opSens

ANNUAL
REPORT
2021

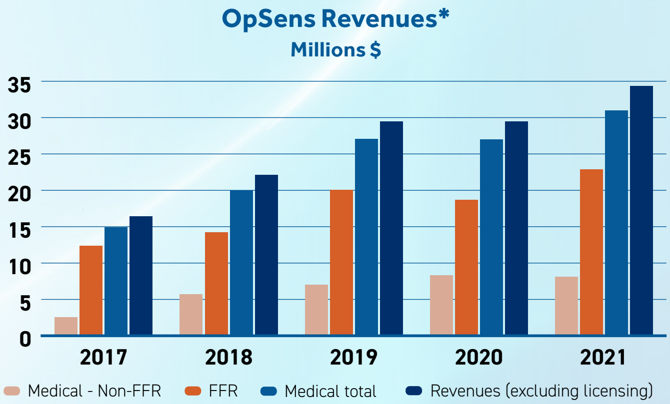
OpsSens focuses primarily on interventional cardiology and is in the process of expanding into the structural cardiology market with a new product for the transcatheter treatment of aortic valve stenosis or TAVR.

Mission

To contribute to healthcare through a unique expertise in innovative medical products.

Cardiology – Cornerstone of OpSens' Growth

- » Strategic products in cardiology and in other medical fields
- » Performance recognized by key opinion leaders around the world
- » Company and markets positioned for strong growth supported by clinical evidence and aging population
- » Agreements with two major U.S. group purchasing organizations
- » Improved financial position following $28.75 million financing in fiscal 2021
- » Development, innovation, and continuous improvement
  - Optimization of products and of production costs
  - New generation of products for coronary artery disease
  - Possibility of deployment in other systems to provide our products in new markets – e.g., integration with the Picasso system in Spain
  - New TAVR product compatible with OptoMonitor III installed in catheterization laboratories worldwide
  - Fidela,™ precise measurement technology that can be integrated into new applications, opening the door to business partnerships
- » Promising new avenues in the industrial field: e.g., ITER, and development of an application for fuel monitoring in aeronautics.



*Graph does not include licensing revenues

Coronary Artery Disease

Based on Fidela,™ its second-generation fiber optic sensor, OpSens has designed its first product for cardiology: the OptoWire, a pressure measurement guidewire used in the diagnosis and treatment of coronary artery disease. The OptoWire has been used in 150,000 patients worldwide in a procedure that is becoming the model of excellence in treatment.

The FAME study showed that when a patient's lesions are assessed by FFR, major cardiac events were reduced. Today, the market continues to be fueled by studies that demonstrate the clinical and economic benefits of using coronary pressure guidewires. Cardiologists, medical cardiology societies, insurance companies and hospitals are increasing the demand for such products. OpSens is committed to developing innovative products that address the limitations of aging, competing technologies.

Benefits of coronary pressure guidewires:

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

OpSens has subsequently improved its offer, as the evaluation criteria have been extended and now permit the use of pressure measurements without the injection of heart-stimulating drugs. OpSens has developed a product that meets the needs of cardiologists and has commercialized its diastolic pressure algorithm called dPR to perform this needed measurement.

Expansion in the American Market

In 2021, OpSens signed two agreements with major group purchasing organizations to accelerate its products' penetration in the United States. These new partnerships, which open the doors to more than half of the catheterization labs in the U.S., are a testament to the OptoWire's ability to improve efficiency and reduce costs in diagnosing and treating arterial blockages and align with our partners' mission to better treat their patients.

OpSens intends to continue to consider such agreements to improve its market penetration, particularly in the United States. The Company's objective is to sign new agreements in the near future.

The SavvyWire,™, OpSens' Upcoming Product for the TAVR Procedure

Rolling Stones' front man, Mick Jagger, made medical news and put the TAVR procedure into the spotlight. At 75, his highly calcified aortic valve prevented a good flow of blood from the heart to the aorta and thus good oxygenation of his organs.

He underwent the TAVR procedure, and a new aortic valve was inserted into his heart through an artery from his groin. Avoiding general anesthesia and open-heart surgery with the minimally invasive procedure, the singer was able to return quickly to his normal life.

OpSens' Entry into the TAVR Market, to be an $8 Billion Market[1]

To capitalize on the expertise acquired in the development of its first product for cardiology, OpSens plans to launch a product for the TAVR procedure in 2022, a pressure guidewire to help in valve positioning. This is the fastest growing segment in structural cardiology, driven by an aging population, superior clinical outcomes, and openness to new evidence that people of all health conditions benefit from this minimally invasive treatment.

OpSens is in the final stages leading to the launch of the SavvyWire,™. The Company has completed the first in-human clinical study and has filed with Health Canada and the U.S. Food and Drug Administration (FDA).

Business Partnerships

OpSens' second-generation sensor technology can be adapted to a variety of applications, enabling business partnerships in valuable medical markets.

Several companies, including Abiomed and Monteris, are integrating OpSens' sensors into their products used in medical applications. These collaborations highlight the quality of OpSens' technology and position the Company for new strategic agreements.

OpSens' products are gaining increasing recognition in cardiology thanks to a steady growth in the number of uses and the release of data demonstrating the value and benefits of working with the OptoWire in clinical situations.

1. Global TAVR/Implantation, Kenneth Research

OpSens' mission is to contribute to healthcare through unique expertise in innovative medical products. OpSens is confident that it will advance its mission for heart disease patients, while generating revenue growth in 2022, offer new medical applications and create shareholder value.

Letter to shareholders

In fiscal year 2021, we continued with our vision of becoming a world leader in optical measurement in medical instrumentation, focused on three key medical areas:

» coronary artery disease;
» the development of valuable medical partnerships, such as the one with Abiomed for ventricular assistance; and
» on new opportunities such as the fast-growing structural cardiology market where we are specifically addressing the treatment of aortic valve stenosis through transcatheter aortic valve replacement (TAVR).

Revenue Growth Resumes

From a revenue standpoint, we are pleased with the operating results in 2021, as we reported double-digit top-line growth across the board. This was highlighted by record annual revenues of $34.5 million, an increase of 17% over 2020. Our OptoWire product for coronary artery disease led this growth in revenues, with sales of $22.9 million, up 22% from last year. This was a record year for OptoWire sales highlighted by growth in all our key market geographies.

Significant Progress in the U.S. Market – Agreements with Two Major U.S. Group Purchasing Organizations

In particular, we made significant progress in the U.S. markets, where our sales were up 42% for the year.

Contributing to the growth were the signing of agreements with two major group purchasing organizations, or GPOs, to accelerate product penetration in the U.S. In April 2021, we were awarded an innovative technology contract from Vizient, the largest member-based healthcare performance improvement company in the U.S. The contract was awarded to the OptoWire III, based on the recommendation of experts who serve on one of Vizient's member-led boards who identify technologies that have the potential to enhance clinical care, patient safety, health care worker safety or improve business operations of health care organizations. Innovative technology contracts are recommended after review and interaction with products submitted through Vizient's Innovative Technology Program.

The signing of the agreement with Vizient builds on the first GPO agreement we signed in October 2020, when we announced a three-year contract with another large U.S. purchasing group. This contract, which provides access to the OptoWire to all their members across the U.S., is an additional recognition of the OptoWire's ability to improve the efficiency and reduce the costs involved in diagnosing and treating artery blockages and aligns with our partner's mission to better treat their patients.

These new agreements are examples of our continued development efforts in the U.S., with the goal to sign additional agreements in the near future.

Photo: Stevens Leblanc

Worldwide Initiatives to Expand Markets

In addition to the U.S. market, we are expanding our efforts to increase our market share globally. For example, we signed an agreement with Cathmedical Cardiovascular S.A. to integrate our coronary physiology algorithms into Cathmedical's next generation hemodynamic system called Picasso. The systems will initially focus on the Spanish cardiology market, where the Picasso system has a dominant market share.

This type of partnership could be replicated for other systems, to allow interventional cardiologists to benefit from full integration of the OptoWire and the full power of OpSens' coronary physiology indices in catheterization laboratories to help improve clinical results in patients with coronary artery disease.

The SavvyWire,™ Pressure Guidewire for TAVR – To be Launched in 2022

In addition to our commercial progress, we made tremendous progress on our TAVR development program during the year as we move increasingly closer to commercialization.

The TAVR procedure is growing rapidly, driven by an aging population, interest in less invasive procedures, and recent compelling clinical data demonstrating the benefit of expanding this procedure to all patients. It is one of the fastest growing segments in structural cardiology.

Our SavvyWire,™ a pressure measurement guidewire for TAVR, is the first device intended to deliver the aortic valve prosthesis, while allowing continuous hemodynamic pressure measurement before, during and after the procedure. Industry experts are awaiting our product which could become a game-changer for the procedure and could simplify TAVR by facilitating the work of cardiologists to ultimately contribute to the health of patients.

We are nearing commercialization of our guidewire that could position OpSens as an innovation leader in this segment of cardiology. In November 2021, we successfully concluded the in-first human clinical study which has enabled the filing for 510(k) regulatory clearance with the U.S. Food and Drug Administration (FDA), one of the final steps prior to commercialization which remains on target for 2022.

Fidela,™ a Technology that Opens Doors for New Products and Partnerships

OpSens' success is based notably on Fidela,™ the second-generation optical sensor that instruments the OptoWire, currently our flagship product. This sensor, which is also at the heart of our product for the TAVR procedure, is the key element that has enabled the development high-value partnerships in several medical markets, such as the one with Abiomed for ventricular assistance in cardiology and Monteris for laser ablation in neurology. Overall, revenue to our OEMs was $8.1 million in fiscal 2021.

These partnerships highlight the superiority of our technology which puts the Company in an excellent position for new value-bearing agreements.

Industrial Sector

The industrial sector is currently focusing on the aerospace, nuclear and semiconductor sectors where our wholly-owned subsidiary, OpSens Solutions, reported a 36% increase in revenues in fiscal year 2021 to $3.4 million. Importantly, there were also a number of significant new product developments during the year.

This year, OpSens Solutions announced two contracts in prestigious projects that could have an impact in the nuclear and aeronautical markets. OpSens Solutions received advisory services and financial support from the National Research Council of Canada (NRC) for a research and development project on optical fuel monitoring systems for aerospace applications, including civil aircraft. This news was in addition to the announcement of OpSens Solutions' participation in the International Thermonuclear Experimental Reactor (ITER) project, the world's largest nuclear fusion and scientific experimentation project, with 35 nations committed to building and demonstrating a potential source of safe, zero-carbon, virtually limitless energy based on nuclear fusion. For the ITER project, currently under construction in the South of France, OpSens Solutions was awarded a contract to provide fiber optic absolute and differential pressure sensors, which will provide critical information for the accurate monitoring in one of the largest vacuum facilities ever built.

The team at OpSens Solutions continues to do a great job and I look forward to the continued leveraging of our proprietary optical technology to a wide variety of commercial applications designed for the most hostile and harsh environments.

Financing Strengthens the Company, Positions it for the Future

This year, we completed a $28.75 million bought deal financing, which will help accelerate our development, particularly in the TAVR project. This was a straight common offering, with the overallotment fully subscribed. We believe this is a testament to the confidence shown in our prospects. At the end of August 2021, we had more than $38 million in cash on the balance sheet as we are now in the best financial position in the history of the Company from a balance sheet perspective to strategically execute our growth strategy.

Perspectives

In 2022, our priority remains to increase the impact of our products in cardiology from a commercial, clinical, and financial perspective, as we set the stage for an even more successful future.

I thank the shareholders for their support in the deployment of our strategy. I would also like to thank our customers, employees, directors, suppliers, and partners for their support in the development of OpSens.

In closing, we look forward to meeting with you at the annual virtual shareholder meeting to be held in January 2022 to present the Company's progress and prospects.

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, 2021

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 year ended August 31, 2021, in comparison with the corresponding periods ended August 31, 2020. In this Management's Discussion and Analysis ("MD&A"), "OpSens," "the Company," "we," "us" and "our" mean OpSens Inc. and its subsidiaries. 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, 2021 and 2020, 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 22, 2021. 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 22, 2021, 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.

COVID-19

The global economy has significantly changed during the past year. The spread of COVID-19 virus, declared on March 11, 2020, as a pandemic by the World Health Organization (WHO), has led many governments to adopt exceptional measures to slow the advancement of COVID-19. These events cause significant uncertainties that could damage the Company's activities. At the current time, it is not possible to reliably estimate the duration and impact that these events may have on the Company's future financial results because of the uncertainties about future developments. Thus far, the Company has had minimal manufacturing, supply chain, or distribution disruptions and has continued to fulfill orders to customers. However, the Company has had limited access to the cath labs and has adjusted its sales force consequently.

