MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2014

The following comments are intended to provide a review and analysis of the results of operations, financial condition and cash flows of Opsens Inc. for the fourth quarter and year ended August 31, 2014 in comparison with the corresponding periods ended August 31, 2013. 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 November 24, 2014. 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 November 24, 2014 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 and the oil and gas industry. In interventional cardiology, Opsens offers advanced optical based pressure guidewire that aims at improving the clinical outcome of patients with coronary artery disease. Opsens also 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 medical instrumentation field, Opsens presented, in 2011, the first generations of OptoWire and OptoMonitor, which 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 Fractional Flow Reserve ("FFR"). According to management and industry sources(1), the FFR market is expected to grow from US$250 million in 2013 to more than $US 1 billion in the medium term.

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. Among the planned 70 patients to be enrolled, 27 have already been successfully completed.

(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. DAHLDORF, "Volcano's Annual Report 2012").

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 90% of the total market for FFR products. The goal is to begin commercializing FFR products in Europe and in Japan in the first half of calendar year 2015. Commercialization will start with the Japanese market, and is supported by a leading Japanese medical supplier with whom Opsens signed a long-term partnership agreement in November 2012.

At this stage, Opsens has signed distribution agreements for Japan, Taiwan and Korea. Additional distribution agreements are being negotiated and will be concluded in upcoming months.

In the oil and gas market, Opsens provides fibre optic sensor systems that provide reliable 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. According to 2014 Alberta Energy Regulator's reserves report, in-situ production is expected to continue to grow at a rate of approximately 8% annually over the next decade. SAGD is now the primary technology used in oil sands and is responsible for 81% of production increase between 2012 and 2013.

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

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 to angiography-alone procedures, reduces composites 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 2013 market size of approximately US$250 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.

OIL AND GAS MARKET OPPORTUNITY

In the oil and gas market, Opsens' optic-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.

In Canada, SAGD production has increased at a CAGR of 12% since 2006. The Canadian Association of Petroleum Producers ("CAPP") projects capital spending on oil sands projects will be approximately US$25 billion in 2014. Opsens' management believes it can grow its business in this segment through increased customer adoption and new customer additions.

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 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 will generate 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 suggests 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 exisiting players and to contribute to the expansion of the FFR market. Initially, commercialization will focus on the Japanese, U.S. and European markets.

- 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 FFR market, OptoWire is designed to provide:
    - Improved measurement reliability and fidelity from OptoWire's low drift sensing technology, which is essential to measurement accuracy and reliability; competing FFR sensing technologies have higher drift levels;
    - Improved connectivity, as OptoWire's connection and measurement accuracy is unaffected by 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;

- 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 FFR 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. 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 marketing and sales market penetration in the North American, European and Asian health care sectors, particularly amongst cardiologists and hospitals.

(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).

The Company's Oil and Gas growth strategy will be executed by:

- Increasing market share in the oil and gas market. The Company's oil and gas sensor is currently used by many of the top SAGD producers in North America. Opsens plans to continue to develop its existing product line, while improving its ability to respond to customer needs for multiple specifications in the measurement of pressure and temperature with new products and applications.
- Investing in innovation to enhance the existing applications of the Company's technology. In the oil and gas market, Opsens' downhole pressure and temperature sensors provide more reliable measurements at higher temperatures (up to 300 ^{0}C) than traditional sensors and are not affected by electromagnetic interferences. Opsens is also developing a new high pressure version of its pressure sensor that will open new markets in the oil and gas field and also in other industries such as aerospace and geotechnical.

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), depreciation and amortization, financial expenses (revenues), change in fair value of embedded derivative 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 loss

(In thousands of Canadian dollars)	**Year Ended August 31, 2014**	**Year Ended August 31, 2013**	**Year Ended August 31, 2012**
	$	**$**	**$**
Net loss for the year	(3,099)	(2,366)	(1,930)
Financial expenses (revenues)	114	100	(97)
Change in fair value of embedded derivative	102	(17)	-
Depreciation of property, plant, and equipment	346	287	230
Amortization of intangible assets	48	31	35
EBITDA	(2,489)	(1,965)	(1,762)
Stock-based compensation costs	236	126	137
EBITDAO	(2,253)	(1,839)	(1,625)

The negative variance of EBITDAO for fiscal year 2014 when compared with last year is explained by the increase in the net loss.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year Ended August 31, 2014	Year Ended August 31, 2013	Year Ended August 31, 2012
	$	$	$
Revenues	6,788	7,526	8,462
Cost of sales	4,399	4,780	5,722
Gross margin	2,389	2,746	2,740
Gross margin percentage	35%	36%	32%
Administrative expenses	2,398	2,313	2,304
Marketing expenses	1,131	954	929
R&D expenses	1,743	1,762	1,534
Financial expenses (revenues)	114	100	(97)
Change in fair value of embedded derivative	102	(17)	-
	5,488	5,112	4,670
Net loss and comprehensive loss	(3,099)	(2,366)	(1,930)
Net loss per share - Basic	(0.06)	(0.05)	(0.04)
Net loss per share - Diluted	(0.06)	(0.05)	(0.04)

Revenues

The Company reported revenues of $6,788,000 for the year ended August 31, 2014, compared with revenues of $7,526,000 a year earlier, a decrease of $738,000 or 10%.

Revenues in the oil and gas sector totalled $4,497,000 for the year ended August 31, 2014 compared with $5,753,000 in fiscal 2013. The decrease in revenues is explained by fewer orders placed during the year by a large customer partially offset by the installation of sensor systems for the 48-well contract from an oil and gas producer of SAGD oil sand projects in Alberta.

Revenues in the industrial field totaled $1,469,000 for the year ended August 31, 2014 compared with revenues of $1,057,000 for the same period in 2013. The increase in revenues in the industrial field is explained by significant orders placed by two existing customers related to the existing product line.

Given that a proportion of the Company's revenues is generated in U.S. dollars, fluctuations in the exchange rate affect revenues and net loss. For the year ended August 31, 2014, the average exchange rate was higher than the previous year, which affected sales positively by $128,400.

Market acceptance of fiber optic sensors is increasing in the Company’s markets. That being said, some sectors, such as oil and gas, are seeing additional competition. Opsens is addressing the added competition by highlighting the performance characteristics of its products compared with those of its competitors. For the periods ended August 31, 2014 and 2013, pricing fluctuations and new product launches did not have a significant impact on revenues.

As at August 31, 2014, the backlog amounted to $927,000 ($4,380,000 as at August 31, 2013). Last year, the backlog included the Company’s largest order in its history. Despite a slowdown of capital expenditures by major oil and gas producer, significant efforts are being made to increase the backlog and expand the customer base. In the second quarter of fiscal 2015, we anticipate to receive an order of approximately US$1 million in the industrial market that will help to mitigate the impact of the lower backlog. In addition, the Company will generate revenues in the medical field resulting from its right to commercialize in Europe and in Japan.

Gross margin

The gross margin on product sales decreased for the year ended August 31, 2014 when compared with last year, from $2,747,000 to $2,389,000. The gross margin percentage slightly decreased from 36% for the year ended August 31,

2013 to 35% for the year ended August 31, 2014. The decrease in gross margin and gross margin percentage is the result of lower revenues, as explained previously.

