

Annual Report 2022



opSen's

OpSens is an innovative medical technology company, leveraging its proprietary optical technology to bring next generation applications primarily to the field of cardiology. OpSens contributes to the diagnosis and treatment of coronary artery disease through its flagship product, the OptoWire, and in structural cardiology through the introduction of the SavvyWire, a recently FDA-cleared guidewire for the transcatheter treatment of aortic valve stenosis, or TAVR.

Mission

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

OpSens' Cornerstones to Long-Term Success

- Innovative products and applications backed by strong endorsements from key opinion leaders around the world
- Markets positioned for robust growth supported by clinical evidence and aging population
- Diversified commercial capabilities through internal OpSens sales and marketing team, worldwide distribution partners, and agreements with major U.S. group purchasing organizations (GPOs), covering 90% of hospitals and catheterization labs in the U.S. market
- Strategic partnerships leveraging and monetizing proprietary optical sensing technology
- Creation of promising new applications in industrial fields within nuclear and aerospace
- Dedication to continuous development and improvement.

SavvyWire for Structural Cardiology – The Wait is Over

After months of anticipation in the cardiology community and being featured on the most prestigious scientific platforms and at medical conferences, OpSens received Health Canada approval for the SavvyWire in April 2022 and 510(k) U.S. FDA clearance in September 2022. OpSens is on its way to a large-scale commercial launch in the U.S. in early 2023 with a European CE Mark approval expected for a market release later in calendar year 2023.

SavvyWire: More Than a Wire – The Only 3-In-1 Solution for the Rapidly Growing TAVR Market

OpSens' SavvyWire is designed to help in valve positioning in TAVR procedures, providing best-in-class valve delivery capability and improved workflow. Designed on the base of OpSens' Fidelis™ second-generation fiber optic sensor, it is the first and only sensor-guided 3-in-1 TAVR solution providing stable aortic valve delivery and positioning, continuous accurate hemodynamic measurement during the procedure, and reliable left ventricular pacing without the need for adjunct devices or venous access.

TAVR, the fastest growing segment in structural cardiology is driven by an aging population, superior clinical outcomes, and openness to new evidence that people of all health conditions benefit from this minimally invasive treatment. The global TAVR market is currently estimated at more than 200,000 procedures and is expected to reach 400,000 in 2027.¹

OptoWire for Coronary Artery Disease – Flagship Product Continues to Gain Market Traction

OpSens flagship product for cardiology, the OptoWire, is a pressure measurement guidewire for fractional flow reserve (FFR) to help in the diagnosis and treatment of coronary artery disease. Instrumented with Fidelis™, the OptoWire has contributed to the diagnosis and treatment of more than 200,000 patients worldwide in a procedure that is becoming the model of excellence in treatment.

Continued Diversified Worldwide Expansion

OpSens benefits from its diversified commercial capabilities, including an expanding internal sales and marketing team, worldwide distribution partners, and agreements with major U.S. GPOs that now cover 90% of hospitals and catheterization labs in the United States. The desire by key organizations to offer their customers the OptoWire is a testament to the guidewire's ability to improve efficiency and reduce costs in diagnosing and treating arterial blockages, and to align with their customers' mission to better treat their patients.

In 2022, OpSens continued its expansion in the valuable U.S. market by opening an office in Minnesota, the 'medical device capital of the U.S.' With the pandemic in the rear-view mirror, OpSens doubled its U.S. field team in 2022 to accelerate product adoption and penetration by providing enhanced education and first-hand training to doctors and medical teams.



OpSens inauguration of Minnesota office

Strategic Partnerships to Leverage and Monetize Proprietary Optical Technology

OpSens' second-generation sensor technology can be adapted to a variety of applications, enabling business partnerships in valuable medical markets. OpSens' products are gaining increasing recognition in cardiology, thanks to a steady growth in the number of uses and the release of clinical data demonstrating the value and benefits of working with the OptoWire in clinical situations.

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

This year, OpSens was pleased with the signing of a four-year extension of its agreement with Abiomed to continue supplying OpSens' Fidelis™ sensor technology for Abiomed's Impella® heart pump through April 2028.

Creation of Promising New Critical Applications in Industrial Fields

OpSens' versatile technologies can meet needs in valuable markets — as traditional technologies do not perform as expected under certain conditions. OpSens capitalizes on its easily adaptable technology and invests in innovation to create applications in optical temperature, pressure, strain, and other critical parameters for various growing markets, such as aerospace, nuclear and others.

