

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2015

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 three-month and six-month periods ended February 28, 2015 in comparison with the corresponding period ended February 28, 2014. In this Management's Discussion and Analysis ("MD&A"), "Opsens", "the Company", "we", "us" and "our" mean Opsens Inc. and its subsidiary. This discussion should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2014 and 2013, 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 April 20, 2015. 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 information currently available to it, 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 at April 20, 2015 and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

OVERVIEW

The Company focuses mainly on two large and growing markets: the interventional cardiology segment with a focus on Fractional Flow Reserve ("FFR") and the industrial, oil & gas segment. In interventional cardiology, Opsens offers an advanced optical-based pressure guidewire (OptoWire) that aims at improving the clinical outcome of patients with coronary artery disease. Opsens also offers the OptoMonitor, a monitor that can be connected directly to cath lab hemodynamic system that offers FFR module to display directly on the cath lab monitor. As for the industrial, oil & gas segment, Opsens develops, manufactures and installs innovative fibre optic sensing solutions for critical applications such as the monitoring of oil wells and other demanding industrial applications.

In the interventional cardiology field, in recent months, Opsens initiated a limited market release of its FFR products in Europe and in Japan for the OptoWire and OptoMonitor. These products provide cardiologists with a pressure guidewire that delivers optimized performance for navigating in coronary arteries and to reach blockages with ease while also measuring intra-coronary blood pressure. The medical process involved is referred to as the measurement of FFR. According to management and industry sources⁽¹⁾, the FFR market is expected to grow from approximately US\$300 million in 2014 to more than \$US 1 billion in the medium term.

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

Recently, the Company reached some key milestones. Opsens received regulatory approvals in Europe in November 2014 and for Japan in October 2014 for its FFR products, the second and third largest markets in the world, respectively. Opsens received the authorization from Health Canada to conduct investigational testing in patients, pertaining to the conduct of a pilot study. The objectives of the study are to assess the usability, the functionality and safety of Opsens' OptoWire and OptoMonitor in patients with ischemic coronary artery disease who are referred for diagnostic angiography. 57 patients have been successfully completed. The Company also filed a premarket 510(k) notification with the U.S. Food and Drug Administration ("FDA"). With the expected regulatory approval in the U.S. market, the Company will gain access to more than 85% of the total market for FFR products.

In Europe, Dr. Bernard De Bruyne used Opsens' products in several patients at the Cardiovascular Center of OLV Hospital Aalst in Belgium. This founding father of FFR appreciated the impressive performance of the OptoWire. In every case he treated during percutaneous coronary interventions, he was pleased by the absence of drift, the constant reliability of the connection and the guidewire support. The OptoWire and OptoMonitor have also been used successfully at another European center of great reputation. One of these center performed a live case broadcasted during the Cardiovascular Research Technologies that took place in Washington last February. It allowed Opsens to demonstrate the high performance of its products for the first time to American cardiologists.

In Japan, after receipt of regulatory approval for the latest version of the OptoWire, Dr Shigeru Saito used Opsens' FFR products during the 21st Kamakura Live Demonstration Course 2014 in Yokohama, Japan. This course is an event to introduce to Japanese cardiologists new medical devices and practices intended to improve the treatment and the health of patients. Dr. Saito presented Opsens' FFR products and highlighted the important benefits they brought forward in terms of efficiency and effectiveness in the treatment of lesions. He also mentioned that he intended to use Opsens' products in his practice.

At this stage, Opsens has signed distribution agreements for Japan and some other smaller strategic markets. Additional distribution agreements are being negotiated and should be concluded in upcoming quarters.

In the industrial, oil & gas segment, Opsens addresses several markets including aerospace and geotechnical, mining, laboratories and others. As example, for Structural Health Monitoring ("SHM"), qualitative and non-continuous methods have long been used to evaluate structures for their capacity to serve their intended purpose. In the last ten to fifteen years, SHM technologies have emerged creating an exciting new field within various branches of engineering. These technologies are currently becoming increasingly common. SHM is widely applied to various forms of infrastructures, especially as a majority of countries all over the world enter into an even greater period of construction of various infrastructures ranging from bridges to skyscrapers. Regarding oil & gas market applications, Opsens provides fibre optic sensor systems that deliver realtime downhole pressure and temperature information. This information is especially critical during operations such as Steam Assisted Gravity Drainage ("SAGD"), a process that recovers bitumen from oil sands. Since 2006, SAGD production has experienced 12% CAGR. SAGD is now the primary technology used in oil sands and is responsible for 81% of production increase between 2012 and 2013.

Opsens extensive portfolio of products and technologies can be adapted to measure various parameters in the most difficult conditions to deliver significant benefits in terms of optimizing production and reducing risks to the environment and health. Opsens' solutions can be used in many industries such as mining, aerospace and civil engineering, amongst other things.

