

Consolidated financial statements

**Opsens Inc.**

August 31, 2011 and 2010

# Opsens Inc.

August 31, 2011 and 2010

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## **Independent auditor's report**

To the Shareholders of Opsens Inc.

We have audited the accompanying consolidated financial statements of Opsens Inc., which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of earnings (loss) and comprehensive earnings (loss), shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report

Opsens inc.

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## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Opsens Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bilal<sup>1</sup>  
Deloitte & Touche s.e.m.c.l.

November 14, 2011

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<sup>1</sup> Chartered accountant auditor permit No. 11848

# Opsens Inc.

## Consolidated statements of earnings (loss) and comprehensive earnings (loss) Years ended August 31, 2011 and 2010

	2011	2010
	\$	\$
Revenues		
Sales	6,005,139	5,280,716
Cost of sales	4,094,791	3,172,311
<b>Gross margin</b>	<b>1,910,348</b>	2,108,405
Expenses (revenues)		
Administrative	2,036,263	1,521,224
Marketing	645,564	870,157
Research and development	1,417,037	1,046,921
Stock option-based compensation (Note 15b)	185,201	282,057
Amortization of property, plant and equipment	199,564	178,754
Amortization of intangible assets	26,943	31,866
Financial income (Note 4)	(88,871)	(40,839)
Gain on disposal (Note 6)	-	(2,375,107)
	4,421,701	1,515,033
<b>Earnings (loss) before income taxes</b>	<b>(2,511,353)</b>	593,372
<b>Net earnings (loss) and comprehensive earnings (loss)</b>	<b>(2,511,353)</b>	593,372
Net earnings (loss) per share (Note 16)		
Basic	(0.05)	0.01
Diluted	(0.05)	0.01

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

Additional information on the statements of earnings (loss) and comprehensive earnings (loss) is presented in Note 25.

# Opsens Inc.

## Consolidated statements of shareholders' equity

Year ended August 31, 2011

	2011									
	Common shares	Warrants	Stock options	Total	Common shares	Warrants	Stock options	Contributed surplus	Deficit	Total
	(number)	(number)	(number)	(number)	\$	\$	\$	\$	\$	\$
Balance as at August 31, 2010	47,865,983	2,647,216	4,140,500	<b>54,653,699</b>	15,201,618	861,782	1,065,677	1,328,600	(8,597,742)	<b>9,859,935</b>
Options granted	-	-	453,000	<b>453,000</b>	-	-	-	-	-	-
Options cancelled	-	-	(416,500)	<b>(416,500)</b>	-	-	(141,126)	141,126	-	-
Warrants expired	-	(204,167)	-	<b>(204,167)</b>	-	(59,055)	-	59,055	-	-
Stock-based compensation	-	-	-	-	-	-	185,201	-	-	<b>185,201</b>
Net loss	-	-	-	-	-	-	-	-	(2,511,353)	<b>(2,511,353)</b>
Balance as at August 31, 2011	47,865,983	2,443,049	4,177,000	<b>54,486,032</b>	15,201,618	802,727	1,109,752	1,528,781	(11,109,095)	<b>7,533,783</b>

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

# Opsens Inc.

## Consolidated statements of shareholders' equity

Year ended August 31, 2010

2010

	Common shares	Warrants	Stock options	Total	Common shares	Warrants	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 and warrant issuance – Private placement	4,287,500	2,143,750	-	6,431,250	2,958,375	686,000	-	-	-	3,644,375
Warrant issuance to brokers – 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 expired	-	(2,506,453)	-	(2,506,453)	-	(733,553)	-	733,553	-	-
Share issuance – Stock options exercised	1,250	-	(1,250)	-	1,404	-	(316)	-	-	1,088
Options granted	-	-	1,359,750	1,359,750	-	-	-	-	-	-
Options cancelled	-	-	(6,000)	(6,000)	-	-	-	-	-	-
Issuance expenses on equity components	-	-	-	-	-	-	-	-	(462,408)	(462,408)
Stock-based compensation	-	-	-	-	-	-	282,057	-	-	282,057
Net earnings	-	-	-	-	-	-	-	-	593,372	593,372
Balance as at August 31, 2010	47,865,983	2,647,216	4,140,500	54,653,699	15,201,618	861,782	1,065,677	1,328,600	(8,597,742)	9,859,935