1. Global Report for Cardiac Surgery – MedCore Bundle, February 2022

OpSens – Our Expertise Serving Patient Health

When a centre initially uses one of our products, a small team from OpSens goes to the centre to provide proper training, including observation of initial procedure uses.

At the end of one of those initial sessions at a U.S.-based hospital using the SavvyWire, the OpSens team was debriefing in the hospital's atrium. A lady approached the team to ask if they were from the company providing the new product for the TAVR procedure.

"Yes, we are," the OpSens team members responded.

She explained that her mother had received a new aortic valve that day. The doctor had told her the results and outlook were excellent and should allow her mother to improve her life expectancy and quality of life. She wanted to express her gratitude and thanked the team for their work and dynamism.

What she did not know is that during the procedure, her mother's heart had stopped beating for a few seconds. Faced with the emergency, the doctor successfully used the SavvyWire's unique pacing function to restore the patient's heartbeat right away. The innovative feature of the SavvyWire was critical in the success of the procedure.

It is moments and feedback like this that remind us why we do what we do everyday. We are proud to contribute to people's health with our unique expertise in innovative medical products. In this clinical case, we contributed directly to saving a patient's life!

OpSens' mission is to contribute to healthcare through unique expertise in developing innovative medical products. OpSens is confident that it will advance its mission to improve medical treatments for heart disease patients, while generating revenue growth in 2023 and creating shareholder value.

Dear shareholders,

In fiscal year 2022, we advanced our vision of becoming a world leader in optical measurement within medical and industrial applications. In medical, we are accelerating our focus specifically on the field of cardiology to bring innovation to key treatments, including:

- The launch of the SavvyWire to address the treatment of aortic valve stenosis through transcatheter aortic valve replacement (TAVR)
- The expansion of the OptoWire to treat coronary artery disease; and,
- The development of valuable medical partnerships, such as the one with Abiomed for ventricular assistance.

2022 Ends on a High Trend

After a slow start to the year due to the cumulated effects of the on-going pandemic, which impacted the number of procedures performed in hospitals and disrupted our supply chain, we realized the expected resumption in revenue growth in the second half of fiscal year 2022. Overall, revenues were up 2% for the year, and 11% in the second half.

TAVR Business Becomes a Reality

Beyond our commercial success, 2022 was very much a year of anticipation and preparation for our entry into the TAVR market. With the development of our new product called the SavvyWire completed, our focus was on obtaining regulatory authorizations for Canada and the United States.

SavvyWire, a "3-in-1" solution, is an intelligent, pre-shaped, structural guidewire with pressure monitoring, aimed at improving procedural efficiency and clinical outcomes by allowing multiple steps over the same device without exchange, during TAVR procedures.

Through much of 2022, while we waited for Health Canada and FDA clearance, we prepared for the full-scale commercialization of the product. This included:

- Presentation of data at various medical conferences;
- Development of a strong sales and marketing strategy;
- Opening of a satellite office in Minneapolis, Minnesota, the global epicenter of the medical device industry;

- Advancement of commercial operations to prepare a successful launch;
- Internal training of the sales force on the TAVR procedure and SavvyWire; and,
- Ramp up of our manufacturing capabilities — including a physical expansion of our production facility.

The SavvyWire's commercialization will benefit from the synergy of OpSens' enlarged sales force and wide network of OptoMonitor units already deployed around the world.

Our anticipation became a reality when we received Health Canada's authorization in April 2022, ahead of expectations, and immediately began a limited market release. The SavvyWire approval was anticipated after key opinion leaders, who had worked with the product and software, expressed their enthusiasm about the performance of our game-changing product.

In a made-for-Hollywood fashion, we received U.S. 510 (k) FDA clearance in mid-September 2022, just two days before the Transcatheter Cardiovascular Therapeutics Conference (TCT), an annual scientific symposium of the Cardiovascular Research Foundation (CRF). TCT is the premier educational meeting specializing in interventional cardiovascular medicine, attracting more than 10,000 attendees from 90 countries around the world. With its game-changing product for TAVR, OpSens was one of the stars of TCT this year. The event marked the launch of the U.S. limited-market release, heading toward full commercialization in North America in early calendar year 2023.