FFR MARKET OPPORTUNITY

For the FFR market, Opsens' OptoWire and OptoMonitor solution assess the significance of arterial narrowing (stenosis) resulting from coronary artery diseases ("CAD"). CAD remains a leading cause of death in the developed world and the cost related to the management and treatment of the disease represents a significant burden to society. In recent years, the prevalence of CAD has been increasing at a rapid rate. According to the American Heart Association ("AHA"), the number of Americans receiving cardiovascular operations or procedures increased to approximately 7.6 million patients in 2010.

The benefits of FFR were demonstrated in the 2009 and 2012 FAME I and FAME II studies published in the New England Journal of Medicine. The FAME I study showed that FFR-guided percutaneous coronary intervention

therapy, compared with angiography-alone procedures, reduces composite rates of death, myocardial infarction, re-PCI, and coronary artery bypass graft at one year by 30%. In 2011, the American College of Cardiology Foundation and the AHA established a Class IIA recommendation for the use of FFR during angiograms, indicating that a given treatment or procedure is beneficial, useful and effective. These developments have helped the market grow to the 2014 market size of approximately US\$300 million in worldwide annual sales, based on management estimates. Management sees potential for the FFR market to grow to approximately US\$1 billion worldwide in the medium term.

INDUSTRIAL, OIL & GAS SEGMENT OPPORTUNITY

In the industrial, oil & gas segment, Opsens' optical-based sensors measure temperature and pressure in oil wells that use SAGD technology. SAGD is the primary technology used to recover bitumen from oil sands. In SAGD wells, temperature and pressure distribution are key factors that impact the ability to efficiently recover bitumen and optimize production costs and margins.

Opsens extensive portfolio of products and technologies provides multiple growth opportunities. Many industries are more and more turning their eyes towards Opsens' fiber optics solutions because competing technologies did not deliver anticipated performances. Opsens has identified opportunities in SHM and mining operations that can represent significant markets.

BUSINESS STRATEGY

Opsens' growth strategy is to become a key player in the fields where Opsens has developed competitive advantages for its core products and technologies. In particular, Opsens leverage in-house expertise and technologies for addressing unmet needs in the fields of interventional cardiology and industrial, oil & gas.

The Company's FFR growth strategy will be executed by:

- Gaining market share in existing FFR markets by entering into this high-growth market. For the first time in fiscal 2015, Opsens generates revenues from its FFR offering. Considering the relatively low adoption rate of FFR in percutaneous coronary intervention ("PCI") procedures in the U.S., a significant opportunity lies in expanding usage of FFR by cardiologists. Management believes that approximately 15% of PCI procedures use FFR, while research analysts suggest that up to 45% of PCI procedures could benefit from the use of FFR⁽²⁾. Management intends to pursue a comprehensive market development strategy that highlights the distinctive features and capabilities of the OptoWire and that addresses the regulatory and commercialization requirements of OptoWire in order to gain market shares over existing players and to contribute to the expansion of the FFR market. Initially, commercialization will focus on the Japanese, U.S. and European markets. These markets represent more than 85% of the total FFR market.
- Investing in innovation to enhance the existing applications of the Company's technology. The Company's commitment to innovation has been a major driving force behind its success. Opsens is constantly working to improve its intellectual property portfolio and customer value proposition. In the FFR market, OptoWire is designed to provide:
 - Improved measurement reliability from OptoWire's low drift sensing technology, which is essential to effective decision making for cardiologist; competing FFR sensing technologies have higher drift levels;
 - Improved connectivity, as OptoWire's connection and measurement accuracy is unaffected by partial blood contamination and the guidewire can be reconnected easily with little to no impact on measurement accuracy;
 - Improved mechanical performance from key design attributes and product specifications such as torquability and steerability.

(2) D. STARKS, "St Jude Medical 2013 Investor Conference" p.105 (2013-02-01); R. Scott Huennekens, "Volcano NASDAQ Analyst Day" POWERPOINT PRESENTATION p.44 (2013-03-07).

Opsens holds 9 patents and has 4 patents pending to protect its optical pressure guidewire technologies and industrial-related applications.

- Developing new applications for the Company's medical technology. Opsens plans to leverage its technologies and knowledge in the medical devices field to expand into new markets and increase clinical applications. As the Company pursues opportunities in these new markets, it plans to develop cardiology products and to explore product development and marketing partnerships with other leading companies in the sector.
- Expanding and investing in FFR-focused sales force and distribution channels.
 - **Distribution agreements:** Opsens signed an agreement with a leading Japanese medical supplier in November 2012, which provides the Japanese company with distribution rights for the OptoWire in Japan, Korea and Taiwan. In January 2014, this agreement translated into the first regulatory filing towards the commercialization of Opsens' FFR product in Japan. At this stage, Opsens has signed distribution agreements for Japan and some other smaller strategic markets. Additional distribution agreements are being negotiated and should be concluded in upcoming quarters. In October 2014, the regulatory approval was obtained allowing to start the commercialization process in Japan. Opsens plans on continuing to expand its worldwide market penetration by pursuing additional distribution agreements with medical equipment companies globally, thereby outsourcing part of its distribution operations while increasing its market potential in a cost-effective manner.
 - **Sales force:** Opsens plans to expand its sales force by hiring additional sales personnel in preparation for FFR product commercialization. Opsens' objective is to increase its sales and marketing efforts in order to penetrate the North American, European and Asian health care sectors, particularly amongst cardiologists and hospitals.