OVERVIEW

The Company's primary focus is the measurement of Fractional Flow Reserve ("FFR") and the diastolic pressure algorithm ("dPR") in the coronary artery disease market. OpSens offers an optical guidewire (OptoWire) to measure pressure to diagnose and to improve clinical outcomes in patients with coronary heart disease. OpSens also operates in the Industrial segment through its wholly-owned subsidiary OpSens Solutions Inc. ("Solutions"). Solutions develops, manufactures and installs innovative measurement solutions using fibre optic sensors for critical and demanding industrial applications.

OpSens owns 21 patents and has four pending patents to protect its technologies in the Medical and Industrial sectors.

SECTORS OF ACTIVITY

In the Medical sector, OpSens markets OptoWire and OptoMonitor to diagnose coronary artery disease. OptoWire provides cardiologists with an optimized pressure guidewire to navigate coronary arteries and cross blockages with ease while measuring intracoronary blood pressure. This procedure is called FFR measurement, also referred to as physiological measurement.

OpSens has obtained the required regulatory approvals for the OptoWire and OptoMonitor in the world's largest markets, namely the United States, Europe (including the Middle East), Japan and Canada. Furthermore, the need to diagnose coronary disease without hyperemia induced by the injection of heart-stimulating drugs has emerged. OpSens has developed its proprietary diastolic pressure ratio to meet this need. Non-Hyperemic Pressure Resting indices ("NHPR"), such as OpSens' dPR, are beneficial for some patients as they reduce procedure time, costs and discomfort. This product is available through the OptoMonitor and works in combination with the OptoWire. OpSens' dPR is marketed in Japan, the United States, Canada and Europe.

OpSens has established a direct sales force in the United States 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.

OpSens is currently developing the SavvyWire, a product aiming the market of structural cardiology, one of the fastest growing segments of cardiology. The SavvyWire is developed specifically for transcatheter aortic valve replacement ("TAVR"). It will become the first guidewire intended to both deliver a valvular prosthesis while allowing continuous hemodynamic pressure measurement during the procedure.

OpSens has successfully completed the planned in-human clinical study on twenty patients required to complete regulatory filing. Regulatory filing for Canada, the United States and other jurisdictions will be completed in early 2022. Product launch of the SavvyWire will be deployed as authorizations are received.

In the Industrial sector, OpSens' expertise, technology and products meet the needs of multiple markets, including aeronautic, geotechnical, infrastructures, nuclear, mining, military, 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.

As an example, fibre optic sensors perform well in the presence of electromagnetic fields, radio frequencies, micro-waves, high-intensity magnetic waves (MR) or high temperatures, elements that typically disrupt results with conventional sensors. Customers' needs are wide-ranging and require measuring various parameters like pressure, temperature, strain, and others.

The Company focuses on business opportunities with the highest returns and has developed new products to fulfill their specific needs. As an example, the new OPP-GD fibre optic differential pressure sensor and the new OEC fibre optic extensometer sensors have grabbed the attention of many industries such as aeronautic and energy.

MARKET OVERVIEW

In the Medical sector, coronary artery disease 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 increase in the use of physiologic measurement 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 an expansion in the use of FFR technologies. Payers, including Medicare, use the AUC to help formulate their repayment criteria.

In April 2018, the Ministry of Health, Labour and Welfare ("MHLW") in Japan 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 medical fees and established a requirement to assess functional ischemia (blockage of arteries) prior to treatment.

These developments contribute to the steady growth of the coronary artery disease measurement market. According to management and industry source estimates(1), this market exceeds US$600 million worldwide in 2021 and is expected to exceed US$1 billion annually in the medium term (2025).

In the Industrial sector, under this reportable segment, the Corporation's technology, expertise, and products can serve several markets including aeronautic, geotechnical, infrastructures, nuclear, mining, military, and others. The Company focuses mainly on the following markets:

- Nuclear market: the opportunities in this market are related principally to new nuclear technologies to produce energy. The new and recently patented fibre optic differential pressure sensor is the main solution for that market;
- Aeronautic market: the opportunities in this market are principally related to fuel monitoring systems for aircraft. New industrial version of the absolute pressure sensor and the recent addition of a differential pressure sensor are the main products for these applications; and
- Traditional Niche Applications Market: they include niche applications in which the Company is currently engaged, such as electro-pyrotechnic devices.

COMPETITION

In the Medical sector, coronary artery disease measurement market has five competitors and is currently dominated by two major players who commercialize standard electrical technology. Competition is based on technological advantages, brand recognition, customer service, marketing support and price.

In the Industrial sector, there is a significant number of competitors. Competition is based primarily on technological advantages. Our direct competition is made up of both opened and closed-ended companies with a global presence.

(1) OpSens FFR Market Calculations based on GRAND VIEW RESEARCH (Feb. 2019).

CORPORATE GROWTH STRATEGY

OpSens' growth strategy is to become a key player in the Medical sector focusing on the coronary artery disease measurement, 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 coronary artery disease market.

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

- Direct Sales Force: OpSens has established a direct sales team, hiring a seasoned staff with solid expertise in coronary artery disease. This sales force has been implemented to increase OpSens' market and commercialization penetration in the United States and Canada. In the context of COVID-19, the Company adjusted its methods and the number of representatives using remote approaches rather than in-person visits to catheterization laboratories. In the short term, this approach was better aligned to customers wishing to limit the number of in-person visitors to hospitals. With COVID-19 pandemic partially under control, OpSens has started to increase its sales force and will continue in 2022. OpSens also targets agreements with group purchasing organizations to accelerate penetration, particularly in the United States. OpSens has successfully signed agreements with group purchasing organizations, with more expected to come; and
- Distributor Sales Force: OpSens has signed distribution agreements in Europe, Asia, and the Middle East. These agreements allow OpSens to focus on market penetration with leading business partners in their respective markets.

Interventional cardiologists have started focusing on new measurements performed with the heart 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 in the OptoWire's recognized features which include:

- A low-drift measurement technology for improved reliability, essential to cardiologists' decision-making in the diagnosis of coronary artery disease; and
- Better connectivity as OptoWire is insensitive to blood contamination. It can be easily reconnected without compromising measurement accuracy.

- Clinical data

Major clinical studies previously suspended due to the COVID-19 pandemic have resumed and new ones are planned in 2022.

- Innovation

In this ever-evolving and state-of-the-art market, OpSens plans to leverage its expertise in fibre-optic sensing medical devices to create new coronary artery disease measurement products and develop new fibre optic sensing technologies for cardiology assessment that address other 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.

As an example of innovation, the Company is developing a pressure guidewire designed to assist cardiologists during TAVR. This innovation is a structural heart pressure guidewire that measures and displays critical hemodynamics information in real time during valve replacement procedures.

Also, OpSens received regulatory approval for the commercialization of the newest version of its coronary pressure guidewire, OptoWire III, for the United States, Japan, EMEA, and Canada thus far.

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 aims to partner with key players in the industry. The partnership with Abiomed Inc. ("Abiomed"), for the use of its miniature sensors and technology, is an example of the type of partnership the Company targets.

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

- Target Market: Solutions' target markets are aeronautic, geotechnical, infrastructures, nuclear, mining, military and others. These are markets where OpSens' products offer unique advantages over its competitors; and

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

NON-IFRS FINANCIAL MEASURES – EBITDAO

The Company quarterly reviews net income (loss) and Earnings Before Interest, Taxes, Depreciation, Amortization and Stock-based compensation costs ("EBITDAO"). EBITDAO 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. EBITDAO is defined by the Company as the addition of net income (loss), financial expenses, depreciation and amortization and stock-based compensation costs. The Company uses EBITDAO 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 to see the Company's results through the eyes of management, and to better understand its historical and future financial performance.

RECONCILIATION OF EBITDAO TO NET LOSS

(In thousands of Canadian dollars)	**Year ended August 31, 2021**	**Year ended August 31, 2020**	**Year ended August 31, 2019(2)**
	$	**$**	**$**
Net loss	(1,150)	(2,644)	(1,952)
Financial expenses	918	684	157
Depreciation of property, plant and equipment and right-of-use assets	1,544	1,548	802
Amortization of intangible assets	230	120	91
Stock-based compensation costs	459	438	489
EBITDAO	2,001	146	(413)

The positive variance of EBITDAO for the year ended August 31, 2021, is mainly explained by the fact that we increased our sales in all segments. This was partially offset by a lower grant related to the Canada Emergency Wage Subsidy ("CEWS").

(2) Comparative figures have not been adjusted to reflect the adoption of IFRS 16, *Leases*, as set out in the accounting policy.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year ended August 31, 2021	Year ended August 31, 2020	Year ended August 31, 2019(2)
	$	$	$
Revenues			
Sales			
Medical	30,985	26,996	27,032
Industrial	3,363	2,457	2,418
	34,348	29,453	29,450
Other	116	-	3,302
	34,464	29,453	32,752
Cost of sales	15,783	13,834	14,037
Gross margin	18,681	15,619	18,715
Gross margin percentage	54%	53%	57%
Operating expenses			
Administrative	6,473	5,041	4,593
Sales and marketing	7,649	8,780	11,116
Research and development	5,510	5,441	4,801
	19,632	19,262	20,510
Other income	(740)	(1,683)	-
Financial expenses	918	684	157
Loss before income taxes	(1,129)	(2,644)	(1,952)
Income taxes	21	-	-
Net loss	(1,150)	(2,644)	(1,952)
Basic and diluted loss per share	(0.01)	(0.03)	(0.02)

Revenues

The Company reported revenues of $34,464,000 for the year ended August 31, 2021, compared to revenues of $29,453,000 for the corresponding period in 2020, an increase of $5,011,000 or 17%.

Sales in the Medical segment totalled $30,985,000 for the year ended August 31, 2021, compared to sales of $26,996,000 for the same period in 2020, an increase of $3,989,000 or 15%. The increase in Medical segment revenues is explained by higher sales in coronary artery disease measurement line of business (FFR and dPR) of $4,212,000 compared with the same period in 2020. Original equipment manufacturer ("OEM") medical sales decreased by $223,000 compared to the same period last year.

The Company also reported other revenues of $116,000 related to a new development project with OEM partners.

Sales in the Industrial segment totalled $3,363,000 for the year ended August 31, 2021, compared to sales of $2,457,000 for the same period in 2020. The increase is explained by a higher volume of orders in the nuclear field compared to the same period last year.

(2) Comparative figures have not been adjusted to reflect the adoption of IFRS 16, *Leases*, as set out in the accounting policy.

For the year ended August 31, 2021 and 2020, 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, 2021, revenues were negatively affected by $1,360,000 compared to the same period last year (sales were positively impacted by $348,000 for the year ended August 31, 2020).

As at August 31, 2021, OpSens' total backlog of orders amounted to $14,565,000 ($11,929,000 as at August 31, 2020).

Gross Margin

Information and analysis in this section do not take into consideration other revenues ($116,000 for the year ended August 31, 2021, and nil for the year ended August 31, 2020, respectively).

Gross margin was $18,565,000 for the year ended August 31, 2021, compared to $15,619,000 for the same period last year. The gross margin percentage slightly increased to 54% for the year ended August 31, 2021 compared to 53% for the year ended August 31, 2020.

Administrative Expenses

Administrative expenses were at $6,473,000 and $5,041,000, respectively, for the year ended August 31, 2021, and August 31, 2020. The increase is largely explained by higher headcount and professional fees.

Sales and Marketing Expenses

Sales and marketing expenses totalled $7,649,000 for the year ended August 31, 2021, a decrease of $1,131,000 over the $8,780,000 reported during the same period in 2020. The decrease is largely explained by lower headcounts, commissions, trade shows and travelling expenses as compared to last year.

Research and Development Expenses

Research and development expenses totalled $5,510,000 for the year ended August 31, 2021, an increase of $69,000 over the $5,441,000 reported during the same period in 2020. The increase is largely explained by higher headcount. This was partly offset by higher grant from Industrial Research Assistance Program (IRAP) received for the development of our new pressure guidewire for the structural heart and Scientific Research and Experimental Development tax credit.

Other Income

Other income was $740,000 and 1,683,000, respectively, for the year ended August 31, 2021 and the year ended August 31, 2020. The decrease is explained by the lower non-refundable contribution under the CEWS program for an amount of $943,000.

Financial Expenses

Financial expenses totalled $918,000 for the year ended August 31, 2021, compared to $684,000 for the same period in 2020. The increase in financial expenses is mainly explained by a less favorable exchange rate of $281,000. This is partly offset by lower interest expenses of $96,000.

Net Loss

As a result of the foregoing, net loss year ended August 31, 2021, was $1,150,000 compared to $2,644,000 for the same period in 2020.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	**As at August 31, 2021**	**As at August 31, 2020**	**As at August 31, 2019**
	$	**$**	**$**
Current assets	49,783	22,543	26,099
Total assets	58,512	31,908	30,089
Current liabilities	7,395	5,655	4,787
Long-term liabilities	8,787	10,906	7,861
Shareholders' equity	42,330	15,347	17,441

Total assets as at August 31, 2021, were $58,512,000 compared to $31,908,000 as at August 31, 2020. The increase is mainly related to higher cash and cash equivalents of $27,679,000 following the completion of an equity financing on February 25, 2021.

