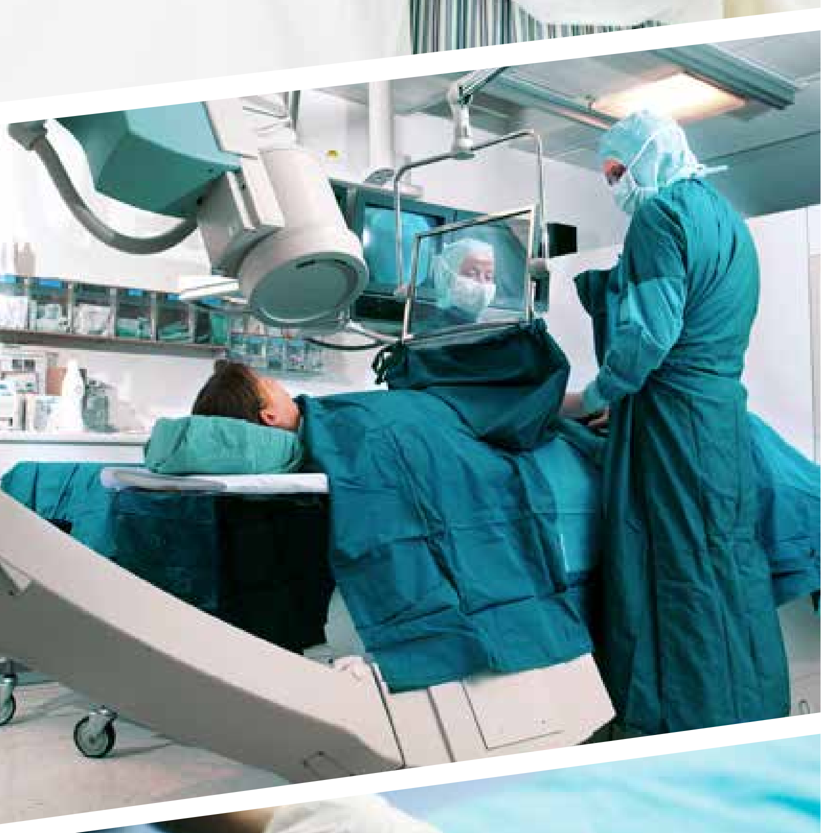


Annual Report 2018

opSens

Opsens focuses on the measurement of pressure in interventional cardiology. The Company offers the OptoWire, an advanced optical-based pressure guidewire that aims at improving the clinical outcomes of patients with coronary artery disease. Instrumented with a second-generation optical sensor, the OptoWire is designed to provide the lowest drift in the industry. Opsens is also engaged in industrial activities.

Mission – To promote patient health by providing products and technologies for high-quality diagnosis and treatment by cardiologists, while creating value for shareholders, employees and community.

Cornerstone of Opsens' Growth

- » Product performance recognized by key opinion leaders
- » Growing markets and sales channels in more than 30 countries
- » Accumulation of clinical data in progress – 50,000 cases completed
- » Continuous improvement of production processes.

Value Creation

Opsens' products benefit from growing recognition in interventional cardiology through an increase in the number of uses and the release of data showing the value of working with the OptoWire in clinical situations.

In the coming years, Opsens aims to create value through three primary strategies:

- » Gaining market share;
- » Developing new products; and,
- » Creating valuable partnerships.

Second-Generation Optical Pressure Guidewire, Designed to Provide the Lowest Drift in the Industry – To Diagnose and Treat with Confidence

OptoWire Stands Out from the Competition and Used in Studies

Cardiologists used the OptoWire for its excellent navigation features and seamless reconnection to measure FFR before and after percutaneous coronary intervention (PCI). Opsens' guidewire allowed post-PCI optimization to increase FFR.

A recent registry[1] using the OptoWire has highlighted further the value of evaluating coronary blockages with pressure measurements, such as FFR, after completing a successful PCI.

Among other things, this registry demonstrated that post-PCI FFR could still be in the ischemic range, i.e. blood circulation not considered adequate, despite treatment. In these cases, FFR could, in a good proportion of cases, be improved by an immediate additional intervention.

These results suggest measuring FFR post PCI for all lesions to confirm functional optimization.

New Product for the Diagnosis of Coronary Blockages with the Heart at Rest

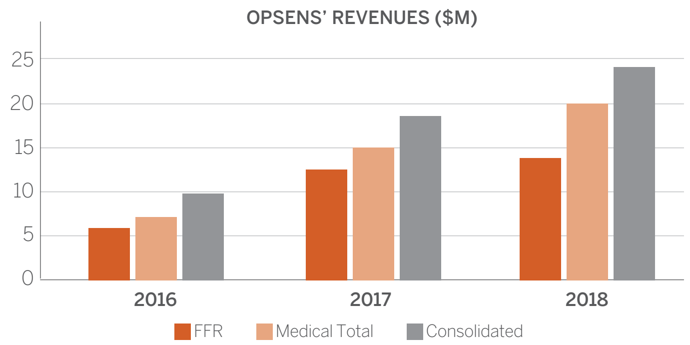
Opsens' initial product line was intended for FFR, a measurement performed in the context where the heart is stimulated by the injection of stimulant drugs. Alongside the interest in FFR, cardiologists have expressed the desire to measure pressure to make a diagnosis with the heart at rest, without the injection of drugs.

To improve its offering, Opsens has developed a product for the diagnosis of coronary blockages with the heart at rest. This new product, named dPR, will be available via the OptoMonitor and will work in combination with the OptoWire. Opsens has started marketing this product in Japan and Canada. Larger scale commercialization will deploy with the anticipated receipt of regulatory approvals.

[1] *Functional Optimization of Coronary Intervention Using Post-PCI Fractional Flow Reserve: A Prospective Registry BF Uretsky MD, Shiv Agarwal MD, Kristin Miller RN, Malek Al-Hawwas MD, Abdul Hakeem MD Central Arkansas VA Hospital and UAMS, Little Rock, AR, September 2018*

Second-Generation Optical Sensor Positions Opsens for Partnerships in Cardiology

Several companies, including Abiomed and Corflow, are integrating Opsens' sensor into their products used in interventional cardiology. These collaborations highlight the quality of Opsens' sensor and position the Company for new agreements.



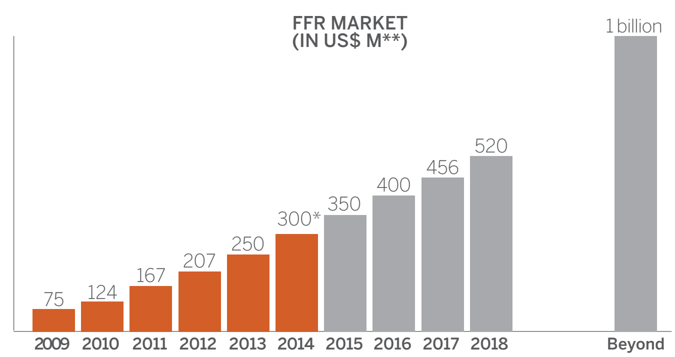
Measurement Market for Coronary Heart Disease

More than 10 years after the publication of the FAME study results, which showed that when a patient's lesion is assessed with FFR before a treatment is selected his results are significantly improved, the market continues to be fueled by studies that demonstrate the benefits of basing the diagnosis and treatment of coronary heart disease on reliable pressure measurements. Cardiologists, medical cardiology societies, insurance companies and hospitals are increasingly benefiting from diagnosis and treatment based on these measures as they:

- » Facilitate decision making before performing invasive procedures;
- » Improve the health of patients in general; and,
- » Avoid unnecessary medical procedures.

In 2017, new appropriate-use criteria have made FFR even more important by extending its applications. For example, patients with STEMI-type infarction benefit from FFR-guided treatment because it reduces the incidence of major cardiovascular and cerebrovascular events. In 2018, evaluation criteria extended the evaluation of blockages to the use of pressure measurements with the heart at rest.

Moreover, in Japan, a key market for Opsens, regulations now require evaluation of all coronary stenoses, specifically mentioning FFR as a method that can be used. This change in regulations is expected to have a positive impact on the use of FFR products in Japan, currently the largest user of Opsens' FFR products.



** St. Jude Medical 2015 - Investor Conference, February 6, 2015*

*** Based on 14 % growth projected in Global FFR Market 2016-2020*

Letter to Shareholders

Opsens' mission is to provide products that promote patient health and bring added effectiveness to the healthcare systems. As part of this mission, Opsens' technologies and expertise generated the highest revenue in the Company's history. In the future, Opsens intends to continue in this direction to promote the quality of diagnoses for coronary heart disease patients, and to offer other medical applications in order to position the Company as a leader in cardiology and create value for our shareholders.

Enhanced Confidence in the FFR Procedure

During the year, the Ministry of Health, Labor and Welfare of Japan (MHLW) established a new regulation requiring the evaluation of all coronary stenosis prior to its treatment, specifically mentioning Fractional Flow Reserve (FFR) as a preferred assessment method. These recommendations are consistent with the results of studies, such as the FAME report, which showed that when a patient's lesions are assessed with FFR before a treatment is selected, clinical results are significantly higher. This change in the regulations is expected to have a positive impact on the use of FFR products in Japan, which currently represents the largest user of Opsens' FFR products.

Positioning of Opsens' Offer for Pressure Measurement to Evaluate Blockages

Cardiologists' feedback on the OptoWire's performance continued to be commendable in 2018. With the evolution of interventional cardiology practices, some users have expressed an interest in measuring pressure with the heart at rest, for some patients. To answer this need, Opsens developed its own pressure algorithm, called dPR, to measure pressure with the heart at rest that led to regulatory filings in the United States and Europe. This product is already marketed in Canada and Japan. The dPR is expected to further improve Opsens' positioning in cath labs and thereby boost revenue growth once approvals are obtained. In addition to the dPR, Opsens intends to commercialize a new version of the OptoWire and the OptoMonitor in the year 2019.

In addition to the technological improvements brought to the market, Opsens continued to invest in the generation of clinical data related to the use of our products. These investments are expected to materialize in 2019 with the publication of new results on the performance, accuracy and benefits generated by using our products in various situations, including as diagnostic tools, for use in the delivery of stents or to measure pressure after an intervention.

Financial Performance and Marketing

The expansion of the sales team and distribution network spanning more than 30 countries resulted in 36% revenue growth this year. This growth was generated by an increase in FFR sales and other medical sales. In particular, consolidated revenues increased from 29% in 2017 to 43% in 2018, in the United States. These commercial and corporate developments provide solid foundations for the Company to aspire to the efficient execution of its business plan.

Optimization of Production Activities

In 2018, Opsens has maintained a steady improvement in efficiency as demonstrated by the gradual increase in our profit margin. With more than 50,000 OptoWire uses combined with the launch of a new version of our flagship product, Opsens will continue to evolve towards operational excellence to reduce production costs, improve market competitiveness and gross margins.

Industrial Sector

In the industrial sector, Opsens is now focusing on the aerospace, military and semiconductor industries. As expected, Opsens Solutions' revenues and profitability increased during the year. The trend should continue in 2019 given our many discussions for high potential opportunities.

Perspectives

In 2019, our priority remains to increase the impact of our products in interventional cardiology, from a commercial, clinical and financial point of view. A generalized growth of our revenues is anticipated for products to measure pressure (FFR, dPR), for other medical revenues as well as for the industrial sector.

I am confident in the strength of our team and in our business plan to position Opsens as a leader in the market. I thank shareholders for their support in the deployment of our strategy. I also thank the customers, employees, administrators, suppliers and partners for their contribution to the development of Opsens.

In closing, we hope to meet you at our shareholders' annual meeting to be held in January 2019.

Louis Laflamme
President and Chief Executive Officer

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2018

The following comments are intended to provide a review and analysis of the results of operations, financial condition and cash flows of Opsens Inc. for the fourth quarter and year ended August 31, 2018 in comparison with the corresponding periods ended August 31, 2017. In this Management’s Discussion and Analysis (MD&A), Opsens, “the Company”, “we”, “us” and “our” mean Opsens Inc. and its subsidiary. This MD&A should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This document was prepared on November 27, 2018. All amounts are in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking statements with respect to the Company. These forward-looking statements, by their nature, require the Company to make certain assumptions and necessarily involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements. Forward-looking statements are not guarantees of performance. These forward-looking statements, including financial outlooks, may involve, but are not limited to, comments with respect to the Company’s business or financial objectives, its strategies or future actions, its targets, expectations for financial condition or outlook for operations and future contingent payments. Words such as “may”, “will”, “would”, “could”, “expect”, “believe”, “plan”, “anticipate”, “intend”, “estimate”, “continue”, or the negative or comparable terminology, as well as terms usually used in the future and conditional, are intended to identify forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management’s perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on all currently available information, but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business. The forward-looking information set forth therein reflects the Company’s expectations as of November 27, 2018 and is subject to change after this date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

OVERVIEW

The Company's primary focus is the measurement of Fractional Flow Reserve (FFR) in the interventional cardiology market. This measurement is mainly used for the diagnosis of blockages in the coronary arteries and has begun to extend to other peripheral specialties. Opsens offers an optical guidewire (OptoWire) to measure pressure to diagnose and improve clinical outcomes in patients with coronary heart disease. Opsens also operates in the industrial sector through its wholly-owned subsidiary Opsens Solutions Inc. (Solutions). Solutions develops, manufactures and installs innovative measurement solutions using fiber optic sensors for critical and demanding industrial applications.

Opsens owns nine patents and has three patents pending to protect technologies in its medical and industrial sectors.

SECTORS OF ACTIVITY

In the medical field, Opsens markets the OptoWire and the OptoMonitor for interventional cardiology to provide cardiologists with an optimized pressure guidewire to navigate coronary arteries and cross blockages with ease while measuring intracoronary blood pressure. This procedure is called measurement of FFR or more broadly, physiology.

Opsens has obtained the required commercial approvals for the OptoWire and OptoMonitor in the world's largest markets, namely the United States, Europe, Japan and Canada. Combined, these markets represent approximately 85% of the global market for FFR products. Furthermore, Opsens developed a product that allows physicians to diagnose the coronary-artery blockages at rest. This new product, known as dPR, is Opsens’ resting pressure measurement method. It is available through the OptoMonitor and works in combination with the OptoWire. Opsens' dPR is already being marketed in Japan while the Company is awaiting regulatory approvals for the U.S., Canada and Europe.

Opsens has established a direct sales force in the U.S. and Canada and utilizes distributors in Europe (including the Middle East) and Japan.

Opsens also provides a broad selection of miniature optical sensors to measure pressure and temperature that can be used in a wide range of applications and can be integrated into other medical devices.