The Company's Industrial, Oil & Gas segment growth strategy will be executed by:

- Investing in innovation to enhance the existing applications of the Company's technology. In the industrial, oil and gas segment, Opsens' downhole pressure and temperature sensors provide more reliable measurements than conventional sensors at multiple difficult conditions such as high temperatures (up to 300 °C), high pressure and low pressure and are not affected by electromagnetic interferences. Opsens is also developing a new version of its pressure sensor that will open new markets in the industrial, oil and gas segment.

NON-IFRS FINANCIAL MEASURE - EBITDAO

The Company quarterly reviews net earnings (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 earnings (loss), current income tax expense, depreciation and amortization, impairment of assets, financial expenses (revenues) 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 them 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 earnings (loss)

(In thousands of Canadian dollars)	Three-month period ended February 28, 2015	Three-month period ended February 28, 2014	Six-month period ended February 28, 2015	Six-month period ended February 28, 2014
	\$	\$	\$	\$
Net earnings (loss)	(880)	(843)	283	(1,528)
Current income tax expense	340	-	340	-
Financial expenses (revenues)	33	108	(5)	220
Depreciation of property, plant and equipment	98	75	199	154
Amortization of intangible assets	13	11	27	21
Impairment of assets	-	-	796	-
EBITDA	(396)	(649)	1,640	(1,133)
Stock-based compensation costs	123	28	186	108
EBITDAO	(273)	(621)	1,826	(1,025)

For the three-month period ended February 28, 2015, the positive variance of EBITDAO when compared with last year is mainly explained by increased revenues.

For the six-month period ended February 28, 2015, the positive variance of EBITDAO when compared with last year is mainly explained by increased revenues arising from the milestone payment of \$1,115,500 (US\$1,000,000) received when the Company obtained Shonin approval in October 2014, by the CE mark approval obtained in November 2014 that allowed the Company to record in the consolidated statement of earnings (loss) and comprehensive income (loss) deferred revenues amounting to \$2,002,000 (US\$2,000,000), partly offset by the decrease in sales for the six-month period ended February 28, 2015 when compared with last year.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Three-month period ended February 28, 2015	Three-month period ended February 28, 2014	Six-month period ended February 28, 2015	Six-month period ended February 28, 2014
	\$	\$	\$	\$
Revenues	2,287	1,118	6,724	3,320
Cost of sales	1,178	744	2,107	2,146
Gross margin	1,109	374	4,617	1,174
Gross margin rate	48%	33%	69%	35%
Administrative expenses	716	541	1,373	1,114
Sales and marketing expenses	416	211	841	505
R&D expenses	484	357	989	863
Financial expenses (revenues)	33	108	(5)	220
Impairment of assets	-	-	796	-
	1,649	1,217	3,994	2,702
Earnings (loss) before income taxes	(540)	(843)	623	(1,528)
Current income tax expense	340	-	340	-
Net earnings (loss) and comprehensive income (loss)	(880)	(843)	283	(1,528)
Net earnings (loss) per share – Basic	(0.01)	(0.02)	0.00	(0.03)
Net earnings (loss) per share – Diluted	(0.01)	(0.02)	0.00	(0.03)

QUARTERS ENDED FEBRUARY 28, 2015 AND 2014

Revenues

The Company reported revenues of \$2,287,000 for the three-month period ended February 28, 2015 compared with revenues of \$1,118,000 in the comparative period in 2014, an increase of \$1,169,000 or 105%.

Revenues in the industrial field totalled \$1,366,000 for the three-month period ended February 28, 2015 compared with revenues of \$494,000 for the same period in 2014. The increase in revenues is explained by an order worth more than \$1 million for fiber optic sensor systems for mining operations in South America that was completed during second quarter of fiscal 2015.

Revenues in the medical sector totalled \$249,000 for the three-month period ended February 28, 2015 compared with \$70,000 for the three-month period ended February 28, 2014. The increase in revenues is explained by FFR revenues of \$112,000 recorded during the quarter.

Revenues in the oil and gas sector totalled \$242,000 for the three-month period ended February 28, 2015 compared with \$507,000 for the three-month period ended February 28, 2014. The decrease in revenues is explained by the difficult economic environment in Alberta, Canada where major producers significantly reduced their investments because of the significant drop in the crude oil prices.

During the three-month period ended February 28, 2015, an adjustment on revenues and income tax expense of \$340,000 was made to recognize additional revenues from the distribution agreement and withholding taxes paid by the Corporation.

Given that a proportion of the Company's revenues is generated in U.S. dollars, fluctuations in the exchange rate affect revenues and net earnings (loss). For the period ended February 28, 2015, the average exchange rate was higher than the previous year, which affected sales positively by \$153,000.