Administrative expenses

For the years ended August 31, 2014 and 2013, administrative expenses were $2,398,000 and $2,314,000, respectively. The increase is primarily explained by higher stock-based compensation costs and depreciation of property, plant and equipment.

Marketing expenses

Sales and marketing expenses were $1,130,000 for the year ended August 31, 2014 compared with $954,000 in fiscal 2013, an increase of $176,000. The increase is primarily explained by higher headcount and higher tradeshows and travelling expenses when compared with last year.

Research and development expenses

Research and development expenses amounted to $1,743,000 and $1,762,000 for the years ended August 31, 2014 and 2013, respectively. The decrease in the research and development expenses in fiscal 2014 is explained by higher tax credits for research and development that are accounted for against research and development expenses.

Financial expenses

Financial expenses reached $114,000 for the year ended August 31, 2014 compared with financial expenses of $100,000 for fiscal year 2013. The increase in the financial expenses during fiscal year 2014 is explained by an unfavourable change of $58,000 in the foreign exchange loss and by higher interest expense of $15,000 arising from the issuance of the convertible debenture in November 2012. This was partly offset by higher interest income of $58,000 related to higher short-term investments considering the public offering completed on February 18, 2014 and the up-front payment received upon the closing of the Abiomed agreement.

Change in fair value of embedded derivative

The change in fair value of embedded derivative comes from the variance of the fair market value of the conversion option component of the convertible debenture. The convertible debenture contains a cash settlement feature, which under IAS 32, “Financial Instruments: Presentation”, 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. During the year, an expense of $102,000 (revenue of $17,000 for the year ended August 31, 2013) was recorded in the consolidated statement of loss and comprehensive loss.

Net loss

As a result of the foregoing, net loss for the year ended August 31, 2014 was $3,099,000 compared with $2,366,000 in fiscal 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at August 31, 2014	As at August 31, 2013	As at August 31, 2012
	$	$	$
Current assets	14,613	8,459	5,895
Total assets	16,789	10,528	7,735
Current liabilities	4,428	2,415	1,595
Long-term liabilities	4,152	4,720	507
Shareholders' equity	8,209	3,393	5,633

Total assets as at August 31, 2014 were $16,789,000 compared with $10,528,000 as at August 31, 2013. The increase is mainly related to higher cash and cash equivalents explained by net proceeds from the public offering of $7,536,000, the issuance of shares pursuant to the stock option plan of $144,000 and the amount of $1,647,000 received upon the closing of the Abiomed agreement. This was partly offset by the lower level of inventories when compared with last year because of delay at the end of last year in the installation of the first OPP-W sensor systems for the 48-well contract.

Long-term liabilities totalled $4,152,000 as at August 31, 2014 compared with $4,720,000 last year, a decrease of $568,000. The decrease is explained by the reclassification of deferred revenues of $2,002,000 in the short-term portion of liabilities after obtaining the CE mark approval on November 19, 2014. This was partly offset by a higher balance of convertible debenture of $230,000 and by the amount of $1,647,000 (US$1,500,000) received on closing of the licensing agreement with Abiomed for which an amount of $1,138,000 is recorded in long-term liabilities as at August 31, 2014.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended August 31, 2014	Three-month period ended May 31, 2014	Three-month period ended February 28, 2014	Three-month period ended November 30, 2013
	$	$	$	$
Revenues	1,804	1,703	1,118	2,202
Net loss for the period	(549)	(1,022)	(843)	(685)
Net loss per share – Basic	(0.01)	(0.02)	(0.02)	(0.01)
Net loss per share – Diluted	(0.01)	(0.02)	(0.02)	(0.01)

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended August 31, 2013	Three-month period ended May 31, 2013	Three-month period ended February 28, 2013	Three-month period ended November 30, 2012
	$	$	$	$
Revenues	1,451	1,706	1,836	2,533
Net profit (net loss) for the period	(1,075)	(689)	(623)	21
Net profit (net loss) per share – Basic	(0.02)	(0.01)	(0.01)	0.00
Net profit (net loss) per share – Diluted	(0.02)	(0.01)	(0.01)	0.00

Historically, the Company's revenues and net income (net loss) results has experienced minimal seasonality. Seasonal fluctuations have become more significant with the increase weighting of sales in the oil and gas field, since business activity is generally greater in the fall and winter for this sector.

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 17, 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 7% 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 17, 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 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 August 31, 2014, the net book value of property, plant and equipment pledged as collateral was $32,800 ($66,000 as at August 31, 2013). 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.

Under an agreement entered into with Canada Economic Development ("CED"), the Company may receive a refundable contribution of a maximum amount $300,000, non-interest bearing, to cover expenses related to the development of its OptoWire product for the FFR market. This contribution is paid out based on the project's percentage of completion at the rate of 40% of eligible expenses since February 1, 2013. During the year ended August 31, 2014, the Company received an amount of $152,000 of which $56,112 was recognized against research and development expenses.

Under an agreement reached with the Ministère des Finances et de l'Économie, the Company was granted a refundable contribution of $413,590, non-interest bearing, to cover some of its incurred costs to carry out development of a

portfolio of products for FFR. During the year ended August 31, 2014, the Company received an amount of $164,200 for which a portion of $59,437 was recognized against research and development expenses.

As at August 31, 2014, the Company had cash and cash equivalents of $10,621,000 compared with $3,662,000 as at August 31, 2013. Of this amount as at August 31, 2014, $9,835,000 was invested in highly liquid, safe investments. As at August 31, 2014, Opsens had a working capital of $10,185,000, compared with $6,043,000 for the same period last year.

Based 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*. Changes in cash and cash equivalents position will largely depend on the rate of revenue growth in upcoming quarters.

For fiscal year 2015, the Company anticipates additional investments into the working capital of approximately $750,000.

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	**Year Ended August 31, 2014**	**Year Ended August 31, 2013**
	$	**$**
Operating activities	(477)	(319)
Investing activities	(403)	(548)
Financing activities	7,818	2,044
Net change in cash and cash equivalents	6,938	1,177

Operating activities

Cash flows used by our operating activities for the year ended August 31, 2014 were $477,000 compared with $319,000 for the same period last year, an increase of $158,000. The increase in the cash flows used by our operating activities is explained by the higher net loss of $772,000 for the year ended August 31, 2014 when compared with last year partly offset by the positive impact of the changes in non-cash operating working capital items resulting from a decrease in inventories. The decrease in inventories reflects investments made by the Company, at the end of the year ended August 31, 2013, to prepare for the installation of the OPP-W sensors for the 48-well contract.

Investing activities

For the year ended August 31, 2014, cash flows used by our investing activities reached $403,000 and were used for acquisitions of property, plant and equipment for an amount of $390,000 and of intangible assets for an amount of $109,000. This was partly offset by interest income received of $96,000. Acquisitions of property, plant and equipment were made primarily for our oil and gas activities and for our FFR project.

For the year ended August 31, 2013, cash flows used by our investing activities reached $548,000 and were used for acquisitions of property, plant and equipment for an amount of $473,000 and $75,000 was used for additions to intangible assets. Acquisitions of property, plant and equipment were made primarily for our oil and gas activities and for our FFR project.