Another step to a global launch is the receipt of a CE Mark to advance the product in 2023. This opens the door to much of the world with what we believe is one of the industry's most innovative ancillary product, which will ultimately drive OpSens' future revenue and strategic value.

The road is wide open, as the TAVR procedure is growing rapidly around the world, driven by the aging population and recent studies that demonstrate its benefits for a broader array of patients. The global TAVR market is currently estimated at more than 200,000 procedures and is expected to reach 400,000 in 2027.¹

1. Global Report for Cardiac Surgery – MedCore Bundle, February 2022

Customers are excited about the launch of the SavvyWire due to its uniqueness in the industry. The SavvyWire is designed to provide best-in-class valve delivery capability and improve workflow in the TAVR procedure. A true 3-in-1 solution for stable aortic valve delivery and positioning, continuous accurate hemodynamic measurement during the procedure, and reliable left ventricular pacing without the need for adjunct devices or venous access. The SavvyWire is the first and only sensor-guided TAVR solution, designed to support TAVR efficiency and lifetime patient management. The SavvyWire enables significant TAVR procedural benefits by supporting multiple steps over the same device without exchange, while delivering continuous, accurate hemodynamic measurements and display.

Coronary Artery Disease Business

On the commercialization side of our business, particularly in the coronary artery disease segment, our FFR and dPR products showed their strong commercial potential and resumed their sales growth as soon as headwinds from the pandemic began to subside. We ended fiscal 2022 with record coronary sales in the second semester, which we believe, sets the stage for fiscal 2023.

As we feel the pandemic is now in our rear-view mirror, we have enacted initiatives to intensify our presence in the field, including the doubling of our sales team in the U.S. and the appointment of key personnel to enhance our commercialization efforts. Additionally, we signed GPO contracts to enhance our reach into hospitals and catheterization labs in the U.S. Through these GPOs, and our own internal sales force efforts, OpSens now covers 90% of hospitals in the U.S.

In Canada, revenues were up 9% during the year. While the impact from the pandemic was similar to that of the U.S., OpSens was awarded a multi-year contract as the main coronary pressure guidewire for the eastern part of the province of Quebec, a deal which has become a growth driver allowing us to elevate our performance in the country.

The trend in EMEA was also positive. While we work with distributors in this region, as opposed to a direct selling model in North America, OpSens' team has done a tremendous job of improving the performance of distributors through enhanced educational activities.

Sensing Partnerships

Several companies are integrating OpSens' sensors into their products used in medical applications. One of our most valuable partnerships is our supply agreement with Abiomed. We were pleased to sign a four-year extension of this agreement to continue supplying OpSens' Fidelis™ sensor technology for Abiomed's Impella® heart pump through April 2028.

Agreements like these not only validate our fiber optic sensor technology but also provide us with a strong and predictable base of revenue and growth.

The long-term opportunities in this segment continue to get more attractive and we are working on an increasing number of potentially significant opportunities, where OpSens' proprietary sensing components could be integrated into critical projects.

Industrial Segment

Our industrial segment leverages our fiber optic sensing technology and knowledge by offering key solutions in optical temperature, pressure, strain, and other critical parameters for various industries, including aerospace, nuclear, and power electronics.

In particular, OpSens and our partners are developing an optical fuel monitoring system for aerospace applications based on OpSens Solutions' patented fiber optic technology.

The other key project is the International Thermonuclear Experimental Reactor (ITER), which is the world's largest nuclear fusion and scientific experiment, currently under construction in southern France. OpSens was selected to supply our customer with fiber optic absolute and differential pressure sensors, which will provide critical information for accurate monitoring of their cryogenic valve boxes. In total, it is anticipated that there will be a large number of sensors at different phases of this important project for which OpSens' proprietary sensor technology would be applicable.

Perspectives

In 2023, our priority remains to increase the impact of our products in cardiology from a commercial, clinical, and financial perspective, as we set the stage for an even more successful future.

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

In closing, we look forward to meeting with you at the annual virtual shareholder meeting to be held in January 2023 to present the Company's progress and prospects.

Louis Laflamme, CPA

President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2022

The following comments are intended to provide a review and analysis of the results of operations, financial condition, and cash flows of OpSens Inc. for the year ended August 31, 2022, in comparison with the corresponding periods ended August 31, 2021. In this Management's Discussion and Analysis ("MD&A"), "OpSens," "the Company," "we," "us" and "our" mean OpSens Inc. and its subsidiaries. This MD&A should be read and interpreted in conjunction with the information contained in our annual consolidated financial statements for the years ended August 31, 2022, and 2021, 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 21, 2022. All amounts are in Canadian dollars unless otherwise indicated.