Current liabilities totalled $7,395,000 as at August 31, 2021, compared to $5,655,000 as at August 31, 2020. The increase is mainly explained by a higher current portion of long-term debt of $1,342,000 and by higher accounts payable and accrued liabilities of $228,000.

Long-term liabilities totalled $8,787,000 as at August 31, 2021, compared to $10,906,000 as at August 31, 2020, a decrease of $2,119,000. The decrease is mainly explained by a lower long-term debt of $2,013,000.

SUBSEQUENT EVENTS

On September 9, 2021, the Company signed an amendment to its credit agreement dated February 26, 2019. Pursuant to this amendment, the Company has a non-revolving credit facility of $10,000,000 that can be used for growth and working capital purposes and that is secured by a first-rank movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets. The credit facility shall be available to the Company in two advances to be made by August 31, 2022. Any amount which remains unused shall be automatically and permanently cancelled and terminated. Any amount drawn under this credit facility bears interest at the prime rate plus 1.50%. The Company shall pay a 0.50% annual fee on the unused portion of the credit facility. The used portion of the credit facility is repayable in equal monthly payments from September 2022 until the credit facility maturity in August 2026.

Moreover, in September 2021, the Company prepaid the entire balance of the term loan bearing interest at prime rate plus 2.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing initially in February 2024. The repayment of $5,833,333 was made from the cash equivalents portfolio. This loan had a carrying amount of $5,804,813 as at August 31, 2021 including an amount of $2,315,791 included in the current portion of the long-term debt.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended August 31, 2021**	**Three-month period ended May 31, 2021**	**Three-month period ended February 28, 2021**	**Three-month period ended November 30, 2020**
	$	**$**	**$**	**$**
Revenues	8,066	9,233	8,829	8,336
Net income (loss) for the period	(1,215)	(570)	41	594
Basic and diluted net income (loss) per share	(0.01)	(0.01)	0.00	0.01

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended August 31, 2020**	**Three-month period ended May 31, 2020**	**Three-month period ended February 29, 2020**	**Three-month period ended November 30, 2019**
	$	**$**	**$**	**$**
Revenues	7,576	6,630	8,258	6,989
Net income (loss) for the period	557	52	(1,382)	(1,871)
Basic and diluted net income (loss) per share	0.01	0.00	(0.02)	(0.02)

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

During the second semester of fiscal year 2020, activities were slower due to the COVID-19 global pandemic.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2021, the Company had cash and cash equivalents of $38,563,000 compared to $10,884,000 as at August 31, 2020. Of this amount as at August 31, 2021, $35,863,000 were invested in highly-liquid, safe investments.

As at August 31, 2021, OpSens had a working capital of $42,388,000, compared to $16,888,000 as at August 31, 2020. The increase in working capital is mainly related to higher cash and cash equivalents.

On February 25, 2021, the Company completed a bought deal public offering for aggregate gross proceeds of $28,750,000. In connection with the offering, the Company issued a total of 15,972,222 shares at a price of $1.80 per share. Transaction costs of the offering include underwriting fees of $1,725,000 and other professional fees and miscellaneous fees of $401,000 for total transaction costs of $2,126,000.

The company intend the use of proceeds from the equity financing as follow:

(In Canadian dollars)	Use of funds as planned	Over-Allotment	Funds available to Opsens from equity financing	Actual use of funds as at August 31, 2021	Funds remaining to be used
	$	$	$	$	$
Net proceeds from the issue, including the over-allotment option	22,874,000	3,750,000	26,624,000	7,383,883	19,240,117
Use of proceeds					
Sales and Marketing	7,000,000	-	7,000,000	4,421,753	2,578,247
Research and Development	8,000,000	-	8,000,000	2,532,270	5,467,730
Capital expenditures and production ramp-up	3,000,000	-	3,000,000	429,860	2,570,140
Working capital	4,874,000	3,750,000	8,625,000	-	8,624,000
Total use of proceeds	22,874,000	3,750,000	26,624,000	7,383,883	19,240,117

Under a new loan agreement with a Canadian financial institution, the Company may receive a maximum amount of $600,000. The loan bears interest at the prime rate plus 1.00% and is repayable in monthly instalments of $16,667 and will mature in October 2024. The loan has a nine months moratorium period without payment of principal following the date of the signature of the agreement. It is secured by a movable hypothec on the universality of the property, plant and equipment and intangible assets, present and future of the Company. On November 27, 2020, the Company received $600,000 of this loan. Under this loan agreement, the Company is subject to certain covenants, which were met as of the date of this MD&A.

On February 27, 2019, OpSens announced that it has entered into a $8,000,000 credit agreement (the "Agreement") with a Canadian financial institution. The Agreement consists of a $7,000,000 term loan, set to mature in 60 months with no principal payment for a 24-month period following the signature of the Agreement, bearing interest at prime rate plus 2.00% per annum and of a $1,000,000 revolving operating credit margin bearing interest at prime rate plus 1.00%, set to mature in one year and that may be renewed on an annual basis. The disbursement of the $7,000,000 term loan occurred on March 1, 2019, and the revolving operating credit was also available at that time. Deferred financing fees related to the Agreement include professional fees and miscellaneous fees of $87,468. Under this Agreement, the Company is subject to certain covenants, which were met as of the date of this MD&A. In September 2021, the Company prepaid the entire balance of the term loan.

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 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)	As at August 31, 2021	As at August 31, 2020
	$	$
Operating activities	2,839	(985)
Investing activities	(937)	(1,765)
Financing activities	25,875	(1,211)
Effect of foreign exchange rate changes on cash and cash equivalents	(98)	(11)
Net change in cash and cash equivalents	27,679	(3,972)

Operating Activities

For the year ended August 31, 2021, cash flows generated by our operating activities were $2,839,000 compared to cash flows used of $985,000 for the same period last year. The increase in cash flows generated by our operating activities is mainly explained by a positive variance of EBITDAO, as explained previously and by a positive variance of changes in non-cash operating working capital items related to inventory of $1,762,000, government assistance receivable of $856,000 and by accounts payable and accrued liabilities of $1,129,000. This is partly offset by a negative variance of changes in non-cash operating working capital items related to trade and other receivables of $1,139,000.

Investing Activities

For the year ended August 31, 2021, cash flows used by our investing activities reached $937,000 compared to $1,765,000 for the same period in 2020. The decrease in cash flows used is mainly explained by lower acquisition of property, plant, and equipment and intangible assets for the Medical sector.

Financing Activities

For the year ended August 31, 2021, cash flows generated by financing activities reached $25,875,000 compared to cash flows used of $1,211,000 for the same period in 2020. The variation is mainly explained by completion of a bought deal public offering in February 2021.

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 physiological measurement such as FFR and dPR in the coronary artery disease market 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 other medical devices. This also includes other revenues related to its optical sensor technology.

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 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,					
			2021			2020
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	31,101,209	3,362,611	34,463,820	26,996,184	2,457,166	29,453,350
Internal sales	111,695	381,797	493,492	-	96,090	96,090
Gross margin	16,457,466	2,222,896	18,680,362	14,179,616	1,439,876	15,619,492
Depreciation of property, plant and equipment and right-of-use assets	1,362,247	181,951	1,544,198	1,298,636	249,077	1,547,713
Amortisation of intangible assets	218,255	11,644	229,899	108,845	10,935	119,780
Other income	445,506	294,656	740,162	1,383,939	298,669	1,682,608
Financial expenses	540,010	377,738	917,748	340,946	343,121	684,067
Current income taxes expense	21,186	-	21,186	-	-	-
Net income (loss)	(1,969,256)	818,828	(1,150,428)	(2,647,823)	4,019	(2,643,804)
Acquisition of property, plant and equipment	651,109	44,650	695,759	1,224,453	28,748	1,253,201
Additions to intangible assets	264,398	19,788	284,186	676,967	37,928	714,895
Segment assets	56,212,182	2,300,223	58,512,405	29,777,672	2,130,767	31,908,439
Segment liabilities	15,246,157	936,253	16,182,410	16,070,310	491,267	16,561,577

Information by geographic segment

	Years ended August 31,	
	2021	2020
	$	$
Revenue by geographic segment		
United States	12,862,452	11,408,452
Japan	7,277,326	6,313,784
Canada	3,270,982	2,644,881
Other*	11,053,060	9,086,233
	34,463,820	29,453,350

* 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. Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are mainly located in Canada. Non-current assets located in other countries are not significant.

During the year ended August 31, 2021, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 21% and 19% (24% and 21% for the year ended August 31, 2020).

Medical Segment

Information and analysis in this section for revenue and gross margin do not take into consideration other revenues ($116,000 for the year ended August 31, 2021, and nil for the year ended August 31, 2020).

For the year ended August 31, 2021, sales from the Medical segment were $30,985,000 compared to $26,996,000 for the year ended August 31, 2020, an increase of $3,989,000. The increase is explained by higher coronary artery disease product sales of $4,212,000. This is partly offset by lower OEM medical sales of $223,000.

Gross margin was $16,342,000 for the year ended August 31, 2021, compared to $14,179,000 for the year ended August 31, 2020, an increase of $2,162,000. The gross margin percentage is stable at 53% for the year ended August 31, 2021, and 2020.

Net loss for the medical segment was $1,969,000 for the year ended August 31, 2021, compared to $2,648,000 for the same period last year. The decrease in net loss is mainly explained by higher sales has explained previously.

Working capital for the Medical segment as at August 31, 2021, was $41,372,000 compared to $15,495,000 as at August 31, 2020. The increase of $25,877,000 is mainly explained by higher cash and cash equivalents of $27,888,000 and by lower accounts payable and accrued liabilities of $519,000. This is partly offset by lower inventory of $452,000 and by higher current portion of long-term debt of $1,342,000.

Industrial Segment

For the year ended August 31, 2021, external sales from the Industrial segment were $3,363,000 compared to $2,457,000 for the year ended August 31, 2020, an increase of $906,000 mostly explained by a higher volume of orders in the nuclear field compared to the same period last year.

Gross margin was $2,223,000 for the year ended August 31, 2021, compared to $1,440,000 for the same period in 2020, an increase of $923,000. The gross margin percentage increased from 56% for the year ended August 31, 2020, to 59% for the year ended August 31, 2021. The increased in gross margin percentage is mainly explained by the higher volume of sales.

Net income for the Industrial segment was $819,000 for the year ended August 31, 2021, compared to $4,000 for the year ended August 31, 2020. The increase in net income is mainly explained by the higher volume of sales and increase in gross margin as explained before.

Working capital for the Industrial segment as at August 31, 2021, was $1,016,000 compared to $1,393,000 as at August 31, 2020. The decrease is mainly explained by lower cash and cash equivalents of $210,000 and by lower trade and other receivables of $220,000. This is partly offset by higher tax credits receivable of $62,000.

FOURTH QUARTER 2021

Revenues

Revenues totalled $8,066,000 for the year ended August 31, 2021 compared to revenues of $7,576,000 for the corresponding period in 2020, an increase of $490,000 or 6%. The increase is mainly explained by higher sales in the coronary artery disease line of business (FFR and dPR) of $450,000 and the industrial segment of $155,000. This is partly offset by lower OEM medical sales of $178,000 compared to the same period last year

Gross Margin

Information and analysis in this section do not take into consideration other revenues ($60,000 for the three-month period ended August 31, 2021, and nil for the three-month period ended August 31, 2020, respectively).

Gross margin was $3,956,000 for the three-month period ended August 31, 2021, compared to $3,816,000 for the same period last year. The gross margin percentage slightly decreased to 49% for the three-month period ended August 31, 2021 compared to 50% for the same period last year.

Administrative Expenses

Administrative expenses were at $1,794,000 and $1,015,000, respectively, for the three-month period ended August 31, 2021 and the August-month period ended August 31, 2020. The increase is largely explained by higher headcount, professional fees, and recruiting expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $2,191,000 for the three-month period ended August 31, 2021, an increase of $733,000 over the $1,458,000 reported during the same period in 2020. The increase is largely explained by the accelerating in spending related to headcount, commissions, trade shows and travelling expenses when compared to last year related to the size adjustment of our direct sales force in the United States due to COVID-19 in the second semester of 2020.

Research and Development Expenses

Research and development expenses totalled $1,340,000 for the three-month period ended August 31, 2021, an increase of $28,000 over the $1,312,000 reported during the same period in 2020. The increase is largely explained by higher headcount. This is partly offset by higher Scientific Research and Experimental Development tax credit.