Financing activities

For the year ended August 31, 2014, cash flows generated by our financing activities reached $7,818,000. The net proceeds from the issuance of share and units of $7,679,000 and the increase in our long-term debt of $316,000 were partly offset by the $177,000 payment on the long-term debt.

For the year ended August 31, 2013, cash flows generated by our financing activities reached $2,044,000. The proceeds from the issuance of the convertible debenture of $2,002,000 and the increase in our long-term debt of $265,000 were partly offset by the $191,000 payment on the long-term debt and by $32,000 of interest payments.

COMMITMENTS

Leases

The Company leases offices in Québec under operating leases expiring on April 30, 2016. These agreements are renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to $461,700.

The Company leases offices in Alberta under an operating lease expiring on April 30, 2015. This agreement is renewable for an additional five-year period. Future rent, without considering the escalation clause, will amount to $88,200.

Opsens Solutions Inc. rents a vehicle under an operating lease expiring in July 2015. Future rent payments will amount to $9,200.

Future payments for the leases and other commitments, totalling $559,100, required in each of the forthcoming years are as follows:

	$
2015	370,900
2016	188,200

INFORMATION BY REPORTABLE SEGMENTS

Segment'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.

	Years ended August 31,					
	2014			2013		
	Opsens Inc.	**Opsens Solutions Inc.**	**Total**	Opsens Inc.	Opsens Solutions Inc.	Total
	$	**$**	**$**	$	$	$
External sales	**2,290,654**	**4,497,083**	**6,787,737**	1,773,715	5,752,707	7,526,422
Internal sales	**486,447**	**-**	**486,447**	1,369,950	-	1,369,950
Depreciation of property, plant and equipment	**212,645**	**132,916**	**345,561**	168,953	118,516	287,469
Amortization of intangible assets	**38,447**	**9,333**	**47,780**	25,294	5,709	31,003
Financial expenses (revenues)	**(211,342)**	**325,752**	**114,410**	(193,571)	293,488	99,917
Net income (net loss)	**(2,478,047)**	**(620,665)**	**(3,098,712)**	(2,440,218)	74,393	(2,365,825)
Acquisition of property, plant and equipment	**359,243**	**30,670**	**389,913**	159,202	313,586	472,788
Additions to intangible assets	**107,499**	**2,271**	**109,770**	74,639	600	75,239
Segment assets	**13,265,042**	**3,523,578**	**16,788,620**	6,150,782	4,377,345	10,528,127
Segment liabilities	**7,756,045**	**823,346**	**8,579,391**	6,042,685	1,092,264	7,134,949

Geographic sector's information

	Years ended August 31,	
	2014	2013
	$	$
Revenue per geographic sector		
Canada	**4,725,688**	5,825,550
United States	**833,802**	571,160
Other*	**1,228,247**	1,129,712
	6,787,737	7,526,422

* Comprised of revenues generated in countries for which amounts are individually no 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 year ended August 31, 2014, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 33% (Opsens Solutions Inc.' reportable segment), 15% (Opsens Solutions Inc.' reportable segment) and 11% (Opsens Solutions Inc.' reportable segment).

During the year ended August 31, 2013, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 49% (Opsens Solutions Inc.' reportable segment), 12% (Opsens Solutions Inc.' reportable segment) and 10% (Opsens Solutions Inc.' reportable segment).

Opsens Inc. segment

For the year ended August 31, 2014, revenues from Opsens Inc. segment were $2,777,000 compared with $3,144,000 in fiscal 2013, a decrease of $367,000. The decrease is explained by lower orders in the oil and gas sector placed by the wholly-owned subsidiary Opsens Solutions Inc., partly offset by higher revenues in the industrial field explained by significant orders placed by two existing customers.

Gross margin was $937,000 for the year ended August 31, 2014, compared with $611,000 for fiscal 2013, an increase of $326,000. The increase in the gross margin is mainly explained by the increase in the gross margin percentage that increased from 19% for the year ended August 31, 2013 to 34% for the same period in 2014. The increase in the gross margin percentage reflects a more favourable business mix and revenues from the Abiomed licensing agreement.

Net loss for the Opsens Inc. segment was $2,478,000 for the year ended August 31, 2014 compared with a net loss of $2,440,000 for the same period in 2013. The increase in net loss reflects higher administrative and marketing expenses when compared with last year and by a negative change in fair value of embedded derivative. This was partly offset by the increase in gross margin as explained above.

The working capital of Opsens Inc. segment as at August 31, 2014 was $8,654,000 compared with $3,994,000 as at August 31, 2013. The increase of $4,660,000 in the working capital is due to the higher cash and cash equivalent balance of $6,809,000 with the net proceeds of $7,679,000 from the issuance of shares and units, and also the $1,647,150 (US$1,500,000) received upon the closing of the agreement with Abiomed, partly offset by higher deferred revenues of $2,372,000.

Opsens Solutions Inc. segment

For the year ended August 31, 2014, revenues from Opsens Solutions Inc. segment were $4,497,000 compared with $5,753,000 in 2013, a decrease of $1,256,000. The decrease is explained by fewer orders placed by one of the largest customer in 2013, partly offset by the installation of OPP-W sensor systems for the 48-well contract.

Gross margin was $1,452,000 for the year ended August 31, 2014 compared with $2,135,000 for the same period in 2013, a decrease of $683,000. Gross margin percentage decreased from 37% for the year ended August 31, 2013 to 32% for the same period in 2014. The decrease in the gross margin and the gross margin percentage is explained by lower revenues combined with semi-fixed costs not decreasing at the same rate as revenues.

Net loss for the Opsens Solutions Inc. segment was $621,000 in fiscal 2014 compared to a net profit of $74,000 in fiscal 2013. The increase in the net loss is mainly explained by the decrease in the gross margin as explained previously.

The working capital of the Opsens Solutions Inc. segment as at August 31, 2014 was $1,531,000 compared with $2,049,000 as at August 31, 2013. The decrease of $518,000 is explained by a decrease in the inventories level of $580,000 when compared with last year. Inventories were higher as at August 31, 2013 because of delays in the installation of the first OPP-W sensor systems for the 48-well contract.

FOURTH QUARTER 2014

Revenues

Revenues totalled $1,804,000 for the quarter ended August 31, 2014 compared to $1,451,000 for the same period last year. The increase in revenues is mainly explained by higher revenues in the industrial sector.

Gross margin

Gross margin was $748,000 for the three-month period ended August 31, 2014 compared to $321,000 for the same period last year, an increase of $427,000. Gross margin percentage increased from 22% for the three-month period ended August 31, 2013 to 41% for the same period in 2014. The increase in gross margin and gross margin percentage is explained by higher revenues and improved margins on contracts.

Administrative expenses

Administrative expenses were stable at $617,000 and $619,000 for the three-month periods ended August 31, 2014 and 2013, respectively.

Marketing expenses

Marketing expenses totalled $301,000 for the quarter ended August 31, 2014, an increase of $77,000 over the $224,000 reported for the same period in 2013. The increase is mainly explained by higher headcount and higher advertising, tradeshows and travelling expenses.

Research and development expenses

Research and development expenses totalled $352,000 for the quarter ended August 31, 2014, a decrease of $173,000 over the $525,000 reported for the same period in 2013. The decrease is explained by higher tax credits for research and development that are accounted for against research and development expenses.