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

# Opsens Inc.

## Consolidated balance sheets

### August 31, 2011 and 2010

	2011	2010
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents	3,747,320	5,347,801
Accounts receivable (Note 7)	585,174	2,055,923
Income tax credits receivable (Note 22)	269,147	152,080
Work in progress	-	40,000
Inventories (Note 8)	1,770,609	1,428,439
Prepaid expenses	130,644	144,338
Balance of purchase price to be received – short-term (Note 11)	424,494	428,024
	<b>6,927,388</b>	9,596,605
Balance of purchase price to be received – long-term (Note 11)	-	398,013
Property, plant and equipment (Note 9)	841,981	670,059
Intangible assets (Note 10)	255,422	175,176
Goodwill	676,574	676,574
	<b>8,701,365</b>	11,516,427
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 13)	1,045,840	1,402,249
Current portion of long-term debt (Note 14)	91,355	125,001
	<b>1,137,195</b>	1,527,250
Long-term debt (Note 14)	30,387	129,242
	<b>1,167,582</b>	1,656,492
<b>Shareholders' equity</b>		
Share capital (Note 15a)	15,201,618	15,201,618
Stock options (Note 15b)	1,109,752	1,065,677
Warrants (Note 15c)	802,727	861,782
Contributed surplus	1,528,781	1,328,600
Deficit	(11,109,095)	(8,597,742)
	<b>7,533,783</b>	9,859,935
	<b>8,701,365</b>	11,516,427

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

#### References:

Commitments (Note 18)  
Contractual guarantees (Note 19)

Approved by the board

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*Signed [Denis M. Sirois]* director

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*Signed [Pierre Carrier]* director

# Opsens Inc.

## Consolidated statements of cash flows Years ended August 31, 2011 and 2010

	2011	2010
	\$	\$
<b>Operating activities</b>		
Net earnings (loss)	(2,511,353)	593,372
Adjustments for:		
Amortization of property, plant and equipment	199,564	178,754
Amortization of intangible assets	26,943	31,866
Premium payable to Canada Economic Development	13,404	19,260
Stock option-based compensation	185,201	282,057
Gain on disposal	-	(2,375,107)
Implicit interest on balance of purchase price to be received	(75,607)	(5,821)
	<b>(2,161,848)</b>	<b>(1,275,619)</b>
Changes in non-cash operating working capital items (Note 17)	<b>708,797</b>	<b>(1,579,750)</b>
	<b>(1,453,051)</b>	<b>(2,855,369)</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(371,486)	(125,389)
Acquisition of intangible assets	(107,189)	(37,243)
Proceeds of assets disposal	477,150	2,190,720
	<b>(1,525)</b>	<b>2,028,088</b>
<b>Financing activities</b>		
Reimbursement of long-term debt	(145,905)	(154,896)
Issuance of equity components	-	3,788,574
Issuance of equity component expenses	-	(345,681)
	<b>(145,905)</b>	<b>3,287,997</b>
Increase (decrease) in cash and cash equivalents	<b>(1,600,481)</b>	<b>2,460,716</b>
Cash and cash equivalents at beginning	<b>5,347,801</b>	<b>2,887,085</b>
Cash and cash equivalents at end	<b>3,747,320</b>	<b>5,347,801</b>

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

Additional information on consolidated statements of cash flows is presented in Note 17.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 1. Description of business

Opsens inc. (the "Company") is incorporated under *Business Corporation Act (Quebec)*. The Company specializes in developing and manufacturing technical and scientific instruments.

### 2. 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):

Section 3064, "Goodwill and intangible assets," replacing Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs." 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 consolidated financial statements.

*International Financial Reporting Standards*

In 2008, the Accounting Standards Board (AcSB) published an exposure draft and confirmed that all publicly accountable entities will have to adopt International Financial Reporting Standards (IFRS) for the accounting and presentation of financial information. These standards will replace current generally accepted accounting principles (GAAP) and will take effect for wears beginning on or after January 1, 2011. Consequently, the Company will adopt IFRS on September 1, 2011 and will produce its first financial statements in IFRS in the first quarter of 2011, including comparative data.