Other Income

Other income was $19,000 and 882,000, respectively, for the three-month period ended August 31, 2021 and August 31, 2020. The decrease is explained by a lower non-refundable contribution under the CEWS program for an amount of $863,000.

Financial Expenses

Financial revenues totalled 62,000 for the three-month period ended August 31, 2021, compared to financial expenses of $356,000 for the same period in 2020. The decrease in financial expenses is mainly explained by foreign exchange gain of $194,000 and by higher interest revenues of $35,000.

Net income (loss)

As a result of the foregoing, net loss for the three-month period ended August 31, 2021, was $1,215,000 compared to net income of $557,000 for the same period in 2020.

INFORMATION ON SHARE CAPITAL

For the year ended August 31, 2021, the Company granted to some employees and directors a total of 2,342,500 stock options with an average exercise price of $1.71, cancelled 566,625 stock options with an exercise price of $1.10, whereas 904,500 stock options with an average exercise price of $1.15 were exercised, and 327,500 stock options with an exercise price of $1.21 expired.

For the year ended August 31, 2020, the Company granted to some employees and directors a total of 1,400,000 stock options with an average exercise price of $0.75, cancelled 1,239,750 stock options with an exercise price of $0.94, whereas 100,000 stock options with an average exercise price of $0.72 were exercised, and 467,875 stock options with an exercise price of $0.95 expired.

As at November 22, 2021, the following components of shareholders' equity are outstanding:

Common shares	107,912,789
Stock options	6,749,750
Securities on a fully diluted basis	114,662,539

No dividend was declared per share for each share class.

RELATED PARTY TRANSACTIONS

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors for the years ended August 31, 2021 and 2020 were as follows:

	Years ended August 31,	
	2021	2020
	$	$
Short-term salaries and other benefits	1,219,527	1,109,901
Option-based awards	119,303	153,867
	1,338,830	1,263,768

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

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.

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.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, concentration 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 its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 34.67% of the Company's total accounts receivable as at August 31, 2021 (31.72% as at August 31, 2020).

As at August 31, 2021, 10.36% (0.38% as at August 31, 2020) of the accounts receivable were of more than 90 days whereas 64.51% (34.51% as at August 31, 2020) 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, 2021, the allowance for doubtful accounts was at $213,353 (nil as at August 31, 2020).

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, 2021 and 2020:

As at August 31, 2021	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	3,842,871	3,842,871	3,842,871	-	-
Long-term debt	7,396,817	7,370,774	2,822,089	2,801,422	1,747,263
Total	11,239,688	11,213,645	6,664,960	2,801,422	1,747,263

As at August 31, 2020	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	3,545,323	3,545,323	3,545,323	-	-
Long-term debt	8,068,565	8,079,330	1,497,590	2,586,536	3,995,204
Total	11,613,888	11,624,653	5,042,913	2,586,536	3,995,204

Interest Rate Risk

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

Cash and cash equivalents	Fixed and variable interest rates
Trade and other receivables	Non-interest-bearing
Accounts payable and accrued liabilities	Non-interest-bearing
Long-term debt	Non-interest-bearing and fixed and variable 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. The Company owns investments with fixed and variable interest rates. As at August 31, 2021, the Company was holding more than 93% (70% as at August 31, 2020) 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 have an impact of $75,939 on net loss and comprehensive loss for the year ended August 31, 2021 ($74,220 for the year ended August 31, 2020).

Financial Expenses (Revenues)

	Years ended August 31,	
	2021	2020
	$	$
Interest and bank charges	80,498	71,262
Interest on long-term debt	398,605	472,298
Interest on lease liabilities	267,557	289,510
Loss on foreign currency translation	280,624	90
Interest income	(109,536)	(149,093)
	917,748	684,067

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, 2021 and 2020, 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 mainly of raw materials, supplies and professional services in U.S. dollars, Euros and British pounds. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk

Foreign Currency Sensitivity Analysis

Based on the Corporation's foreign currency exposures noted above, varying the above foreign exchange rate to reflect a 10% strengthening would have increased (decreased) the net loss and comprehensive loss as follows, assuming that all other variables remained constant. An assumed 10% weakening of the foreign currency would have had an equal but opposite effect on the basis that all other variables remained constant:

Year ended August 31, 2021

		CA$/US$	CA$/EUR€	CA$/GBP£
		$	$	$
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	(1,000,000)	(621,000)	25,000
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	1,000,000	621,000	(25,000)

Year ended August 31, 2020

		CA$/US$	CA$/EUR€	CA$/GBP£
		$	$	$
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	(205,000)	(530,000)	(36,000)
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	205,000	530,000	36,000

As at August 31, 2021 and 2020, the risk to which the Company was exposed is established as follows:

	As at August 31, 2021	As at August 31, 2020
	$	$
Cash and cash equivalents (US$1,350,764; US$1,516,591 as at August 31, 2020)	1,704,259	1,977,938
Cash and cash equivalents (€ 233,721; € 228,611 as at August 31, 2020)	348,385	356,016
Cash and cash equivalents (£ 3,039; £ 36,258 as at August 31, 2020)	5,277	63,169
Trade and other receivables (US$1,828,513; US$1,913,967 as at August 31, 2020)	2,307,035	2,496,196
Trade and other receivables (€ 815,415; € 613,597 as at August 31, 2020)	1,215,458	955,554
Trade and other receivables (£ 52,500; £ 69,040 as at August 31, 2020)	91,166	120,282
Accounts payable and accrued liabilities (US$376,989; US$692,710 as at August 31, 2020)	(475,647)	(903,432)
Accounts payable and accrued liabilities (€ 9,273; € 41,569 as at August 31, 2020)	(13,822)	(64,736)
Accounts payable and accrued liabilities (£ 6,753; £ 9,520 as at August 31, 2020)	(11,726)	(16,585)
Total	5,170,385	4,984,402

CAPITAL MANAGEMENT

The Company's objective in managing capital, primarily composed of shareholders' equity, long-term debt and lease liabilities, is to ensure sufficient liquidity to fund production and R&D activities, 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, government assistance, R&D tax credits, interest income and to liquidity through dilutive sources as public equity offerings.

As at August 31, 2021, the Company's working capital amounted to $42,387,696 ($16,888,129 as at August 31, 2020), including cash and cash equivalents of $38,563,271 ($10,884,019 as at August 31, 2020). The accumulated deficit at the same date was $44,395,449 ($43,245,021 as at August 31, 2020). 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, 2021.

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 broadly remained unchanged since the last fiscal year.

For the years ended August 31, 2021 and 2020, the Company has not been in default on any of its obligations regarding long-term debt and lease liabilities.

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, 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 United States and Europe, the Company is confident in its capacity to recruit qualified human resources in a timely fashion.

Regarding the strategy on corporate executive compensation, it is oriented toward 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 STANDARD

New Standards Adopted By the Company During the previous year

IFRS 16, Leases

On September 1, 2019, the Company adopted the standard IFRS 16, *Leases*. This new standard specifies how to recognize, measure, present and disclose leases. The Company has chosen the retrospective application of IFRS 16 with the cumulative effect of initially applying the standard recognized at the date of initial application. The approach allows for two transition options to measure the right-of-use assets at transition. The Company has chosen that the right-of-use assets will be equal to the lease liabilities at the date of initial application. Moreover, as a practical expedient, the deferred lease inducements related to free rents have been derecognized as an adjustment to the deficit and the deferred lease inducement related to financing activity, which does not represent a locative component, have been reclassified as a long-term debt for the Company as at September 1, 2019. The following table summarizes the impacts of adopting IFRS 16:

	September 1, 2019
	$
Right-of-use assets	5,272,723
Lease liabilities	5,272,723
Adjustment recognized in deficit	76,838

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, 2021, 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 consolidated 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 consolidated 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, 2021.

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.

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact the Company by decreasing short-term market for its products by delaying the execution of elective interventional cardiology procedures and by causing operating, supply chain and project development delays and disruptions, labour shortages, reduced product demand, travel disruption and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Company.

There are other 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, 2021, 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 22, 2021

Consolidated Financial Statements

OpSens Inc.

Years ended August 31, 2021 and 2020

OpSens Inc.

Years ended August 31, 2021 and 2020

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Independent Auditor’s Report

To the shareholders and the Board of Directors of OpSens Inc.

Opinion

We have audited the consolidated financial statements of OpSens Inc. (the “Company”), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended August 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor’s report.

Other Information

Management is responsible for the other information. The other information comprises:

- Management’s Discussion and Analysis
- The information, other than the financial statements and our auditor’s report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor’s report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Sophie Fortin.

/s/ Deloitte LLP[1]

Quebec City, Canada
November 22, 2021

[1]CPA auditor, CA, public accountancy permit No. A124208

OpSens Inc.

Consolidated Statements of Loss and Comprehensive Loss
Years ended August 31, 2021 and 2020
(in Canadian dollars)

	2021	2020
	$	$
Revenues		
Sales	**34,347,899**	29,453,350
Other	**115,921**	-
	34,463,820	29,453,350
Cost of sales	**15,783,458**	13,833,858
Gross margin	**18,680,362**	15,619,492
Operating expenses (Note 22)		
Administrative	**6,472,857**	5,040,700
Sales and marketing	**7,649,336**	8,780,110
Research and development	**5,509,825**	5,441,027
	19,632,018	19,261,837
Other income (Note 17)	**(740,162)**	(1,682,608)
Financial expenses (Note 23)	**917,748**	684,067
Loss before income taxes	**(1,129,242)**	(2,643,804)
Current income taxes expense	**21,186**	-
Net loss	**(1,150,428)**	(2,643,804)
Other comprehensive income		
Items that may be reclassified subsequently to net loss		
Net changes in unrealized gain on translation of foreign operations	**8,662**	-
Comprehensive loss	**(1,141,766)**	(2,643,804)
Basic and diluted net loss per share (Note 14)	**(0.01)**	(0.03)

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

OpSens Inc.

Consolidated Statement of Changes in Equity
Year ended August 31, 2021
(in Canadian dollars)

	Common shares	Share capital	Reserve – Stock option plan	Accumulated other comprehensive income – Foreign operations translation	Deficit	**Total**
	(number)	$	$	$	$	**$**
Balance as at August 31, 2020	**90,280,317**	54,768,369	3,823,514	-	(43,245,021)	**15,346,862**
Common shares issued in connection with a public bought deal offering (Note 13a)	**15,972,222**	26,624,000	-	-	-	**26,624,000**
Common shares issued pursuant to the stock option plan (Note 13a)	**904,500**	1,502,433	(460,077)	-	-	**1,042,356**
Stock-based compensation costs (Note 13b)	**-**	-	458,543	-	-	**458,543**
Other comprehensive income – Net changes in unrealized gain on translation of foreign operations	**-**	-	-	8,662	-	**8,662**
Net loss	**-**	-	-	-	(1,150,428)	**(1,150,428)**
Balance as at August 31, 2021	**107,157,039**	82,894,802	3,821,980	8,662	(44,395,449)	**42,329,995**

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

OpSens Inc.

Consolidated Statement of Changes in Equity
Year ended August 31, 2020
(in Canadian dollars)

	Common shares				Reserve – Stock option plan		
	Issued	Subscribed	Total	Share capital	Reserve – Stock option plan	Deficit	Total
	(number)	(number)	(number)	$	$	$	$
Balance as at August 31, 2019	90,180,317	51,149	90,231,466	54,709,401	3,409,390	(40,678,055)	17,440,736
Impact of adopting IFRS 16 (Note 4)	-	-	-	-	-	76,838	76,838
Shares issued pursuant to the stock option plan (Note 13a)	100,000	(51,149)	48,851	58,968	(24,171)	-	34,797
Stock-based compensation costs (Note 13b)	-	-	-	-	438,295	-	438,295
Net loss and comprehensive loss	-	-	-	-	-	(2,643,804)	(2,643,804)
Balance as at August 31, 2020	90,280,317	-	90,280,317	54,768,369	3,823,514	(43,245,021)	15,346,862

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

OpSens Inc.