Financial expenses

Financial expenses were stable at $27,000 and $29,000 for the three-month periods ended August 31, 2014 and 2013, respectively,

Change in fair value of embedded derivative

The change in fair value of embedded derivative comes from the variance of the fair market value of the conversion option component of the convertible debenture. During the fourth quarter, an amount of $5,200 ($18,000 was recorded as a gain for the three-month period ended August 31, 2013) was recorded as a loss in the consolidated statement of loss.

Net loss

As a result of the foregoing, net loss for the quarter ended August 31, 2014 was $549,000 or 0.02 cent a share compared with $1,075,000 or 0.02 cent a share for the same quarter in 2013.

INFORMATION ON SHARE CAPITAL

For the year ended August 31, 2014, the Company granted to some employees and Directors a total of 985,000 stock options with an average exercise price of $0.71, cancelled 506,667 stock options with an exercise price of $0.32, 60,000

stock options with an exercise price of $0.40 expired and 387,500 stock options with an average exercise price of $0.37 were exercised.

For the year ended August 31, 2013, the Company granted to some employees and Directors a total of 1,483,667 stock options with an average exercise price of $0.24, cancelled 46,000 stock options with an exercise price of $0.22 and 715,000 stock options with an exercise price of $0.77 expired.

As at November 24, 2014, the following components of shareholders' equity are outstanding:

Common shares	60,098,003
Stock options	4,032,500
Warrants	3,475,426
Convertible debenture	3,143,000
Securities on a fully diluted basis	70,748,929

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 1.10 and the conversion price is equal to $0.70 per share.

No dividend was declared per share for each share class.

RELATED-PARTY TRANSACTIONS

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

	Years ended August 31,	
	2014	2013
	$	$
Professional fees paid to a company controlled by a director	**10,035**	34,216
	10,035	34,216

Fees are incurred for the Company's FFR activities.

FINANCIAL INSTRUMENTS

Fair Value

The fair value of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

The fair value of long-term debt is based on the discounted value of future cash flows under the current financial arrangements at the interest rate the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of long-term debt approximates its carrying value due to the current market rates.

The fair value of the convertible debenture is based on the discounted value of future cash flows under the current financial arrangements at the interest rate the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of the debt component of the convertible debenture approximates $1,505,300 as at August 31, 2014 ($1,338,000 as at August 31, 2013) and is classified at level 2 in the fair value hierarchy.

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

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

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

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

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

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

	As at August 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	**(140,479)**	**-**	**(140,479)**	**-**

	As at August 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial assets (liabilities) measured at fair value:				
Convertible debenture – embedded derivative	**(34,012)**	**-**	**(34,012)**	**-**

The convertible debenture contains an embedded derivative that must be measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. One of the most significant assumptions impacting the Company's valuation of this embedded derivative is the implied volatility. The fair value of the convertible debenture was determined using the Black-Scholes pricing model using an implied volatility of 111% (122% in 2013), a discount rate of 1.35% (1.95% in 2013) and an expected life of 3.2 years (4.2 years in 2013). A 1% change in the implied volatility factor would have changed the fair value of the embedded derivative by $1,740.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company 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 since the majority of its customers are large well-established and financed oil and gas companies. Generally, 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 reviews of all of its customers and establishes an allowance for doubtful accounts when accounts are determined to be at risk and/or uncollectible. Two major customers represented 50% of the Company's total accounts receivable as at August 31, 2014 (64% as at August 31, 2013).

As at August 31, 2014, 6% (13% as at August 31, 2013) of the accounts receivable were of more than 90 days whereas 60% (43% as at August 31, 2013) of those were less than 30 days. The maximum exposure to the risk of credit for receivable corresponded to their book value. As at August 31, 2014, the allowance for doubtful accounts was established at $3,032 ($21,000 as at August 31, 2013).

Management considers that substantially all receivables are fully collectible as most of our customers are large corporations with good credit standing and no history of default.

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 for equity 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, 2014 and August 31, 2013:

August 31, 2014	**Carrying amount**	**Cash flows**	**0 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	**1,346,217**	**1,346,217**	**1,346,217**	**-**	**-**
Long-term debt	**826,834**	**1,057,301**	**181,137**	**256,806**	**619,358**
Convertible debenture	**2,359,556**	**2,392,060**	**-**	**-**	**2,392,060**
Total	**4,532,607**	**4,795,578**	**1,527,354**	**256,806**	**3,011,418**

August 31, 2013	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	2,042,063	2,042,063	2,042,063	-	-
Long-term debt	765,104	943,130	201,884	181,137	560,109
Convertible debenture	2,129,811	2,316,600	-	-	2,316,600
Total	4,936,978	5,301,793	2,243,947	181,137	2,876,709

Interest Rate Risk

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

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

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments and embedded derivative. The Company owns investments with fixed interest rates. As of August 31, 2014, the Company was holding more than 92% (81% as at August 31, 2013) of its cash and cash equivalents in all-time redeemable term deposits.

Everything else being equal, a hypothetical 1% interest rate increase would have had an unfavourable impact of $1,717 and $3,697 on the net loss for the year ended August 31, 2014 and 2013, respectively. A hypothetical 1% interest rate decrease would have had a favourable impact of $1,780 and $3,721 on the net loss for the year ended August 31, 2014 and 2013, respectively.

Financial expenses (revenues)

	Years ended August 31,	
	2014	2013
	$	$
Interest and bank charges	**58,183**	52,999
Interest on long-term debt	**34,906**	39,307
Interest and accreted interest on convertible debenture	**54,527**	40,708
Loss on foreign currency translation	**84,941**	26,638
Interest income	**(118,147)**	(59,735)
	114,410	99,117

Concentration Risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As of August 31, 2014 and 2013, the Company was holding its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases and certain supplies and professional services in US dollars and is exposed to foreign currency fluctuations, mostly in US dollars. At this time, the Company does not actively manage this potential risk.

Foreign Currency Sensitivity Analysis

For the years ended August 31, 2014 and 2013, a 10% increase of the Canadian dollar against the US dollar, with all other variables being held constant, would have translated in net loss of $4,700 higher and $154,000 lower, respectively. For the years ended August 31, 2014 and 2013, a 10% decrease of the Canadian dollar against the US dollar, with all other variables being held constant, would have translated in net loss of $4,700 lower and $154,000 higher, respectively.

As at August 31, 2014 and August 31, 2013, the risk to which the Company was exposed is established as follows:

	As of August 31, 2014	As of August 31, 2013
	$	$
Cash and cash equivalents (**US$2,362,635**; US$1,620,546 as at August 31, 2013)	**2,568,893**	1,706,435
Trade and other receivables (**US$286,422**; US$186,033 as at August 31, 2013)	**311,427**	195,892
Accounts payable and accrued liabilities (**US$179,867**; US$296,434 as at August 31, 2013)	**(195,570)**	(356,149)
Convertible debenture (**US$2,040,906**; US$1,990,316 as at August 31, 2013)	**(2,219,077)**	(2,095,799)
Embedded derivative (**US$129,200**; US$32,300 as at August 31, 2013)	**(140,479)**	(34,012)
Total	**325,194**	(583,633)

CAPITAL MANAGEMENT

The Company's objective in managing capital, primarily comprised of shareholders' equity, long-term debt and convertible debenture, is to ensure sufficient liquidity to fund R&D activities, general and administrative 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, investment tax credits and government assistance and interest income and through dilutive sources such as public equity offerings.

