	<u>(1,576)</u>	<u>3,327,838</u>	<u>(54,000)</u>
Increase (decrease) in cash and cash equivalents	(993,086)	(807,449)	718,786	(2,013,867)
Cash and cash equivalents at beginning	4,598,957	2,536,102	2,887,085	3,742,520
Cash and cash equivalents at end	<u>3,605,871</u>	<u>1,728,653</u>	<u>3,605,871</u>	<u>1,728,653</u>

The accompanying notes are an integral part of the interim consolidated financial statements. Additional information is presented in Note 7.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

1. Changes in accounting policies

Changes applied for the exercise ended August 31, 2010

On September 1, 2009, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

- 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 adopted 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 adoption of this new Section did not have a material impact on its interim and annual consolidated financial statements.

Changes applied for the exercise ended August 31, 2009

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.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

1. Changes in accounting policies (continued)

Future accounting changes

The CICA has issued new accounting standards:

- a) 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.
- b) 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

May 31, 2010 and 2009

(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 May 31, 2010 and for the three-month and nine-month periods ended May 31, 2010 and 2009 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 net realizable value. 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

May 31, 2010 and 2009

(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

May 31, 2010 and 2009

(unaudited)

3. 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 May 31, 2010, the Company was holding more than 85.5% of its cash equivalents in all time redeemable term-deposit.

Financial charges (income)

	Three months ended		Nine months ended	
	May 31, 2010	May 31, 2009	May 31, 2010	May 31, 2009
	\$	\$	\$	\$
Interest and bank charges	4,277	8,891	14,559	17,859
Interest on long-term debt	4,893	13,182	18,346	26,694
Gain on foreign currency translation	(923)	72,356	25,368	(23,473)
Interest income	(26,792)	(19,103)	(55,512)	(67,540)
	(18,545)	75,326	2,761	(46,460)

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 May 31, 2010, the Company was holding more than 85.5% of its cash equivalents portfolio in all time redeemable term-deposit.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

3. Financial instruments (continued)

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 63.79% of the Company's accounts receivable as at May 31, 2010.

As at May 31, 2010, 16.04% of the accounts receivable were of more than 90 days whereas 34.82% of those were with less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. On May 31, 2010, the bad debt provision was established at \$14,678 (\$14,678 on August 31, 2009).

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 May 31, 2010 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$296 and \$985 respectively on the net loss for the three-month and nine-month periods ended May 31, 2010 and 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 nine-month periods ended May 31, 2010, 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 \$2,000 and \$49,000 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 \$2,000 and \$49,000 higher for the same periods.

As at May 31, 2010, the risk to which the Company was exposed is established as follows:

	2010
	\$
Cash	251,701
Accounts receivable	440,042
Accounts payable and accrued liabilities	550
Total	692,293

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

3. Financial instruments (continued)

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.

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities, principal and interest (assuming current interest rates), as at May 31, 2010:

	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	657,146	657,146	-	-	-
Long-term debt	279,236	136,558	97,274	45,404	-
Obligation under capital lease	63,374	27,224	15,628	20,522	-
Commitments	614,855	227,466	155,757	231,632	-
Total	1,614,611	1,048,394	268,659	297,558	-

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

4. 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.

	Three months ended		Nine months ended	
	May 31, 2010	May 31, 2009	May 31, 2010	May 31, 2009
	\$	\$	\$	\$
Net loss	(341,187)	(214,726)	(1,423,115)	(1,451,652)
Financial charges (income)	(18,545)	75,326	2,761	(46,460)
Amortization of property, plant and equipment	45,291	43,077	131,233	117,596
Amortization of intangible assets	5,311	5,094	25,575	16,526
Stock option-based compensation	43,269	50,110	145,566	176,921
	(265,861)	(41,119)	(1,117,980)	(1,187,069)

The Company targets to improve these ratios which negatively vary for the first and second quarter 2010 compare to first and second quarter 2009. 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. These ratios apply to long-term debt valued at \$37,702 as of May 31, 2010. The covenants are met as of May 31, 2010.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

5. 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	43,398,344	12,035,259
Share issuance – Warrants exercised (Note 5a)i)	178,889	206,580
Share issuance – Stock options exercised (Note 5a)ii)	1,250	1,404
Share issuance – Private placement (Note 5a)iii)	4,287,500	2,958,375
Balance as at May 31, 2010	47,865,983	15,201,618

i) Warrants exercised

During the nine-month period ended May 31, 2010, 178,889 warrants entitling their holders to acquire one common share of the Company at a price of \$0.80 per share were exercised for a total amount of \$143,111. The book value of the exercised warrants was transferred to Share capital for an amount of \$63,469.

ii) Stock options exercised

During the nine-month period ended May 31, 2010, 1,250 stock options entitling their holders to acquire one common share of the Company at a price of \$0.87 per share were exercised for a total amount of \$1,088. The book value of the exercised warrants was transferred to Share capital for an amount of \$316.