### 3. Accounting policies

The financial statements have been prepared in accordance with Canadian 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. from the acquisition date.

*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.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 3. Accounting policies (continued)

#### *Property, plant and equipment*

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%

#### *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 or changes in circumstances indicate a potential impairment in value. The excess of the carrying value over the fair value is recorded in loss.

#### *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.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 3. Accounting policies (continued)

#### *Government assistance and income tax credits for research and development (continued)*

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.

#### *Earnings (loss) per share*

Earnings (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 earnings (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.

#### *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.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 3. Accounting policies (continued)

#### *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.

#### *Financial instruments*

Cash and cash equivalents 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, balance of purchase price and income tax credits receivable are classified as loans and receivables. They are recorded at cost, which at initial recognition corresponds to fair value. Subsequent revaluations of accounts receivable are recorded at amortized cost, which generally corresponds to the initially recognized amount less any allowance for doubtful accounts.

The Company has chosen to classify its financial liabilities (accounts payable, accrued liabilities, and long-term debt) as other liabilities. Financial liabilities are initially measured at cost, and subsequent revaluations are recorded at amortized cost using the effective interest rate method.

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 GAAP 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 credits 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.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 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, 2011, the Company was holding more than 78.4% (81.4% as August 31, 2010) of its cash equivalents in all time redeemable term-deposit.

#### *Financial charges (income)*

	2011	2010
	\$	\$
Interest and bank charges	<b>22,107</b>	20,033
Interest on long-term debt	<b>18,187</b>	23,457
Loss (gain) on foreign currency translation	<b>100,880</b>	(14,200)
Interest income	<b>(230,045)</b>	(70,129)
	<b>(88,871)</b>	(40,839)

#### *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, 2011, the Company was holding more than 78.4% (81.4% as at August 31, 2010) of its cash equivalents portfolio in all-time redeemable term deposit with the same financial institution.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

#### 4. 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 69.7% of the Company's accounts receivable as at August 31, 2011 (66.1% as at August 31, 2010).

As at August 31, 2011, 10.8% (23.8% as at August 31, 2010) of the accounts receivable were of more than 90 days whereas 55.8% (61.5% as at August 31, 2010) 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, 2011, the bad debt provision was established at \$3,082 (\$6,110 on August 31, 2010).

Management considers that substantially all receivables are fully collectible as most of our customers are large corporations with good credit standing and no history of 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, 2011 had been the same throughout the period, a hypothetical 1% interest rate increase would have had an unfavourable impact of \$589 on the net loss for the year ended August 31, 2011 and \$1,029 on the net profit for the year ended August 31, 2010. The net loss (net profit in 2010) 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 and 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, 2011 and 2010, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, net loss would have been \$6,000 higher (net income would have been \$142,000 lower in 2010). Conversely, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, net loss would have been \$6,000 lower (net income would have been \$142,000 higher in 2010) for the same periods.

As at August 31, 2011, the risk to which the Company was exposed is established as follows:

	2011	2010
	\$	\$
Cash (US\$237,074)	232,191	509,164
Accounts receivable (US\$120,686)	118,200	501,350
Balance of purchase price to be received (US\$433,422)	424,493	826,037
Accounts payable and accrued liabilities (US\$49,156)	(48,217)	(93,826)
<b>Total</b>	<b>726,667</b>	<b>1,742,725</b>

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 4. Financial instruments (continued)

#### *Liquidity risk*

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

The following are the contractual maturities of the financial liabilities, principal and interest (assuming current interest rates), as at August 31, 2011:

	Total	0 to 12 months	1 year to 2 years	2 years to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,045,840	1,045,840	-	-	-
Long-term debt	108,277	89,605	18,672	-	-
Obligation under capital lease	32,184	15,434	10,047	6,703	-
Commitments	449,696	185,479	186,446	77,771	-
<b>Total</b>	<b>1,635,997</b>	<b>1,336,358</b>	<b>215,165</b>	<b>84,474</b>	<b>-</b>

#### *Fair value*

The fair value of accounts receivable, income tax credits receivable, balance of purchase price receivable and accounts payable and accrued liabilities approximates 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.