In the industrial sector, Opsens' expertise, technology and products meet the needs of multiple markets, including aerospace, semiconductor, geotechnical, structural, oil and gas, mining, laboratories and others. Opsens' portfolio of products and technologies can be adapted to measure various parameters under the most difficult conditions and bring significant benefits in terms of optimizing production and reducing risks to the environment and health.

MARKET OVERVIEW

In the medical field, particularly in interventional cardiology, FFR represents a significant and growing opportunity for the Company. In recent years, the prevalence of coronary heart disease has increased rapidly. In the AHA report, "Heart Disease and Stroke Statistics - 2017", which is based on health data compiled in more than 190 countries, coronary heart disease is the leading cause of death worldwide with 17.3 million deaths per year. This number is expected to exceed 23.6 million deaths in 2030. Coronary heart disease is one of the leading causes of death in the developed world, and the cost of managing and treating these diseases is a significant burden to society. The benefits of FFR were demonstrated in various clinical studies such as FAME I and FAME II published in 2009 and 2012, respectively in the New England Journal of Medicine. The FAME I study showed that the FFR-guided treatment rather than the standard angiography alone led to a reduction in mortality, myocardial infarction, readmission for percutaneous coronary intervention and coronary bypass by about 30% after a year. Several reports have also shown inaccurate diagnoses that can lead to misuse or inappropriate use of "stents."

The measurement of FFR has been shown to be more accurate and now holds the highest recommendation from the European Society of Cardiology (Class IA).

In the United States, support for the increasing use of FFR continues to grow. In March 2017, the appropriate use criteria ("AUC") for stable ischemic heart disease were updated to emphasize the use of FFR given its importance. The goal of the AUC is to provide a framework for assessing general clinical practices and improving the quality of care. The new AUCs reflect a recognition of the role and value of FFR, which should be beneficial for the expand use of FFR technologies. Payers, including Medicare, use the AUC to help formulate their repayment criteria.

Recently, in Japan, the Ministry of Health, Labour and Welfare (MHLW) introduced a new regulation requiring the physiology evaluation of all coronary artery stenosis prior to its treatment, specifically mentioning FFR as an evaluation method. The MHLW revised the medical fees and established a requirement to assess functional ischemia (blockage of arteries) prior to treatment.

These recent developments contribute to the steady growth of the FFR market. According to management and industry sources estimates [(1)], this market exceeds US$500 million worldwide in 2018 and is expected to exceed US$1 billion annually in the medium term.

(1) Opsens FFR Market Calculations based on **R. Scott Huennekens, "Volcano's CEO Hosts NASDAQ Analyst Day" *TRANSCRIPT* p.5 *(2013-03-7)***, JOHN T. DAHLDORF, "Volcano's Annual Report 2012" and St. Jude Medical 2015 – Investors Conference , February 6, 2015.

In the industrial field, the vast market presents numerous opportunities. The Company focuses mainly on the following markets:

- Structural Integrity Monitoring Market: Opportunities are mainly related to stress, load and displacement measures. The applications are in geotechnics, civil engineering, energy and oil and gas. The new industrial versions of strain sensors such as the extensometer and the load cell are the main flagship products for these applications;
- Pressure Monitoring Solutions Market: Opportunities are mainly related to absolute and differential pressure measurements. Pressure measurements are at the heart of many industrial applications in energy, geotechnics, oil and gas, and aerospace. The new industrial versions of the pressure sensor and the latest of a differential pressure sensor are the main flagship products for these applications;
- Traditional Niche Applications Market: Opsens is currently engaged in niche applications such as semiconductor, electro-explosive devices (EEDs), Steam Assisted Gravity Drainage (SAGD) in Western Canada, and in laboratories (special projects and customized products).

COMPETITION

In the medical sector, the FFR measurement market has five competitors and is currently dominated by two major players who commercialize a first-generation electrical technology. Competition is based on technological advantages, brand recognition, customer service, marketing support and price.

In the industrial sector, there are significant number of competitors in the field. This competition is based primarily on technological advantages. Our direct competition is made up of both open and closed-end companies with a global presence.

CORPORATE GROWTH STRATEGY

Opsens' growth strategy is to become a key player in the medical sector, particularly in the field of interventional cardiology, focusing on the measurement of FFR, where its products and technologies offer major advantages over the competition. The Company also aims to capitalize on its technologies and products in the industrial markets. To this end, the Company implements its corporate strategy based on its various segments of operations.

In the medical sector, the Company's growth strategy in the field of interventional cardiology is carried out by:

- Increase of its market shares in the fast-growing FFR market

To achieve this, management has set up the following sales force:

- Direct Sales Force: Opsens has established a sales team, hiring a seasoned staff with solid expertise in interventional cardiology. This sales force has been implemented to increase Opsens' market and commercialization penetration in the United States and Canada;
- Distributor Sales Force: Opsens has signed distribution agreements in Europe, the Middle East, Japan and Asia. These agreements allow Opsens to focus on market penetration with leading business partners in their respective markets.

The FFR market has started focusing on new measurements performed at rest. These measurements require greater accuracy and constant and repeated guidewire performance over time. With its second-generation optical sensor, the Company is convinced that there will be a growing interest with the OptoWire's recognized features that produce:

- Better design features and product specifications for improved mechanical performances (e.g., torque capacity and handling);
- A no-drift(2) measurement technology for improved reliability of FFR measurements, essential in cardiologists' decision-making. Competing FFR technologies have higher drift levels;
- Better connectivity as the OptoWire is insensitive to blood contamination. It can be easily reconnected without compromising accuracy of the measurement.

- Clinical Data

The Company is presently undertaking and planning to conduct clinical studies. The objective of these studies is to demonstrate the superiority of Opsens' FFR products.

- Innovation

In this ever-evolving and state-of-the-art market, Opsens plans to leverage its expertise in fiber optic sensing medical devices to create new FFR products and develop new fiber optic sensing technologies for physiology assessment that address other invasive unmet medical needs. Commitment to innovation has always been a driving force behind the Company's success and desire to improve its intellectual property portfolio and value proposition for customers.

In other medical products, Opsens offers a broad selection of miniature optical sensors to measure pressure and temperature that can be used in a wide range of applications and that can be integrated into other medical devices. The Company also aims to partner with key players in the industry, such as its partnership with Abiomed inc. (Abiomed), for the use of its miniature sensors and technology.

(2) Per 60601-2-34 ed3

In the industrial sector, the Company's business strategy is achieved by:

- Development of a sales and distribution network Opsens Solutions has set up a network development strategy to increase its visibility in the various markets;

- Target Market Potential markets for Opsens Solutions' technology are very broad—targeting only specific markets such as semiconductors, aerospace and laboratories. These are markets where Opsens' products offer unique advantages over its competitors;

- Innovation Opsens Solutions continually invests in innovations of its products, so they can offer unique advantages over its competitors. For example, the Company's optical strain and pressure sensors have received the attention of major players in the aerospace industry because they require no shielding or grounding and because of their ease of deployment.

NON-IFRS FINANCIAL MEASURES - EBITDACO

The Company quarterly reviews net loss and Earnings Before Interest, Taxes, Depreciation, Amortization, Change in fair value of embedded derivative and Stock-based compensation costs (EBITDACO). EBITDACO has no normalized sense prescribed by IFRS. It is not very probable that this measure is comparable with measures of the same type presented by other issuers. EBITDACO is defined by the Company as the addition of net loss, financial expenses, depreciation and amortization, change in fair value of embedded derivative and stock-based compensation costs. The Company uses EBITDACO for the purposes of evaluating its historical and prospective financial performance. This measure also helps the Company to plan and forecast for future periods as well as to make operational and strategic decisions. The Company believes that providing this information to investors, in addition to IFRS measures, allows them to see the Company’s results through the eyes of management, and to better understand its historical and future financial performance.

Reconciliation of EBITDACO to Net Loss

(In thousands of Canadian dollars)	**Year Ended August 31, 2018**	**Year Ended August 31, 2017**	**Year Ended August 31, 2016**
	$	$	$
Net loss	(4,550)	(6,537)	(9,282)
Financial expenses (revenues)	(50)	(7)	57
Amortization of property, plant and equipment	801	699	549
Amortization of intangible assets	98	90	73
Change in fair value of embedded derivative	501	164	732
EBITDAC	(3,200)	(5,591)	(7,871)
Stock-based compensation costs	618	864	451
EBITDACO	(2,582)	(4,727)	(7,420)

The positive variance of EBITDACO for fiscal 2018 when compared to last year is explained by the increase in revenues in the medical and industrial sectors. This was partly offset by higher sales and marketing and research and development expenses as explained further below.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year Ended August 31, 2018	Year Ended August 31, 2017	Year Ended August 31, 2016
	$	$	$
Revenues			
Sales			
Medical	19,991	14,895	6,062
Industrial	2,121	1,483	3,172
	22,112	16,378	9,234
Licensing agreement	1,958	1,374	367
	24,070	17,752	9,601
Cost of sales	11,330	10,252	7,970
Gross margin	12,740	7,500	1,631
Gross margin percentage	53%	42%	17%
Expenses (revenues)			
Administrative	3,869	3,774	3,685
Sales and marketing	9,273	6,975	3,694
Research and development	3,697	3,131	2,744
Financial expenses (revenues)	(50)	(7)	57
Change in fair value of embedded derivative	501	164	733
	17,290	14,037	10,913
Net loss and comprehensive loss	(4,550)	(6,537)	(9,282)
Basic and diluted net loss per share	(0.05)	(0.08)	(0.14)

Revenues

The Company reported revenues of $24,070,000 for the year ended August 31, 2018 compared to revenues of $17,752,000 for the corresponding period in 2017, an increase of $6,318,000 or 36%.

Sales in the medical sector totalled $19,991,000 for the year ended August 31, 2018 compared to sales of $14,895,000 for the same period in 2017. The increase in sales in the medical sector of $3,198,000 is mainly explained by higher original equipment manufacturer (OEM) medical sales. FFR sales totalled $14,249,000 for the year ended August 31, 2018, an increase of $1,898,000 compared to the $12,351,000 reported for the same period last year.

Sales in the industrial sector totalled $2,121,000 for the year ended August 31, 2018 compared to sales of $1,483,000 for the same period in 2017. This increase is mostly explained by higher volume of orders compared to last year.

For the year ended August 31, 2018 and 2017, pricing fluctuations did not have a significant impact on revenues.

The Company's revenues are generated in U.S. dollars, Canadian dollars, Euros and British pounds; fluctuations in the exchange rate affect revenues and net loss. For the year ended August 31, 2018, revenues were positively affected by $372,000 compared to the same period last year (sales were negatively impacted by $143,000 for the year ended August 31, 2017).

As at August 31, 2018, Opsens’ total backlog of orders amounted to $5,266,000 ($5,608,000 as at August 31, 2017).

Gross Margin

Information and analysis in this section do not take into consideration licensing revenues ($1,958,000 for the year ended August 31, 2018 and $1,374,000 for the year ended 2017, respectively).

Gross margin was $10,782,000 for the year ended August 31, 2018 compared to $6,126,000 for the same period last year. The gross margin percentage increased from 37% for the year ended August 31, 2017 to 49% for the year ended August 31, 2018. The increase in gross margin is mainly explained by higher sales from our OEM and FFR medical products line, as previously explained. The increase in gross margin percentage reflects a higher sales volume and the related benefits of scale combined with enhanced productivity.

Administrative Expenses

Administrative expenses were $3,869,000 and $3,774,000, respectively, for the years ended August 31, 2018 and 2017. The increase is mainly explained by higher salaries and fringe benefits, professional fees, insurance fees and recruiting expenses. This was partly offset by a lower allowance for doubtful accounts.

Sales and Marketing Expenses

Sales and marketing expenses totalled $9,273,000 for the year ended August 31, 2018, an increase of $2,298,000 over the $6,975,000 reported during the same period in 2017. The increase is largely explained by higher headcount, commissions, tradeshows, travelling and subcontractors' expenses when compared to last year due to the expansion of Opsens' direct sales presence for its FFR products in the United States.

Research and Development Expenses

Research and development expenses totalled $3,697,000 for the year ended August 31, 2018, an increase of $566,000 over the $3,131,000 reported during the same period in 2017. The increase is mainly explained by higher salaries and fringe benefits, supplies and subcontractors for our FFR activities.

Financial Revenues

Financial revenues reached $50,000 for the year ended August 31, 2018 compared to $7,000 for the same period in 2017. The increase in financial revenues is explained by lower interest expenses of $56,000 on long-term debt.

Change in Fair Value of the Embedded Derivative

The change in fair value of embedded derivative comes from the change in fair market value of the conversion option component of the convertible debenture. The convertible debenture contained a cash settlement feature, which under IAS 32, *Financial Instruments: Presentation*, was accounted for as a compound financial instrument with a debt component and a separate embedded derivative representing the conversion option. Both the debt and embedded derivative components of this compound financial instrument were measured at fair value on initial recognition. The debt component was subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative was subsequently measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. During the year ended August 31, 2018, an expense of $501,000 ($164,000 for the year ended August 31, 2017) was recorded in the consolidated statements of loss and comprehensive loss. On November 16, 2017 the holder of the debenture exercised its conversion option.

Net Loss

As a result of the foregoing, net loss for the year ended August 31, 2018 was $4,550,000 compared to $6,537,000 for the same period in 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at August 31, 2018	As at August 31, 2017	As at August 31, 2016
	$	$	$
Current assets	19,785	23,607	12,570
Total assets	23,586	27,610	16,861
Current liabilities	3,438	7,698	3,067
Long-term liabilities	1,475	1,947	6,482
Shareholders' equity	18,673	17,965	7,312

Total assets as at August 31, 2018 were $23,586,000 compared to $27,610,000 as at August 31, 2017. The decrease is mainly related to lower cash and cash equivalents of $1,684,000, by lower trade and other receivables of $1,403,000 and by lower tax credits receivable of $562,000. Significant efforts have been made over the year to decrease the delay in conversion of accounts receivable.

Current liabilities totalled $3,438,000 as at August 31, 2018 compared to $7,698,000 as at August 31, 2017. The decrease is mainly explained by the conversion of the convertible debenture into shareholders' equity amounting to $3,853,000. Also, this decrease is explained by lower deferred revenues of $325,000.

Long-term liabilities totalled $1,475,000 as at August 31, 2018 compared to $1,947,000 as at August 31, 2017, a decrease of $472,000. The decrease is mainly explained by a lower portion of long-term debt of $352,000.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

The summary below presents the periods in which Opsens published unaudited interim financial statements.