iii) Private Placement

On February 12, 2010, the Company realized a private placement of 4,287,500 units at a price of \$0.85 per unit for gross proceeds of \$3,644,375. 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 \$1.15 for a period of 24 months following the closing of the Offering. Opsens paid to the Agents a cash commission equal to \$254,404 and issue broker compensation warrants entitling the Agents to purchase 299,299 common shares of Opsens. The Broker Warrants shall be issuable at an exercise price per common share equal to the Offering Price for a period of 24 months from the closing of the Offering. The securities issued pursuant to the Offering will be subject to a 4-month restricted period expiring on June 13, 2010.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

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

b) Stock options

The Company changed the stock option plan on January 19, 2010. 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 620,000 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 nine-month period ended May 31, 2010 is \$145,566 (\$176,921 for the period ended May 31, 2009).

The situation of the outstanding stock option plan and the changes that took place during the nine-month period ended May 31, 2010 are as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding at beginning of year	2,788,000	0.52
Options granted	40,000	1.15
Options exercised (Note 5a)ii)	(1,250)	0.87
Options cancelled	(6,000)	0.68
Outstanding at end of the period	2,820,750	0.60
Options exercisable at end of the period	1,637,063	0.63

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

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

b) Stock options (continued)

The table below provides information on the outstanding stock options as at May 31, 2010:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.37	303,250	75,813	3.89
0.40	90,000	22,500	3.52
0.42	50,000	12,500	3.64
0.45	50,000	37,500	1.51
0.50	1,060,000	790,000	1.36
0.60	70,000	5,000	3.84
0.64	50,000	-	4.05
0.72	500,000	250,000	2.53
0.80	150,000	125,000	2.16
0.87	257,500	128,750	2.89
0.95	200,000	150,000	1.88
1.15	40,000	40,000	4.47
	2,820,750	1,637,063	2.26

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

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

c) Warrants

The situation of the outstanding warrants and the changes that took place during the nine-month period ended May 31, 2010 are as follows:

	Number of warrants	Weighted average exercise price
		\$
Outstanding at beginning of year	2,889,509	1.03
Warrants exercised (Note 5a)i)	(178,889)	0.80
Warrants issued, private placement (Note 5a)iii)	2,443,049	1.11
Warrants expired (Note 5c)i)	(2,506,453)	1.08
Outstanding at end of period	2,647,216	1.07
Warrants exercisable at end of period	2,647,216	1.07

The table below provides information on the outstanding warrants as at May 31, 2010:

Exercise price	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
\$			
0.60	204,167	204,167	1.07
0.85	299,299	299,299	1.70
1.15	2,143,750	2,143,750	1.70
	2,647,216	2,647,216	1.66

i) Warrants expired

During the nine-month period ended May 31, 2010, 150,890 and 2,355,563 warrants entitling its holder to acquire one common share of the Company at a price of \$0.80 and \$1.10 per share respectively expired.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

6. 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		Nine-month period ended	
	May 31		May 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
Numerator				
Net loss	(341,187)	(214,726)	(1,423,115)	(1,451,652)
Amount available for calculating				
the loss per share	(341,187)	(214,726)	(1,423,115)	(1,451,652)
Denominator				
Number of shares				
Weighted average number				
of shares outstanding	47,865,983	40,481,677	45,223,495	40,473,069
Dilutive effect of stock options				
and warrants	-	-	-	-
Weighted average number of shares				
outstanding on diluted basis	47,865,983	40,481,677	45,223,495	40,473,069
Amount per share				
Net loss per share				
Basic	(0.01)	(0.01)	(0.03)	(0.04)
Diluted	(0.01)	(0.01)	(0.03)	(0.04)

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, \$0.40, \$0.42, \$0.45 and \$0.50, would have been dilutive and would have resulted in the addition of 311,611 shares and 802,994 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for the respective three-month and nine-month period ended May 31, 2010 (58,858 and 21,264 as at May 31, 2009).

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

7. Additional information on the Statements of Cash Flows

	Third quarter		Nine-month period	
	2010	2009	2010	2009
	\$	\$	\$	\$
<i>Changes in non-cash operating working capital items</i>				
Accounts receivable	(494,920)	(331,731)	(904,978)	(106,821)
Income tax credits receivable	(31,588)	(51,445)	(98,498)	(148,291)
Work in progress	(44,196)	34,770	(104,196)	237,551
Inventories	93,393	(308,245)	(368,494)	(588,199)
Prepaid expenses	(59,777)	(53,857)	(41,736)	(13,887)
Accounts payable and accrued liabilities	(123,197)	104,003	138,364	96,910
	<u>(660,285)</u>	<u>(606,505)</u>	<u>(1,379,538)</u>	<u>(522,737)</u>
<i>Other information</i>				
Interests paid	<u>2,720</u>	<u>8,883</u>	<u>6,755</u>	<u>31,138</u>
Cash	522,758	327,573	522,758	327,573
Short-term investments	<u>3,083,113</u>	<u>1,401,080</u>	<u>3,083,113</u>	<u>1,401,080</u>
	<u>3,605,871</u>	<u>1,728,653</u>	<u>3,605,871</u>	<u>1,728,653</u>

Non-cash transactions

On February 12, 2010, Opsens issued broker compensation warrants entitling the Agents to purchase 299,299 common shares of Opsens at an exercise price of \$0.85 per share for a book value of \$116,727.