Consolidated Statements of Financial Position

(in Canadian dollars)

	As at August 31, 2021	As at August 31, 2020
	$	$
Assets		
Current		
Cash and cash equivalents (Note 15)	**38,563,271**	10,884,019
Trade and other receivables (Note 5)	**4,135,446**	4,041,080
Government assistance receivable (Note 17)	**-**	428,601
Tax credits receivable (Note 19)	**320,000**	105,677
Inventories (Note 6)	**6,115,091**	6,505,094
Prepaid expenses	**648,884**	578,893
	49,782,692	22,543,364
Property, plant and equipment (Note 7)	**2,731,508**	3,229,787
Intangible assets (Note 8)	**1,676,597**	1,622,310
Right-of-use assets (Note 12)	**4,321,608**	4,512,978
	58,512,405	31,908,439
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	**3,842,871**	3,545,323
Warranty provision (Note 16)	**83,803**	153,138
Deferred revenues	**120,710**	48,951
Current income taxes payable	**19,895**	-
Current portion of long-term debt (Note 11)	**2,802,223**	1,460,654
Current portion of lease liabilities (Note 12)	**525,494**	447,169
	7,394,996	5,655,235
Long-term debt (Note 11)	**4,594,594**	6,607,911
Lease liabilities (Note 12)	**4,192,820**	4,298,431
	16,182,410	16,561,577
Shareholders' equity		
Share capital (Note 13a)	**82,894,802**	54,768,369
Reserve – Stock option plan (Note 13b)	**3,821,980**	3,823,514
Accumulated other comprehensive income	**8,662**	-
Deficit	**(44,395,449)**	(43,245,021)
	42,329,995	15,346,862
	58,512,405	31,908,439

Subsequent events (Note 25)

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, 2021 and 2020
(in Canadian dollars)

	2021	2020
	$	$
Operating activities		
Net loss	**(1,150,428)**	(2,643,804)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (Notes 7 and 12)	**1,544,198**	1,547,713
Amortisation of intangible assets (Note 8)	**229,899**	119,780
Loss on disposal of property, plant and equipment	**267,562**	80,381
Stock-based compensation costs (Note 13b)	**458,543**	438,295
Interest expense	**568,130**	616,472
Unrealized foreign exchange loss	**106,757**	10,565
Changes in non-cash operating working capital items (Note 15)	**814,833**	(1,154,458)
	2,839,494	(985,056)
Investing activities		
Acquisition of property, plant and equipment (Notes 7 and 15)	**(746,837)**	(1,220,582)
Additions to intangible assets (Notes 8 and 15)	**(288,150)**	(689,896)
Interest received	**97,529**	145,228
	(937,458)	(1,765,250)
Financing activities		
Increase in long-term debt, net of transaction costs	**842,180**	244,206
Reimbursement of long-term debt	**(1,550,736)**	(372,391)
Payment of lease liabilities	**(453,686)**	(409,788)
Proceeds from issuance of shares (Note 13a)	**29,792,356**	34,797
Transaction costs attributable to the issuance of common shares (Note 13a)	**(2,126,000)**	-
Interest paid	**(628,851)**	(707,916)
	25,875,263	(1,211,092)
Effect of foreign exchange rate changes on cash and cash equivalents	**(98,047)**	(10,565)
Increase (decrease) in cash and cash equivalents	**27,679,252**	(3,971,963)
Cash and cash equivalents – Beginning of year	**10,884,019**	14,855,982
Cash and cash equivalents – End of year	**38,563,271**	10,884,019

Additional information on the consolidated statements of cash flows is presented in Note 15.

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 physiological measurement such as Fractional Flow Reserve (FFR) and Diastolic Pressure Ratio (dPR) in the coronary artery disease market and 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 other 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, du Parc-Technologique Blvd., 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.

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 judgment 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 subsidiaries. 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 sells products through a direct sales force and to distributors. The Company recognizes sales revenues for both medical and industrial segments upon shipment of products to customers, when the control has been transferred to the buyer, there is no continuing management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Company is entitled to receive in exchange for transferring the promised products, net of any trade and volume discounts.

Milestone revenues are recognized over the agreement residual terms at the point in time when it is highly probable that the respective milestone event criteria are met, and the risk of reversal of revenue recognition is remote. These revenues are classified as *Other* in the consolidated statements of loss and comprehensive loss.

Reporting Currency and Foreign Currency

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

Foreign Currency Transactions

Foreign currency transactions are translated into functional currency as follows: monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate in effect at the date of the consolidated statements of financial position, non-monetary assets and liabilities that are denominated in foreign currencies are translated at historical rates, revenues and expenses are translated at the exchange rates in effect at the time of the transaction and exchange differences are recognized as *Financial expenses* in consolidated statements of loss and comprehensive loss in the period in which they arise.

Foreign Operations Translation

Each subsidiary determines its own functional currency. The items included in its financial statements are therefore measured in this functional currency. For entities that have a functional currency that differs from the Company, their financial statements are translated in Canadian dollars as follows: assets and liabilities are translated at the end-of-period exchange rate and revenues and expenses are translated at the monthly average exchange rates in effect during the period. If exchange rates fluctuate significantly, revenues and expenses are instead translated using the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income as *Net changes in unrealized gain on translation of foreign operations*.

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 amortised to operations over the estimated period of benefit. No development costs have been capitalized during any of the years presented.

2. Summary of Significant Accounting Policies (continued)

Refundable Research and Development Tax Credits and Government Assistance

Refundable research and development (R&D) tax credits and government assistance, except for the Canada Emergence Wage Subsidy (CEWS), 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.

The Company received a non-refundable contribution for admissible salaries related to its workforce according to the CEWS program. This contribution is classified as *Other income* in the consolidated statements of loss and comprehensive loss. The contribution receivable regarding the CEWS is classified as *Government assistance receivable* in the consolidated statements of financial position

Refundable R&D tax credits and government assistance are accounted when the Company has reasonable assurance that it will comply with the conditions attaching to them and that the grants will be received.

Shareholders' Equity

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

Share-based Compensation

The Company offers a stock option plan described in note 13b), 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.

2. Summary of Significant Accounting Policies (continued)

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, an allocation of fixed production overheads based on the normal capacity of the production, including applicable depreciation of property, plant and equipment and right-of-use assets, and an allocation of variable production overheads based on the actual use of the production facilities.

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.

Property, Plant and Equipment

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

Depreciation is recorded using the straight-line method over the estimated useful life, considering any residual value, as follows:

Office furniture and equipment	10 years
Production 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 five and three years

Depreciation methods, residual values and useful life 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.

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets with finite useful life consist of patents and software, including internally software development costs. Intangible assets acquired separately are recorded at cost. The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria, and comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. After initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded using the straight-line method over the estimated useful life considering any residual value, as follows:

Patents	Term of underlying patent - 20 years
Software	3 to 15 years
Internally generated software	5 years

The Company's indefinite-life intangible assets consist of trademarks and are not amortised.

Impairment of Non-Financial Assets

Indefinite-Life Intangible Assets

The carrying values of identifiable intangible assets with indefinite life 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 Life

The carrying values of non-financial assets with finite useful life, such as property, plant and equipment, intangible assets with finite useful life and right-of-use assets, 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.

2. Summary of Significant Accounting Policies (continued)

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are recognized on the statements of financial position with right-of-use assets and lease liabilities, except for short-term leases and leases for which the underlying asset is of low value. For these, the Company decided to recognize lease payments as expenses on a straight-line basis over the period of the lease.

Right-of-Use Assets

The Company recognizes right-of-use assets and lease liabilities at the start date of the contract. Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made at or before the commencement date, less any lease incentives received and the costs to be incurred to dismantle and remove the underlying asset. Right-of-use assets are depreciated using the straight-line method over the period from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the leases term. The leases term includes the non-cancellable period and the renewal options reasonably certain to be exercised. The leases term is one year for hosting servers and ranges from three to ten years for buildings. Depreciation methods and useful lives are reviewed annually.

Lease Liabilities

At the commencement date of the lease, the lease liabilities are measured at the present value of the lease payments to be made over the period of the lease. The present value is determined using the incremental borrowing rate of the Company at the start date of the contract if the implicit interest rate cannot be readily determined. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities but instead are recognized as expenses when the payment occurs. After the commencement date, the carrying amount of lease liabilities is then increased to reflect interest on the lease liabilities and reduced to reflect the lease payments made. The carrying amount of lease liabilities is remeasured when there is a change in future lease payments, in renewal options or in the periods of the lease. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use assets, or in the consolidated statements of loss and comprehensive loss when the carrying amount of the right-of-use assets is reduced to zero.

Classification and Presentation

Depreciation charge for right-of-use assets, expenses related to variable lease payments not included in the measurement of lease liabilities and loss (gain) related to lease modifications are, if applicable, allocated between the functions presented in the consolidated statements of loss and comprehensive loss. Interests related to the lease liabilities are rather classified as *Financial expenses*. Lease payments related to the principal portion of the lease liabilities are classified as *Payment of lease liabilities* within cash flows from financing activities. Lease payments related to the interest portion of the lease liabilities are classified as *Interest paid* within cash flows from financing activities.

Warranty Provision

The Company offers a standard 12-month warranty excluding consumables and accessories. Provision for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the management’s best estimate of the expenditure required to settle the warranty obligation.

2. Summary of Significant Accounting Policies (continued)

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 generates 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 carry forward 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.

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 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.

2. Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial assets at fair value through profit and loss (FVTPL): Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Financial liabilities at FVTPL: These financial liabilities are initially recognized at fair value, and transaction costs directly attributable to issuing the financial liabilities are expensed in the consolidated statements of loss and comprehensive loss. Financial liabilities that are required to be measured at FVTPL have all fair value movements, including those related to changes in the credit risk of the liability, recognized in the consolidated statements of loss and comprehensive loss.

Financial assets at fair value through other comprehensive income (FVTOCI): Investments in equity and debt instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income in the period in which they arise without subsequent reclassification to net loss in the case of equity instruments.

Financial assets at amortised cost: A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortised cost less any impairment.

Financial liabilities at amortised cost: These financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

The Company's financial instruments are classified as follows:

Financial instruments	**IFRS 9 – Measurement category**
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Accounts payable and accrued liabilities	Amortised cost
Long-term debt	Amortised cost

Impairment of financial assets at amortised cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The Company has chosen the simplified approach which requires to measure the loss allowance at an amount equal to lifetime expected credit losses that is the maximum contractual period over which the entity is exposed to credit risk. The net change in expected credit losses is recognized to the net 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.

Assessment of COVID-19 Impact

Because of the economic and business uncertainties caused by the spread of COVID-19 virus, the Company reviewed all the critical accounting estimates, assumptions and judgments that are made by management during the preparation of the consolidated financial statements. No significant change is necessary following this review for these consolidated financial. However, because of the uncertain and evolving situation associated with the spread of COVID-19, new information could emerge after the approval date of the consolidated financial statements. This could lead to the necessity for the Company to review the critical accounting estimates, assumptions and judgments prospectively over the next periods. Management continues to monitor and evaluate the situation and its impact on the Company's activities.

Thus far, the Company has had no manufacturing, supply chain, or distribution disruptions caused by the spread of COVID-19 virus and has continued to fulfill orders to customers. However, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company's financial results, business conditions and cash flows because of the uncertainties about future developments.

The following critical estimates, judgments and assumptions 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, considering changes in demand, technology and market.

Useful Life of Depreciable Assets

Management reviews the useful life of depreciable assets at each reporting date. As at August 31, 2021, management stated that the useful life represents 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.

Impairment of Non-Financial Assets

When the Company performs an impairment test for its non-financial assets, the recoverable amount of the asset or the CGU must be determined. For that purpose, the Company evaluates the higher of assets fair value less costs of disposal and its value in use. This evaluation requires a high degree of judgment and several estimates including future cash flows, discount rates and other variables.

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

Leases

Upon the occurrence of either a significant event or a significant change in circumstances, the Company reviews if it has the reasonable certainty to exercise an extension option of the lease, or not to exercise a termination option. Future lease payments are also reviewed by management, resulting in a remeasurement of the carrying amount of right-of-use assets and lease liabilities. To measure lease liabilities at the present value of the remaining lease payments, the Company must also determine its incremental borrowing rate when the implicit interest rate of the contract cannot be readily determined.

Government Assistance and Refundable R&D Tax Credits

Government assistance, including the CEWS, and refundable 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 refundable 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.

Loss Allowance for Expected Credit Losses

The Company evaluates the expected credit losses on financial assets that are measured at amortised cost using a provision matrix based on the historical credit losses, the time value of money and past events, current conditions and forecasts of future economic conditions. The particularities of each debtor are taken into account in this analysis.

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.

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 collection is reasonably assured. The Company assesses collection based on several factors, including past transaction history and the creditworthiness of the customer. For the milestone revenues, the Company estimates to probability that the respective milestone event criteria are met.

Functional Currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. 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.

(in Canadian dollars)

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

Income Taxes

Management estimates income taxes based on the tax laws applicable in the jurisdictions where the Company operates.