### 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 GAAP. 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 non-cash expenses and changes in non-cash operating working capital items.

# Opsens Inc.

## Notes to the consolidated financial statements August 31, 2011 and 2010

### 5. Capital management (continued)

	2011	2010
	\$	\$
<b>Net earnings (loss)</b>	<b>(2,511,353)</b>	593,372
Financial income	<b>(88,871)</b>	(40,839)
Amortization of property, plant and equipment	<b>199,564</b>	178,754
Amortization of intangible assets	<b>26,943</b>	31,866
Stock option-based compensation	<b>185,201</b>	282,057
<b>EBITDAO</b>	<b>(2,188,516)</b>	1,045,210

The Company targets to improve these ratios which negatively vary for the year ended August 31, 2011 compare to the same period in 2010. 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 which is described at Note 12.

### 6. Gain on disposal

On August 16, 2010, Opsens reached agreement to license through an Intellectual Property and Assignment Agreement (the "Agreement") its technology in the high-power transformers business to a subsidiary of LumaSense Technologies Inc., of Santa Clara, California (United States).

The Agreement gives LumaSense exclusive rights to use Opsens' technology in the transformer business. LumaSense will have also access to Opsens' existing distribution channels for its transformer business. LumaSense has paid Opsens US\$2.2 million in cash upon closing and will pay a further US\$500,000 in one year and US\$500,000 two years after closing.

The Agreement was recorded as a disposal. Gain on disposal calculation had been calculated as following:

	Amount
	\$
<b>Proceeds</b>	
Cash received at closing	2,190,720
Balance of purchase price to be received as of August 16, 2011 (nominal value of US\$500,000)**	443,360
Balance of purchase price to be received as of August 16, 2012 (nominal value of US\$500,000)	376,856
	<b>3,010,936</b>
<b>Disposal fees</b>	
Inventory and purchases credit	150,000
Other expenses and accrued expenses	265,829
Deferred revenues – manufacturing agreement*	220,000
	<b>635,829</b>
<b>Gain on disposal</b>	<b>2,375,107</b>

\* Opsens engaged in a manufacturing agreement with terms and conditions that are beneficial to LumaSense.

\*\* Amount received as at August 31, 2011.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 7. Accounts receivable

	2011	2010
	\$	\$
Trade	542,993	1,938,099
Allowance for doubtful accounts	(3,082)	(6,110)
Taxes receivable	45,263	28,901
Contributions receivable	-	95,033
	<b>585,174</b>	<b>2,055,923</b>

### 8. Inventories

	2011	2010
	\$	\$
Raw materials	753,826	669,149
Finished goods	1,016,783	759,290
	<b>1,770,609</b>	<b>1,428,439</b>

### 9. Property, plant and equipment

	2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	89,320	50,988	38,332
Leased office furniture and equipment	8,326	6,757	1,569
Production equipment	405,208	96,742	308,466
Leased automotive equipment	59,028	35,476	23,552
Research and development equipment, net of income tax credits of \$23,834	828,610	492,590	336,020
Research and development computer equipment, net of income tax credits of \$3,078	30,599	23,295	7,304
Computer equipment	180,691	112,213	68,478
Leasehold improvements	92,180	33,920	58,260
	<b>1,693,962</b>	<b>851,981</b>	<b>841,981</b>

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 9. Property, plant and equipment (continued)

	2010		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	85,114	41,971	43,143
Leased office furniture and equipment	8,326	6,365	1,961
Production equipment	173,383	51,864	121,519
Leased automotive equipment	59,028	25,382	33,646
Research and development equipment, net of income tax credits of \$23,834	761,751	399,671	362,080
Research and development computer equipment, net of income tax credits of \$3,078	27,122	21,176	5,946
Computer equipment	138,836	70,213	68,623
Leased computer equipment	29,009	14,796	14,213
Leasehold improvements	39,908	20,980	18,928
	<b>1,322,477</b>	<b>652,418</b>	<b>670,059</b>