As at August 31, 2014, the Company's working capital amounted to $10,184,611 ($6,043,352 as at August 31, 2013), including cash and cash equivalents of $10,621,011 ($3,662,259 as at August 31, 2013). The accumulated deficit at the same date was $18,373,480 ($15,274,768 as at August 31, 2013). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan including 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 following the statement of financial position date of August 31, 2014.

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

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

For the years ended August 31, 2014 and 2013, the Company has not been in default under any of its obligations regarding the long-term debt.

SUBSEQUENT EVENTS

Shonin Approval

On October 2, 2014, the Company announced that it received Shonin approval from the Japanese Ministry of Health, Labor and Welfare to market the OptoWire and the OptoMonitor in Japan. Obtaining Shonin approval was the final condition for a milestone payment of US$1,000,000 ($1,116,300) from the Japanese distributor. This amount will be recorded in the statement of loss and comprehensive loss in the first quarter of fiscal 2015.

CE Mark Regulatory Approval

On November 19, 2014, the Company announced it has received CE Mark approval to market in Europe its FFR products. The CE mark approval, in addition to the Shonin approval obtained on October 2, 2014, allow the Company to record in the statement of loss under the caption "Distribution rights" the $2,002,000 (US$2,000,000) upfront license fee it received upon the signature of the agreement. The upfront license fee was previously accounted for as deferred revenues since the Company had to reimburse the upfront licence upon the occurrence of events described in note 12 to the consolidated financial statements.

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 of approximately $750,000. Investments in capital of a few hundreds of thousands of dollars will be needed to respond to Opsens' operational needs.

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 and Alberta. 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.

NEW ACCOUNTING STANDARDS

There are no IFRSs or International Financial Reporting Interpretations Committee ("IFRIC") that are effective for the first time in 2014 that would be expected to have a material impact on the Company.

Adopted in 2014

IAS 1, Financial Statements Presentation

In June 2011, the IASB amended IAS 1, Financial Statements Presentation, to change the disclosure of items presented in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups on whether or not they may be recycled to net income in the future.

The amendments were adopted effective September 1st, 2013 in accordance with the transition rules of IAS 1. The Company has concluded that the adoption of IAS 1 did not result in any changes.

IFRS 7 (Revised), Financial Instruments: Disclosures

In December 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued common disclosure requirements that are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new requirements are set out in Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The IFRS 7 amendments were adopted retrospectively effective September 1st, 2013. The Company has concluded that the adoption of IFRS 7 did not result in any changes.

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard replaces the Standing Interpretations Committee ("SIC") 12, Consolidation – Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 10 was adopted retrospectively effective September 1st, 2013 in accordance with the transition rules of IFRS 10. The Company has concluded that the adoption of IFRS 10 did not result in any changes.

IFRS 11, Joint Arrangements

IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures, depending on the contractual rights and obligations of each investor that jointly control the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The other amendments to IAS 28 did not affect the Company.

IFRS 11 and IAS 28 were adopted retrospectively effective September 1st, 2013 in accordance with the transition rules of IFRS 11 and IAS 28. The Company has concluded that the adoption of IFRS 11 and IAS 28 (amended in 2011) did not result in any changes.

IFRS 12, Disclosure of Interest in Other Entities

IFRS 12, Disclosure of Interests in Other Entities, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 12 was adopted retrospectively effective September 1st, 2013 in accordance with the transition rules of IFRS 12. The Company assessed its disclosure of interest in other entities and determined that the adoption of IFRS 12 did not result in additional disclosures.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset and liability under current market conditions, including assumptions about risk.

IFRS 13 was adopted retrospectively effective September 1st, 2013 in accordance with the transition rules of IFRS 13. Other than additional disclosure which is included in note 26, the adoption of this standard did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at September 1, 2013.

Not yet adopted

IFRS 9, Financial Instruments

This new standard replaces the requirements in IAS 39, Financial Instruments: Recognition and Measurement for classifying and measuring of financial assets and liabilities. IFRS 9 replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through the statement of income (loss). IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through the statement of income (loss) or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of income (loss) to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 is applicable to the Company starting on September 1, 2018, on a retrospective basis.

The Company will evaluate in the near term the impact of these future changes.

IAS 32, Financial Instruments: Presentation

In December 2011, amendments to IAS 32, Financial Instruments: Presentation, were issued to clarify the application of offsetting criteria with regard to offsetting financial assets and financial liabilities. The amendments to IAS 32 will be effective for fiscal years beginning on or after January 1, 2014 with earlier adoption permitted. The Company is currently assessing the impact of adopting these new requirements on the consolidated financial statements.

IAS 36, Impairment of Assets

IAS 36, Impairment of Assets, has been revised to integrate the amendments issued in May 2013. Those amendments make it possible to better reflect a prior decision to require the recoverable amount of impaired assets to be reported along with other disclosures regarding the measurement of the recoverable amount of impaired assets in cases where said recoverable amount is based on fair value less cost of disposal, including the discount rate, when a discounting technique is used to determine the recoverable amount. Those amendments will be effective for fiscal years beginning on or after January 1, 2014 with earlier adoption permitted. The Company is currently assessing the impact of adopting these new requirements on the consolidated financial statements.

IFRIC 21, Levies

IFRIC 21, Levies, which is an interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described

in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the extent of the impact of adoption of this standard.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue, Barter Transactions Involving Advertising Service). IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

RISK FACTORS AND UNCERTAINTIES

The Company operates in an industry that contains various risks and uncertainties. The risks and uncertainties listed below are not the only ones to which the Company is subject. 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 following 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.

In the FFR market, the Company is dependent on the success of the OptoWire, its guidewire measuring FFR and cannot be certain that it will achieve the broad acceptance necessary to develop a profitable business. Expected future revenues are primarily derived from sales of the OptoWire. The OptoWire is designed to provide cardiologists with a pressure guidewire to navigate coronary arteries and reach blockages with ease, while also measuring intra-coronary blood pressure. The Company expects that sales of its FFR products will account for a majority of its revenues for the foreseeable future, however it is difficult to predict the penetration and future growth rate or size of the market for FFR technology. The expansion of the FFR market depends on a number of factors, such as:

- physicians accepting the benefits of the use of FFR in conjunction with angiography;
- physician experience with FFR products either used alone or jointly used in a single percutaneous coronary intervention, or PCI;
- the availability of training necessary for proficient use of FFR products, as well as willingness by physicians to participate in such training;
- the additional procedure time required for use of FFR compared to the perceived benefits;
- the perceived risks generally associated with the use of the Company's products and procedures, especially its new products and procedures;
- the placement of the Company's products in treatment guidelines published by leading medical organizations;
- the availability of alternative treatments or procedures that are perceived to be or are more effective, safer, easier to use or less costly;
- hospitals' willingness, and having sufficient budgets, to purchase the Company's FFR products;
- the size and growth rate of the PCI market in the major geographies in which the Company operates;
- the availability of adequate reimbursement; and
- the success of the Company's marketing efforts and publicity regarding FFR technology.