A deferred income tax asset will be recognized in the consolidated 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 standard adopted by the Company during the previous year

IFRS 16, Leases

On September 1, 2019, the Company adopted the standard IFRS 16, *Leases*. This new standard specifies how to recognize, measure, present and disclose leases. The Company has chosen the retrospective application of IFRS 16 with the cumulative effect of initially applying the standard recognized at the date of initial application. The approach allows for two transition options to measure the right-of-use assets at transition. The Company has chosen that the right-of-use assets will be equal to the lease liabilities at the date of initial application. Moreover, as a practical expedient, the deferred lease inducements related to free rents have been derecognized as an adjustment to the deficit and the deferred lease inducement related to financing activity, which does not represent a locative component, have been reclassified as a long-term debt for the Company as at September 1, 2019. The following table summarizes the impacts of adopting IFRS 16:

	September 1, 2019
	$
Right-of-use assets	5,272,723
Lease liabilities	5,272,723
Adjustment recognized in deficit	76,838

(in Canadian dollars)

5. Trade and Other Receivables

	As at August 31, 2021	As at August 31, 2020
	$	$
Trade	**4,204,946**	3,922,452
Allowance for expected credit losses	**(213,353)**	-
Sales taxes receivable	**102,919**	99,902
Other receivables	**40,934**	18,726
Total	**4,135,446**	4,041,080

Allowance for Expected Credit Losses

	Years ended August 31,	
	2021	2020
	$	$
Balance – Beginning of year	**-**	-
Additional provision recognized	**(213,353)**	-
Amount recovered during the year	**-**	-
Balance – End of year	**(213,353)**	-

6. Inventories

	As at August 31, 2021	As at August 31, 2020
	$	$
Raw materials	**3,107,546**	2,695,700
Work in progress	**1,580,270**	1,153,315
Finished goods	**1,427,275**	2,656,079
Total	**6,115,091**	6,505,094

For the year ended August 31, 2021, $12,393,833 of inventories were expensed in the consolidated statements of loss and comprehensive loss as *Cost of sales* ($8,493,824 for the year ended August 31, 2020).

Write-downs of inventories amounting to $114,680 ($122,945 for the year ended August 31, 2020) were included under cost of sales.

(in Canadian dollars)

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	Computer equipment	Leasehold improvements, net of income tax credits of $44,823	Total
	$	$	$	$	$	$	$	$
Cost								
Balance as at August 31, 2020	562,164	3,855,483	650,257	1,568,067	125,467	597,685	1,300,504	8,659,627
Additions	16,724	147,252	275,414	30,460	25,347	133,694	66,868	695,759
Disposals	(76,248)	(203,983)	(524,801)	(976,238)	(60,063)	(394,571)	(338,820)	(2,574,724)
Transfers	-	70,713	-	(70,713)	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	(6)	-	(6)
Balance as at August 31, 2021	502,640	3,869,465	400,870	551,576	90,751	336,802	1,028,552	6,780,656
Accumulated depreciation								
Balance as at August 31, 2020	282,514	2,216,244	258,464	1,285,821	90,094	522,241	774,462	5,429,840
Disposals	(76,248)	(203,983)	(257,239)	(976,238)	(60,063)	(394,571)	(338,820)	(2,307,162)
Depreciation	49,358	472,292	123,701	69,422	25,331	64,492	121,832	926,428
Transfers	-	65,896	-	(65,896)	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	42	-	42
Balance as at August 31, 2021	255,624	2,550,449	124,926	313,109	55,362	192,204	557,474	4,049,148
Net book value as at August 31, 2021	247,016	1,319,016	275,944	238,467	35,389	144,598	471,078	2,731,508

(in Canadian dollars)

7. Property, Plant and Equipment (continued)

	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, 2019	545,066	3,157,367	543,313	1,485,462	98,963	536,013	1,213,471	7,579,655
Additions	17,098	698,116	280,173	82,605	26,504	61,672	87,033	1,253,201
Disposals	-	-	(173,229)	-	-	-	-	(173,229)
Balance as at August 31, 2020	562,164	3,855,483	650,257	1,568,067	125,467	597,685	1,300,504	8,659,627
Accumulated depreciation								
Balance as at August 31, 2019	235,028	1,766,112	216,748	1,199,856	73,648	470,829	655,164	4,617,385
Disposals	-	-	(92,848)	-	-	-	-	(92,848)
Depreciation	47,486	450,132	134,564	85,965	16,446	51,412	119,298	905,303
Balance as at August 31, 2020	282,514	2,216,244	258,464	1,285,821	90,094	522,241	774,462	5,429,840
Net book value								
as at August 31, 2020	279,650	1,639,239	391,793	282,246	35,373	75,444	526,042	3,229,787

(in Canadian dollars)

8. Intangible Assets

	Indefinite life – Trademarks	Finite life – Internally generated software	Finite life – Software	Finite life – Internally developed patents	Total
	$	$	$	$	$
Cost					
Balance as at August 31, 2020	**45,673**	**584,264**	**349,791**	**1,398,335**	**2,378,063**
Additions	**12,606**	**49,633**	**117,746**	**150,477**	**330,462**
Grant recorded against intangible assets (Note 17)	**-**	**(46,276)**	**-**	**-**	**(46,276)**
Disposals	**-**	**-**	**(156,480)**	**-**	**(156,480)**
Balance as at August 31, 2021	**58,279**	**587,621**	**311,057**	**1,548,812**	**2,505,769**
Accumulated amortisation					
Balance as at August 31, 2020	**-**	**-**	**221,184**	**534,569**	**755,753**
Amortisation	**-**	**109,534**	**34,000**	**86,365**	**229,899**
Disposals	**-**	**-**	**(156,480)**	**-**	**(156,480)**
Balance as at August 31, 2021	**-**	**109,534**	**98,704**	**620,934**	**829,172**
Net book value as at August 31, 2021	**58,279**	**478,087**	**212,353**	**927,878**	**1,676,597**

	Indefinite life – Trademarks	Finite life – Internally generated software	Finite life – Software, net of income tax credits of $1,518	Finite life – Internally developed patents	Total
	$	$	$	$	$
Cost					
Balance as at August 31, 2019	25,982	188,965	322,702	1,125,519	1,663,168
Additions	19,691	521,827	27,089	272,816	841,423
Grant recorded against intangible assets (Note 17)	-	(126,528)	-	-	(126,528)
Disposals	-	-	-	-	-
Balance as at August 31, 2020	45,673	584,264	349,791	1,398,335	2,378,063
Accumulated amortisation					
Balance as at August 31, 2019	-	-	204,099	431,874	635,973
Amortisation	-	-	17,085	102,695	119,780
Disposals	-	-	-	-	-
Balance as at August 31, 2020	-	-	221,184	534,569	755,753
Net book value as at August 31, 2020	45,673	584,264	128,607	863,766	1,622,310

The Company has considered indicators of impairment as at August 31, 2021, to determinate if an impairment loss was necessary in particular because of patent requests that have not been pursued. No impairment loss was recognized for the years ended August 31, 2021 and 2020.

(in Canadian dollars)

9. Authorized Line of Credit

The Company has a revolving operating credit facility for a maximum of $1,000,000 (the credit limit). The available revolving operating credit is limited to the lesser of the credit limit and 75% of eligible accounts receivable, plus 50% of eligible inventories, minus priority claims. The aggregate outstanding amount under the revolver may not at any time exceed the credit limit. This revolving operating credit bears interest at the prime rate plus 1.00% and is repayable on the first anniversary of the date of the agreement. The Company is also allowed to prepay this facility in whole or in part at any time without penalty. It is secured by a first-rank movable hypothec on the universality of receivables and inventories. The credit line was not used as at August 31, 2021 and 2020.

The Company also has credit cards for a maximum of $100,000 to finance its current operations. The balance used on these credit cards bears interest at a rate of 19.99%.

10. Accounts Payable and Accrued Liabilities

	As at August 31, 2021	As at August 31, 2020
	$	$
Suppliers	**877,729**	1,421,986
Salaries, employee benefits and other	**1,877,880**	1,284,450
Other liabilities	**1,087,262**	838,887
Total	**3,842,871**	3,545,323

(in Canadian dollars)

11. Long-term Debt

	As at August 31, 2021	As at August 31, 2020
	$	$
Contributions repayable to Canada Economic Development (CED), without interest (effective rate of 13.50%), repayable in 20 equal and consecutive quarterly instalments of $15,000, maturing in April 2021 without payment from April to December 2020 inclusive due to a nine-month moratorium.		
Debt balance	**-**	30,000
Imputed interest	**-**	(400)
	-	29,600
Contributions repayable to Canada Economic Development (CED), without interest (effective rate of 12.00%), repayable in 59 equal and consecutive monthly instalments of $3,333 and a final payment of $3,353, maturing in July 2024 without payment from April to December 2020 inclusive due to a nine-month moratorium.		
Debt balance	**116,675**	143,339
Imputed interest	**(11,622)**	(20,513)
	105,053	122,826
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 November 2020 without principal payment from March to August 2020 inclusive due to a six-month moratorium. Amounts received are net of transaction costs of $9,000.	**-**	56,236
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 August 2022 without principal payment from March to August 2020 inclusive due to a six-month moratorium. Amounts received are net of transaction costs of $2,160.	**53,900**	107,624
Term loan, bearing interest at prime rate plus 2.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in February 2024 without principal payment for a 24-month period following the signature of an agreement in March 2019. The principal is payable in 36 monthly instalments of $194,444. Amounts received are net of transaction costs of $87,468.	**5,804,813**	6,947,412
Amounts to be carried forward	**5,963,766**	7,263,698

(in Canadian dollars)

11. Long-term Debt (continued)

	As at August 31, 2021	As at August 31, 2020
	$	$
Amounts carried over	**5,963,766**	7,263,698
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, maturing in June 2024 without principal payment for a 12-month period following the receipt of the first tranche of the loan in October 2019. The second and last tranche of the loan for $242,180 has been received in January 2021. The principal is payable in 44 monthly instalments of $10,938 and a final payment of $10,386. Amounts received are net of transaction costs of $5,250.	**369,507**	245,704
Term loan bearing interest at 6.66% payable in 111 monthly instalments of $8,070, maturing in September 2025.	**463,544**	559,163
Term loan, bearing interest at prime rate plus 1.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in October 2024 without principal payment for a 9-month period following the receipt of the loan in February 2021. The principal is payable in 36 monthly instalments of $16,667.	**600,000**	-
	7,396,817	8,068,565
Current portion	**2,802,223**	1,460,654
	4,594,594	6,607,911

The following table presents changes in long-term debt for the Company for the years ended August 31, 2021 and 2020:

	Years ended August 31,	
	2021	2020
	$	$
Balance – Beginning of year	**8,068,565**	7,494,325
Impact of adopting IFRS 16 – Reclassification of the deferred lease inducement related to financing activity	**-**	648,641
Increase in long-term debt	**842,180**	249,456
Transaction costs	**-**	(5,250)
Reimbursement of long-term debt	**(1,550,736)**	(372,391)
Amortization of transaction costs	**36,808**	53,784
Balance – End of year	**7,396,817**	8,068,565

(in Canadian dollars)

11. Long-term Debt (continued)

The annual principal instalments due on the long-term debt are:

	As at August 31, 2021	As at August 31, 2020
	$	$
Less than 1 year	**2,802,223**	1,460,654
1 to 2 years	**2,800,058**	2,566,429
2 to 3 years	**1,625,731**	2,531,305
3 to 4 years	**158,035**	1,369,586
4 to 5 years	**10,770**	129,821
More than 5 years	**-**	10,770
	7,396,817	8,068,565

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, 2021 and 2020, these financial ratios were met by the Company.

12. Leases

Right-of-Use Assets

The following tables present changes in right-of-use assets for the Company for the years ended August 31, 2021 and 2020:

	Year ended August 31, 2021		
	Buildings	**Hosting servers**	**Total**
	$	**$**	**$**
Balance as at August 31, 2020	**4,462,365**	**50,613**	**4,512,978**
New leases / leases modifications	**430,537**	**(4,137)**	**426,400**
Depreciation of right-of-use assets	**(585,682)**	**(32,088)**	**(617,770)**
Balance as at August 31, 2021	**4,307,220**	**14,388**	**4,321,608**

	Year ended August 31, 2020		
	Buildings	Hosting servers	Total
	$	$	$
Opening balance as at September 1, 2019	5,190,001	82,722	5,272,723
New leases / leases modifications	(118,424)	1,089	(117,335)
Depreciation of right-of-use assets	(609,212)	(33,198)	(642,410)
Balance as at August 31, 2020	4,462,365	50,613	4,512,978

(in Canadian dollars)

12. Leases (continued)

Lease Liabilities

The following tables present changes in lease liabilities for the Company for the years ended August 31, 2021 and 2020:

	Year ended August 31, 2021		
	Buildings	**Hosting servers**	**Total**
	$	**$**	**$**
Balance as at August 31, 2020	**4,692,531**	**53,069**	**4,745,600**
New leases / leases modifications	**430,537**	**(4,137)**	**426,400**
Payment of lease liabilities	**(709,871)**	**(35,314)**	**(745,185)**
Sublease income from right-of-use assets	**23,942**	**-**	**23,942**
Interest expense on lease liabilities	**265,450**	**2,107**	**267,557**
Balance as at August 31, 2021	**4,702,589**	**15,725**	**4,718,314**
Current portion	**509,769**	**15,725**	**525,494**
Long-term lease liabilities as at August 31, 2021	**4,192,820**	**-**	**4,192,820**

	Year ended August 31, 2020		
	Buildings	Hosting servers	Total
	$	$	$
Opening balance as at September 1, 2019	5,190,001	82,722	5,272,723
New leases / leases modifications	(118,424)	1,089	(117,335)
Payment of lease liabilities	(688,874)	(34,725)	(723,599)
Sublease income from right-of-use assets	24,301	-	24,301
Interest expense on lease liabilities	285,527	3,983	289,510
Balance as at August 31, 2020	4,692,531	53,069	4,745,600
Current portion	411,290	35,879	447,169
Long-term lease liabilities as at August 31, 2020	4,281,241	17,190	4,298,431

(in Canadian dollars)

12. Leases (continued)

The lease payments, based on the expected undiscounted contractual cash flows, are as follows over the period of the leases:

	As at August 31, 2021	As at August 31, 2020
	$	$
Less than 1 year	**765,549**	703,578
1 to 2 years	**769,175**	568,676
2 to 3 years	**726,938**	564,999
3 to 4 years	**576,257**	579,124
4 to 5 years	**587,782**	593,602
More than 5 years	**2,524,166**	3,254,251
	5,949,867	6,264,230

For the years ended August 31, 2021 and 2020, expenses relating to short-term leases and leases for which the underlying asset is of low value were not significant.