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

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. The Company considers these assumptions to be reasonable based on all currently available information but cautions the reader that these assumptions regarding future events, many of which are beyond its control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect the Company and its business. The forward-looking information set forth therein reflects the Company's expectations as of November 21, 2022, and is subject to change after this date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

COVID-19

The COVID-19 pandemic had a moderate impact on the consolidated financial statements for the year ended August 31, 2022, following the supply chain disruptions that affected manufacturing and distribution of its products and hospitals procedure disruptions. For the second semester of the year, there have been a decrease in the negative impacts generated by the COVID-19 pandemic.

OVERVIEW

OpSens is a leader in advanced 2nd generation fiber optic sensor applications for cardiovascular interventions. The Company's current primary focus is the measurement of Fractional Flow Reserve ("FFR") and the diastolic pressure algorithm ("dPR") in the coronary artery disease market. OpSens offers an optical guidewire (OptoWire) powered by the 2nd generation optical sensor, Fidela, to measure pressure in the diagnosis and to improve clinical outcomes in patients with coronary artery disease. OpSens recently entered the large and rapidly growing structural heart space with its introduction of the SavvyWire as the first and only Sensor-Guided TAVR solution, designed to support TAVR efficiency and lifetime patient management. OpSens also operates in the Industrial segment through its wholly-owned subsidiary OpSens Solutions Inc. ("Solutions"). Solutions develops, manufactures, and installs innovative measurement solutions using fibre optic sensors for critical and demanding industrial applications.

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

SECTORS OF ACTIVITY

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

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

OpSens has established a direct sales force in the United States and Canada and primarily utilizes distributors in Europe (including the Middle East) and Japan.

OpSens is currently starting the broader commercialization of its proprietary SavvyWire, a product targeting structural heart market, one of the fastest growing segments of interventional cardiology. The SavvyWire is developed specifically for transcatheter aortic valve replacement ("TAVR"), was approved in Canada in April 2022, and cleared by the FDA for the U.S. market in September 2022.

OpSens also provides its proprietary sensing technology in the form of highly customizable microscale fiber optic sensors for pressure and temperature, which can be used in a wide range of applications and are designed to be integrated seamlessly into medical devices and life science research environments.

In the Industrial sector, OpSens' expertise, technology, and products meet the needs of multiple markets, including aerospace, nuclear, military, power electronics, geotechnical, and mining. OpSens' portfolio of products and technologies can be adapted to measure various parameters under the most difficult conditions and bring significant benefits in terms of optimizing production and reducing risks to the environment and health.

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

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

MARKET OVERVIEW

In the Medical sector, coronary artery disease represents a significant and growing opportunity for the Company. The prevalence of coronary artery disease is increasing rapidly. In the AHA report "Heart Disease and Stroke Statistics" - based on health data compiled in more than 190 countries - coronary heart disease was the leading cause of death worldwide in 2017 with 17.3 million deaths per year. This number is expected to exceed 23.6 million deaths in 2030. Coronary heart disease is one of the leading causes of death in the developed world, and the cost of managing and treating this disease is a significant burden to society. The benefits of FFR in patients with chronic coronary artery disease were demonstrated through randomized clinical trials studies such as FAME I and FAME II published in 2009 and 2012 in the New England Journal of Medicine (NEJM) and several other outcome studies. FFR-guided treatment, compared to assessment based only on angiography, led, after one year, respectively to a reduction of about 30% in mortality, myocardial infarction, readmission for revascularization through percutaneous coronary intervention and coronary bypass (FAME I study). FFR-guided treatment, compared to optimal medical therapy, also showed a

reduction of almost 90% in the risk of urgent revascularizations (FAME II study). Several reports also showed how inaccurate diagnoses can lead to unnecessary use of “stents” to treat the coronary artery disease.

FFR-guided treatment, following the publication of FAME I and FAME II, have been recognized with the highest recommendation (Class IA) by the European Society of Cardiology (ESC). In the United States, support for the increase in the use of physiologic measurement continues to grow. In March 2017, the appropriate use criteria (“AUC”) for chronic ischemic heart disease were updated to emphasize the use of FFR given its importance. The goal of the AUC is to provide a framework for assessing general clinical practices and improving the quality of care. The new AUCs reflect a recognition of the role and value of FFR, which should be beneficial for an expansion in the use of FFR technologies. Payers, including Medicare, use the AUC to help formulate their repayment criteria.