### 10. Intangible assets

	2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Indefinite lives			
Trademarks	200	-	200
Limited lives			
Patents	327,630	83,431	244,199
Softwares, net of income tax credits of \$1,518	49,795	38,772	11,023
	<b>377,625</b>	<b>122,203</b>	<b>255,422</b>
			2010
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Indefinite lives			
Trademarks	200	-	200
Limited lives			
Patents	223,485	60,921	162,564
Softwares, net of income tax credits of \$1,518	46,751	34,339	12,412
	<b>270,436</b>	<b>95,260</b>	<b>175,176</b>

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 11. Balance of purchase price to be received

	2011	2010
	\$	\$
Balance of purchase price to be received of US\$1,000,000 payable in two amounts of US\$500,000 at the end of each next two years following agreement signature, actualized at an implicit annual rate of 15%	<b>353,808</b>	820,216
Imputed interests (at 15% rate)	<b>70,686</b>	5,821
	<b>424,494</b>	826,037
Balance receivable – short-term	<b>424,494</b>	428,024
Balance receivable – long-term	-	398,013

### 12. 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 respects these financial ratios as at August 31, 2011, but the credit line was not used at the end of the period.

The Company also has credit cards for a maximum amount of \$75,000 to finance its current operations. The balance used on these credit cards bears interest at the financial institution's prime rate plus 4%.

### 13. Accounts payable and accrued liabilities

	2011	2010
	\$	\$
Suppliers	<b>942,046</b>	734,560
Provision for warranty (Note 19)	<b>74,732</b>	31,860
Disposal expenses payable (Note 6)	<b>29,062</b>	635,829
	<b>1,045,840</b>	1,402,249

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 14. Long-term debt

	2011	2010
	\$	\$
Contributions repayable to Canada Economic Development, 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	<b>79,562</b>	139,129
Imputed interest	<b>(10,044)</b>	(23,448)
	<b>69,518</b>	115,681
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 2012, 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 Investissement Québec 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	<b>15,630</b>	59,910
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 December 2011, secured by a first-rank movable hypothec in the amount of \$119,340 on specific property	<b>7,937</b>	31,749
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	-	4,513
Capital lease, bearing interest at 10.6%, payable in monthly instalments of \$98, including interest and a final payment of \$486 maturing in March 2010	-	1,043
Amounts carried forward	<b>93,085</b>	212,896

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

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

	2011	2010
	\$	\$
Amounts carried forward	<b>93,085</b>	212,896
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$140, including interest and a final payment of \$740 maturing in August 2012	<b>2,318</b>	3,575
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	<b>23,542</b>	30,925
Capital lease, bearing interest at 13.5%, payable in monthly instalments of \$375, including interest and a final payment of \$1,650 maturing in August 2012	<b>2,797</b>	6,847
	<b>121,742</b>	254,243
Current portion	<b>91,355</b>	125,001
	<b>30,387</b>	129,242

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

	Obligations – Capital lease			Other debts	Debt and principal portion of capital lease
	Total payments	Imputed interest	Principal payments		
	\$	\$	\$	\$	\$
2012	15,434	2,190	13,244	78,111	91,355
2013	10,047	1,099	8,948	14,973	23,921
2014	6,703	237	6,466	-	6,466
2015	-	-	-	-	121,742

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, 2011 and 2010

### 15. Share capital, stock options and warrants

#### a) Share capital

*Authorized, unlimited number*

Common shares, voting and participating without par value

*Year ended August 31, 2011*

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

*Issued and fully paid*

	Number	Amount
		\$
Balance at beginning of year	47,865,983	15,201,618
Balance as at August 31, 2011	47,865,983	15,201,618

*Year ended August 31, 2010*

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 15a)i)	178,889	206,580
Share issuance – Stock options exercised (Note 15a)ii)	1,250	1,404
Share issuance – Private placement (Note 15a)iii)	4,287,500	2,958,375
Balance as at August 31, 2010	47,865,983	15,201,618

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

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

#### a) Share capital (continued)

Year ended August 31, 2010 (continued)

##### i) Warrants exercised

During the year ended August 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 year ended August 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.

#### b) Stock options

The Shareholders approved the stock option plan on January 19, 2011. 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 1,080,000 outstanding options granted which are completely vested at grant.