Even if FFR technology gains wide market acceptance, the Company's FFR products may not adequately address market requirements and may not continue to gain market acceptance among physicians, healthcare payors and the medical community due to factors such as:

- the lack of perceived benefit from information related to pressure characteristics of blood around blockages available to the physician;
- the actual and perceived ease of use of the Company's FFR products;
- the quality of the measurements provided by the Company's FFR products;
- the cost, performance, benefits and reliability of the Company's FFR products relative to competing products and services; and
- the extent and timing of technological advances.

If FFR technology generally, or the Company's FFR products specifically, do not gain wide market acceptance, the Company may not be able to achieve its anticipated growth, revenues or profitability and its results of operations would suffer.

The risks inherent in the Company's international operations may adversely impact its revenues, results of operations and financial condition. The Company anticipates that it will derive a significant portion of its revenues from operations in Japan, the United States and Europe. As the Company expands internationally, it will need to retain and train its distributors, hire, train and retain qualified personnel for its direct sales efforts and train other personnel in countries where language, cultural or regulatory impediments may exist. The Company cannot ensure that distributors, physicians, regulators or other government agencies outside Canada will accept its products, services and business practices. Current or future trade, social and environmental regulations or political issues could restrict the supply of resources used in production or increase its costs. Compliance with such regulations is costly. Any failure to comply with applicable legal and regulatory obligations could impact the Company in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments and restrictions on certain business activities. Failure to comply with applicable legal and regulatory obligations could result in the disruption of the Company's manufacturing, shipping and sales activities. The Company's international sales operations expose it and its representatives, agents and distributors to risks inherent in operating in foreign jurisdictions, including:

- the Company's ability to obtain, and the costs associated with obtaining export licenses and other required export or import licenses or approvals;
- changes in duties and tariffs, taxes, trade restrictions, license obligations and other non-tariff barriers to trade;
- burdens of complying with a wide variety of foreign laws and regulations related to healthcare products;
- costs of localizing product and service offerings for foreign markets;
- business practices favoring local companies;
- longer payment cycles and difficulties collecting receivables through foreign legal systems;
- difficulties in enforcing or defending agreements and intellectual property rights;
- differing local product preferences, including as a result of differing reimbursement practices;
- fluctuations in foreign currency exchange rates and their impact on the Company's operating results; and
- changes in foreign political or economic conditions.

The Company cannot ensure that one or more of these factors will not harm the Company. Inability to expand the Company's international operations would adversely impact its revenues, results of operations and financial condition.

The Company has a limited operating history, and cannot assure you that it achieves and sustains profitability in future periods. The Company was incorporated in 2006 and has been profitable, on a full year basis, only in 2010. Net losses for fiscal years ended August 31, 2014 and 2013 were $3,099,000 and $2,366,000, respectively. To the extent that the Company is able to increase revenues, it expects its operating expenses will also increase as the Company will be expanded to meet anticipated growing demand for its products and will devote resources to its sales, marketing and research and development activities. If the Company is unable to reduce its operating expenses, the Company may not achieve profitability. Additionally, expenses will fluctuate as the Company makes future investments in research and development, selling and marketing and general and administrative activities, including as a result of new product introductions. This will cause the Company to experience variability in its reported earnings and losses in future periods. You should not rely on the Company's operating results for any prior quarterly or annual period as an indication of its future operating performance.

Dependence upon a limited number of clients. Although the Company has numerous clients, a relatively small number of them contribute a significant percentage of the Company's consolidated revenues. For the year ended August 31,

2014, revenues from three clients represented individually more than 10% of the total revenues of the Company, i.e. approximately 33%, 15% and 11%, all these clients being in the oil and gas market. The Company believes that the degree of dependence will diminish as its sales progress. However, if these clients reduce current or expected purchases, this could have unfavourable impacts on the Company's activities, its revenues, its financial position and its operating results.

The Company faces intense competition and may not be able to keep pace with the rapid technological changes in the medical devices industry. The medical device market is intensely competitive and is characterized by extensive research and development and rapid technological change. The Company's future customers will consider many factors when choosing suppliers, including product reliability, clinical outcomes, product availability, inventory consignment, price and product services provided by the manufacturer, and market share can shift as a result of technological innovation and other business factors. Major shifts in industry market share have occurred in connection with product problems, physician advisories and safety alerts, reflecting the importance of product quality in the medical device industry, and any quality problems with the Company's processes, goods and services could harm its reputation for producing high-quality products and erode its competitive advantage, sales and potential market share.

The Company's competitors will be larger companies which have significantly greater resources and broader product offerings than the Company, and it anticipates that in the coming years, other technologies or corporations could enter the FFR market. In addition, the Company expects that competition will intensify with the increased use of strategies such as consigned inventory, and the Company anticipates increasing price competition as a result of managed care, consolidation among healthcare providers, increased competition and declining reimbursement rates. Product introductions or enhancements by competitors which have advanced technology, better features or lower pricing may make the Company's products or proposed products obsolete or less competitive. As a result, the Company will be required to devote continued efforts and financial resources to bring its products under development to market, enhance its existing products and develop new products for the medical marketplace. If the Company fails to develop new products, enhance existing products or compete effectively, the Company's financial condition and results of operations will be adversely affected.

Failure to innovate may adversely impact the Company's competitive position and may adversely impact its ability to drive price increases for its products and its product revenues. The Company's future success will depend upon its ability to innovate and introduce enhancements to its existing products in order to address the changing needs of the marketplace. The Company also relies on product enhancements to attempt to drive price increases for its products in its markets. Frequently, product development programs require assessments to be made of future clinical need and commercial feasibility, which are difficult to predict. Customers may forego purchases of its products and purchase its competitors' products as a result of delays in introduction of its new products and enhancements, failure to choose correctly among technical alternatives or failure to offer innovative products or enhancements at competitive prices and in a timely manner. Any delays in product releases may negatively affect the Company.

Delays in planned product introductions may adversely affect the Company and negatively impact future revenues. The Company is currently developing its FFR products. The Company may in the future experience delays in various phases of product development and commercial launch, including during research and development, manufacturing, limited release testing, marketing and customer education efforts. Any delays in the Company's product launches may significantly impede its ability to successfully compete in its markets and may reduce its revenues. The Company and its future collaborators may fail to develop or effectively commercialize products covered by its future collaborations if:

- the Company does not achieve its objectives under its collaboration agreements;
- the Company or its collaborators are unable to obtain patent protection for the products or proprietary technologies the Company develops with its collaborations; or
- the Company or its collaborators encounter regulatory hurdles that prevent commercialization of its products.

If the Company or its collaborators are unable to develop or commercialize products, or if conflicts arise with its collaborators, the Company will be delayed or prevented from developing and commercializing products, which will harm the Company and financial results.

Divestitures of any of the Company's businesses or product lines may materially adversely affect the Company, results of operations and financial condition. The Company continues to evaluate the performance of all of its businesses and may sell a business or product line. Any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on the Company's business, results of operations and financial condition. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of the Company's business and the potential loss of key employees. The Company may not be successful in managing these or any other significant risks that it encounters in divesting a business or product line.