Market acceptance of fiber optic sensors is increasing in the Company's markets. That being said, some sectors, such as oil and gas, are experiencing difficult economic conditions. Opsens is addressing the difficult economic conditions by downsizing and reviewing its business model. Moreover, Opsens is addressing the competition by highlighting the performance characteristics of its products compared with those of its competitors. For the periods ended February 28, 2015 and 2014, pricing fluctuations did not have a significant impact on revenues. During the three-month period ended February 28, 2015, Opsens began the pre-commercialization phase of its FFR products in Europe and in Japan with a limited market release. Management expects that the proportion of revenues generated by its FFR offering will increase in the quarters to come.

As at February 28, 2015, Opsens' total backlog amounted to \$1,099,000 (\$927,000 as at August 31, 2014). Despite a slowdown of capital expenditures by major oil and gas producers, significant efforts are being made to increase the backlog and expand the customer base. In addition, the Company will generate revenues in the FFR sector resulting from its right to commercialize in Europe and in Japan.

Gross margin

The gross margin on product sales increased for the three-month period ended February 28, 2015 when compared with last year, from \$374,000 to \$1,109,000. The gross margin percentage increased from 33% for the three-month period ended February 28, 2014 to 48% for the three-month period ended February 28, 2015. The increase in gross margin is explained by higher revenues, as explained previously. The increase in gross margin percentage is the result of higher revenues, as explained previously, and by the completion of the order worth more than \$1 million for fiber optic sensor systems for mining operations in South America where the gross margin generated has been higher than the average gross margin of the Company.

Administrative expenses

For the three-month periods ended February 28, 2015 and 2014, administrative expenses were \$715,000 and \$541,000, respectively. The increase is explained by higher stock-based compensation costs arising from stock options issued during the quarter and by higher insurance costs.

Sales and marketing expenses

Sales and marketing expenses were \$416,000 for the three-month period ended February 28, 2015 compared with \$211,000 for the three-month period ended February 28, 2014, an increase of \$205,000. The increase is explained by higher headcount and higher tradeshow and travelling expenses when compared with last year to support the limited market release of the FFR products.

Research and development expenses

Research and development expenses were \$484,000 for the three-month period ended February 28, 2015 compared with \$357,000 for the three-month period ended February 28, 2014. The increase is explained by higher salaries and fringe benefits expense resulting from the completion of the order for mining operations in South America and by lower R&D tax credits when compared with last year.

Financial expenses

Financial expense reached \$33,000 for the three-month period ended February 28, 2015 compared with \$108,000 for the three-month period ended February 28, 2014. The decrease in the financial expense during for the three-month period ended February 28, 2015 is explained by a favourable change of \$78,000 in the foreign exchange (gain) loss.

Net loss

As a result of the foregoing, net loss for the three-month period ended February 28, 2015 was \$880,000 compared with a net loss of \$843,000 for the three-month period ended February 28, 2014.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at February 28, 2015	As at August 31, 2014
	\$	\$
Current assets	14,236	14,613
Total assets	15,637	16,789
Current liabilities	2,507	4,428
Long-term liabilities	4,329	4,152
Shareholders' equity	8,801	8,209

Total assets as at February 28, 2015 were \$15,637,000 compared with \$16,789,000 as at August 31, 2014. The decrease is related to the impairment of assets charge of \$796,237 recognized during the quarter ended November 30, 2014 and by reduced cash and cash equivalents resulting from a negative change in non-cash operating working capital items. This was partly offset by higher trade and other receivables explained by the completion of the order for mining operations in South America at the end of the quarter and by higher inventories arising from the manufacturing of our FFR products.

Current liabilities totalled 2,507,000 as at February 28, 2015 compared with \$4,428,000 as at August 31, 2014. The decrease is explained by the deferred revenues recognized in the statement of earnings (loss) and comprehensive income (loss) amounting to \$2,002,000 (US\$2,000,000) when the Company received the CE mark approval in Europe.

Long-term liabilities totalled \$4,329,000 as at February 28, 2015 compared with \$4,152,000 last year, an increase of \$177,000. The increase is explained by a foreign exchange loss of \$321,000 on the conversion of the convertible debenture, partly offset by lower deferred revenues of \$179,000.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended February 28, 2015	Three-month period ended November 30, 2014	Three-month period ended August 31, 2014	Three-month period ended May 31, 2014
	\$	\$	\$	\$
Revenues	2,287	4,437	1,804	1,703
Net earnings (loss) for the period	(880)	1,162	(549)	(1,022)
Net earnings (loss) per share – Basic	(0.01)	0.02	(0.01)	(0.02)
Net earnings (loss) per share – Diluted	(0.01)	0.02	(0.01)	(0.02)

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended February 28, 2014	Three-month period ended November 30, 2013	Three-month period ended August 31, 2013	Three-month period ended May 31, 2013
	\$	\$	\$	\$
Revenues	1,118	2,202	1,451	1,706
Net loss for the period	(843)	(685)	(1,075)	(689)
Net loss per share – Basic	(0.02)	(0.01)	(0.02)	(0.01)
Net loss per share – Diluted	(0.02)	(0.01)	(0.02)	(0.01)

Historically, the Company's revenues and net earnings (net loss) results has experienced minimal seasonality.