The compensation expense in regards to the stock option plan for the year ended August 31, 2011 is \$185,201 (\$282,057 for the year ended August 31, 2010).

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 15. 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 1.79% and 2.31%
Expected volatility	Between 79% and 88%
Expected dividend yield on shares	- %
Duration	5 years
Fair value per option at the grant date	Between \$0.22 and \$0.80

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, 2011 and 2010 are as follows:

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding at beginning of year	4,140,500	0.54	2,788,000	0.61
Options granted	453,000	0.36	1,359,750	0.40
Options cancelled	(416,500)	0.68	(6,000)	0.68
Options exercised	-	-	(1,250)	0.87
Outstanding at end of the year	4,177,000	0.51	4,140,500	0.54
Options exercisable at end of the year	2,812,563	0.54	2,047,063	0.59

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 15. 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, 2011:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average residual duration (years)
\$			
0.35	298,000	80,000	4.85
0.36	204,000	111,938	2.86
0.37	240,000	149,375	2.35
0.38	1,150,000	500,000	4.02
0.40	90,000	45,000	2.27
0.42	50,000	25,000	2.39
0.45	50,000	50,000	0.26
0.50	1,060,000	1,055,000	0.11
0.60	50,000	25,000	2.83
0.64	50,000	25,000	2.79
0.72	500,000	375,000	1.28
0.80	150,000	137,500	0.91
0.87	245,000	193,750	1.49
1.15	40,000	40,000	1.12
	4,177,000	2,812,563	2.19

#### 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	\$1.15	\$0.85
Risk-free interest rates	1.14%	1.14%
Expected volatility	86%	86%
Expected dividend yield on shares	-%	-%
Duration	2 years	2 years
Fair value by warrant	\$0.32	\$0.39

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 15. 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, 2011 and 2010 are as follows:

	2011		2010	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning of year	2,647,216	1.07	2,889,509	1.03
Warrants issued, private placement (Note 15 c)iii)	-	-	2,443,049	1.11
Warrants expired	(204,167)	0.60	(2,506,453)	1.08
Warrants exercised during the year (Note 15 c)i)	-	-	(178,889)	0.80
<b>Outstanding at end of year</b>	<b>2,443,049</b>	<b>1.11</b>	<b>2,647,216</b>	<b>1.07</b>
<b>Warrants exercisable at end of year</b>	<b>2,443,049</b>	<b>1.11</b>	<b>2,647,216</b>	<b>1.07</b>

The table below provides information on the outstanding warrants as at August 31, 2011:

Exercise price	Number of outstanding warrants	Number of exercisable warrants	Weighted average residual duration (years)
\$			
0.85	299,299	299,299	0.45
1.15	2,143,750	2,143,750	0.45
	<b>2,443,049</b>	<b>2,443,049</b>	<b>0.45</b>

#### i) Warrants expired

During the year ended August 31, 2011, 204,167 warrants entitling its holder to acquire one common share of the Company at a price of \$0.60 per share expired.

During the year ended August 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

August 31, 2011 and 2010

### 16. Earnings (loss) per share

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

	2011	2010
	\$	\$
<b>Numerator</b>		
Net earnings (loss)	<b>(2,511,353)</b>	593,372
Amount available for calculating the earnings (loss) per share	<b>(2,511,353)</b>	593,372
<b>Denominator</b>		
Number of shares		
Weighted average number of shares outstanding	<b>47,865,983</b>	47,865,983
Dilutive effect of stock options and warrants	-	2,924
Weighted average number of shares outstanding on diluted basis	<b>47,865,983</b>	47,868,907
<b>Amount per share</b>		
Net earnings (loss) per share		
Basic	<b>(0.05)</b>	<b>0.01</b>
Diluted	<b>(0.05)</b>	<b>0.01</b>

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 for the year 2011, some options and warrants, at an exercise price of \$0.36 and \$0.37 would have been dilutive and would have resulted in the addition of 6,357 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation for year ended August 31, 2011.