In April 2018, the Ministry of Health, Labour and Welfare (“MHLW”) in Japan introduced a new regulation requiring the physiology evaluation of all coronary artery stenosis prior to its treatment, specifically mentioning FFR as an evaluation method. The MHLW revised medical fees and established a requirement to assess functional ischemia (blockage of arteries) prior to treatment.

In the late 2010s, the use of non-hyperemic pressure ratios (NHPRs) has been an important factor to increase coronary physiology penetration to make faster and easier assessment of coronary occlusions, by removing the need for hyperemic drug injection. Like FFR, NHPRs also obtained the highest recommendation in the clinical guidelines for the diagnostic assessment of coronary lesions thanks to the DEFINE and SWEDEHEART studies.

FFR and NHPR-guided coronary interventions have also been validated in patients with Acute Coronary Syndromes (ACS) as a diagnostic tool to assess the severity of the non-culprit occlusion after the culprit blockage’s treatment, showing a reduction in major adverse cardiovascular events compared to a culprit-occlusion-only treatment strategy, with FFR being used in both a staged (DANAMI-3-PRIMULTI trial, published on LANCET) and acute (COMPARE-ACUTE trial, published on NEJM) setting. This approach for patients with acute disease can expand the benefits of FFR to a population twice as large as the chronic one.

These developments contribute to the steady growth of the coronary artery disease measurement market. According to management and industry source estimates¹, this market exceeded US\$600 million worldwide in 2022 and anticipates growth in the medium term to reach US\$1 billion. This growth will be progressively fueled by upcoming technologies implementing angiography-based or computed tomography (CT)-based physiology measurements. Currently these assessments are being validated and the penetration in the physiology market is mainly due to the clinical studies being performed. Angio and CT-based physiology is expected to partially expand at the expense of the wire-based physiology procedures, but mainly to grow the overall market addressing patients not being diagnosed with physiology today.

Aortic Valve Stenosis occurs when the heart’s aortic valve becomes diseased and subsequently narrows. This narrowing prevents the valve from fully opening, reducing, or blocking the blood flow from the heart into the aorta (the main artery to the body) and onward to the rest of the body. In multiple studies, minimally invasive TAVR has been shown to be superior to open-chest Surgical Aortic Valve Replacement (SAVR), with benefits including reduction in hospital stay and lower mortality, for both high and low-risk patients.

The TAVR market size is significant and growing, with an estimated 2022 global market opportunity of \$5 billion doubling to an estimated size of \$10 billion by 2028⁽²⁾. This overall increase is being underpinned with investments in device innovation combined with clinical⁽³⁾ and economic evidence generation for intermediate and low risk - and eventually asymptomatic patients – leading to larger patient populations in currently served markets, and growing adoption in emerging markets. With the SavvyWire, Opsens is targeting a portion of that market. We currently estimate that global 2023 TAVR volume will approach 275,000, with nearly 50% of the implants occurring in North America and another 30% in Western Europe⁽⁴⁾.

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

2. Edwards Lifesciences, Dec. 8, 2021 Investor Conference, accessed February, 2022.

3. Edwards Lifesciences: PARTNER 3, EARLY TAVR (asymptomatic severe aortic stenosis), PROGRESS Trial (moderate AS) and Medtronic: Evolut in Low-Risk patients.

4. OpSens TAVR and guidewire market calculations based on iData Research Inc. (Feb. 2022).

The overall value of the TAVR guidewire market is dependent on continued TAVR market expansion, growing adoption of pre-shaped guidewires and is sensitive to pricing constraints, especially in geographies with national healthcare systems. With anticipated growth in the TAVR market, adoption of pre-shaped guidewires, and additional clinical utility, we anticipate the global unit volume opportunity to exceed 400,000 units by 2027⁽⁴⁾.

Original Equipment Manufacturer (OEM): the Company's technology, expertise, and products can serve several markets including cardiovascular, neurovascular, MRI-adjacent therapies, renal, and others. The Company focuses mainly on the following markets:

- **Cardiology Market:** the opportunities in this market are related to several sub-markets where hemodynamic monitoring and/or blood temperature measurement are likely to improve existing therapies or make new therapies possible, namely coronary and peripheral interventions, structural heart interventions, heart failure, and electrophysiology;
- **Neurology Market:** the opportunities in this market are related principally to neurovascular interventions such as coil embolization, thrombectomy, and neuro-oncology. Fiber optic sensors' immunity to MRI and microscale properties are particularly pertinent for this market.