The Company is not exposed to a significant liquidity risk regarding its lease liabilities. The Company's treasury function oversees lease liabilities.

13. Shareholders' Equity

a) Share Capital

On February 25, 2021, the Company completed a public bought deal offering for aggregate gross proceeds of $28,750,000. In connection with the offering, the Company issued a total of 15,972,222 common shares at a price of $1.80 per common share.

Transaction costs of the offering include underwriting fees of $1,725,000 and other professional fees and miscellaneous fees of $401,000 for total transactions costs of $2,126,000.

During the year ended August 31, 2021, following the exercise of stock options, the Company issued 904,500 common shares (48,851 common shares for the year ended August 31, 2020) for a cash consideration of $1,042,356 ($34,797 for the year ended August 31, 2020). As a result, an amount of $460,077 was reallocated from *Reserve – Stock option plan* to *Share capital* in shareholders' equity ($24,171 for the year ended August 31, 2020). Also, 51,149 common shares subscribed during the year ended August 31, 2019 have been issued during the year ended August 31, 2020. This situation did not occur during the year ended August 31, 2021.

b) Stock Options

According to the policies of the TSX Exchange, the stock option plan must be approved by the Company's shareholders every three years. So, the shareholders approved the stock option plan on January 21, 2020. 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.

(in Canadian dollars)

13. Shareholders' Equity (continued)

b) Stock Options (continued)

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subjected 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 1,020,000 stock options (1,070,000 stock options granted as at August 31, 2020), 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 regard to the stock option plan for the year ended August 31, 2021 is $458,543 ($438,295 for the year ended August 31, 2020).

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

	Years ended August 31,	
	2021	2020
Risk-free interest rate	**Between 0.17% and 0.84%**	Between 0.24% and 1.67%
Volatility	**Between 55.81% and 73.20%**	Between 46.43% and 66.51%
Dividend yield on shares	**Nil**	Nil
Expected life	**0 to 5 years**	0 to 5 years
Weighted share price	**$1.71**	$0.75
Weighted fair value per option at the grant date	**$0.75**	$0.27

Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Any changes in the subjective input assumptions can affect the fair value estimate.

The 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 changes in the number of stock options granted by the Company and their weighted-average exercise prices between August 31, 2019 and August 31, 2021 are as follows:

	Number of options	Weighted-average exercise price
		$
Outstanding as at August 31, 2019	7,004,000	1.04
Options granted	1,400,000	0.75
Options exercised	(100,000)	0.72
Options expired	(467,875)	0.95
Options cancelled	(1,239,750)	0.94
Outstanding as at August 31, 2020	6,596,375	1.01
Options granted	2,342,500	1.71
Options exercised	(904,500)	1.15
Options expired	(327,500)	1.21
Options cancelled	(566,625)	1.10
Outstanding as at August 31, 2021	7,140,250	1.20
Options exercisable as at August 31, 2021	3,551,844	1.09

(in Canadian dollars)

13. Shareholders' Equity (continued)

b) Stock Options (continued)

The table below provides information on the outstanding stock options as at August 31, 2021:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average remaining contractual life (years)
$			
0.51 – 0.75	397,125	136,781	3.64
0.76 – 1.00	3,308,375	1,935,906	2.56
1.01 – 1.25	557,250	189,156	3.02
1.26 – 1.50	898,750	595,000	1.98
1.51 – 1.75	1,268,750	695,000	2.62
1.76 – 2.00	-	-	-
2.01 – 2.25	467,500	-	4.86
2.26 – 2.50	-	-	-
2.51 – 2.75	242,500	-	4.99
1.20	7,140,250	3,551,844	2.83

14. 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,	
	2021	2020
	$	$
Net loss attributable to shareholders		
Basic and diluted	**(1,150,428)**	(2,643,804)
Number of shares		
Basic and diluted weighted average number of shares outstanding	**98,806,987**	90,276,765
Amount per share		
Basic and diluted net loss per share	**(0.01)**	(0.03)

Stock options 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 stock options excluded from the calculation because their exercise price is greater than the average market price of common shares is presented below:

	Years ended August 31,	
	2021	2020
Stock options	**1,733,750**	6,023,936

For the years ended August 31, 2021 and 2020, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for these periods was calculated using the basic weighted average number of shares outstanding.

(in Canadian dollars)

15. Additional Information on the Consolidated Statements of Cash Flows

	Years ended August 31,	
	2021	2020
	$	$
Changes in non-cash operating working capital items		
Trade and other receivables	**(94,366)**	1,045,169
Government assistance receivable	**428,601**	(428,601)
Tax credits receivable	**(214,323)**	191,714
Inventories	**390,003**	(1,372,043)
Prepaid expenses	**(69,991)**	118,452
Accounts payable and accrued liabilities	**352,590**	(776,778)
Warranty provision	**(69,335)**	18,678
Deferred revenues	**71,759**	48,951
Current income taxes payable	**19,895**	-
	814,833	(1,154,458)
Supplementary information		
Unpaid acquisition of property, plant and equipment	**32,427**	83,505
Unpaid additions to intangible assets	**25,503**	29,467

	As at August 31, 2021	As at August 31, 2020
	$	$
Cash and cash equivalents		
Cash	**2,700,529**	3,251,374
Short-term investments	**35,862,742**	7,632,645
	38,563,271	10,884,019

(in Canadian dollars)

16. Warranty provision

During the normal course of business, the Company replaces defective parts under warranty provision offered at the sale of the products. The term of the warranty is generally 12 months. The following table summarizes changes in warranty provision:

	Years ended August 31,	
	2021	2020
	$	$
Balance – Beginning of year	**153,138**	134,460
Additional provision recognized	**73,982**	80,500
Unused amount reversed during the year	**(46,515)**	-
Amount used during the year	**(96,573)**	(61,822)
Effect of foreign exchange differences	**(229)**	-
Balance – End of year	**83,803**	153,138

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.

17. Government assistance

Because of the spread of COVID-19 virus, the Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS). For the year ended August 31, 2021, the Company recorded, as *Other income*, a non-refundable contribution under the CEWS program for an amount of $740,162 for admissible salaries related to its workforce ($1,682,608 for the year ended August 31, 2020).

Under agreements reached with the National Research Council Canada with respect to the Industrial Research Assistance Program (IRAP), the Company may receive a non-refundable contribution for a maximum amount of $500,000 to cover some of its incurred costs to develop a new product for the structural heart market and a non-refundable contribution for a maximum amount of $500,000 to cover some of its incurred costs to develop an optical-based fuel monitoring system for aerospace applications. For the year ended August 31, 2021, the Company recorded contributions totalling $323,084 ($187,590 for the year ended August 31, 2020) which were accounted for against research and development expenses.

Under agreements reached with the Ministère de l'Économie et de l'Innovation, through the Centre de Collaboration MiQro Innovation (C2MI) with respect to the Projet stratégique mobilisateur (PSM), the Company may receive a non-refundable contribution for a maximum amount of $405,934 to cover some of its incurred costs to develop a new product for the structural heart market. For the year ended August 31, 2021, the Company recorded contributions totalling $211,990 ($94,007 for the year ended August 31, 2020) which were accounted for against research and development expenses.

Under an agreement reached with the Ville de Québec, the Company may receive a non-refundable contribution for a maximum amount of $350,000 to cover some of its incurred costs related to the development of a software and sales and marketing expenses. For the year ended August 31, 2021, the Company didn't receive any contribution under this agreement ($180,000 for the year ended August 31, 2020 which were accounted for against internally generated software and sales and marketing expenses).

Under an agreement reached with the Ministère de l'Économie et de l'Innovation, the Company may receive a non-refundable contribution for a maximum amount of $92,804 to cover some of its incurred costs related to the development of a software. For the year ended August 31, 2021, the Company recorded contributions totalling $46,276 ($46,528 for the year ended August 31, 2020) which were accounted for against internally generated software.

(in Canadian dollars)

18. 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,	
	2021	2020
	$	$
Income tax payable using the combined federal and provincial statutory tax rate (26.5%; 26.5% in 2020)	**(299,249)**	(701,489)
Effect of different tax rates of subsidiaries in other jurisdictions	**(2,573)**	-
Non-deductible expenses and other	**823,431**	739,747
Deductible financing fees	**(180,924)**	(106,145)
Non-taxable income tax credits	**(84,800)**	(28,040)
Losses carried forward	**(234,699)**	95,927
Income tax using effective income tax rate	**21,186**	-

As at August 31, 2021, the Company has tax losses of approximately $26,035,000 for federal purposes and $26,954,000 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	$	$
2024	347,000	343,000
2025	42,000	40,000
2027	1,552,000	1,509,000
2028	641,000	617,000
2029	463,000	273,000
2031	2,024,000	2,068,000
2032	1,286,000	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	5,447,000	5,427,000
2038	2,912,000	4,308,000
2039	271,000	325,000
2040	1,282,000	1,278,000
2041	168,000	119,000
	26,035,000	26,954,000

(in Canadian dollars)

18. Income Taxes (continued)

The Company also has undeducted research and development expenses of $12,489,000 ($11,719,000 as at August 31, 2020) for federal purposes and $15,642,000 ($14,814,000 as at August 31, 2020) 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 $16,080,000 ($15,043,000 as at August 31, 2020) were not recognized due to the uncertainty about the Company's ability to generate taxable income. In addition, deferred tax liabilities of approximately $940,000 ($878,000 as at August 31, 2020) related to federal investment tax credits on research and development expenses were recognized and offset by a deferred income tax asset.

19. R&D Tax Credits

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

	Years ended August 31,	
	2021	2020
	$	$
Federal	**1,116,000**	598,000
Provincial	**1,173,000**	633,000

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

	Years ended August 31,	
	2021	2020
	$	$
Federal	**-**	-
Provincial	**320,000**	105,677
	320,000	105,677

These credits were accounted for against 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, 2021 and 2020, 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, 2021, are about $3,549,000 ($3,314,000 for the year ended August 31, 2020) and expire over a period of 2 to 20 years beginning in 2021.

(in Canadian dollars)

20. Segmented Information

Segmented Information

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

Medical segment: in this segment, OpSens focuses mainly on physiological measurement such as FFR and dPR in the coronary artery disease market and 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 other medical devices. This also includes other revenues related to its optical sensor technology.

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,					
			2021			2020
	Medical	**Industrial**	**Total**	Medical	Industrial	Total
	$	**$**	**$**	$	$	$
External sales	**31,101,209**	**3,362,611**	**34,463,820**	26,996,184	2,457,166	29,453,350
Internal sales	**111,695**	**381,797**	**493,492**	-	96,090	96,090
Gross margin	**16,457,466**	**2,222,896**	**18,680,362**	14,179,616	1,439,876	15,619,492
Depreciation of property, plant and equipment and right-of-use assets	**1,362,247**	**181,951**	**1,544,198**	1,298,636	249,077	1,547,713
Amortisation of intangible assets	**218,255**	**11,644**	**229,899**	108,845	10,935	119,780
Other income	**445,506**	**294,656**	**740,162**	1,383,939	298,669	1,682,608
Financial expenses	**540,010**	**377,738**	**917,748**	340,946	343,121	684,067
Current income taxes expense	**21,186**	**-**	**21,186**	-	-	-
Net income (loss)	**(1,969,256)**	**818,828**	**(1,150,428)**	(2,647,823)	4,019	(2,643,804)
Acquisition of property, plant and equipment	**651,109**	**44,650**	**695,759**	1,224,453	28,748	1,253,201
Additions to intangible assets	**264,398**	**19,788**	**284,186**	676,967	37,928	714,895
Segment assets	**56,212,182**	**2,300,223**	**58,512,405**	29,777,672	2,130,767	31,908,439
Segment liabilities	**15,246,157**	**936,253**	**16,182,410**	16,070,310	491,267	16,561,577

(in Canadian dollars)

20. Segmented Information (continued)

Information by geographic segment

	Years ended August 31, 2021	2020
	$	$
Revenue by geographic segment		
United States	**12,862,452**	11,408,452
Japan	**7,277,326**	6,313,784
Canada	**3,270,982**	2,644,881
Other*	**11,053,060**	9,086,233
	34,463,820	29,453,350

* 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. Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are mainly located in Canada. Non-current assets located in other countries are not significant.