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended August 31, 2018	Three-month period ended May 31, 2018	Three-month period ended February 28, 2018	Three-month period ended November 30, 2018
	$	$	$	$
Revenues	5,866	6,398	5,442	6,364
Net loss for the period	(1,501)	(846)	(1,267)	(936)
Basic and diluted net loss per share	(0.02)	(0.01)	(0.01)	(0.01)

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended August 31, 2017	Three-month period ended May 31, 2017	Three-month period ended February 28, 2017	Three-month period ended November 30, 2016
	$	$	$	$
Revenues	4,307	4,892	4,808	3,745
Net loss for the period	(1,153)	(1,842)	(1,001)	(2,541)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.01)	(0.03)

For the medical sector, activities are generally slower in the fourth quarter due to the summer vacations of physicians.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2018, the Company had cash and cash equivalents of $10,887,000 compared to $12,570,000 as at August 31, 2017. Of this amount as at August 31, 2018, $9,856,000 was invested in highly-liquid, safe investments. As at August 31, 2018, Opsens had a working capital of $16,347,000, compared to $15,909,000 as at August 31, 2017. The increase in working capital is mainly related to the conversion of the convertible debenture

On February 6, 2018, the Company entered into a loan agreement of $213,840, net of transaction costs of $2,160, with Investissement Québec. This loan bears interest at prime rate plus 0.25%, is payable in monthly instalments of $4,500, and will be maturing in February 2022. This loan is secured by a movable hypothec on the Company's assets. Under this loan agreement, the Company is subject to certain covenants with respect to maintaining certain financial ratio, which were met as of the date of this MD&A.

On December 8, 2016, the Company completed a public offering for aggregate gross proceeds of $14,950,500. In connection with the offering, the Company issued a total of 9,967,000 shares at a price of $1.50 per share. Expenses of the offering include underwriting fees of $889,530 and other professional fees and miscellaneous fees of $305,403 for total fees of $1,194,933.

The Company intends to use the proceeds from the investment as follows:

(In thousands of Canadian dollars)	Use of funds as planned	Over-allotment	Funds available to Opsens from equity financing	Funds used as at August 31, 2018	Reclassification of use of funds as planned	Funds remaining to be used
	$	$	$	$	$	$
Net proceeds from the issue, including the over-allotment option	11,870,470	1,885,097	13,755,567	13,755,567	-	-
Use of proceeds						
Sales and marketing	7,869,970	1,885,097	9,755,067	10,580,830	825,763	-
Research and development						
Production of clinical data	920,000	-	920,000	94,237	(825,763)	-
Expanded development of Opsens' FFR technology	2,360,000	-	2,360,000	2,360,000	-	-
Working capital	720,500	-	720,500	720,500	-	-
Total use of proceeds	11,870,470	1,885,097	13,755,567	13,755,567	-	-

As production of clinical data was less expensive than expected by management, funds were used for marketing activities of Opsens' FFR products.

On May 27, 2016, the Company entered into a loan agreement of $836,000, net of transaction costs of $9,000, with Investissement Québec. This loan bears interest at prime rate plus 0.25%, is payable in monthly instalments of $18,750, and will be maturing in May 2020. This loan is secured by a movable hypothec on the Company's assets. Under this loan agreement, the Company is subject to certain covenants with respect to maintaining certain financial ratios, which were met as of the date of this MD&A. Furthermore, on March 7, 2017, the Company received the final disbursement of the loan amounting to $55,000.

On May 16, 2016, the Company completed a non-brokered private placement offering for aggregate gross proceeds of $4,999,050. In connection with the offering, the Company issued a total of 4,761,000 units at a price of $1.05 per unit. Each unit consists of one common share in the capital stock of Opsens and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder thereof to purchase one common share at a price of $1.55 until November 16, 2017. Expenses of the offering include professional fees and miscellaneous expenses for total fees of $102,563.

On May 20, 2016, the Company received an amount of $894,000 from the landlord in accordance with the lease signed by the Company to relocate its medical activities. This amount is presented in the balance sheet under the caption "Deferred lease inducements."

On April 18, 2016, the Company entered into a loan agreement amounting to $497,500, net of transaction costs of $2,500, with Desjardins. This loan bears interest at prime rate plus 2.0%, is payable in monthly instalments of $10,417, calculated over an amortization period of forty-eight (48) months and will be maturing in April 2018. This loan is secured by a movable hypothec on the Company's assets. Under this loan agreement, the Company is subject to certain covenants with respect to maintaining certain financial ratios, which were met as of the date of this MD&A.

Under an agreement entered into with Canada Economic Development (CED), the Company may receive a refundable contribution of a maximum amount of $200,000, non-interest-bearing, to cover expenses related to the commercialization of its OptoWire product for the FFR market. This contribution is paid out based on presentation by the Company of invoices related to specific expenses since May 22, 2015. On April 1, 2016, the Company received an amount of $65,000 of which $28,000 was recognized against administrative and sales and marketing expenses. On March 29, 2017, the Company received the final disbursement of the contribution amounting to $135,000 of which $48,000 was recognized against administrative and sales and marketing expenses.

On December 22, 2015, the Company completed a public offering for aggregate gross proceeds of $5,000,000. In connection with the offering, the Company issued a total of 5,681,819 units at a price of $0.88 per unit. Each unit consists of one common share in the capital stock of Opsens and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder thereof to purchase one common share at a price of $1.20 until June 22, 2017. Expenses of the offering include underwriting fees of $276,202 and other professional fees and miscellaneous expenses of $323,713 for total fees of $599,915.

The Company also issued 313,886 broker warrants as additional compensation, each warrant entitling the holder to purchase one common share of the Corporation at a price of $0.88 until June 22, 2017.

Concurrently with the public offering, the Company completed a non-brokered private placement offering of 184,400 units at a price of $0.88 per unit for aggregate gross proceeds of $162,272. Each unit comprises the same terms and conditions than the units issued under the public offering. Expenses related to the private placement amount to $10,083.

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 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 insured 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.

Based on its cash and cash equivalents position, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and/or debt. From a long-term perspective, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section of the Annual Information Form. Changes in cash and cash equivalents will largely depend on the rate of revenue growth in upcoming quarters.

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Year Ended August 31, 2018	Year Ended August 31, 2017
	$	$
Operating activities	(1,052)	(8,777)
Investing activities	(530)	(430)
Financing activities	(148)	15,888
Effect of foreign exchange rate changes on cash and cash equivalents	47	(14)
Net change in cash and cash equivalents	(1,683)	6,667

Operating Activities

Cash flows used by our operating activities for the year ended August 31, 2018 were $1,052,000 compared to $8,777,000 for the same period last year. The decrease in cash flows used by our operating activities is mainly explained by a positive variance of EBITDACO as explained previously. Also, the decrease is explained by positive changes in non-cash operating working capital items mostly related to trade and other receivables, inventories and tax credits receivable.

Investing Activities

For the year ended August 31, 2018, cash flows used by our investing activities reached $530,000 compared to $430,000 for the year ended August 31, 2017. The increase is mainly explained by an increase in the acquisition of property, plant and equipment for the medical sector compared to the same period last year. This is partly offset by the receipt of a tax credit for the acquisition of property, plant and equipment.

Financing Activities

For the year ended August 31, 2018, cash flows used by financing activities reach $148,000 compared to cash flows generated of $15,888,000 for the year ended August 31, 2017. The decrease is mainly explained by the fact that we closed an equity financing of $14,950,500 during the year ended August 31, 2017.

COMMITMENTS

Leases

The Company leases offices in Quebec under operating leases expiring on April 30, 2020 and September 30, 2025. The main agreement is renewable for an additional five-year period.

Future payments for the leases, required in each of the forthcoming years total $4,638,249 as follows:

	$
2019	736,967
2020	695,706
2021	600,915
2022	613,800
2023	628,951
Thereafter	1,361,910

Other

On September 8, 2017, the Company signed an agreement amounting to $1,574,734 with a supplier for raw material purchases for a 24-month period. As at August 31, 2018, the remaining amount regarding this agreement is $787,367.

SUBSEQUENT EVENT

On September 28, 2018, the Company achieved a technical milestone related to the agreement with Abiomed and the Company received a payment of $2,260,900 (US$1,750,000) that will be recorded as licensing revenues in the consolidated statements of loss and comprehensive loss for fiscal year 2019.

On October 15, 2018, the Company signed a loan agreement amounting to a maximum of $525,000 for the acquisition of property, plant and equipment.

INFORMATION BY REPORTABLE SEGMENTS

Segmented Information

The Company is organized into two segments: Medical and Industrial.

Medical segment: In this segment, Opsens focuses mainly on the measure of FFR in interventional cardiology but also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in others medical devices.

Industrial segment: In this segment, Opsens develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications.

The principal factors employed in the identification of the two segments reflected in this note include the Company's organizational structure, the nature of the reporting lines to the President and Chief Executive Officer and the structure of internal reporting documentation such as management accounts and budgets.

The same accounting policies are used for both reportable segments. Operations are carried out in the normal course of business and are measured at the exchange amount, which approximates prevailing prices in the markets.

	Years ended August 31,					
			2018			2017
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	21,949,230	2,120,501	24,069,731	16,269,011	1,482,985	17,751,996
Internal sales	-	149,210	149,210	-	269,505	269,505
Gross margin	11,416,874	1,322,538	12,739,412	6,886,549	610,992	7,497,541
Amortization of property, plant and equipment	728,375	72,220	800,595	608,453	90,163	698,616
Amortization of intangible assets	82,292	15,396	97,688	75,927	14,566	90,493
Financial expenses (revenues)	(320,393)	270,289	(50,104)	(289,936)	282,743	(7,193)
Change in fair value of embedded derivative	501,250	-	501,250	163,745	-	163,745
Net loss	(4,240,173)	(309,311)	(4,549,484)	(4,879,287)	(1,659,988)	(6,539,275)
Acquisition of property, plant and equipment	642,054	49,624	691,678	490,155	9,024	499,179
Additions to intangible assets	79,076	21,155	100,231	86,285	18,515	104,800
Segment assets	21,982,087	1,603,809	23,585,896	25,992,083	1,617,718	27,609,801
Segment liabilities	4,651,422	261,511	4,912,933	9,487,517	156,960	9,644,477

The Company’s net loss per reportable segment reconciles to its consolidated financial statements as follows:

	Years ended August 31, 2018	2017
	$	$
Gross margin per reportable segment	12,739,412	7,497,541
Elimination of intersegment profits	-	2,232
Gross margin	12,739,412	7,499,773
Net loss per reportable segments	(4,549,484)	(6,539,275)
Elimination of intersegment profits	-	2,232
Net loss and comprehensive loss	(4,549,484)	(6,537,043)

Geographic sector’s information

	Years ended August 31, 2018	2017
	$	$
Revenue per geographic sector		
United States	10,250,126	5,100,077
Japan	6,539,888	6,586,561
Canada	1,987,216	1,625,567
Other*	5,292,501	4,439,791
	24,069,731	17,751,996

* Comprised of revenues generated in countries for which amounts are individually not significant.

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, 2018, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e., 27% (medical’s reportable segment) and 25% (medical’s reportable segment).

During the year ended August 31, 2017, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e., 40% (medical’s reportable segment) and 17% (medical’s reportable segment).

Medical Segment

Information and analysis in this section for sales and gross margin do not take into account licensing revenues ($1,958,000 for the year ended August 31, 2018 and $1,374,000 for the year ended August 31, 2017).

For the year ended August 31, 2018, sales from medical segment were $19,991,000 compared to $14,895,000 for the year ended August 31, 2017, an increase of $5,096,000. The increase is explained by higher OEM sales of $3,198,000 and by higher FFR sales of $1,898,000.

Gross margin was $9,459,000 for the year ended August 31, 2018 compared to $5,512,000 for the year ended August 31, 2017, an increase of $3,947,000. The gross margin percentage for the year ended August 31, 2017 was 37% compared to 47% for the year ended August 31, 2018. The increase in gross margin is mainly explained by higher sales from our OEM products line and FFR products combined with a decrease in our production cost. The increase in gross margin percentage reflects higher sales volume and the related economies of scale combined with enhanced productivity.

Net loss for the medical segment was $4,240,000 for the year ended August 31, 2018 compared to $4,879,000 for the same period last year. The decrease in net loss is mainly explained by higher medical sales and also the improvement of the gross margin, partly offset by higher sales and marketing expenses, as explained previously.

Working capital for the medical segment as at August 31, 2018 was $15,183,000 compared to $14,675,000 as at August 31, 2017. The increase of $508,000 is mainly explained by the conversion of the convertible debenture into common shares for an amount of $3,853,000. This is partly offset by lower trade and other receivables of $1,722,000 and by lower cash and cash equivalents of $1,586,000.

Industrial Segment

For the year ended August 31, 2018, sales from industrial segment were $2,121,000 compared to $1,483,000 for the year ended August 31, 2017, an increase of $638,000. This increase is mostly explained by significant orders placed by customers.

Gross margin was $1,323,000 for the year ended August 31, 2018 compared to $611,000 for the same period in 2017, an increase of $712,000. Gross margin percentage increase from 35% for the year ended August 31, 2017 to 58% for the year ended August 31, 2018. The increase in gross margin percentage is mainly explained by sales of products with a higher margin over last year.

Net loss for the industrial segment was $309,000 for the year ended August 31, 2018 compared to $1,660,000 for the year ended August 31, 2017. The decrease in net loss is mainly explained by an increase in sales and by a decrease in administrative and marketing expenses.

Working capital for the industrial segment as at August 31, 2018 was $1,163,000 compared to $1,235,000 as at August 31, 2017. The decrease of $72,000 is mainly explained by lower tax credits receivable of $207,000. This is partly offset by higher accounts payable and accrued liabilities of $98,000.

FOURTH QUARTER 2018

Revenues

Revenues totalled $5,866,000 for the quarter ended August 31, 2018 compared to $4,307,000 a year earlier. The increase is explained by higher FFR sales of $1,288,000 and industrial sales revenues of $308,000.

Gross Margin

Information and analysis in this section do not take into consideration licensing revenues ($92,000 the quarters ended August 31, 2018 and 2017).

Gross margin was $2,929,000 for the three-month period ended August 31, 2018 compared to $1,913,000 for the same period last year, an increase of $1,016,000. The gross margin percentage increased from 44% for the three-month period ended August 31, 2017 to 51% for the three-month period ended August 31, 2018. The increase in gross margin is explained by higher medical and industrial sales. The increase in gross margin percentage reflects higher sales volume and the related scale economy combined with enhanced productivity in the medical segment and sales of product with a higher margin in the industrial segment.

Administrative Expenses

Administrative expenses were $1,126,000 and $767,000, respectively, for the three-month periods ended August 31, 2018 and 2017. The increase is mainly explained by higher salaries and fringe benefits and professional fees. This is partly offset by a lower allowance for doubtful accounts.