LIQUIDITY AND CAPITAL RESOURCES

On April 15, 2014, the Company announced it had entered into an agreement with Abiomed in connection with its miniature optical pressure sensor technology for applications in circulatory assist devices. The Company has granted Abiomed an exclusive worldwide license to integrate its miniature pressure sensor in connection with Abiomed's circulatory assist devices. Under the agreement, Abiomed is expected to pay Opsens an aggregate amount of US\$6 million. Of that amount, US\$1,500,000 (\$1,647,150) was paid upon closing of the deal, while the balance will be disbursed based on the achievement of certain milestones, such as the meeting of certain performance requirements, the filing of regulatory application, the obtaining of regulatory approval and the transfer of manufacturing to Abiomed.

On February 18, 2014, the Company completed a public offering for aggregate gross proceeds of \$8,505,104. In connection with the offering, the Company issued a total of 5,340,220 units at a price of \$0.75 per unit and 6,164,300 common shares at a price of \$0.73 per common share. Each unit consists of one common share in the capital stock of Opsens and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder thereof to purchase one common share at a price of \$1.05 until February 18, 2016.

The value of one-half of one common share purchase warrant was established at \$0.02, being the difference between the issuing price of \$0.75 per unit and of \$0.73 per common share. Expenses of the offering include underwriting fees of \$595,357 and other professional fees and miscellaneous fees of \$373,991 for total fees of \$969,348.

The Company also issued 805,316 broker warrants as additional compensation, each warrant entitling the holder to purchase one common share at a price of \$0.73 until February 18, 2016. The total issue fees of \$969,348 and the broker warrants value of \$32,213 have been allocated on a pro-rata basis between share capital and the warrants

reserve, \$989,015 and \$12,546 respectively, based on the ratio established by their respective values as described above.

On November 19, 2012, the Company announced the granting of distribution and other rights for OptoWire and OptoMonitor. Under the terms of the agreement, the Company received:

- US\$3,000,000 for the distribution rights for Japan, Korea and Taiwan, which consisted of:
 - a. US\$2,000,000 (\$2,002,000) at signing;
 - b. US\$1,000,000 (\$1,115,500) with the regulatory approval in Japan;
- US\$2,000,000 (\$2,002,000) in subordinated secured convertible debenture, at signing.

The convertible debenture bears interest at a rate of 2.0% per annum payable at maturity, which is November 19, 2017. At the holder's option, the convertible debenture may be converted into common shares of the Company at any time up to the maturity date at a conversion price representing the market price of the shares. However, the conversion price is subject to a minimum of \$0.50 and a maximum of \$0.75 per common share (the "conversion price").

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

To secure the repayment of the convertible debenture, a movable hypothec on certain equipment has been given. As at February 28, 2015, the net book value of property, plant and equipment pledged as collateral was \$16,300 (\$32,800 as at August 31, 2014). This hypothec will rank second to certain long-term loans of the Company.

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

The Company has an authorized line of credit for a maximum amount of \$200,000, \$50,000 of which is available at all times and does not take into consideration any margining of accounts receivable and inventories. When using the line of credit in an amount varying from \$50,000 and \$100,000, the available credit is limited to an amount that is equal to 75% of Canadian accounts receivable and 65% of foreign accounts receivable plus 50% of inventories of raw materials and finished goods. If the amount used exceeds \$100,000, the credit available is limited to an amount equal to 75% of Canadian accounts receivable and 90% of insured foreign accounts receivable plus 50% of inventories of raw materials and finished goods. This line of credit bears interest at the financial institution's prime rate plus 2% and is repayable on a weekly basis by \$5,000 tranches. It is secured by a first-rank movable hypothec for an amount of \$750,000 on the universality of receivables and inventories.

As at February 28, 2015, the Company had cash and cash equivalents of \$9,423,000 compared with \$10,621,000 as at August 31, 2014. Of this amount as at February 28, 2015, \$9,328,000 was invested in highly liquid, safe investments. As at February 28, 2015, Opsens had a working capital of \$11,729,000, compared with \$10,185,000 as at August 31, 2014.

Based on the cash and cash equivalents position, Opsens has the financial resources necessary to maintain short-term operations, honour its commitments and support its anticipated growth and development activities. From a medium-term perspective, Opsens may need to raise additional financing by issuing equity securities and/or debt. From a long-term perspective, there is uncertainty about obtaining additional financing, given the risks and uncertainties identified in the *Risks and Uncertainties* section of the annual MD&A for the year ended August 31, 2014. Changes in cash and cash equivalents position will largely depend on the rate of revenue growth in upcoming quarters.

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Three-month Period Ended February 28, 2015	Three-month Period Ended February 28, 2014	Six-month Period Ended February 28, 2015	Six-month Period Ended February 28, 2014
	\$	\$	\$	\$
Operating activities	(1,533)	(538)	(1,448)	(1,614)
Investing activities	(140)	(69)	(172)	(123)
Financing activities	6	7,844	37	8,136
Effect of foreign exchange rate changes on cash and cash equivalents	248	(45)	385	(52)
Net change in cash and cash equivalents	(1,419)	7,192	(1,198)	6,347

Operating activities

Cash flows used by our operating activities for the three-month period ended February 28, 2015 were \$1,533,000 compared with \$538,000 for the same period last year, an increase of \$995,000. The increase in the cash flows used by our operating activities is explained by the negative impact of the changes in non-cash operating working capital items of \$928,000, mainly attributable to an increase in trade and other receivables and inventories.