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

- **Aerospace Market:** the opportunities in this market are principally related to fuel monitoring systems for aircrafts. A new industrial version of the absolute pressure sensor and the recent addition of a differential pressure sensor are the main products for these applications;
- **Nuclear Market:** the opportunities in this market are related principally to new nuclear technologies to produce energy. The new and recently patented fibre optic differential pressure sensor is the main solution for that market;
- **Military and Power Electronics Markets:** they include niche applications in which the Company is currently engaged, such as EMI assessment of electro-pyrotechnic devices and thermal characterization of power electronics devices.

4. OpSens TAVR and guidewire market calculations based on iData Research Inc. (Feb. 2022).

COMPETITION

In the Medical sector, coronary artery disease measurement market has five competitors and is currently dominated by two major players who commercialize standard electrical technology. Competition is based on technological advantages, brand recognition, customer service, marketing support and price. Over the past years, CT and angiography-based FFR technologies, have emerged with new tools for functional lesion assessment without the need for dedicated pressure wires.

For TAVR, the current global guidewire market is segmented into straight and pre-shaped guidewires and is currently dominated by pre-shaped wires supplied by two companies. We anticipate these companies to continue providing iterative, rather than platform, innovation and one additional entrant to the market sometime in early calendar year 2023. OpSens' entrance into this market is expected to be notable, as no current TAVR guidewire combines the benefits of being pre-shaped with the ability to deliver reliable left-ventricular rapid pacing while accurately measuring real-time hemodynamic pressure.

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

CORPORATE GROWTH STRATEGY

OpSens' growth strategy is to become a key player in the Medical sector focusing on the coronary artery disease measurement and on the TAVR procedure, where its products and technologies offer major advantages over the competition. The Company also aims to capitalize on its technologies and products in the industrial markets. To this end, the Company implements its corporate strategy based on its various segments of operations.

In the Medical sector, the Company's growth strategy in the field of interventional cardiology is conducted by taking market share in the established and growing coronary artery disease space and to enter a segment of the large, rapidly growing global TAVR market:

Coronary Artery Disease:

Interventional cardiologists have started focusing on measurements performed with the heart at rest. These measurements require greater accuracy and constant and repeated guidewire performance over time. With Fidela, its second-generation optical sensor, the Company is convinced that there will be a growing interest in the OptoWire beyond the 200,000 patients already served. Key differentiators include:

- highly accurate measurement technology for improved reliability, essential to cardiologists' decision-making in the diagnosis of coronary artery disease; and
- better and more trustworthy connectivity that is insensitive to blood contamination. The OptoWire can be easily disconnected to be used as interventional wire and reconnected to measure the post-intervention value without compromising accuracy.

Structural Heart:

OpSens has designed and developed the SavvyWire, leveraging the same Fidela second-generation optical sensor used in OptoWire and Abiomed's Impella systems. Unlike competitive TAVR guidewires that are just a wire, SavvyWire is more than a wire and enables the world's first and only sensor-guided TAVR solution. SavvyWire uniquely provides a 3-in-1 solution for stable aortic valve delivery and positioning, continuous accurate hemodynamic measurement during the procedure, and reliable left ventricular pacing without the need for adjunct devices or venous access.

These key attributes are considered significant benefits to the medical community and have been highly anticipated by physicians who perform TAVR procedures to optimize efficiency and workflow by eliminating products and device exchanges. OpSens received Health Canada Approval in April 2022, completed a limited market release in August, and now has over 100 patients served in Canada.

We received FDA 510(k) clearance in September 2022 just ahead of a major TCT conference, then announced first use in the U.S. with 10 consecutive patients treated with a variety of anatomies and levels of complexity

including bicuspid valve, severe vessel tortuosity, horizontal aorta, failed prior surgical valve (valve-in-valve) using both balloon-expandable and self-expandable valves, and balloon valvuloplasty. We are conducting a limited market release in the U.S. through the end of calendar year 2022, with a full launch anticipated in early 2023.

Finally, OpSens has submitted for CE Mark, and we anticipate approval in FY23. We will leverage CE Mark, Health Canada Approval and FDA clearance to register and conduct initial cases in FY23 in Europe and Middle East.