Sales and Marketing Expenses

Sales and marketing expenses for the three-month period ended August 31, 2018 totalled $2,382,000, an increase of $677,000 over the $1,705,000 reported during the same period in 2017. The increase is largely explained by a higher headcount, commissions, clinical studies, tradeshows, travelling and subcontractor expenses when compared to last year due to the expansion of Opsens' direct sales presence for its FFR products in the United States.

Research and Development Expenses

Research and development expenses totalled $1,046,000 for the three-month period ended August 31, 2018, an increase of $310,000 over the $736,000 reported during the same period in 2017. The variation is mainly explained by higher supplies and subcontractors for our FFR activities. This is also explained by a lower tax credits.

Financial revenues

Financial revenues reached $32,000 for the three-month period ended August 31, 2018 compared to $134,000 for the same period last year. The decrease in financial revenues during the period is explained by a less favourable exchange rate of $121,000. This is partly offset by lower interest on long-term debt of $20,000.

Change in Fair Value of the Embedded Derivative

During the three-month period ended August 31, 2018, no expense ($84,000 for the three-month period ended August 31, 2017) was recorded in the consolidated statements of loss and comprehensive loss.

Net Loss

As a result of the foregoing, net loss for the three-month period ended August 31, 2018 was $1,501,000 or $0.02 per share compared to net loss of $1,153,000 or $0.02 per share for the same period in 2017.

INFORMATION ON SHARE CAPITAL

For the year ended August 31, 2018, the Company granted to some employees, directors and consultant a total of 2,284,500 stock options with an average exercise price of $0.99, cancelled 1,477,750 stock options with an exercise price of $1.24, whereas 650,750 stock options with an average exercise price of $0.30 were exercised, and 427,250 stock options with an exercise price of $1.14 expired.

For the year ended August 31, 2017, the Company granted to some employees, directors and consultants a total of 2,992,750 stock options with an average exercise price of $1.49, cancelled 981,750 stock options with an exercise price of $1.03, while 1,074,250 stock options with an average exercise price of $0.40 were exercised.

For the year ended August 31, 2018, 2,380,500 warrants with an average exercise price of $1.55 expired.

For the year ended August 31, 2017, 1,366,468 warrants expired with an average exercise price of $1.20 and 1,870,528 warrants with an average exercise price of $1.14 were exercised.

As at November 27, 2018, the following components of shareholders' equity are outstanding:

Common shares	89,968,817
Stock options	5,321,250
Securities on a fully diluted basis	95,290,067

No dividend was declared per share for each share class.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has entered into transactions with related parties.

	Years ended August 31,	
	2018	2017
	$	$
Professional fees paid to a company controlled by a director	-	59,134

The fees were incurred for the Company's FFR activities.

FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash and cash equivalents, trade and other receivables 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.

The fair value of the convertible debenture 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 the debt component of the convertible debenture was $2,143,900 as at August 31, 2017 and was classified at Level 2 in the fair value hierarchy.

Valuation Techniques and Assumptions Applied for the Purposes of Measuring Fair Value

The Company must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. The three input levels used by the Company to measure fair value are the following:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	As at August 31, 2018			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	-	-	-	-

	As at August 31, 2017			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	(1,097,653)	-	(1,097,653)	-

On November 16, 2017, the Company received a notice of conversion from the holder of the convertible debenture. At the date of the conversion, the embedded derivative must be measured at fair value with gains and losses in fair value recognized in the consolidated statements of net loss. The price use to determine the value of the embedded derivative was the difference between the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of the conversion and the conversion price used to determine the common shares issued. For the year ended August 31, 2017, the fair value of the convertible debenture was determined using the Black-Scholes pricing model using an implied volatility of 51%, a discount rate of 1.26% and an expected life of 0.2 years.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated basis.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. 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.

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 25% of the Company's total accounts receivable as at August 31, 2018 (34% as at August 31, 2017).

As at August 31, 2018, 32% (37% as at August 31, 2017) of the accounts receivable were of more than 90 days whereas 52% (34% as at August 31, 2017) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2018, the allowance for doubtful accounts was established at $817,823 ($940,929 as at August 31, 2017).

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash and/or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operational, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. The funding strategies used to manage this risk include the Company's access to capital markets and debt securities issues.

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2018 and August 31, 2017:

August 31, 2018	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	2,719,690	2,719,690	2,719,690	-	-
Long-term debt	1,193,112	1,276,509	580,052	488,783	207,674
Total	3,912,802	3,996,199	3,299,742	488,783	207,674

August 31, 2017	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	2,909,516	2,909,516	2,909,516	-	-
Long-term debt	1,445,168	1,580,231	492,722	526,052	561,457
Convertible debenture	3,853,225	2,770,358	2,770,358	-	-
Total	8,207,909	7,260,105	6,172,596	526,052	561,457

Interest Rate Risk

The Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Fixed interest rates
Trade and other receivables	Non-interest-bearing
Accounts payable and accrued liabilities	Non-interest-bearing
Long-term debt	Non-interest-bearing and variable interest rates
Convertible debenture	Fixed interest rates

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments and embedded derivatives. The Company owns investments with fixed interest rates. As at August 31, 2018, the Company was holding more than 91% (94% as at August 31, 2017) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would not have a significant impact on net loss and comprehensive loss for the year ended August 31, 2018 (not significant for the year ended August 31, 2017).

Financial Expenses (revenues)

	Years ended August 31,	
	2018	2017
	$	$
Interest and bank charges	68,079	56,323
Interest on long-term debt	75,505	70,379
Interest and imputed interest on the convertible debenture	14,763	69,979
Gain on foreign currency translation	(42,170)	(19,374)
Interest income	(166,281)	(184,500)
	(50,104)	(7,193)

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 at August 31, 2018 and 2017, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases and certain supplies and professional services in U.S. dollars, Euros and British pound. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

Foreign Currency Sensitivity Analysis

For the year ended August 31, 2018, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been $591,000 higher ($79,000 higher for the year ended August 31, 2017). Conversely, if the Canadian dollar had weakened by 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been $591,000 lower for the year ended August 31, 2018 ($79,000 lower for the year ended August 31, 2017).

For the year ended August 31, 2018, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been $345,000 higher ($322,000 higher for the year ended August 31, 2017). Conversely, if the Canadian dollar had weakened by 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been $345,000 lower for the year ended August 31, 2018 ($322,000 lower for the year ended August 31, 2017).

For the year ended August 31, 2018, if the Canadian dollar had strengthened or weakened by 10% against the British pound, the impact on net loss and comprehensive loss would not have been significant.

As at August 31, 2018 and August 31, 2017, the risk to which the Company was exposed is established as follows:

	As at August 31, 2018	As at August 31, 2017
	$	$
Cash and cash equivalents (US$599,807; US$252,720 as at August 31, 2017)	783,048	316,810
Cash and cash equivalents (€ 643; € 28,968 as at August 31, 2017)	975	43,125
Cash and cash equivalents (£11,498; £64 as at August 31, 2017)	19,467	103
Trade and other receivables (US$1,502,031; US$1,741,221 as at August 31, 2017)	1,960,902	2,182,794
Trade and other receivables (€ 145,249; € 625,813 as at August 31, 2017)	220,270	931,647
Trade and other receivables (£131,788; £116,377 as at August 31, 2017)	223,130	188,463
Accounts payable and accrued liabilities (US$526,291; US$757,978 as at August 31, 2017)	(687,073)	(950,202)
Accounts payable and accrued liabilities (€ 3,854; € 4,408 as at August 31, 2017)	(5,845)	(6,563)
Accounts payable and accrued liabilities (£4,537; £830 as at August 31, 2017)	(7,682)	(1,342)
Convertible debenture (nil; US$2,198,125 as at August 31, 2017)	-	(2,755,572)
Embedded derivative (nil; US$875,600 as at August 31, 2017)	-	(1,097,653)
Total	2,507,192	(1,148,390)

CAPITAL MANAGEMENT

The Company's objective in managing capital, primarily composed of shareholders' equity and long-term debt, is to ensure sufficient liquidity to fund production activities, R&D, general and administrative expenses, sales and marketing expenses, working capital and capital expenditures.

In the past, the Company has had access to liquidity through non-dilutive sources, including the sale of non-core assets, long-term debts, investment tax credits and government assistance, interest income and public equity offerings.

As at August 31, 2018, the Company's working capital amounted to $16,346,939 ($15,909,209 as at August 31, 2017), including cash and cash equivalents of $10,886,788 ($12,570,299 as at August 31, 2017). The accumulated deficit at the same date was $41,625,541 ($37,076,057 as at August 31, 2017). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2018.

The Company believes that its current liquid assets are sufficient to finance its activities in the short-term.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital management objectives, policies and procedures have remained unchanged since the last fiscal year.

For the years ended August 31, 2018 and 2017, the Company has not been in default on any of its obligations regarding long-term debt.

CAPACITY TO PRODUCE RESULTS

As discussed in the section "LIQUIDITY AND CAPITAL RESOURCES", the Company has the required financial resources for its short-term operations, to fulfill its commitments, to support its growth plan and for the development of its activities. On a mid-term perspective, it is possible that additional financing, through the issuance of shares or debt financing or any other means of financing, might be required.

From the human resources' perspective, there are no vacancies in the major executive positions within the Company. However, following the retirement of the former Vice-president, Medical Devices, management reorganized duties within the organization and assigned his duties to various employees.

Also, additional technical and production personnel as well as sales and marketing personnel will be required to support the expected growth. Considering the employment market in Canada, the U.S. and Europe, Opsens is confident in its capacity to recruit qualified human resources in a timely fashion.

Regarding the strategy on corporate executive remuneration, it is oriented towards creating long-term value for the shareholders. Several corporate executives hold an important share and share-purchase option position, with rights to be acquired over a four-year period to align shareholders' interest with corporate executives' interest. This long-term vision stimulates innovation and the development of recurring revenues.

NEW ACCOUNTING STANDARDS

There are no IFRS or International Financial Reporting Interpretations Committee (IFRIC) that are in effect for the first time in 2018 that would be expected to have a material impact on the Company.

Not Yet Adopted

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exceptions. Early adoption is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. To date, the Company does not expect the new standard to result in material changes in the consolidated financial statements, aside from disclosure requirements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, *Revenue*, and related interpretations such as IFRIC 13, *Customer Loyalty Programmes*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than what was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of IFRS 15 to January 1, 2018.

In April 2016, the IASB issued clarifications to IFRS 15, *Revenue from Contracts with Customers*. These clarifications provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and licences of intellectual property. To date, the Company does not expect the new standard to result in material changes in the consolidated financial statements, aside from disclosure requirements.

IFRS 16, Leases

On January 13, 2016, the IASB released IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and the related interpretations on leases such as IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. This new standard specifies how to recognize, measure, present and disclose leases. It also provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless lease term is 12 months or less or the underlying asset has a small value. Accounting for the lessors remain substantially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*. The Company has not yet assessed the impact of this new standard.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* (the Interpretation). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019. Early application is permitted.

The Interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company has not yet assessed the impact of this new interpretation.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the requirements of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), have evaluated the effectiveness of the Company's disclosure controls and procedures (DC&P). Based upon the results of the evaluation, the Company's CEO and CFO have concluded that as at August 31, 2018, the Company's disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting (ICFR) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and disposals of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposal of the Company's assets that could have a material effect on the financial instruments.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective as at August 31, 2018.

RISK FACTORS

The Company operates in an industry that contains various risks and uncertainties. Additional risks and uncertainties not presently known by the Company, or which the Company deems to be currently insignificant, may impede the Company's performance. The materialization of one of the risks could harm the Company's activities and have significant negative impacts on its financial situation and its operating results. In that case, the Company's stock price could be affected.

There are important risks which management believes could impact the Company's business. For information on risks and uncertainties, please also refer to the "Risk Factors" section of our most recent Annual Information Form.

OFF-BALANCE SHEET ARRANGEMENTS

As of August 31, 2018, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements.

OTHER INFORMATION

Updated information on the Company can be found on the SEDAR Web site at http://www.sedar.com.

On behalf of management,
Chief Financial Officer and Corporate Secretary

(s) Robin Villeneuve, CPA, CA

November 27, 2018

Consolidated Financial Statements

Opsens Inc.

Years ended August 31, 2018 and 2017

Opsens Inc.

Years ended August 31, 2018 and 2017

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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 statements of financial position as at August 31, 2018, and August 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Opsens Inc. as at August 31, 2018, and August 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

November 27, 2018

[1] CPA auditor, CA, public accountancy permit No. A112991

Opsens Inc.

Consolidated Statements of Loss and Comprehensive Loss
Years ended August 31, 2018 and 2017

	2018	2017
	$	$
Revenues		
Sales	22,112,019	16,377,834
Licensing agreement (Note 11)	1,957,712	1,374,162
	24,069,731	17,751,996
Cost of sales (Note 24)	11,330,319	10,252,223
Gross margin	12,739,412	7,499,773
Expenses (revenues) (Note 24)		
Administrative	3,868,655	3,774,473
Sales and marketing	9,272,717	6,975,208
Research and development	3,696,378	3,130,583
Financial revenues (Note 25)	(50,104)	(7,193)
Change in fair value of embedded derivative (Note 13)	501,250	163,745
	17,288,896	14,036,816
Net loss and comprehensive loss	(4,549,484)	(6,537,043)
Basic and diluted net loss per share (Note 15)	(0.05)	(0.08)

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

Opsens Inc.

Consolidated Statements of Changes in Equity
Years ended August 31, 2018 and 2017

	Common shares	Warrants	**Total**	Share capital	Reserve – Stock option plan	Reserve – Warrants	Deficit	**Total**
	(number)	(number)	**(number)**	$	$	$	$	**$**
Balance as at								
August 31, 2017	85,540,816	2,380,500	**87,921,316**	49,581,504	2,560,583	2,899,294	(37,076,057)	**17,965,324**
Issued pursuant to the stock option plan (Note 14a))	650,750	-	**650,750**	316,507	(120,437)	-	-	**196,070**
Warrants expired (Note 14c))	-	(2,380,500)	**(2,380,500)**	-	-	-	-	**-**
Conversion of the convertible debenture (Note 13)	3,677,251	-	**3,677,251**	4,443,003	-	-	-	**4,443,003**
Stock-based compensation costs (Note 14b))	-	-	**-**	-	618,050	-	-	**618,050**
Net loss and comprehensive loss	-	-	**-**	-	-	-	(4,549,484)	**(4,549,484)**
Balance as at								
August 31, 2018	89,868,817	-	**89,868,817**	54,341,014	3,058,196	2,899,294	(41,625,541)	**18,672,963**

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

Opsens Inc.