In 2010, should the Company's basic earnings per share have been positive for the first three quarters, some options and warrants, at an exercise price of \$0.37, \$0.40, \$0.42, \$0.45, \$0.50, \$0.60, \$0.64, \$0.72, \$0.80, \$0.85 and \$0.87 would have been dilutive and would have resulted in the addition of 602,246 shares to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 17. Additional information on the statements of cash flows

	2011	2010
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	1,470,749	(1,482,613)
Income tax credits receivable	(117,067)	62,544
Inventories	(342,170)	(303,179)
Work in progress	40,000	(40,000)
Prepaid expenses	13,694	(64,140)
Accounts payable and accrued liabilities	(356,409)	247,638
	<b>708,797</b>	<b>(1,579,750)</b>

#### *Cash and cash equivalents*

Cash	808,085	997,072
Short-term investments	2,939,235	4,350,729
	<b>3,747,320</b>	<b>5,347,801</b>

#### *Other information*

Interests paid	8,228	26,008
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#### *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.

For the year ending August 31, 2010, there is also a licence disposal balance of purchase price to be received of \$820,216 and disposal fees payable of \$635,828 which have no impact on cash flows (Note 6).

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 18. Commitments

#### *Lease*

The Company leases offices in Québec 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 \$354,631.

Opsens Solutions Inc. rents four vehicles under operating lease expiring in September 2013, October 2013 and May 2014. Future rent payments will amount to \$84,565.

Future payments for the leases and other commitments, totaling \$449,696, required in each of the next five years are as follows:

	\$
2012	185,479
2013	186,446
2014	77,771
2015	-
2016	-

#### *Licence*

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

### 19. 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 year ended August 31, 2011, the Company recognized an expense for \$59,872 (\$4,539 for the year ended August 31, 2010) for guarantees. A provision for \$74,732 was recorded for guarantees as of August 31, 2011 (\$31,860 as at August 31, 2010). 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.

### 20. Government assistance

#### *Industrial Research Assistance Programme (IRAP)*

Under an agreement reached with the National Research Council with respect to the IRAP, the Company received non-refundable contributions for an 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, 2011, the Company recorded contributions totalling \$130,686 (\$345,698 for the year ended August 31, 2010) which were accounted against research and development fees.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 20. Government assistance (continued)

During the year ended August 31, 2011, the Company received a cash contribution for training of \$6,450 from Emploi-Québec. This amount was recorded against research and development expenses.

During the year ended August 31, 2011, the Company received a cash contribution for intellectual properties expenses of \$6,400 from "Ministère du Développement économique, de l'innovation et de l'Exportation". This amount was recorded against intangible assets.

### 21. 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:

	2011	2010
	\$	\$
Income tax payable using the combined federal and provincial statutory tax rate	<b>(719,104)</b>	194,134
Non-deductible expenses	<b>424,353</b>	268,255
Asset disposal	-	(313,494)
Deductible financing fees	<b>(73,669)</b>	(86,894)
Non-taxable income tax credits	<b>(132,027)</b>	(69,018)
Losses carried forward	<b>500,447</b>	7,017
Income tax using effective income tax rate	-	-

As at August 31, 2011, the Company has tax losses of approximately \$6,820,400 for federal purposes and \$6,540,900 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	\$	\$
2023	483,000	463,000
2024	42,000	40,000
2025	400	400
2027	1,780,000	1,509,000
2028	691,000	692,000
2029	1,201,000	1,214,000
2030	500,000	500,000
2031	2,123,000	2,122,500
	<b>6,820,400</b>	<b>6,540,900</b>

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 21. Income taxes (continued)

The Company also has undeducted research and development expenses in the amount of \$3,463,000 for federal purposes and \$5,115,000 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.

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

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

	2011	2010
	\$	\$
Federal	1,117,301	1,065,717
Provincial	1,117,301	1,069,462

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

	2011	2010
	\$	\$
Federal	-	-
Provincial	269,147	152,080

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

Reimbursable scientific research income tax credits earned for the year ended August 31, 2011 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 income tax credits for scientific research and experimental development, which were non-refundable and could be used against Part I Company tax. The accumulated credits for the year ended on August 31, 2011 are about \$1,094,959 and expire on a period of 10 to 20 years beginning in 2014.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 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.