Investing activities

For the three-month period ended February 28, 2015, cash flows used by our investing activities reached \$140,000 and were used for acquisitions of property, plant and equipment for an amount of \$153,000 and of intangible assets for an amount of \$24,000. This was partly offset by interest income received of \$37,000. Acquisitions of property, plant and equipment were made primarily for our FFR activities.

For the three-month period ended February 28, 2014, cash flows used by our investing activities reached \$69,000 and were used for acquisitions of property, plant and equipment for an amount of \$35,000 and \$44,000 was used for additions to intangible assets. This was partly offset by interest income received of \$10,000. Acquisitions of property, plant and equipment were made primarily for our oil and gas activities and for our FFR project.

Financing activities

For the three-month period ended February 28, 2015, cash flows generated by our financing activities reached \$6,000. The proceeds from the issuance of share pursuant to the stock option plan of \$50,000 were partly offset by the \$43,000 payment on the long-term debt.

For the three-month period ended February 28, 2014, cash flows generated by our financing activities reached \$7,844,000. The net proceeds from the issuance of shares and units of \$7,887,000 were partly offset by the \$45,000 payments on the long-term debt.

INFORMATION BY REPORTABLE SEGMENTS

Sector's Information

The Company's reportable segments are strategic business units managed separately as one is focused on developing, producing and supplying fiber optic sensors (Opsens Inc.) and the other (Opsens Solutions Inc.) is specialized in the commercialization and installation of optical and conventional sensors for the oil and gas industry.

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

	Three-month periods ended February 28,					
	2015			2014		
	Opsens Inc.	Opsens Solutions Inc.	Total	Opsens Inc.	Opsens Solutions Inc.	Total
	\$	\$	\$	\$	\$	\$
External sales	1,614,509	241,565	1,856,074	612,025	506,587	1,118,612
Internal sales	2,209	-	2,209	26,500	-	26,500
Depreciation of property, plant and equipment	71,366	26,510	97,876	41,418	33,317	74,735
Amortization of intangible assets	10,881	1,782	12,663	8,697	1,870	10,567
Financial expenses (revenues)	(7,019)	40,111	33,092	26,736	81,694	108,430
Net loss	(390,335)	(489,238)	(879,573)	(466,254)	(377,047)	(843,301)
Acquisition of property, plant and equipment	152,676	-	152,676	193,375	8,153	201,528
Additions to intangible assets	24,392	-	24,392	43,575	-	43,575
Segment assets	13,633,590	2,003,677	15,637,267	12,790,991	4,059,999	16,850,990
Segment liabilities	5,927,875	908,748	6,836,623	6,580,837	695,772	7,276,609

Six-month periods ended February 28,						
2015			2014			
Opsens Inc.	Opsens Solutions Inc.	Total	Opsens Inc.	Opsens Solutions Inc.	Total	
\$	\$	\$	\$	\$	\$	\$
External sales	2,231,550	852,913	3,084,463	1,038,930	2,281,467	3,320,397
Internal sales	84,412	-	84,412	341,848	-	341,848
Depreciation of property, plant and equipment	138,935	60,194	199,129	87,349	66,579	153,928
Amortization of intangible assets	22,847	3,660	26,507	15,784	5,561	21,345
Financial expenses (revenues)	(84,843)	79,912	(4,931)	58,946	160,571	219,517
Impairment of assets	796,237	-	796,237	-	-	-
Net earnings (loss)	1,131,385	(848,615)	282,770	(1,273,242)	(255,084)	(1,528,326)
Acquisition of property, plant and equipment	178,712	1,131	179,843	234,402	13,268	247,670
Additions to intangible assets	67,056	-	67,056	60,253	2,271	62,524
Segment assets	13,633,590	2,003,677	15,637,267	12,790,991	4,059,999	16,850,990
Segment liabilities	5,927,875	908,748	6,836,623	6,580,837	695,772	7,276,609

Geographic sector's information

	Three-month periods ended February 28,		Six-month periods ended February 28,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenues per geographic sector				
Chile	1,169,182	-	1,169,182	-
Canada	247,296	527,915	881,604	2,318,127
United States	75,315	261,754	181,439	412,966
Others*	364,281	328,943	852,238	589,304
	1,856,074	1,118,612	3,084,463	3,320,397

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

Revenues are attributed to geographic sector based on the clients' location. Capital assets, which include property, plant and equipment and intangible assets, are all located in Canada.

During the three-month period ended February 28, 2015, revenues from one client represented individually more than 10% of the total revenues of the Company, i.e. approximately 63% (Opsens Inc.'s reportable segment).