Consolidated Statements of Changes in Equity
Years ended August 31, 2018 and 2017

	Common shares	Warrants	**Total**	Share capital	Reserve – Stock option plan	Reserve – Warrants	Deficit	**Total**
	(number)	(number)	**(number)**	$	$	$	$	**$**
Balance as at August 31, 2016	72,629,038	5,617,496	**78,246,534**	32,677,611	1,920,089	3,253,737	(30,539,014)	**7,312,423**
Common shares issued in connection with a public offering (Note 14a))	9,967,000	-	**9,967,000**	13,755,567	-	-	-	**13,755,567**
Issued pursuant to the stock option plan (Note 14a))	1,074,250	-	**1,074,250**	649,686	(223,560)	-	-	**426,126**
Warrants expired (Note 14c))	-	(1,366,468)	**(1,366,468)**	-	-	-	-	**-**
Warrants exercised (Note 14a))	1,870,528	(1,870,528)	**-**	2,498,640	-	(354,443)	-	**2,144,197**
Stock-based compensation costs (Note 14b))	-	-	**-**	-	864,054	-	-	**864,054**
Net loss and comprehensive loss	-	-	**-**	-	-	-	(6,537,043)	**(6,537,043)**
Balance as at August 31, 2017	85,540,816	2,380,500	**87,921,316**	49,581,504	2,560,583	2,899,294	(37,076,057)	**17,965,324**

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

Opsens Inc.
Consolidated Statements of Financial Position

	As at August 31, 2018	As at August 31, 2017
	$	$
Assets		
Current		
Cash and cash equivalents (Note 16)	**10,886,788**	12,570,299
Trade and other receivables (Note 5)	**2,816,285**	4,218,938
Tax credits receivable (Note 21)	**354,788**	916,675
Inventories (Note 6)	**5,219,960**	5,446,508
Prepaid expenses	**507,336**	454,286
	19,785,157	23,606,706
Property, plant and equipment (Note 7)	**3,174,849**	3,355,410
Intangible assets (Note 8)	**625,890**	647,685
	23,585,896	27,609,801
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	**2,719,690**	2,909,516
Warranty provision (Note 18)	**137,420**	128,910
Current portion of deferred revenues (Note 11)	**41,669**	366,408
Current portion of long-term debt (Note 12)	**539,439**	439,438
Convertible debenture (Note 13)	**-**	3,853,225
	3,438,218	7,697,497
Deferred revenues (Note 11)	**-**	41,673
Long-term debt (Note 12)	**653,673**	1,005,730
Deferred lease inducements	**821,042**	899,577
	4,912,933	9,644,477
Shareholders' equity		
Share capital (Note 14a))	**54,341,014**	49,581,504
Reserve – Stock option plan (Note 14b))	**3,058,196**	2,560,583
Reserve – Warrants (Note 14c))	**2,899,294**	2,899,294
Deficit	**(41,625,541)**	(37,076,057)
	18,672,963	17,965,324
	23,585,896	27,609,801

Commitments (Note 17)
Subsequent events (Note 27)

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

Approved by the Board

Signed [Jean Lavigueur] Director

Signed [Louis Laflamme] Director

Opsens Inc.
Consolidated Statements of Cash Flows
Years ended August 31, 2018 and 2017

	2018	2017
	$	$
Operating activities		
Net loss	**(4,549,484)**	(6,537,043)
Adjustments for:		
Amortization of property, plant and equipment (Note 7)	**800,595**	698,616
Amortization of intangible assets (Note 8)	**97,688**	90,493
Loss (gain) on disposal of property, plant and equipment	**66,076**	(39,213)
Write-off of intangible assets	**24,338**	11,225
Stock-based compensation costs	**618,050**	864,054
Change in fair value of embedded derivative	**501,250**	163,745
Interest expense (revenue)	**(59,153)**	52,085
Unrealized foreign exchange loss (gain)	**26,399**	(159,616)
Changes in non-cash operating working capital items (Note 16)	**1,421,813**	(3,920,886)
	(1,052,428)	(8,776,540)
Investing activities		
Acquisition of property, plant and equipment	**(757,076)**	(544,389)
Income tax credit on property, plant and equipment	**161,138**	24,886
Additions to intangible assets	**(103,041)**	(158,491)
Proceeds from disposal of property, plant and equipment	**2,600**	131,217
Interest received	**166,281**	116,522
	(530,098)	(430,255)
Financing activities		
Increase in long-term debt, net of transaction costs	**213,840**	189,863
Government grants on long-term debt	**-**	(48,416)
Reimbursement of long-term debt	**(519,716)**	(538,214)
Proceeds from issuance of shares and warrants (Note 14a))	**196,070**	17,520,823
Shares issue costs (Note 14a))	**-**	(1,194,933)
Interest paid	**(38,546)**	(41,344)
	(148,352)	15,887,779
Effect of foreign exchange rate changes on cash and cash equivalents	**47,367**	(13,725)
Increase (decrease) in cash and cash equivalents	**(1,683,511)**	6,667,259
Cash and cash equivalents – Beginning of year	**12,570,299**	5,903,040
Cash and cash equivalents – End of year	**10,886,788**	12,570,299

Additional information on the consolidated statements of cash flows is presented in Note 16.

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

1. Incorporation and Description of Business

Opsens Inc. (Opsens or the Company) is incorporated under the Business Corporations Act (Quebec). Opsens focuses mainly on the measure of Fractional Flow Reserve (FFR) in interventional cardiology but also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in others medical devices. Opsens offers an advanced optical-based pressure guidewire (OptoWire) that aims at improving the clinical outcome of patients with coronary artery disease. Opsens is also involved in industrial activities through its wholly-owned subsidiary Opsens Solutions Inc. (Solutions). Solutions develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications. The Company’s head office is located at 750 Boulevard du Parc-Technologique, Quebec City, Quebec, Canada, G1P 4S3.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the embedded derivative, which is measured at fair value.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company has consistently applied the accounting policies throughout all years presented.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, Opsens Solutions Inc. All intra-group transactions, balances, revenues and expenses are fully eliminated upon consolidation until they are realized with a third party.

Subsidiary

A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date control is obtained and they are no longer consolidated at the date control ceases.

Changes in the parent company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company's revenues related to the sales of products are measured at the fair value of the consideration received or receivable upon shipment of the product and when the risks and rewards of ownership have been transferred to the customer, when there is no management to the degree usually associated with ownership or effective control over the goods sold, when the amount of revenue can be measured reliably and when the recovery of the consideration is probable and the associated costs and possible return of goods can be measured.

Reporting Currency and Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company, as this is the principal currency of the economic environment in which it operates.

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities are translated at the exchange rate in effect at the date of the consolidated statements of financial position, non-monetary assets and liabilities are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange gains and losses from translation are recognized in the consolidated statements of loss and comprehensive loss.

Research and Development Costs

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet generally accepted criteria for deferral, in which case, the costs are capitalized and amortized to operations over the estimated period of benefit. No development costs have been capitalized during any of the years presented.

Research and Development Refundable Tax Credits and Government Grant

Refundable research and development (R&D) tax credits and government assistance are accounted for using the cost reduction method. Accordingly, refundable R&D tax credits and government assistance are recorded as a reduction of the related expenses or capital expenditures in the period in which the expenses are incurred, provided that the Company has reasonable assurance the refundable R&D tax credits or government assistance will be recovered.

Shareholders' Equity

Share capital represents the value of shares that have been issued. Any transaction costs associated with the issuance of shares are deducted from share capital.

From time to time, the Company issues units consisting of common shares and warrants to purchase common shares. The Company estimates the fair value of warrants using the Black-Scholes option pricing model. The difference between the unit price and the fair value of each warrant represents the fair value attributable to each common share. Any transaction costs associated with the issuance of units are apportioned between the common shares and warrants based on their relative fair values.

2. Summary of Significant Accounting Policies (continued)

Share-based Compensation

The Company offers a stock option plan described in Note 14b), which is determined as an equity-settled plan.

The Company uses the fair value-based method to measure the fair value of stock options as at their grant date. The fair value is determined using the Black-Scholes option pricing model and is recognized in the consolidated statements of loss and comprehensive loss as a compensation expense and credited to the stock option plan reserve, using a graded vesting schedule over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of original estimates, if any, is recognized in the consolidated statements of loss and comprehensive loss such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to the stock option plan reserve.

Any consideration received by the Company upon the exercise of stock options is credited to share capital, and the stock option plan reserve component resulting from stock-based compensation is transferred to share capital upon the issuance of the shares.

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 essentially determined using the weighted average cost. The cost of work in progress and finished goods comprises the cost of raw materials, direct labour costs and an allocation of fixed and variable manufacturing overhead, including applicable amortization of property, plant and equipment based on normal production capability.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a change in economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down.

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment losses, if any. The cost of property, plant and equipment includes the purchase price and the directly attributable costs of acquisition.

Amortization is recorded using the straight-line method over the estimated useful lives, taking into account any residual value, as follows:

Office furniture and equipment	10 years
Production equipment	7 years
Automotive equipment	7 years
Research and development equipment	7 years
Diagnostic and demonstration equipment	3 to 5 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Remaining lease terms of eight and two years

Amortization methods, residual values and useful lives of property, plant and equipment are reviewed annually. Any change is accounted for prospectively as a change in accounting estimates.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the consolidated statements of loss and comprehensive loss.

Intangible Assets

Intangible assets with finite useful lives consist of patents and software. They are recorded at cost and amortization is recorded using the straight-line method over the estimated useful lives taking into account any residual values, as follows:

Patents	Term of underlying patent - 20 years
Software	3 years

The Company’s indefinite-life intangible assets consist of trademarks resulting from a business combination and are not amortized.

2. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

Indefinite-Life Intangible Assets

The carrying values of identifiable intangible assets with indefinite lives are tested annually for impairment. Indefinite-life intangible assets are allocated to cash generating units (CGUs) for the purpose of impairment testing based on the level at which management monitors it, which is not higher than an operating segment. The Company has elected to carry its annual impairment test during the last quarter of each year or at any time if an indicator of impairment exists.

Non-Financial Assets with Finite Useful Lives

The carrying values of non-financial assets with finite useful life, such as property, plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an indicator exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of Impairment Charge

The recoverable amount is the higher of an asset’s fair value less costs of disposal or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment charge is recognized in the consolidated statements of loss and comprehensive loss. Impairment charges recognized in prior periods are determined at each reporting date for any indications that the impairment charge has decreased or no longer exists. When an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment charges been recognized for the asset or CGU in prior years. An impairment charge recognized for goodwill cannot be reversed.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. The Company leases certain office premises and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor. These are classified as operating leases. Payments made under these leases are charged to the consolidated statements of loss and comprehensive loss on a straight-line basis over the period of the lease.

The Company has a facility lease arrangement that includes tenant inducements. Rent expense is recorded evenly over the term of the lease agreement. The difference between cash rental payments and the rent expense recorded for accounting purposes is reflected as a deferred lease inducement in the consolidated statements of financial position.

Finance leases, which transfer to the Company substantially all the risks and benefits of ownership of the asset are capitalized at the inception of the lease at the fair value of the leased asset or at the present value of the minimum lease payments. Finance expenses are charged to the consolidated statements of loss and comprehensive loss over the period of the agreement. Obligations under finance leases are included in financial liabilities, net of finance costs allocated to future periods. Assets are depreciated over the shorter of their estimated useful lives or the lease term.

2. Summary of Significant Accounting Policies (continued)

Warranty Provision

The Company offers a standard 12-month warranty excluding consumables and accessories.

Income Taxes

Income tax expenses comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current Income Taxes

The current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to or received by the taxation authorities. The income tax rates used to calculate the amount are those that are enacted or substantively enacted at the date of the consolidated statements of financial position in the tax jurisdiction where the Company and its subsidiary generate taxable income/loss.

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between carrying values and tax values of assets and liabilities as well as the carryforward of unused tax losses and deductions, using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which the assets are expected to be realized or the liabilities settled.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences and for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or to different taxable entities that intend to settle the balances on a net basis.

2. Summary of Significant Accounting Policies (continued)

Loss per Share

Basic net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year.

Diluted net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company adjusted for the interests on the convertible debenture, net of the related income taxes, the unrealized foreign exchange gain or loss, net of the related income taxes, and for the change in fair value of embedded derivative, net of the related income taxes, by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This method requires that diluted net loss per share be calculated using the treasury stock method, as if all dilutive potential common share equivalents had been exercised at the beginning of the reporting period, or period of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the fair value of the common shares during the period.

Financial Instruments

a) Classification

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments are required:

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables are comprised of cash and cash equivalents and trade and other receivables and are included in the current assets due to their short-term nature. Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, which generally corresponds to the nominal amount due to their short-term maturity, less a provision for impairment.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, long-term debt and the debt component of the convertible debenture. They are initially recognized at fair value less transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate method.

  Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- Derivative financial instruments: Derivative financial instruments are comprised of the embedded derivative representing the conversion option of the convertible debenture. The embedded derivative is measured at fair value at each reporting date. The embedded derivative has been classified as held-for-trading and is included in the consolidated statements of financial position within the convertible debenture. It is classified as non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement of the embedded derivative are recognized in the consolidated statements of loss and comprehensive loss.

2. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

b) Impairment of Financial Assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and that a reliable estimate of that negative effect can be made.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor and indications that a debtor or issuer will enter bankruptcy.

c) Compound Financial Instrument

The compound financial instrument issued by the Company consists of the convertible debenture that can be converted into common shares of the Company at the option of the holder. Since the debenture is convertible into shares and contains a cash settlement feature, as described in Note 13, it is accounted for as a compound instrument with a debt component and a separate embedded derivative representing the conversion option also classified as a liability. Both the debt and embedded derivative components of this compound financial instrument are measured at fair value upon initial recognition.

The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized in the consolidated statements of loss and comprehensive loss.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the related asset or related liability.

For all these items, relevant accounting policies are discussed in Note 2 of these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both the current and future periods.

The following critical estimates, judgments and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Inventories

The Company measures its inventories at the lower of cost, determined with the weighted average cost basis method, and net realizable value, and provides reserves for excess and obsolete inventories. The Company determines its reserves for excess and obsolete inventories based on the quantities on hand at the reporting dates, compared to foreseeable needs over the next twelve months, taking into account changes in demand, technology or market.

3. Critical Accounting Estimates, Assumptions and Judgments (continued)

Useful Life of Depreciable Assets

Management reviews the useful lives of depreciable assets at each reporting date. As at August 31, 2018, management stated that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are presented in Notes 7 and 8. Actual results, however, may vary due to technical obsolescence or changes in the market, particularly for computer equipment and software.