For the year ended August 31, 2021, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 21% and 19% (24% and 21% for the year ended August 31, 2020).

21. Related Party Transactions

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors for the years ended August 31, 2021 and 2020 were as follows:

	Years ended August 31, 2021	2020
	$	$
Short-term salaries and other benefits	**1,219,527**	1,109,901
Option-based awards	**119,303**	153,867
	1,338,830	1,263,768

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

(in Canadian dollars)

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

	Years ended August 31,	
Expenses (revenues) by function	**2021**	2020
	$	$
Salaries and Other Benefits	**14,652,074**	13,254,678
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Depreciation of Property, Plant and Equipment and Righ-of-Use Assets	**1,544,198**	1,547,713
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Amortisation of Intangible Assets	**229,899**	119,780
Administrative		
Research and development		
Government Assistance	**(535,074)**	(391,797)
Research and development		
Refundable Research and Development Tax Credits	**(347,185)**	(89,943)
Research and development		

23. 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.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, concentration 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 its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 34.67% of the Company's total accounts receivable as at August 31, 2021 (31.72% as at August 31, 2020).

As at August 31, 2021, 10.36% (0.38% as at August 31, 2020) of the accounts receivable were of more than 90 days whereas 64.51% (34.51% as at August 31, 2020) 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, 2021, the allowance for doubtful accounts was at $213,353 (nil as at August 31, 2020).

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.

(in Canadian dollars)

23. 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, 2021 and 2020:

As at August 31, 2021	**Carrying amount**	**Cash flows**	**0 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**3,842,871**	**3,842,871**	**3,842,871**	**-**	**-**
Long-term debt	**7,396,817**	**7,370,774**	**2,822,089**	**2,801,422**	**1,747,263**
Total	**11,239,688**	**11,213,645**	**6,664,960**	**2,801,422**	**1,747,263**

As at August 31, 2020	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	3,545,323	3,545,323	3,545,323	-	-
Long-term debt	8,068,565	8,079,330	1,497,590	2,586,536	3,995,204
Total	11,613,888	11,624,653	5,042,913	2,586,536	3,995,204

Interest Rate Risk

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

Cash and cash equivalents	Fixed and variable interest rates
Trade and other receivables	Non-interest-bearing
Accounts payable and accrued liabilities	Non-interest-bearing
Long-term debt	Non-interest-bearing and fixed and variable 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. The Company owns investments with fixed and variable interest rates. As at August 31, 2021, the Company was holding more than 93% (70% as at August 31, 2020) 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 have an impact of $75,939 on net loss and comprehensive loss for the year ended August 31, 2021 ($74,220 for the year ended August 31, 2020).

23. Financial Instruments (continued)

Risk Management (continued)

Interest Rate Risk (continued)

Financial Expenses (Revenues)

	Years ended August 31, 2021	2020
	$	$
Interest and bank charges	**80,498**	71,262
Interest on long-term debt	**398,605**	472,298
Interest on lease liabilities	**267,557**	289,510
Loss on foreign currency translation	**280,624**	90
Interest income	**(109,536)**	(149,093)
	917,748	684,067

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, 2021 and 2020, 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 mainly of raw materials, supplies and professional services in U.S. dollars, Euros and British pounds. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk

Foreign Currency Sensitivity Analysis

Based on the Company's foreign exchange risk noted above, varying the foreign exchange rate to reflect a 10% strengthening in the Canadian dollar would have decreased (increased) the net loss as follows, assuming that all other variables remained constant. An assumed 10% weakening of the foreign currency would have had an equal but opposite effect on the basis that all other variables remained constant.

Year ended August 31, 2021

		CA$/US$	CA$/EUR€	CA$/GBP£
		$	**$**	**$**
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	**(1,000,000)**	**(621,000)**	**25,000**
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	**1,000,000**	**621,000**	**(25,000)**

(in Canadian dollars)

23. Financial Instruments (continued)

Risk Management (continued)

Foreign Exchange Risk (continued)

Foreign Currency Sensitivity Analysis (continued)

Year ended August 31, 2020

		CA$/US$	CA$/EUR€	CA$/GBP£
		$	$	$
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	(205,000)	(530,000)	(36,000)
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	205,000	530,000	36,000

As at August 31, 2021 and 2020, the risk to which the Company was exposed is established as follows:

	As at August 31, 2021	As at August 31, 2020
	$	$
Cash and cash equivalents (US$1,350,764; US$1,516,591 as at August 31, 2020)	**1,704,259**	1,977,938
Cash and cash equivalents (€ 233,721; € 228,611 as at August 31, 2020)	**348,385**	356,016
Cash and cash equivalents (£ 3,039; £ 36,258 as at August 31, 2020)	**5,277**	63,169
Trade and other receivables (US$1,828,513; US$1,913,967 as at August 31, 2020)	**2,307,035**	2,496,196
Trade and other receivables (€ 815,415; € 613,597 as at August 31, 2020)	**1,215,458**	955,554
Trade and other receivables (£ 52,500; £ 69,040 as at August 31, 2020)	**91,166**	120,282
Accounts payable and accrued liabilities (US$376,989; US$692,710 as at August 31, 2020)	**(475,647)**	(903,432)
Accounts payable and accrued liabilities (€ 9,273; € 41,569 as at August 31, 2020)	**(13,822)**	(64,736)
Accounts payable and accrued liabilities (£ 6,753; £ 9,520 as at August 31, 2020)	**(11,726)**	(16,585)
Total	**5,170,385**	4,984,402

24. Capital Management

The Company's objective in managing capital, primarily composed of shareholders' equity, long-term debt and lease liabilities, is to ensure sufficient liquidity to fund production and R&D activities, 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, government assistance, R&D tax credits, interest income and to liquidity through dilutive sources as public equity offerings.

As at August 31, 2021, the Company's working capital amounted to $42,387,696 ($16,888,129 as at August 31, 2020), including cash and cash equivalents of $38,563,271 ($10,884,019 as at August 31, 2020). The accumulated deficit at the same date was $44,395,449 ($43,245,021 as at August 31, 2020). 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, 2021.

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 broadly remained unchanged since the last fiscal year.

For the years ended August 31, 2021 and 2020, the Company has not been in default on any of its obligations regarding long-term debt and lease liabilities.

25. Subsequent Events

On September 9, 2021, the Company signed an amendment to its credit agreement dated February 26, 2019. Pursuant to this amendment, the Company has a non-revolving credit facility of $10,000,000 that can be used for growth and working capital purposes and that is secured by a first-rank movable hypothec on the universality of the Company’s present and future property, plant and equipment and intangible assets. The credit facility shall be available to the Company in two advances to be made by August 31, 2022. Any amount which remains unused shall be automatically and permanently cancelled and terminated. Any amount drawn under this credit facility bears interest at the prime rate plus 1.50%. The Company shall pay a 0.50% annual fee on the unused portion of the credit facility. The used portion of the credit facility is repayable in equal monthly payments from September 2022 until the credit facility maturity in August 2026.

Moreover, in September 2021, the Company prepaid the entire balance of the term loan bearing interest at prime rate plus 2.00%, secured by a movable hypothec on the universality of the Company’s present and future property, plant and equipment and intangible assets, maturing initially in February 2024. The repayment of $5,833,333 was made from the cash equivalents. This loan had a carrying amount of $5,804,813 as at August 31, 2021, including an amount of $2,315,791 included in the current portion of the long-term debt.

26. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 22, 2021.

Governance

Directors

Alan Milinazzo
Executive Chairman of the Board of Directors

Louis Laflamme, CPA, CA
President and Chief Executive Officer

Lori Chmura
Director

Gaétan Duplain
President, OpSens Solutions

Denis Harrington
Director

Jean Lavigueur, CPA, CA
Director

Pat Mackin
Director

Denis M. Sirois
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
Phone: 418.781.0333
Fax: 418.781.0024

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.

Registration

Toronto Stock Exchange – Symbol: OPS

OTCQX – Symbol: OPSSF

Auditors

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

Shares in Circulation

107,157,039 (as of August 31, 2021)
Transfer Agent and Registrar
TSX Trust Company (TSX Trust)
2001 Robert-Bourassa Blvd., suite 1600
Montreal, QC H3A 2A6
T: 1-800-387-0825 F: 514.285.8846

Annual General and Special Meeting of Shareholders

The annual general and special meeting of shareholders of OpSens Inc. will be held virtually via live webcast available at https://bit.ly/3BcCTbi on January 18, 2022 at 10:00 a.m. (ET).

The Company encourages its shareholders to exercise their right to vote with TSX Trust during the advance voting period that ends on Friday, January 14, or 48 business hours prior to the event scheduled for Tuesday, January 18, 2022, at 10:00 a.m.

Information and documents are available at www.OpSens.com.

OpSens' Markets

OpSens Preparing to Launch Product for TAVR Market

Measuring, a Key Step towards Better Heart Health

OpSens' SavvyWire,™, scheduled for release in 2022, will become the first pressure guidewire developed specifically for percutaneous aortic valve replacement (TAVR). The SavvyWire,™ is the first guidewire intended to both deliver the aortic valve prosthesis, while allowing continuous hemodynamic pressure measurement during the procedure.

Aortic stenosis is a narrowing of the aortic valve, which creates an obstacle to the ejection of blood, often leading to heart failure.

To solve this problem, cardiologists traditionally performed open-heart surgery to replace the narrowed valve.

In recent years, the percutaneous replacement of this valve has gained in popularity. Very minimally invasive, the method was initially reserved for the most physically compromised patients, those who could not realistically consider open-heart surgery. Progress has made this intervention simpler and more efficient. Studies presented in 2019 showed that patients of all conditions could benefit from the percutaneous treatment, which is less stressful for the patient and more economical. The results of these studies and other factors could double the number of replacements by 2023.[2]

OpSens' innovation aims to optimize the implantation of replacement aortic valves. This new guidewire will continuously provide hemodynamic pressure measurements before, during and after the procedure. It will also simplify the cardiologists' workflow by minimizing the number of steps and equipment exchanges to promote safety and speed in the intervention.

OpSens' product addresses a market that represents an extraordinary opportunity for the Company and its shareholders. It answers an unmet need of cardiologists and will create a synergy in the sales network that will benefit both the OptoWire and this new sector of activities. Its integration will be facilitated by the fact that it works with the OptoMonitor III, which is already installed in catheterization laboratories around the world.

OpSens possesses the rare skills needed to develop this advanced technology. OpSens plans to capitalize on this opportunity through aggressive development. The recent pioneering experience gained in the development and marketing of the OptoWire will allow the Company to quickly reach an efficient marketing of the product.

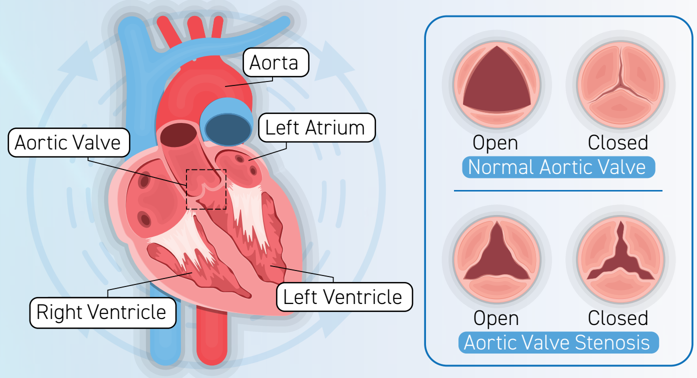
Industrial

OpSens' versatile technologies can meet a variety of needs in 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, such as semiconductors, aeronautics, and other diverse applications.

OpSens Solutions' engagements in projects and markets with global reach, such as the International Thermonuclear Experimental Reactor (ITER) project, is a testament to the impact our products can have in the most challenging and ambitious environments.

Aortic Stenosis

an abnormal narrowing of the aortic valve opening



2. TAVR/TMVR Market Likely to Double by 2023, Daniel Allar May 10, 2019 Structural - Congenital Heart Disease

Cardiology - physiological measurements

Measuring, a key step towards better heart health

Industrial applications

Innovative fiber optic solutions for various industries

opSens