If the Company's facilities or systems are damaged or destroyed, it may experience delays that could negatively impact its revenues or have other adverse effects. The Company's facilities may be affected by natural or man-made disasters. If one of its facilities were affected by a disaster, the Company would be forced to rely on third-party manufacturers or to shift production to another manufacturing facility. In such an event, the Company would face significant delays in manufacturing which would prevent it from being able to sell its products. In addition, the Company's insurance may not be sufficient to cover all of the potential losses and may not continue to be available to it on acceptable terms, or at all. Furthermore, although its computer and communications systems are protected through physical and software safeguards, they are still vulnerable to fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins, software viruses, and similar events, and any failure of these systems to perform for any reason and for any period of time could adversely impact the Company's ability to operate.

The Company may require significant additional capital to pursue its growth strategy, and its failure to raise capital when needed could prevent the Company from executing its growth strategy. The Company believes that its existing cash and cash equivalents will be sufficient to meet its anticipated cash needs for at least the next 24 to 36 months. However, the Company may need to obtain additional financing to pursue its strategy, to respond to new competitive pressures or to act on opportunities to acquire or invest in complementary businesses, products or technologies. The timing and amount of the Company's working capital and capital expenditure requirements may vary significantly depending on numerous factors, including:

- market acceptance of its products;
- the revenues generated by its products;
- the need to adapt to changing technologies and technical requirements, and the costs related thereto;
- the costs associated with expanding its manufacturing, marketing, sales and distribution efforts;
- the existence and timing of opportunities for expansion, including acquisitions and strategic transactions; and
- costs and fees associated with defending existing or potential litigation.

If the third-party distributors that the Company will rely on to market and sell its products are not successful, the Company may be unable to increase or maintain its level of revenues. A portion of its revenue will be generated by third-party distributors, especially in international markets. If these distributors cease or limit operations or experience a disruption of their business operations, or are not successful in selling the Company's products, it may be unable to increase or maintain its level of revenues, and any such developments could negatively affect its international sales strategy. Over the long term, the Company intends to grow its business internationally, and to do so it will need to attract additional distributors to expand the territories in which the Company does not directly sell its products. The Company's distributors may not commit the necessary resources to market and sell its products. If current or future distributors do not continue to distribute the Company's products or do not perform adequately or if the Company is unable to locate distributors in particular geographic areas, it may not realize revenue growth internationally.

If the Company fails to properly manage its anticipated growth, the Company could suffer. Rapid growth of the Company is likely to place a significant strain on its managerial, operational and financial resources and systems. To execute the Company's anticipated growth successfully, it must attract and retain qualified personnel and manage and train them effectively. The Company anticipates hiring additional distributors and personnel to assist in the commercialization of its current products and in the development of future products. The Company will be dependent on its personnel and third parties to effectively market and sell its products to an increasing number of customers. It will also depend on its personnel to develop and manufacture in anticipated increased volumes its existing products, as well as new products and product enhancements. Further, the Company anticipated growth will place additional

strain on its suppliers resulting in increased need for it to carefully monitor for quality assurance. Any failure by the Company to manage its growth effectively could have an adverse effect on its ability to achieve its development and commercialization goals.

The Company is subject to stringent domestic and foreign medical device regulation and any adverse regulatory action may materially adversely affect its financial condition and business operations. The Company's products, development activities and manufacturing processes are subject to extensive and rigorous regulation by numerous government agencies. To varying degrees, each of these agencies monitors and enforces the Company's compliance with laws and regulations governing the development, testing, manufacturing, labelling, marketing and distribution of its medical devices. The process of obtaining marketing approval or clearance from these government agencies for new products, or for enhancements or modifications to existing products, could:

- take a significant amount of time;
- require the expenditure of substantial resources;
- involve rigorous pre-clinical and clinical testing, as well as increased post-market surveillance; and
- involve modifications, repairs or replacements of the Company's products, and result in limitations on the indicated uses of its products.

The Company cannot be certain that it will receive required approval or clearance from government agencies for new products or modifications to existing products on a timely basis. The failure to receive approval or clearance for significant new products or modifications to existing products on a timely basis could have a material adverse effect on the Company's financial condition and results of operations.

Foreign governmental regulations have become increasingly stringent and more common, and the Company may become subject to even more rigorous regulation by foreign governmental authorities in the future. Penalties for a company's noncompliance with foreign governmental regulation could be severe, including revocation or suspension of a company's business license and criminal sanctions. Any domestic or foreign governmental medical device law or regulation imposed in the future may have a material adverse effect on the Company's financial condition and business operations.

The FFR procedures and the cardiovascular field in general are continually the subject of clinical trials conducted by the Company's competitors or other third parties, the results of which may be unfavorable, or perceived as unfavorable by the market, and could have a material adverse effect on the Company's financial condition and results of operations. Unfavorable or inconsistent clinical data from existing or future clinical trials conducted by the Company, by its competitors or by third parties, or the market's perception of this clinical data, may adversely impact its ability to obtain product approvals, the size of the markets in which the Company participates, its position in, and share of, the markets in which the Company participates and the Company's financial condition and results of operations.

If the Company is unable to protect its intellectual property effectively, its financial condition and results of operations could be adversely affected. Patents and other proprietary rights are essential to the Company and its ability to compete effectively with other companies is dependent upon the proprietary nature of its technologies. The Company also relies upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop, maintain and strengthen its competitive position. The Company seeks to protect these, in part, through confidentiality agreements with certain employees, consultants and other parties. The Company pursues a policy of generally obtaining patent protection in both Canada and in key foreign countries for patentable subject matter in its proprietary devices and also attempt to review third-party patents and patent applications to the extent publicly available to develop an effective patent strategy, avoid infringement of third-party patents, and monitor the patent claims of others.

The Company currently owns numerous Canadian and foreign patents and has patent applications pending. The Company cannot be certain that any pending or future patent applications will result in issued patents, that any current or future patents issued will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide a competitive advantage to it or prevent competitors from entering markets which the Company currently serves. In addition, the Company may have to take legal action in the future to protect its trade secrets or know-how or to defend itself against claimed infringement of the rights of others. Any legal action of that type could be costly and time consuming to the Company despite insurance policies owned by the Company and it cannot be certain of the

outcome. The invalidation of key patents or proprietary rights which the Company owns or an unsuccessful outcome in lawsuits to protect its intellectual property could have a material adverse effect on its financial condition and results of operations.

Pending and future patent litigation could be costly and disruptive to the Company and may have an adverse effect on its financial condition and results of operations. The Company operates in an industry that is susceptible to significant patent litigation and, in recent years, it has been common for companies in the medical device field to aggressively challenge the rights of other companies to prevent the marketing of new devices. Companies that obtain patents for products or processes that are necessary for or are useful to the development of its products may bring legal actions against the Company claiming infringement. Defending intellectual property litigation is expensive and complex and outcomes are difficult to predict. Any pending or future patent litigation may result in significant royalty or other payments or injunctions despite insurance policies owned by the Company that can prevent the sale of products and may cause a significant diversion of the efforts of the Company's technical and management personnel. While the Company intends to defend any such lawsuits vigorously, it cannot be certain that it will be successful. In the event that the Company's right to market any of its products is successfully challenged or if the Company fails to obtain a required license or is unable to design around a patent, the Company's financial condition and results of operations could be materially adversely affected.