Government Assistance and R&D Tax Credits

Government assistance and R&D tax credits are recorded in the consolidated financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all of the conditions necessary to obtain the government assistance and R&D tax credits.

Warranty Provision

The Company estimated warranty provision based on the history of defective products and the probability that these defects will arise, as well as the related costs.

Revenue Recognition

Delivery generally occurs when the product is handed over to a transporter for shipment. At the time of the transaction, the Company assesses whether the price associated with its revenue transaction is fixed or determinable and whether or not collection is reasonably assured. The Company assesses collection based on a number of factors, including past transaction history and the creditworthiness of the customer.

Stock-based Compensation

The Company uses judgment in assessing expected life, volatility, risk-free interest rates, as well as the estimated number of options that will ultimately vest.

Warrants

Warrants are issued as part of equity financing. Warrants may be exercised at any moment after their issuance until the expiration date. The Company uses judgment in assessing parameters like volatility and risk-free interest rate.

Functional Currency

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which each operates. The Company has determined that the functional currency for the Company and its subsidiary is the Canadian dollar. The determination of functional currency may require certain judgments to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

Deferred Income Tax Asset

A deferred income tax asset will be recognized in the financial statements only when the Company concludes that these tax assets will probably be materialized by shielding profits from taxes or otherwise. The tax asset amount will be recorded based on the enacted and substantively enacted income tax rates for the year in which the differences are expected to reverse.

4. Changes in Accounting Policies

New and Revised Standards Issued But Not Yet in Effect

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard will replace IAS 39, *Financial instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exceptions. Early adoption is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. To date, the Company does not expect the new standard to result in material changes in the consolidated financial statements, aside from disclosure requirements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, *Revenue*, and related interpretations such as IFRIC 13, *Customer Loyalty Programmes*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than what was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of IFRS 15 to January 1, 2018.

In April 2016, the IASB issued clarifications to IFRS 15, *Revenue from Contracts with Customers*. These clarifications provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and licences of intellectual property. To date, the Company does not expect the new standard to result in material changes in the consolidated financial statements, aside from disclosure requirements.

IFRS 16, Leases

On January 13, 2016, the IASB released IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and the related interpretations on leases such as IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. This new standard specifies how to recognize, measure, present and disclose leases. It also provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless lease term is 12 months or less or the underlying asset has a small value. Accounting for the lessors remain substantially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*. The Company has not yet assessed the impact of this new standard.

4. Changes in Accounting Policies (continued)

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* (the Interpretation). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019. Early application is permitted.

The Interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company has not yet assessed the impact of this new interpretation.

5. Trade and Other Receivables

	As at August 31, 2018	As at August 31, 2017
	$	$
Trade	**3,358,916**	4,716,013
Allowance for doubtful accounts	**(817,823)**	(940,429)
Sales taxes receivable	**171,624**	402,640
Other receivables	**103,568**	40,714
Total	**2,816,285**	4,218,938

Allowance for Doubtful Accounts

	Years ended August 31,	
	2018	2017
	$	$
Balance, beginning of year	**(940,429)**	(491,623)
Additional provisions recognized	**-**	(448,806)
Amounts recovered during the year	**128 519**	-
Foreign exchange variance	**(5 913)**	-
Balance, end of year	**(817,823)**	(940,429)

6. Inventories

	As at August 31, 2018	As at August 31, 2017
	$	$
Raw materials	**2,134,634**	2,415,146
Work in progress	**1,404,518**	1,566,244
Finished goods	**1,680,808**	1,465,118
Total	**5,219,960**	5,446,508

For the year ended August 31, 2018, $7,044,171 of inventories were expensed in the consolidated statements of loss and comprehensive loss and presented in cost of sales ($6,096,080 for the year ended August 31, 2017).

7. Property, Plant and Equipment

	Office furniture and equipment, net of income tax credits of $3,420	Production equipment, net of income tax credits of $103,160	Diagnostic and demonstration equipment	Research and development equipment, net of income tax credits and government assistance of $55,303	Research and development computer equipment, net of income tax credits of $3,078	Computer equipment	Leasehold improvements net of income tax credits of $44,823	Total
	$	$	$	$	$	$	$	$
Cost								
Balance as at August 31, 2017	421,066	2,875,219	435,095	1,188,848	62,363	446,401	1,032,849	6,461,841
Additions	31,938	201,205	149,815	189,507	12,608	42,330	64,275	691,678
Disposals	-	-	(113,773)	-	-	-	(2,705)	(116,478)
Balance as at August 31, 2018	453,004	3,076,424	471,137	1,378,355	74,971	488,731	1,094,419	7,037,041
Accumulated amortization								
Balance as at August 31, 2017	151,630	956,097	89,319	1,039,112	56,332	344,408	469,533	3,106,431
Disposals	-	-	(42,129)	-	-	-	(2,705)	(44,834)
Amortization	38,364	410,355	104,323	81,870	5,884	76,530	83,269	800,595
Balance as at August 31, 2018	189,994	1,366,452	151,513	1,120,982	62,216	420,938	550,097	3,862,192
Net book value as at August 31, 2018	263,010	1,709,972	319,624	257,373	12,755	67,793	544,322	3,174,849

7. Property, Plant and Equipment (continued)

	Office furniture and equipment, net of income tax credits of $3,420	Leased office furniture and equipment	Production equipment, net of income tax credits of $103,160	Diagnostic and demonstration equipment	Leased automotive equipment	Research and development equipment, net of income tax credits and government assistance of $55,303	Research and development computer equipment, net of income tax credits of $3,078	Computer equipment	Leasehold improvements net of income tax credits of $44,823	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
Balance as at August 31, 2016	362,982	8,326	2,997,080	227,483	14,300	1,101,082	62,363	416,891	1,071,579	6,262,086
Additions	62,068	-	261,490	227,397	-	87,766	-	32,510	13,974	685,205
Disposals	-	-	(254,015)	(19,785)	-	-	-	(3,000)	-	(276,800)
Income tax credits	(3,984)	-	(129,336)	-	-	-	-	-	(52,704)	(186,024)
Balance as at August 31, 2017	421,066	8,326	2,875,219	435,095	14,300	1,188,848	62,363	446,401	1,032,849	6,484,467
Accumulated amortization										
Balance as at August 31, 2016	116,251	8,326	755,513	20,054	14,300	984,509	49,013	275,654	391,617	2,615,237
Disposals	-	-	(175,528)	(6,268)	-	-	-	(3,000)	-	(184,796)
Amortization	35,379	-	376,112	75,533	-	54,603	7,319	71,754	77,916	698,616
Balance as at August 31, 2017	151,630	8,326	956,097	89,319	14,300	1,039,112	56,332	344,408	469,533	3,129,057
Net book value as at August 31, 2017	269,436	-	1,919,122	345,776	-	149,736	6,031	101,993	563,316	3,355,410

8. Intangible Assets

	Indefinite lives – Trademarks	Finite lives – Patents	Finite lives – Software, net of income tax credits of $1,518	Internally developed Finite lives – Patents	Total
	$	$	$	$	$
Cost					
Balance as at August 31, 2017	**21,237**	**35,060**	**210,655**	**842,758**	**1,109,710**
Additions	**1,080**	**-**	**-**	**99,151**	**100,231**
Disposals	**-**	**(35,060)**	**-**	**-**	**(35,060)**
Balance as at August 31, 2018	**22,317**	**-**	**210,655**	**941,909**	**1,174,881**
Accumulated amortization					
Balance as at August 31, 2017	**-**	**8,970**	**141,613**	**311,442**	**462,025**
Amortization	**-**	**1,752**	**36,323**	**59,613**	**97,688**
Disposals	**-**	**(10,722)**	**-**	**-**	**(10,722)**
Balance as at August 31, 2018	**-**	**-**	**177,936**	**371,055**	**548,991**
Net book value as at August 31, 2018	**22,317**	**-**	**32,719**	**570,854**	**625,890**

	Indefinite lives – Trademarks	Finite lives – Patents	Finite lives – Software, net of income tax credits of $1,518	Internally developed Finite lives – Patents	Total
	$	$	$	$	$
Cost					
Balance as at August 31, 2016	18,720	35,060	181,325	787,289	1,022,394
Additions	2,517	-	29,330	72,953	104,800
Disposals	-	-	-	(17,484)	(17,484)
Balance as at August 31, 2017	21,237	35,060	210,655	842,758	1,109,710
Accumulated amortization					
Balance as at August 31, 2016	-	7,218	105,489	265,084	377,791
Amortization	-	1,752	36,124	52,617	90,493
Disposals	-	-	-	(6,259)	(6,259)
Balance as at August 31, 2017	-	8,970	141,613	311,442	462,025
Net book value as at August 31, 2017	21,237	26,090	69,042	531,316	647,685

The Company has considered indicators of impairment as at August 31, 2018 and recorded an impairment loss of $24,338 attributable to patent requests that have not been pursued ($11,225 for year ended August 31, 2017).

9. Authorized Line of Credit

The Company has an authorized line of credit for a maximum amount of $200,000, $50,000 of which is available at all times and does not take into consideration the usual margin. 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 insured 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. The credit line was not used as at August 31, 2018 and 2017.

The Company also has credit cards for a maximum 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 8.5%.

10. Accounts Payable and Accrued Liabilities

	As at August 31, 2018	As at August 31, 2017
	$	$
Suppliers	**1,022,843**	1,460,847
Salaries, employee benefits and other	**632,449**	575,582
Other liabilities	**1,064,398**	873,087
Total	**2,719,690**	2,909,516

11. Deferred Revenues

Licensing agreement

On April 15, 2014, the Company announced it had entered into an agreement with Abiomed, Inc. (Abiomed) in connection with its miniature optical pressure sensor technology for applications in circulatory assist devices. The Company has granted Abiomed an exclusive worldwide licence to integrate its miniature pressure sensor in connection with Abiomed’s circulatory assist devices. Under the agreement, Abiomed will pay Opsens an aggregate amount of US$6,000,000. An amount of $1,647,000 (US$1,500,000) has been paid on closing, while the balance will be disbursed based on the achievement of certain milestones. As at August 31, 2018, the Company still has an amount of US$2,500,000 left to receive from this agreement.

The Company applies the principles of IAS 18, *Revenue*, to record revenues arising from the agreement with Abiomed. Therefore, the amount of $1,647,000 (US$1,500,000) paid on closing will be recognized over the term of the agreement. Revenues from milestone payments will be limited to costs incurred as long as the milestones are not achieved. Upon the achievement of a milestone, the unrecognized portion of the milestone will be recorded as revenues. During the year ended August 31, 2018, an amount of $366,412 ($366,412 for the year ended August 31, 2017) related to the Abiomed agreement has been recognized as licensing revenues in the consolidated statements of loss and comprehensive loss.

For the year ended August 31, 2018, the Company achieved two technical milestones related to the agreement with Abiomed and consequently, it allows the Company to record, in the consolidated statements of loss and comprehensive loss as licensing revenues an amount of $1,591,300 (US$1,250,000) ($1,007,750 (US$750,000) for the year ended August 31, 2017).

12. Long-term Debt

	As at August 31, 2018	As at August 31, 2017
	$	$
Contributions repayable to Ministère des Finances et de l'Économie (MFE), without interest (effective rate of 9%), repayable in 5 equal and consecutive annual instalments of $82,718, maturing in February 2020.		
Debt balance	**165,436**	248,153
Imputed interest	**(13,999)**	(30,583)
	151,437	217,570
Contributions repayable to Canada Economic Development, without interest (effective rate of 13.5%), repayable in 20 equal and consecutive quarterly instalments of $15,000, maturing in August 2020.		
Debt balance	**120,000**	180,000
Imputed interest	**(15,660)**	(32,601)
	104,340	147,399
Contributions repayable to Canada Economic Development, without interest (effective rate of 12%), repayable in 59 equal and consecutive monthly instalments of $3,333 and a final payment of $3,353, maturing in October 2023. The difference between amounts received and estimated fair value is recognized as government grants.		
Debt balance	**200,000**	200,000
Imputed interest	**(49,473)**	(65,601)
	150,527	134,399
Secured loan from Export Development Canada, bearing interest at prime rate plus 2.0%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of $10,417, maturing in April 2020. Amounts received are net of transaction costs of $2,500.	**207,802**	332,156
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of $18,750, maturing in May 2020. Amounts received are net of transaction costs of $9,000.	**391,630**	613,644
Amounts to be carried forward	**1,005,736**	1,445,168

12. Long-term Debt (continued)

	As at August 31, 2018	As at August 31, 2017
	$	$
Amounts to be carried forward	**1,005,736**	1,445,168
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of $4,500, maturing in February 2022. Amounts received are net of transaction costs of $2,160.	**187,376**	-
	1,193,112	1,445,168
Current portion	**539,439**	439,438
	653,673	1,005,730

The annual principal instalments due on the long-term debt are $539,439 in 2019, $466,061 in 2020, $83,456 in 2021, $60,217 in 2022 and $37,279 in 2023.

Under the terms and conditions of the agreements on long-term debt with its lenders, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. As at August 31, 2018 and 2017, these financial ratios were met by the Company.

13. Convertible Debenture

	As at August 31, 2018	As at August 31, 2017
	$	$
Debt component reported as liability (nil; US$2,198,125)	**-**	2,755,572
Embedded derivative reported as liability (nil; US$875,600)	**-**	1,097,653
Total	**-**	3,853,225

On November 19, 2012, the Company issued a US$2,000,000 ($2,002,000) subordinated secured convertible debenture maturing November 19, 2017. The convertible debenture bore interest at a rate of 2.0% per annum, payable at maturity. At the holder's option, the convertible debenture was convertible into common shares of the Company at any time up to the maturity date, at a conversion price representing the market price of the shares. However, the conversion price was subject to a minimum of $0.50 and a maximum of $0.75 per common share (the conversion price).

The convertible debenture was also convertible at the Company's option at the conversion price if the volume-weighted average closing price per common share for the twenty trading days immediately preceding the fifth trading day before such conversion date had been at least $1.20 and if a minimum of 50,000 common shares had been traded on the TSX Exchange during each of the twenty trading days taken into account in the calculation of the conversion price.

13. Convertible Debenture (continued)

To secure the repayment of the convertible debenture, a movable hypothec on certain equipment was pledged as collateral. As at November 16, 2017, the net book value of property, plant and equipment pledged as collateral was nil (nil as at August 31, 2017). This hypothec ranked second to some of the Company's long-term debts.