During the three-month period ended February 28, 2014, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 34% (Opsens Solutions Inc.'s reportable segment), 12% (Opsens Inc.'s reportable segment) and 11% (Opsens Solutions Inc.' reportable segment).

During the six-month period ended February 28, 2015, revenues from one client represented individually more than 10% of the total revenues of the Company, i.e. approximately 38% (Opsens Inc.'s reportable segment).

During the six-month period ended February 28, 2014, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 26% (Opsens Solutions Inc.'s reportable segment), 25% (Opsens Solutions Inc.'s reportable segment) and 15% (Opsens Solutions Inc.' reportable segment).

Opsens Inc. sector

Information and analysis in this section don't take into consideration revenues from distribution rights and licensing.

For the three-month period ended February 28, 2015, revenues from Opsens Inc. segment were \$1,617,000 compared with \$639,000 for the three-month period ended February 28, 2014, an increase of \$978,000. The increase is explained by an order worth more than \$1 million for fiber optic sensor systems for mining operations in South America completed during the quarter.

Gross margin was \$605,000 for the three-month period ended February 28, 2015, compared with \$274,000 for the three-month period ended February 28, 2014, an increase of \$331,000. The gross margin percentage decreased from 43% for the three-month period ended February 28, 2014 to 37% for three-month period ended February 28, 2015. The decrease is explained by additional costs incurred by the Company to increase its manufacturing capacity.

Net loss for the Opsens Inc. segment was \$481,000 for the three-month period ended February 28, 2015 compared with a net loss of \$466,000 for the same period in 2014. The increase in net loss reflects higher administrative explained by higher stock-based compensation costs and depreciation of property, plant and equipment and by higher and sales and marketing expenses explained by a higher headcount and higher tradeshows and travelling expenses when compared with last year to support the commercialization of the FFR products.

The working capital of Opsens Inc. segment as at February 28, 2015 was \$10,967,000 compared with \$8,654,000 as at August 31, 2014. The increase of \$2,313,000 in the working capital is due to the milestone payment of \$1,115,500 (US\$1,000,000) received from our Japanese partner during the six-month period ended February 28, 2015 and by the decrease in the current portion of deferred revenues resulting from the recognition in the statement of earnings (loss) and comprehensive income (loss) of deferred revenues amounting to \$2,002,000 (US\$2,000,000) ("non-recurring revenues") when the Company received the CE mark approval in Europe.

Opsens Solutions Inc. sector

For the three-month period ended February 28, 2015, revenues from Opsens Solutions Inc. segment were \$242,000 compared with \$507,000 in 2014, a decrease of \$265,000. The decrease is explained by a decrease in installations of OPP-W when compared to last year, explained by the challenging economic conditions affecting oil and gas producers in Western Canada.

Gross margin was \$73,000 for the three-month period ended February 28, 2015 compared with \$100,000 for the same period in 2014, a decrease of \$27,000. Gross margin percentage increased from 20% for the three-month period ended February 28, 2014 to 30% for the same period in 2015. The decrease in the gross margin is explained by lower revenues as explained previously. The increase in the gross margin rate is explained by non-core revenues generated with one client.

Net loss for the Opsens Solutions Inc. segment was \$489,000 for the three-month period ended February 28, 2015 compared to a net loss of \$377,000 for the three-month period ended February 28, 2014. The increase in the net loss is explained by the decrease in the gross margin as explained previously and by the impairment charge of \$120,000 for automotive equipment.

The working capital of Opsens Solutions Inc. segment as at February 28, 2015 was \$762,000 compared with \$1,531,000 as at August 31, 2014. The decrease of \$769,000 is explained by lower accounts receivable of \$141,000 as a result of the reduced level of activities, by an increase in deferred revenues of \$270,000 for payments received by Opsens Solutions Inc. in advance of meeting the revenue recognition criteria and by lower cash of \$356,000.

SIX-MONTH PERIODS ENDED FEBRUARY 28, 2015 AND 2014

Revenues

Revenue totalled \$6,724,000 for the six-month period ended February 28, 2015 compared with \$3,321,000 a year earlier. The increase is mainly explained by the recognition, during the three-month period ended November 30, 2014, of non-recurring revenues of \$3,117,500 related to a milestone payment of \$1,115,500 (US\$1,000,000) received from its Japanese distributor upon obtaining Shonin approval and to deferred revenues amounting to \$2,002,000 (US\$2,000,000) (“non-recurring revenues”) recognized in the statement of earnings (loss) and comprehensive income (loss) when the Company received the CE mark approval in Europe.

Gross margin

Gross margin, without taking into consideration the non-recurring revenues, was \$1,160,000 for the six-month period ended February 28, 2015 compared with \$1,174,000 for the same period last year, a decrease of \$14,000. Gross margin rate remained stable at 35% for the six-month periods ended February 28, 2015 and 2014.

Administrative expenses

Administrative expenses were \$1,373,000 and \$1,114,000, respectively, for the six-month periods ended February 28, 2015 and 2014. The increase is mainly explained by professional fees incurred to get Opsens’ shares listed on the OTCQX marketplace, by higher stock-based compensation costs related to stock options issued during the three-month period ended February 28, 2015 and by higher communication fees.