Any defects or malfunctions in the computer hardware or software the Company utilizes in its products could cause severe performance failures in such products, which would harm its reputation and adversely affect its results of operations and financial condition. The Company's existing and new products depend and will depend on the continuous, effective and reliable operation of computer hardware and software. Any defect, malfunction or other failing in the computer hardware or software utilized by the Company's products, including products it develops in the future, could result in inaccurate readings, misinterpretations of data, or other performance failures that could render the Company's products unreliable or ineffective and could lead to decreased confidence in its products, damage to its reputation, reduction in its sales and product liability claims, the occurrence of any of which could have a material adverse effect on the Company's results of operations and financial condition. Although the Company updates the computer software utilized in its products on a regular basis, there can be no guarantee that defects do not or will not in the future exist or that unforeseen malfunctions, whether within the Company's control or otherwise, will not occur.

If the Company fails to obtain or maintain, or experience significant delays in obtaining, regulatory clearances or approvals for its products or product enhancements, the Company's ability to commercially distribute and market its products could suffer. The Company's products are subject to rigorous regulation by federal, provincial, state and foreign governmental authorities. The Company's failure to comply with such regulations or to make adequate, timely corrections, could lead to the imposition of injunctions, suspensions or loss of marketing clearances or approvals, product recalls, manufacturing cessation, termination of distribution, product seizures, civil penalties, or some combination of such actions. The process of obtaining regulatory authorizations to market a medical device can be costly and time consuming, and there can be no assurance that such authorizations will be granted on a timely basis, if at all. If regulatory clearance or approvals are received, additional delays may occur related to manufacturing, distribution or product labeling.

The loss of any of the Company's sole-source suppliers or an increase in the price of inventory supplied to it could have an adverse effect on the Company's financial condition and results of operations. The Company purchases certain supplies used in its manufacturing processes from single sources due to quality considerations, costs or constraints resulting from regulatory requirements. Agreements with certain suppliers are terminable by either party upon short notice and the Company has been advised periodically by some suppliers that in an effort to reduce their potential product liability exposure, they may terminate sales of products to customers that manufacture implantable medical devices, and the Company may not be able to establish additional or replacement suppliers for certain components or materials quickly. In addition, the Company may lose a sole-source supplier due to, among other things, the acquisition of such a supplier by a competitor (which may cause the supplier to stop selling its products to it) or the bankruptcy of such a supplier, which may cause the supplier to cease operations. A reduction or interruption by a sole-source supplier of the supply of materials or key components used in the manufacturing of the Company's products or an increase in the price of those materials or components could adversely affect the Company's financial condition and results of operations.

Cost containment pressures and domestic and foreign legislative or administrative reforms resulting in restrictive reimbursement practices of third-party payors or preferences for alternate therapies could decrease the demand for products purchased by the Company's customers, the prices which they are willing to pay for those products and the number of procedures using its devices. FFR products will be purchased principally by healthcare providers that typically bill various third-party payors, such as governmental, private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of customers to obtain appropriate reimbursement for their services and the products they provide from government and third-party payors is critical to the success of medical technology companies. The availability of reimbursement affects which products customers purchase and the prices they are willing to pay. Reimbursement varies from country to country and can significantly impact the acceptance of new technology. After the Company develops a promising new product, it may find limited demand for the product unless reimbursement approval is obtained from private and governmental third-party payors.

Major third-party payors for healthcare provider services continue to work to contain healthcare costs. The introduction of cost containment incentives, combined with closer scrutiny of healthcare expenditures by both private health insurers and employers, has resulted in increased discounts and contractual adjustments to healthcare provider charges for services performed and in the shifting of services between inpatient and outpatient settings. Initiatives to limit the growth of healthcare costs, including price regulation, are also underway in several countries in which the Company will do business. Implementation of healthcare reforms in the United States and in significant overseas markets such as Germany, Japan and other countries may limit the price or the level at which reimbursement is provided for the Company's products and adversely affect both its pricing flexibility and the demand for its products. Healthcare providers may respond to such cost-containment pressures by substituting lower cost products or other therapies for the Company's products.

Consolidation in the healthcare industry could lead to demands for price concessions or limit or eliminate the Company's ability to sell to certain of its significant market segments. The cost of healthcare has risen significantly over the past decade and numerous initiatives and reforms initiated by legislators, regulators and third-party payors to curb these costs have resulted in a consolidation trend in the medical device industry as well as among the Company's future customers, including healthcare providers. This in turn has resulted in greater pricing pressures and limitations on the Company's ability to sell to important market segments, as group purchasing organizations, independent delivery networks and large single accounts. The Company expects that market demand, government regulation, third-party reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances which may exert further downward pressure on the prices of its products and adversely impact the Company's financial condition and results of operations.

The success of the OptoWire depends upon strong relationships with physicians and other healthcare professionals. If the Company fails to build working relationships with physicians and other healthcare professionals, many of its products may not be developed and marketed in line with the needs and expectations of the professionals who support its products. The research, development, marketing and sales of many of its new and improved products is dependent upon the Company maintaining working relationships with physicians as well as other healthcare professionals, who are becoming increasingly instrumental in making purchasing decisions for its products. The Company relies on these professionals to provide it with considerable knowledge and experience regarding its products and the marketing and sale of its products. Physicians also assist the Company as researchers, marketing consultants, product consultants, inventors and as public speakers. If the Company is unable to maintain its strong relationships with these professionals and continue to receive their advice and input, the development and marketing and sales of its products could suffer, which could have a material adverse effect on its financial condition and results of operations. The Company's relationships with physicians and other healthcare professionals and other providers that use its products are regulated under various laws. In addition, the Company has in place and is continuously improving its internal business integrity and compliance program and policies. Failure to comply with the United States federal anti kickback law or similar state or foreign law could result in criminal or civil penalties.

Instability in international markets or foreign currency fluctuations could adversely affect the Company's results of operations. The Company's products will be marketed in many countries, with its largest geographic markets being Japan, Europe, and the United States. As a result, the Company's faces currency and other risks associated with its international sales. The Company is exposed to foreign currency exchange rate fluctuations due to transactions denominated primarily in United States dollars, Euros and Japanese Yen, which may potentially reduce the Canadian dollars the Company receives for sales denominated in any of these foreign currencies and/or increase the Canadian

dollars the Company reports as expenses in these currencies, thereby affecting its reported consolidated revenues, profit margins and results of operations. Fluctuations between the currencies in which the Company does business will cause foreign currency transaction gains and losses. The Company cannot predict the effects of currency exchange rate fluctuations upon its future operating results because of the number of currencies involved, the variability of currency exposures and the volatility of currency exchange rates.

In addition to foreign currency exchange rate fluctuations, there are a number of additional risks associated with the Company's international operations, including those related to:

- the imposition of or increase in import or export duties, surtaxes, tariffs or customs duties;
- the imposition of import or export quotas or other trade restrictions;
- foreign tax laws and potential increased costs associated with overlapping tax structures;
- compliance with import/export laws;
- longer accounts receivable cycles in certain foreign countries, whether due to cultural, economic or other factors;
- changes in medical reimbursement programs and regulatory requirements in international markets in which the Company operates; and
- economic and political instability in foreign countries, including concerns over excessive levels of sovereign debt and budget deficits in countries where the Company markets its products that could result in an inability to pay or timely pay outstanding payables.

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

November 24, 2014