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

8. 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 \$434,585.

Opsens Solutions Inc. rents three vehicles under operating lease expiring in November 2010 and October 2013. Future rent payments will amount to \$62,270.

Future payments for the leases and other commitments, totaling \$614,855 required in each of the next five years are as follows:

	\$
2011	227,466
2012	155,757
2013	138,257
2014	88,375
2015	5,000

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.

9. 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 nine-month periods ended May 31, 2010, the Company recognized an expense for \$250 and \$2,448 respectively (\$7,452 and \$7,915 for the three-month and nine-month periods ended May 31, 2009) for guarantees. A provision for \$29,769 (\$27,321 as at August 31, 2009) 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

May 31, 2010 and 2009

(unaudited)

10. 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 May 31, 2010			Three-month period ended May 31, 2009		
	Opsens inc.	Opsens Solutions Inc.	Total	Opsens inc.	Opsens Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	615,747	852,660	1,468,407	1,129,669	149,795	1,279,464
Internal sales	239,969	-	239,969	31,402	-	31,402
Amortization of property, plant and equipment	38,253	7,038	45,291	37,962	5,115	43,077
Amortization of intangible assets	4,847	464	5,311	5,094	-	5,094
Financial charges (income)	(61,323)	42,778	(18,545)	60,527	14,799	75,326
Net loss (profit)	375,381	(34,194)	341,187	8,576	206,150	214,726
Acquisition of property, plant and equipment	8,856	28,868	37,724	12,173	62,953	75,126
Acquisition of intangible assets	16,378	-	16,378	9,927	-	9,927
Segment assets	6,422,816	2,216,111	8,638,927	4,686,675	940,113	5,626,788

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

10. Segmented information (continued)

	Nine-month period ended May 31, 2010			Nine-month period ended May 31, 2009		
	Opsens			Opsens		
	Opsens inc.	Solutions Inc.	Total	Opsens inc.	Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	2,070,077	1,515,963	3,586,040	2,139,901	357,619	2,497,520
Internal sales	352,891	-	352,891	81,481	-	81,481
Amortization of property, plant and equipment	112,536	18,697	131,233	107,534	10,062	117,596
Amortization of intangible assets	24,314	1,261	25,575	16,526	-	16,526
Financial charges (income)	(104,393)	107,700	3,307	(79,432)	32,972	(46,460)
Net loss (profit)	1,106,400	316,715	1,423,115	758,961	692,691	1,451,652
Acquisition of property, plant and equipment	41,849	33,453	75,302	202,106	74,500	276,606
Acquisition of intangible assets	25,388	8,083	33,471	26,305	-	26,305
Segment assets	6,422,816	2,216,111	8,638,927	4,686,675	940,113	5,626,788

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

	Three-month period ended May 31		Nine-month period ended May 31	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revenues per geographic sector				
Canada	897,006	207,003	1,648,198	438,568
United States	199,650	221,100	664,629	595,092
Germany	106,074	68,984	250,559	334,359
Italy	255	146,184	49,356	149,328
Other	265,422	636,193	973,298	980,173
	1,468,407	1,279,464	3,586,040	2,497,520

Opsens Inc.

Notes to the Consolidated Financial Statements

May 31, 2010 and 2009

(unaudited)

10. 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 period ended May 31, 2010, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 25.14% (Opsens Solutions Inc.'s reportable segment) and 24.14% (Opsens Solutions Inc.'s reportable segment). During the three-month period ended May 31, 2009, revenues from four clients represent individually more than 10 % of the total revenues of the company, i.e. approximately 24.06% (Opsens Inc.'s reportable segment), 15.09% (Opsens Inc.'s reportable segment), 11.36% (Opsens Solutions Inc.'s reportable segment) and 10.85% (Opsens Inc.'s reportable segment).

During the nine-month period ended May 31, 2010, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 19.16% (Opsens Solutions Inc.'s reportable segment) and 11.85% (Opsens Solutions Inc.'s reportable segment). During the nine-month period ended May 31, 2009, two clients represent individually more than 10 % of the total revenues of the company with 13.95 % (Opsens Inc.'s reportable segment) and 13.23% (Opsens Inc.'s reportable segment).

11. Comparative figures

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