Sales and marketing expenses

Marketing expenses for the six-month period ended February 28, 2015 were \$841,000, an increase of \$335,000 over the \$506,000 reported during the same period in 2014. The increase is explained by higher headcount and higher tradeshows and travelling expenses when compared with last year for the commercialization of the FFR products.

Research and development expenses

Research and development expenses totalled \$989,000 for the six-month period ended February 28, 2015, an increase of 125,000\$ over the \$864,000 reported during the same period in 2014. The variation is explained by lower tax credits for research and development and grant that are accounted for against research and development expenses.

Financial expenses (revenues)

Financial revenues reached \$5,000 for the six-month period ended February 28, 2015 compared with financial expenses of \$220,000 in the same period last year. The increase in the financial revenues is explained by a favourable change of \$122,000 in the gain (loss) on foreign exchange, by higher interest income of \$61,000 related to higher short-term investments considering the public offering completed on February 18, 2014 and by a more favorable change of \$71,000 in fair value of embedded derivative.

Impairment of assets

During the three-month period ended November 30, 2014, the Company updated its long-term financial forecast for Opsens Solutions Inc.’s cash generating unit (“CGU”) which corresponds to a reportable segment of the Company. As a result of lower than anticipated long-term revenue projections due to economic factors, including the significant

decrease of the crude oil prices, the Company concluded its goodwill may be impaired and as a result performed an impairment analysis. The recoverable amount of the goodwill as at November 30, 2014 was determined using the fair value less costs of disposal method, in the same manner as disclosed in the audited consolidated financial statements for the years ending August 31, 2014 and 2013.

As a result of the impairment analysis as at November 30, 2014, the Company concluded the carrying value of the Opsens Solutions Inc.'s CGU was in excess of its recoverable amount. The recoverable amount of Opsens Solutions Inc.'s CGU amounted to \$1,611,000 and was classified at level 3 in the fair value hierarchy. The Company has recorded an impairment charge relating to its goodwill of \$676,574 for the six-month period ended February 28, 2015.

In addition, an impairment charge of \$119,663 was also recorded during the six-month period ended February 28, 2015 for automotive equipment resulting from the challenging economic environment Opsens Solutions Inc.' CGU is facing.

Current income tax expense

During the six-month period ended February 28, 2015, an adjustment on revenues and income tax expense of \$340,000 was made to recognize additional revenues from the distribution agreement and withholding taxes paid by the Corporation.

Net earnings (loss)

As a result of the foregoing, net earnings for the six-month period ended February 28, 2015 was \$283,000 compared with a net loss of \$1,528,000 for the same period in 2014.

INFORMATION ON SHARE CAPITAL

For the six-month period ended February 28, 2015, the Company granted to some employees and Directors a total of 560,000 stock options with an average exercise price of \$0.70, cancelled 500,000 stock options with an exercise price of \$0.24, 10,000 stock options with an exercise price of \$1.15 expired and 480,000 stock options with an average exercise price of \$0.26 were exercised.

As at the date of this MD&A, the following components of shareholders' equity are outstanding:

Common shares	60,323,003
Stock options	3,605,500
Warrants	3,475,426
Convertible debenture	3,333,333
<u>Securities on a fully diluted basis</u>	<u>70,737,262</u>

The number of shares that would be issued upon conversion of the debenture may vary depending on various parameters such as the exchange rate and the conversion price per share. In the table above, the conversion was carried out on the assumption that the exchange rate between the U.S. dollar and the Canadian dollar is \$1.25 and the conversion price is equal to \$0.75 per share.

No dividend was declared per share for each share class.

CAPACITY TO PRODUCE RESULTS

As discussed in the section regarding financial position, 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.

During the next year, the activity level should require additional investment in working capital, without taking into consideration the existing cash and cash equivalents, of approximately \$400,000. Opsens intends to relocate its facilities to meet the growing needs of its FFR business. An amount of \$900,000 is expected to be invested and financed by the landlord for leasehold improvements and other various expenses. In addition, Opsens will purchase production equipments and other assets for an amount of approximately \$600,000. The Company believes it can finance between 50% and 70% of these investments, thereby reducing the impact on its cash position.

From the human resources' perspective, there are no vacancies in the major executive positions within the Company. However, additional technical and production personnel will be required in Quebec. Taking into account the employment market in Canada, Opsens is confident in its capacity to recruit qualified human resources in a timely fashion.

Regarding the strategy on corporate executive remuneration, it is oriented towards creation of 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 in order to align shareholders' interest with corporate executives' interest. This long-term vision stimulates innovation and the development of recurrent revenues.

FUTURE ACCOUNTING CHANGES

Future accounting changes, as described in note 4 of the Audited Consolidated Financial Statements for the year ended August 31, 2014, have not materially changed since August 31, 2014 except for the changes in accounting policies described in note 2 to the Condensed Interim Consolidated Financial Statements for the six-month period ended February 28, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

As of February 28, 2015, 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) Thierry Dumas

April 20, 2015