As mentionned above, the convertible debenture contained a conversion option that resulted in an obligation to deliver a fixed amount of equity instruments in exchange for a variable amount of a convertible debenture when translated in the functional currency of the Company. Consequently, under IAS 32, *Financial Instruments: Presentation*, the convertible debenture was accounted for as a compound instrument with a debt component and a separate embedded derivative component representing the conversion option. Both the debt and embedded derivative components of this compound financial instrument were measured at fair value upon initial recognition. The debt component was subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative was subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized through profit or loss.

On November 16, 2017, the Company received a notice of conversion from the holder of the convertible debenture. At that date, the debt component was at $2,816,548 ($2,755,572 as at August 31, 2017) including accrued interest of $267,545 ($251,070 as at August 31, 2017). The debt component was converted into 3,413,333 common shares of the Company at a price of $0.75 per share and accrued interest was converted into 263,918 common shares of the Company at a price of $0.97 per share. The embedded derivative had a value of $1,626,455 ($1,097,653 as at August 31, 2017). These two components were credited to share capital.

Expenses associated with the debenture consist of:

	Years ended August 31,	
	2018	2017
	$	$
Interest expense	**12,067**	57,103
Imputed interest	**2,696**	12,876
Change in fair value of embedded derivative	**501,250**	163,745
Total	**516,013**	233,724

As at August 31, 2017, the debt component of the convertible debenture had a fair value of $2,143,900.

14. Shareholders' Equity

a) *Shares Capital*

The Company has authorized an unlimited number of common shares (voting and participating shares) without par value.

On December 8, 2016, the Company completed a public offering for aggregate gross proceeds of $14,950,500. In connection with the offering, the Company issued a total of 9,967,000 shares at a price of $1.50 per share. Expenses of the offering include underwriting fees of $889,530 and other professional fees and miscellaneous fees of $305,403 for total fees of $1,194,933.

14. Shareholders' Equity (continued)

a) *Share capital (continued)*

During the year ended August 31, 2018, following the exercise of stock options, the Company issued 650,750 common shares (1,074,250 common shares for the year ended August 31, 2017) for a cash consideration of $196,070 ($426,126 for the year ended August 31, 2017). As a result, an amount of $120,437 was reallocated from "Reserve – Stock option plan" to "Share capital" in shareholders' equity ($223,560 for the year ended August 31, 2017).

During the year ended August 31, 2018, there was no exercise of warrants (1,870,528 for the year ended August 31, 2017 for a cash consideration of $2,144,197). As a result, no amount was reallocated from "Reserve – Warrants" to "Share capital" in shareholders' equity ($354,443 for the year ended August 31, 2017).

b) *Stock Options*

The shareholders approved the stock option plan on January 24, 2017 because, according to the policies of the TSX Exchange, the stock option plan must be approved by the Company's shareholders every three years. 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 the TSX Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 800,000 stock options (700,000 stock options granted as at August 31, 2017), which were completely vested at grant date. The exercise price of the options is the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of grant.

The compensation expense in regards to the stock option plan for the year ended August 31, 2018 is $618,050 ($864,054 for the year ended August 31, 2017).

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

	Years ended August 31,	
	2018	2017
Risk-free interest rate	**Between 1.44% and 2.20%**	Between 0.50% and 1.39%
Volatility	**Between 44.09% and 75.49%**	Between 49.98% and 102.25%
Dividend yield on shares	**Nil**	Nil
Expected life	**0 to 5 years**	0 to 5 years
Weighted share price	**$0.99**	$1.49
Weighted fair value per option at the grant date	**$0.40**	$0.70

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.

14. Shareholders' Equity (continued)

b) Stock Options (continued)

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected life of the options.

The table below summarizes the changes to stock options that took place between August 31, 2016 and August 31, 2018:

	Number of options	Weighted-average exercise price
		$
Outstanding as at August 31, 2016	5,029,500	0.70
Options granted	2,992,750	1.49
Options exercised	(1,074,250)	0.40
Options cancelled	(981,750)	1.03
Outstanding as at August 31, 2017	5,966,250	1.10
Options granted	2,284,500	0.99
Options exercised	(650,750)	0.30
Options expired	(427,250)	1.14
Options cancelled	(1,477,750)	1.24
Outstanding as at August 31, 2018	5,695,000	1.10
Options exercisable as at August 31, 2018	2,615,688	1.04

14. Shareholders' Equity (continued)

b) Stock Options *(continued)*

The table below provides information on the outstanding stock options as at August 31, 2018:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average remaining contractual life (years)
$			
0.26 – 0.50	100,000	100,000	0.13
0.51 – 0.75	869,500	844,500	1.34
0.76 – 1.00	2 291,750	733,875	3.53
1.01 – 1.25	619,000	146,125	3.98
1.26 – 1.50	792,500	273,125	3.66
1.51 – 1.75	1,022,250	518,063	3.26
1.10	5,695,000	2,615,688	3.15

c) Warrants

The situation of the outstanding warrants and the changes that took place between August 31, 2016 and August 31, 2018 are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding as at August 31, 2016	5,617,496	1.33
Warrants expired	(1,366,468)	1.20
Warrants exercised (Note 14a))	(1,870,528)	1.14
Outstanding as at August 31, 2017	2,380,500	1.55
Warrants expired	(2,380,500)	1.55
Outstanding as at August 31, 2018	-	-

15. Net Loss per Share

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

	Years ended August 31,	
	2018	2017
	$	$
Net loss attributable to shareholders		
Basic and diluted	**(4,549,484)**	(6,537,043)
Number of shares		
Basic and diluted weighted average number of shares outstanding	**88,762,239**	80,954,643
Amount per share		
Basic and diluted net loss per share	**(0.05)**	(0.08)

Stock options, warrants and the convertible debenture are excluded from the calculation of the diluted weighted-average number of shares outstanding when their exercise price is greater than the average market price of common shares or when their effect is antidilutive. The number of such stock options, warrants and the nominal value of the convertible debenture are presented below:

	Years ended August 31,	
	2018	2017
Stock options	**2,433,750**	1,783,250
Warrants	**-**	2,380,500
Convertible debenture	**-**	$2,002,000

For the years ended August 31, 2018 and 2017, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options, warrants and convertible debenture was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for these years was calculated using the basic weighted average number of shares outstanding.

16. Additional Information on the Consolidated Statements of Cash Flows

	Years ended August 31,	
	2018	2017
	$	$
Changes in non-cash operating working capital items		
Trade and other receivables	**1,402,653**	(2,237,512)
Tax credits receivable	**400,749**	(390,537)
Inventories	**226,548**	(1,389,684)
Prepaid expenses	**(53,050)**	(190,552)
Accounts payable and accrued liabilities	**(118,650)**	780,518
Warranty provision	**8,510**	(48,960)
Deferred revenues	**(366,412)**	(366,412)
Deferred lease inducement	**(78,535)**	(77,747)
	1,421,813	(3,920,886)
Supplementary information		
Tax credits recorded against property, plant and equipment	**-**	161,138
Unpaid acquisition of property, plant and equipment	**90,499**	158,865
Unpaid additions to intangible assets	**3,135**	5,945

	As at August 31, 2018	As at August 31, 2017
	$	$
Cash and cash equivalents		
Cash	**1,031,017**	794,470
Short-term investments	**9,855,771**	11,775,829
	10,886,788	12,570,299

17. Commitments

a) Leases

The Company leases offices in Quebec City under operating leases expiring on April 30, 2020 and September 30, 2025. The main agreement is renewable for an additional five-year period.

Future payments for the leases required in each of the forthcoming years totalling $4,638,249 are as follows:

	$
2019	736,967
2020	695,706
2021	600,915
2022	613,800
2023	628,951
Thereafter	1,361,910

In 2018, the offices lease expense is $775,018 ($801,600 in 2017).

b) Other

On September 8, 2017, the Company signed an agreement amounting to $1,574,734 with a supplier for raw material purchases for a 24-month period. As at August 31, 2018, the remaining amount regarding this agreement is $787,367.

18. Contractual Guarantees

During the normal course of business, the Company replaces defective parts under warranties offered at the sale of the products. The term of the warranties is generally 12 months. During the year ended August 31, 2018, the Company recognized an expense of $70,000 ($12,130 for the year ended August 31, 2017) for guarantees. A provision of $137,420 is recorded for guarantees as at August 31, 2018 ($128,910 as at August 31, 2017). The following table summarizes changes in warranty provision:

	Years ended August 31,	
	2018	2017
	$	$
Balance, beginning of year	**128,910**	177,870
Provisions recognized	**70,000**	12,130
Amounts used during the period	**(61,490)**	(61,090)
Balance, end of year	**137,420**	128,910

This provision estimate is based on past experience. The actual costs that the Company may incur, as well as the moment when the parts should be replaced, can differ from the estimated amount.

19. Government Assistance

Under an agreement entered into with Canada Economic Development, the Company may receive a refundable contribution of a maximum amount of $200,000, non-interest-bearing, to cover expenses related to the commercialization of its FFR products. This contribution is paid out based on presentation by the Company of invoices related to specific expenses since May 22, 2015. During the year ended August 31, 2018, the Company did not received any amount ($134,863 for the year ended August 31, 2017, for which an amount of $48,416 was recognized against administrative and sales and marketing expenses).

20. Income Taxes

The reconciliation of the income tax provision calculated using the combined Canadian federal and provincial statutory income tax rate with the income tax provision in the consolidated financial statements is as follows:

	Years ended August 31,	
	2018	2017
	$	$
Income tax payable using the combined federal and provincial statutory tax rate (26.7%; 26.8% in 2017)	**(1,216,229)**	(1,754,705)
Non-deductible expenses and other	**864,381**	893,561
Deductible financing fees	**(155,537)**	(157,252)
Taxable income	**(97,954)**	(98,321)
Non-taxable income tax credits	**(94,847)**	(101,430)
Losses carried forward	**700,186**	1,218,147
Income tax using effective income tax rate	**-**	-

As at August 31, 2018, the Company has tax losses of approximately $25,976,400 for federal purposes and $25,349,400 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	$	$
2024	515,000	463,000
2025	42,000	40,000
2026	400	400
2027	1,552,000	1,509,000
2028	716,000	692,000
2029	1,404,000	1,214,000
2030	500,000	500,000
2031	2,123,000	2,146,000
2032	1,285,000	1,280,000
2033	237,000	239,000
2034	1,091,000	1,125,000
2035	2,513,000	2,510,000
2036	5,759,000	5,493,000
2037	5,481,000	5,427,000
2038	2,758,000	2,711,000
	25,976,400	25,349,400

20. Income Taxes (continued)

The Company also has undeducted research and development expenses of $10,204,000 ($9,211,000 as at August 31, 2017) for federal purposes and $13,249,000 ($12,203,000 as at August 31, 2017) for provincial purposes that are deferred over an undetermined period.

Deferred income tax assets related to unclaimed tax losses, financing costs, research and development expenses and others as well as non-refundable R&D tax credits totalling approximately $14,032,000 ($12,680,000 as at August 31, 2017) were not recognized due to the uncertainty about the Company's ability to generate taxable income. In addition, deferred tax liabilities of approximately $771,000 ($701,000 as at August 31, 2017) related to federal investment tax credits on research and development expenses were recognized and offset by a deferred income tax asset.

21. R&D Tax Credits

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

	Years ended August 31,	
	2018	2017
	$	$
Federal	**1,305,000**	1,548,000
Provincial	**1,353,000**	1,598,000

These expenses have enabled the Company to become eligible for R&D tax credits reimbursable for the following amounts:

	Years ended August 31,	
	2018	2017
	$	$
Federal	**-**	-
Provincial	**354,788**	378,000
	354,788	378,000

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

Reimbursable scientific research and experimental development income tax credits earned for the years ended August 31, 2018 and 2017 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 for federal R&D tax credits, which were non-refundable and could be used against Part I Company tax. The accumulated credits as at August 31, 2018 are about $2,908,000 ($2,643,000 for the year ended August 31, 2017) and expire over a period of 6 to 20 years beginning in 2018.

22. Segmented Information

Segmented Information

The Company is organized into two segments: Medical and Industrial.

Medical segment: In this segment, Opsens focuses mainly on the measure of FFR in interventional cardiology but also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in others medical devices.

Industrial segment: In this segment, Opsens develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications.

The principal factors employed in the identification of the two segments reflected in this note include the Company's organizational structure, the nature of the reporting lines to the President and Chief Executive Officer and the structure of internal reporting documentation such as management accounts and budgets.

The same accounting policies are used for both reportable segments. Operations are carried out in the normal course of business and are measured at the exchange amount, which approximates prevailing prices in the markets.

	Years ended August 31,					
			2018			2017
	Medical	**Industrial**	**Total**	Medical	Industrial	Total
	$	**$**	**$**	$	$	$
External sales	**21,949,230**	**2,120,501**	**24,069,731**	16,269,011	1,482,985	17,751,996
Internal sales	**-**	**149,210**	**149,210**	-	269,505	269,505
Gross margin	**11,416,874**	**1,322,538**	**12,739,412**	6,886,549	610,992	7,497,541
Amortization of property, plant and equipment	**728,375**	**72,220**	**800,595**	608,453	90,163	698,616
Amortization of intangible assets	**82,292**	**15,396**	**97,688**	75,927	14,566	90,493
Financial expenses (revenues)	**(320,393)**	**270,289**	**(50,104)**	(289,936)	282,743	(7,193)
Change in fair value of embedded derivative	**501,250**	**-**	**501,250**	163,745	-	163,745
Net loss	**(4,240,173)**	**(309,311)**	**(4,549,484)**	(4,879,287)	(1,659,988)	(6,539,275)
Acquisition of property, plant and equipment	**642,054**	**49,624**	**691,678**	490,155	9,024	499,179
Additions to intangible assets	**79,076**	**21,155**	**100,231**	86,285	18,515	104,800
Segment assets	**21,982,087**	**1,603,809**	**23,585,896**	25,992,083	1,617,718	27,609,801
Segment liabilities	**4,651,422**	**261,511**	**4,912,933**	9,487,517	156,960	9,644,477

22. Segmented Information (continued)

The Company's net loss per reportable segments reconciles to its consolidated financial statements as follows:

	Years ended August 31,	
	2018	2017
	$	$
Gross margin per reportable segments	**12,739,412**	7,497,541
Elimination of intersegment profits	-	2,232
Gross margin	**12,739,412**	7,499,773
Net loss per reportable segments	**(4,549,484)**	(6,539,275)
Elimination of intersegment profits	**-**	2,232
Net loss and comprehensive loss	**(4,549,484)**	(6,537,043)

Information by geographic segment

	Years ended August 31,	
	2018	2017
	$	$
Revenue by geographic segment		
United States	**10,250,126**	5,100,077
Japan	**6,539,888**	6,586,561
Canada	**1,987,216**	1,625,567
Other*	**5,292,501**	4,439,791
	24,069,731	17,751,996

* Comprised of revenues generated in countries for which amounts are individually not significant.