	2011			2010		
	Opsens		Total	Opsens		Total
	Opsens Inc.	Solutions		Opsens inc.	Solutions	
	\$	\$	\$	\$	\$	\$
External sales	1,812,047	4,193,092	6,005,139	2,892,819	2,387,897	5,280,716
Internal sales	618,977	-	618,977	450,211	-	450,211
Amortization of property, plant and equipment	148,131	51,433	199,564	151,961	26,793	178,754
Amortization of intangible assets	24,282	2,661	26,943	30,146	1,720	31,866
Financial expenses	(311,484)	222,613	(88,871)	(45,923)	5,084	(40,839)
Net loss before gain on disposal	(2,159,948)	(351,405)	(2,511,353)	(1,317,306)	(464,429)	(1,781,735)
Gain on disposal	-	-	-	2,375,107	-	2,375,107
Net earnings (loss)	(2,159,948)	(351,405)	(2,511,353)	1,057,801	(464,429)	593,372
Acquisition of property, plant and equipment	153,401	218,085	371,486	65,023	60,366	125,389
Acquisition of intangible assets	85,724	21,465	107,189	29,159	8,084	37,243
<b>Segment assets</b>	<b>6,137,333</b>	<b>2,564,032</b>	<b>8,701,365</b>	<b>8,612,521</b>	<b>2,903,906</b>	<b>11,516,427</b>

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 23. Segmented information (continued)

#### *Geographic segment's information*

	2011	2010
	\$	\$
Revenue per geographic sector		
Canada	4,332,673	2,601,958
United States	1,020,566	906,916
Germany	-	298,152
United Kingdom	-	181,953
Other	651,900	1,291,737
	<b>6,005,139</b>	<b>5,280,716</b>

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, 2011, revenues from four clients represent individually more than 10% of the total revenues of the company, i.e. approximately 35.5% (Opsens Solutions Inc.' reportable segment), 14.8% (Opsens Solutions Inc.' reportable segment), 11.8% (Opsens Solutions Inc.' reportable segment) and 10.0% (Opsens Inc.' reportable segment).

During the year ended August 31, 2010, revenues from two clients represent individually more than 10% of the total revenues of the company, i.e. approximately 28.6% (Opsens Solutions Inc.' reportable segment) and 11.3% (Opsens Solutions Inc.' reportable segment).

### 24. 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.

	2011	2010
	\$	\$
Professional fees to a company		
Controlled by a director	50,511	-
	<b>50,511</b>	<b>-</b>

Fees are incurred for the Company's FFR activities.

# Opsens Inc.

## Notes to the consolidated financial statements

August 31, 2011 and 2010

### 25. Additional information to the statements of earnings (loss) and comprehensive earnings (loss)

	2011	2010
	\$	\$
Government assistance	(143,536)	(345,698)
Income tax credits for research and development	(326,154)	(222,010)
Interest and bank charges	22,107	20,033
Interest on demand loan and long-term debt	18,187	23,457
Loss (gain) on foreign currency translation	100,880	(14,200)
Interest income	(230,045)	(70,129)

### 26. Contingencies

On March 9, 2011, Opsens stated that it would vigorously defend itself against a lawsuit filed by ACIST Medical Systems Inc., a Delaware corporation (ACIST), alleging the improper use of alleged ACIST confidential information in connection with Opsens' EasyWire device and certain patent applications Opsens has filed, including U.S. Patent Application No. 12/725,951 and International Application No. PCT/CA2010/000396 (the "Applications"). ACIST's lawsuit seeks unspecified monetary damages, and further seeks that Opsens assign or abandon the Applications and cease development and testing of its EasyWire device.

Opsens has denied all of ACIST's legal claims in its Answer to the lawsuit filed in the United States District Court for the District of Minnesota. Opsens maintains that ACIST's lawsuit is entirely without merit and looks forward to proving its case in Court.

### 27. Subsequent event

On November 14, 2011, the Board of the Company has authorized the grant of a total of 870,000 stock options, of which 100,000 are immediately exercisable. Each stock option granted entitles the holder to subscribe one common share at the latest on November 14, 2016, at a price equal to \$0.23 per share.

### 28. Comparative financial statements

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