Revenues are attributed to the geographic segment 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, 2018, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e., 27% (medical's reportable segment) and 25% (medical's reportable segment).

During the year ended August 31, 2017, revenues from two clients represented individually more than 10% of the total revenues of the Company, i.e., 40% (medical's reportable segment) and 17% (medical's reportable segment).

23. Related Party Transactions

In the normal course of business, the Company has entered into transactions with related parties.

	Years ended August 31,	
	2018	2017
	$	$
Professional fees paid to a company controlled by a director	**-**	59,134

Fees were incurred for the Company's FFR activities.

Key management personnel, having authority and responsibility for planning, managing and controlling the activities of the Company, comprise the Chief Executive Officer, the Chief Financial Officer, the Business Unit Manager of Opsens Solutions Inc., and other vice presidents. Compensation of key management personnel and directors during the year were as follows:

	Years ended August 31,	
	2018	2017
	$	$
Short-term salaries and other benefits	**1,239,012**	1,274,309
Termination benefits	**161,098**	-
Option-based awards	**118,086**	172,762
	1,518,197	1,447,071

The compensation of key executives is determined by the Human Resources and Compensation Committee, taking into consideration individual performance and market trends.

24. Additional Information to the Consolidated Statements of Loss and Comprehensive Loss

	Years ended August 31,	
Expenses (revenues) by function	**2018**	2017
	$	$
Salaries and Other Benefits	**11,133,453**	9,866,131
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Amortization of Property, Plant and Equipment	**800,595**	698,616
Cost of sales		
Administrative		
Sales and Marketing		
Research and development		
Amortization of Intangible Assets	**97,688**	90,493
Administrative		
Research and development		
Government Assistance	**(63,466)**	(48,416)
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Income Tax Credits for Research and Development	**(443,651)**	(390,537)
Research and development		

25. Financial Instruments

Fair Value

The fair value of cash and cash equivalents, trade and other receivables 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.

25. Financial Instruments (continued)

Fair Value (continued)

The fair value of the convertible debenture was 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 the debt component of the convertible debenture was $2,143,900 as at August 31, 2017 and was classified at Level 2 in the fair value hierarchy.

Valuation Techniques and Assumptions Applied for the Purposes of Measuring Fair Value

The Company must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. The three input levels used by the Company to measure fair value are the following:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	As at August 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	**-**	**-**	**-**	**-**

	As at August 31, 2017			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	(1,097,653)	-	(1,097,653)	-

25. Financial Instruments (continued)

Valuation Techniques and Assumptions Applied for the Purposes of Measuring Fair Value (continued)

As explained in Note 13, on November 16, 2017, the Company received a notice of conversion from the holder of the convertible debenture. At the date of the conversion, the embedded derivative must be measured at fair value with gains and losses in fair value recognized in the consolidated statements of net loss. The price use to determine the value of the embedded derivative was the difference between the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of the conversion and the conversion price used to determine the common shares issued. For the year ended August 31, 2017, the fair value of the convertible debenture was determined using the Black-Scholes pricing model using an implied volatility of 51%, a discount rate of 1.26% and an expected life of 0.2 years.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated basis.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. 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.

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 25% of the Company's total accounts receivable as at August 31, 2018 (34% as at August 31, 2017).

As at August 31, 2018, 32% (37% as at August 31, 2017) of the accounts receivable were of more than 90 days whereas 52% (34% as at August 31, 2017) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2018, the allowance for doubtful accounts was established at $817,823 ($940,929 as at August 31, 2017).

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash and/or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operational, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. The funding strategies used to manage this risk include the Company's access to capital markets and debt securities issues.

25. Financial Instruments (continued)

Risk Management (continued)

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2018 and August 31, 2017:

August 31, 2018	**Carrying amount**	**Cash flows**	**0 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**2,719,690**	**2,719,690**	**2,719,690**	**-**	**-**
Long-term debt	**1,193,112**	**1,276,509**	**580,052**	**488,783**	**207,674**
Total	**3,912,802**	**3,996,199**	**3,299,742**	**488,783**	**207,674**

August 31, 2017	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	2,909,516	2,909,516	2,909,516	-	-
Long-term debt	1,445,168	1,580,231	492,722	526,052	561,457
Convertible debenture	3,853,225	2,770,358	2,770,358	-	-
Total	8,207,909	7,260,105	6,172,596	526,052	561,457

Interest Rate Risk

The Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Fixed interest rates
Trade and other receivables	Non-interest-bearing
Accounts payable and accrued liabilities	Non-interest-bearing
Long-term debt	Non-interest bearing and variable interest rates
Convertible debenture	Fixed interest rates

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments and embedded derivatives. The Company owns investments with fixed interest rates. As at August 31, 2018, the Company was holding more than 91% (94% as at August 31, 2017) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would not have a significant impact on net loss and comprehensive loss for the year ended August 31, 2018 (not significant for the year ended August 31, 2017).

25. Financial Instruments (continued)

Risk Management (continued)

Financial Expenses (Revenues)

	Years ended August 31,	
	2018	2017
	$	$
Interest and bank charges	**68,079**	56,323
Interest on long-term debt	**75,505**	70,379
Interest and imputed interest on the convertible debenture (Note 13)	**14,763**	69,979
Gain on foreign currency translation	**(42,170)**	(19,374)
Interest income	**(166,281)**	(184,500)
	(50,104)	(7,193)

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 at August 31, 2018 and 2017, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases and certain supplies and professional services in U.S. dollars, Euros and British pound. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk.

Foreign Currency Sensitivity Analysis

For the year ended August 31, 2018, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been $591,000 higher ($79,000 higher for the year ended August 31, 2017). Conversely, if the Canadian dollar had weakened 10% against the U.S. dollar with all other variables held constant, net loss and comprehensive loss would have been $591,000 lower for the year ended August 31, 2018 ($79,000 lower for the year ended August 31, 2017).

For the year ended August 31, 2018, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been $345,000 higher ($322,000 higher for the year ended August 31, 2017). Conversely, if the Canadian dollar had weakened 10% against the Euro with all other variables held constant, net loss and comprehensive loss would have been $345,000 lower for the year ended August 31, 2018 ($322,000 lower for the year ended August 31, 2017).

For the year ended August 31, 2018, if the Canadian dollar had strengthened or weakened by 10% against the British pound, the impact on net loss and comprehensive loss would not have been significant.

25. Financial Instruments (continued)

Risk Management (continued)

Foreign Currency Sensitivity Analysis (continued)

As at August 31, 2018 and August 31, 2017, the risk to which the Company was exposed is established as follows:

	As at August 31, 2018	As at August 31, 2017
	$	$
Cash and cash equivalents (US$599,807; US$252,720 as at August 31, 2017)	**783,048**	316,810
Cash and cash equivalents (€ 643; € 28,968 as at August 31, 2017)	**975**	43,125
Cash and cash equivalents (£11,498; £64 as at August 31, 2017)	**19,467**	103
Trade and other receivables (US$1,502,031; US$1,741,221 as at August 31, 2017)	**1,960,902**	2,182,794
Trade and other receivables (€ 145,249; € 625,813 as at August 31, 2017)	**220,270**	931,647
Trade and other receivables (£131,788; £116,377 as at August 31, 2017)	**223,130**	188,463
Accounts payable and accrued liabilities (US$526,291; US$757,978 as at August 31, 2017)	**(687,073)**	(950,202)
Accounts payable and accrued liabilities (€ 3,854; € 4,408 as at August 31, 2017)	**(5,845)**	(6,563)
Accounts payable and accrued liabilities (£4,537; £830 as at August 31, 2017)	**(7,682)**	(1,342)
Convertible debenture (nil; US$2,198,125 as at August 31, 2017)	**-**	(2,755,572)
Embedded derivative (nil; US$875,600 as at August 31, 2017)	**-**	(1,097,653)
Total	**2,507,192**	(1,148,390)

26. Capital Management

The Company's objective in managing capital, primarily composed of shareholders' equity and long-term debt, is to ensure sufficient liquidity to fund production activities, R&D, general and administrative expenses, sales and marketing expenses, working capital and capital expenditures.

In the past, the Company has had access to liquidity through non-dilutive sources, including the sale of non-core assets, long-term debts, investment tax credits and government assistance, interest income and public equity offerings.

As at August 31, 2018, the Company's working capital amounted to $16,346,939 ($15,909,209 as at August 31, 2017), including cash and cash equivalents of $10,886,788 ($12,570,299 as at August 31, 2017). The accumulated deficit at the same date was $41,625,541 ($37,076,057 as at August 31, 2017). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2018.

26. Capital Management (continued)

The Company believes that its current liquid assets are sufficient to finance its activities in the short term.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital management objectives, policies and procedures have remained unchanged since the last fiscal year.

For the years ended August 31, 2018 and 2017, the Company has not been in default on any of its obligations regarding long-term debt.

27. Subsequent Events

On September 28, 2018, the Company achieved a technical milestone related to the agreement with Abiomed and the Company received a payment of $2,260,000 (US$1,750,000) that will be recorded as licensing revenues in the consolidated statements of loss and comprehensive loss for fiscal year 2019.

On October 15, 2018, the Company signed a loan agreement amounting to a maximum of $525,000 for the acquisition of property, plant and equipment.

28. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 27, 2018.

Governance

DIRECTORS

Denis M. Sirois
Chairman of the Board of Directors

Louis Laflamme
President and Chief Executive Officer

Gaétan Duplain
President, Opsens Solutions

Denis Harrington
Director

Jean Lavigueur
Director

Pat Mackin
Director

OFFICERS

Louis Laflamme, CPA, CA
President and Chief Executive Officer

Gaétan Duplain
President, Opsens Solutions

Robin Villeneuve, CPA, CA
Chief Financial Officer and Corporate Secretary

Corporate information

HEAD OFFICE

750 boulevard du Parc-Technologique
Quebec, QC G1P 4S3
Telephone: 418.781.0333
Fax: 418.781.0024

INVESTOR RELATIONS

For additional information or to receive quarterly reports and press releases, contact Marie-Claude Poitras at the head office or at marie-claude.poitras@opsens.com.

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange- Symbol: OPS
OTCQX - Symbol: OPSSF

AUDITORS

Deloitte S.E.N.C.R.L./s.r.l, Quebec, QC

SHARES IN CIRCULATION
89,868,817 (as at August 31, 2018)

TRANSFER AGENT AND REGISTRAR

AST Trust Company (AST) (Canada)
2001 boulevard Robert-Bourassa, suite 1600
Montreal, QC H3A 2A6
T: 514.285.8824 F: 514.285.8846

ANNUAL MEETING OF SHAREHOLDERS

Will be held at Hôtel Québec, Morisot Room:
3115 Avenue des Hôtels, Quebec, QC G1W 3Z6
Thursday, January 24, 2019 – 10:30 a.m.

Opsens' Target Markets

Interventional Cardiology – Pressure Measurement

The OptoWire, Designed to Provide the Lowest Drift in the Industry - To Diagnose and Treat with Confidence

Electrical technologies account for the largest share of the measurement market for coronary heart disease today. Opsens has revolutionized the offering with the OptoWire, a second-generation optical guidewire designed to provide the lowest drift in the industry. Unlike guidewires instrumented with electrical sensors, the OptoWire

- Is not affected by procedural contaminants;
- Offers reliable pressure measurement, and the ability to deliver stents directly on the wire; and,
- Provides the freedom to reconnect and measure after the intervention to validate optimization of the lesion.

In the United States, Europe, Japan and Canada, Opsens' OptoWire is proving itself in clinical uses and has been the subject of scientific articles that strengthen its profile among cardiologists. Recently, in a prospective registry for the Functional Optimization of Coronary Intervention Using Post-PCI FFR[1], Opsens' guidewire distinguished itself by its capacity to routinely cross severe lesions to measure post-PCI pressure to validate lesion optimization and, if necessary, to further improve a patient's lesion by conducting an additional immediate intervention.

A leader in optical pressure measurement technology, Opsens has made sure to protect its intellectual property with a dozen patents, which positively positions Opsens and opens the door to high-value partnerships in interventional cardiology and in the medical field in general, thanks to the possibilities its technology offers for new applications.

Opsens is based in Quebec, QC, Canada, registered with the FDA and ISO 13485. The Company has 140 employees.

Opsens Headquarters, Quebec, QC, Canada


Opsens, Clean Room

Industrial – Growing Markets

Opsens' versatile technologies can answer needs in key, valuable markets. There is a positive sentiment around Opsens' single-point measurement technology in leading areas. This growing interest stems from the fact that traditional technologies do not perform as expected under certain conditions, opening avenues for Opsens' fiber optic technology.

Opsens capitalizes on its easily adaptable technology and invests in innovation to create applications for growing markets, like structure monitoring and various other applications in sectors such as aerospace, military, semiconductor and other diverse applications.

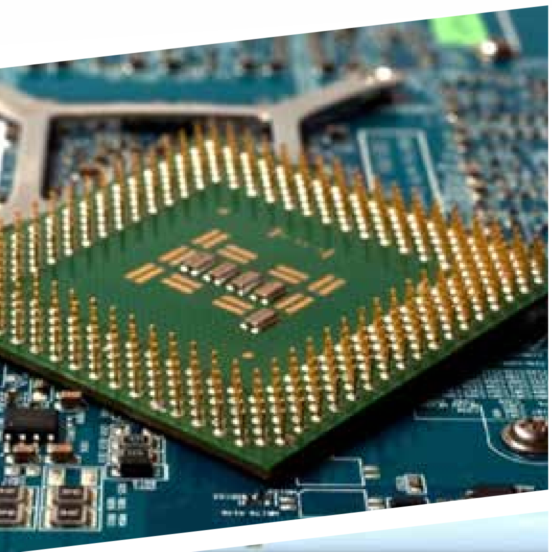
[1] *Functional Optimization of Coronary Intervention Using Post-PCI FFR: A Prospective Registry BF Uretsky MD, Shiv Agarwal MD, Kristin Miller RN, Malek Al-Hawwas MD, Abdul Hakeem MD Hospital Central Arkansas VA and UAMS, Little Rock, AR, September 2018*

INTERVENTIONAL CARDIOLOGY - FFR

OptoWire – A guidewire used from the beginning to the end of the FFR procedure.

Second-generation guidewire, designed to provide the lowest drift in the industry

To diagnose and treat with confidence



INDUSTRIAL APPLICATIONS

Innovative fiber optic solutions for various industries.

opSens

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