OptoMonitor:

Ease of use and seamless workflow of the OptoMonitor III monitoring system also play a significant role in the expansion of physiology assessment and enable sensor-guided TAVR. OpSens is playing a growing role in the competitive arena both with hardware and software solutions aiming to integrate physiology in the interventional workflow and hemodynamics and pacing into the TAVR workflow.

Sales Force:

Direct Sales Force: OpSens has established a direct sales team, hiring a seasoned staff with solid expertise in coronary artery disease and structural heart disease. This sales force has been implemented to increase OpSens' market and commercialization penetration in the United States and Canada and has doubled within FY 2022. OpSens also targets agreements with group purchasing organizations to accelerate penetration, particularly in the United States. OpSens has successfully signed several agreements with group purchasing organizations.

Distributor Sales Force: OpSens has signed distribution agreements in Europe, Asia, and the Middle East. These agreements allow OpSens to focus on market penetration with leading business partners in their respective markets.

Clinical Data

Major clinical studies previously suspended due to the COVID-19 pandemic have now fully resumed with pre-pandemic enrollment speed. Recent studies were designed and prepared during the pandemic with limited cathlab operation and are now about to start. OpSens aims to generate meaningful clinical data on OptoWire performance and benefit, but also on the importance of hemodynamic in the treatment of coronary artery disease. We are also planning clinical studies to come in 2023 on SavvyWire. On October 26, 2022, OpSens announced first SavvyWire cases in Europe and launch of SAFE-TAVI study.

Innovation

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

OpSens offers a broad selection of microscale optical sensors to measure pressure and temperature that can be used in a wide range of applications and that are designed to be integrated into other medical devices. The Company aims to partner with key players in the medical device industry. The partnership with Abiomed Inc. ("Abiomed"), for the use of its miniature sensors and technology, is an example of the type of partnership the Company targets.

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

- Target Market: OpSens Solutions' target markets are aerospace, nuclear, military, power electronics, geotechnical, and mining. These are markets where OpSens' products offer unique advantages over its competitors; and
- Innovation: OpSens Solutions continually invests in innovations for its products, so they can offer unique advantages over competitors. For example, the Company's optical strain and pressure sensors have received

the attention of major players in the aerospace industry because they require no shielding or grounding and because of their ease of deployment.

NON-IFRS FINANCIAL MEASURES – EBITDAO

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

RECONCILIATION OF EBITDAO TO NET INCOME (LOSS)

(In thousands of Canadian dollars)	Year ended August 31, 2022	Year ended August 31, 2021	Year ended August 31, 2020
	\$	\$	\$
Net income (loss)	(11,378)	(1,150)	(2,644)
Financial expenses	312	637	684
Depreciation of property, plant and equipment and right-of-use assets	1,553	1,544	1,548
Amortization of intangible assets	264	230	120
Stock-based compensation costs	1,161	459	438
Current income tax expense	43	21	-
EBITDAO	(8,045)	1,741	146

The negative variance of EBITDAO for the year ended August 31, 2022, is mainly explained by the increase in our operating expenses and by lower gross margin in the medical segment.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Year ended August 31, 2022	Year ended August 31, 2021	Year ended August 31, 2020
	\$	\$	\$
Revenues			
Sales			
Medical	31,427	30,985	26,996
Industrial	3,577	3,363	2,457
	35,004	34,348	29,453
Other	320	116	-
	35,324	34,464	29,453
Cost of sales	17,523	15,783	13,834
Gross margin	17,801	18,681	15,619
Gross margin percentage	50%	54%	53%
Operating expenses			
Administrative	7,822	6,473	5,041
Sales and marketing	12,576	7,649	8,780
Research and development	8,358	5,510	5,441
	28,756	19,632	19,262
Other income	-	(740)	(1,683)
Financial expenses	312	637	684
Loss on foreign currency	68	281	-
Loss before income taxes	(11,335)	(1,129)	(2,644)
Current income tax expense	43	21	-
Net loss	(11,378)	(1,150)	(2,644)
Basic and diluted net loss per share	(0.11)	(0.01)	(0.03)

The following table presents share-based payment and related expenses amounts recognized by the Company:

(In thousands of Canadian dollars)	Year ended August 31, 2022	Year ended August 31, 2021	Year ended August 31, 2020
	\$	\$	\$
Cost of sales	31	31	31
Administrative	540	175	173
Sales and marketing	331	99	137
Research and development	259	154	97
Stock-based compensation costs	1,161	459	438

Revenues

The Company reported revenues of \$35,324,000 for the year ended August 31, 2022, compared to \$34,464,000 for the corresponding period in 2021, an increase of \$860,000 or 2%. Sales in the Medical segment totalled \$31,427,000 (excluding other revenues) for the year ended August 31, 2022, compared to \$30,985,000 for the same period in 2021, an increase of \$442,000. The increase in Medical segment revenues is explained by higher sales in the original equipment manufacturer (“OEM”) line of business of \$1,439,000 compared with the same period in 2021. This is partly offset by lower sales in the coronary artery disease measurement sales (FFR and dPR) of \$1,087,000 compared to the same period last year. The Company recorded its first revenue related to its new guidewire for TAVR procedure during the fiscal year 2022.

The Company also reported other revenues of \$320,000 related to a new development project with OEM partners for the year ended August 31, 2022, compared to \$116,000 for the same period in 2021.

Sales in the Industrial segment totalled \$3,577,000 for the year ended August 31, 2022, compared to sales of \$3,363,000 for the same period in 2021. The slight increase is explained by a higher volume of orders compared to the same period last year.

For the years ended August 31, 2022, and 2021, price has been slightly reduced by GPO’s agreements.

The Company’s revenues are generated in U.S. dollars, Canadian dollars, euros, and British pounds; fluctuations in the exchange rate affect revenues and net loss. For the year ended August 31, 2022, revenues were negatively affected by \$565,000 compared to the same period last year (sales were negatively impacted by \$1,360,000 for the year ended August 31, 2021).

As at August 31, 2022, OpSens’ total backlog of purchases orders received from clients amounted to \$18,104,000 (\$14,565,000 as at August 31, 2021).

Gross Margin

Gross margin was \$17,801,000 for the year ended August 31, 2022, compared to \$18,681,000 for the same period last year. The gross margin percentage decreased to 50% for the year ended August 31, 2022, compared to 54% for the year ended August 31, 2021. The decrease in gross margin is mainly explained by the end-of-life of the production for OptoWire 2, higher manufacturing costs during the COVID-19 period and by the decrease in the average sales price for the EMEA market due to the depreciation of the euro currency.

Administrative Expenses

Administrative expenses were at \$7,822,000 and \$6,473,000, respectively, for the years ended August 31, 2022, and 2021. The increase is largely explained by higher headcount and by higher share-based compensation expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled \$12,576,000 for the year ended August 31, 2022, an increase of \$4,927,000 over the \$7,649,000 reported during the same period in 2021. The increase is largely explained by higher headcount, commissions, in-person trade shows, subcontractors, travelling expenses and share-based compensation expenses related to the expansion of our direct sales force to accelerate the growth of our coronary artery disease market and to enter a segment of the large, rapidly growing global TAVR market.

Research and Development Expenses

Research and development expenses totalled \$8,358,000 for the year ended August 31, 2022, an increase of \$2,848,000 over the \$5,510,000 reported during the same period in 2021. The increase is largely explained by higher headcount and subcontractors dedicated to the development of new products and software in our medical segment. These investments are justified in order to improve OpSens’ competitiveness and achieve our growth objectives.

Other Income

Other income was nil and \$740,000, respectively, for the years ended August 31, 2022, and 2021. Last year we received a non-refundable contribution under the Canada Emergency Wage Subsidy (CEWS) program.

Financial Expenses

Financial expenses totalled \$312,000 for the year ended August 31, 2022, compared to \$637,000 for the same period in 2021. The decrease in financial expenses is mainly explained by lower interest expenses of \$294,000 following the repayment of the long-term loan with a Canadian financial institution in September 2021.

Loss on Foreign Currency

Loss on foreign currency totalled \$68,000 for the year ended August 31, 2022, compared to \$281,000 for the same period in 2021.

Net Loss

As a result of the foregoing, net loss for the year ended August 31, 2022, was \$11,378,000 compared to \$1,150,000 for the same period in 2021.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	As at August 31, 2022	As at August 31, 2021	As at August 31, 2020
	\$	\$	\$
Current assets	39,015	49,783	22,543
Total assets	48,511	58,512	31,098
Current liabilities	8,601	7,395	5,655
Long-term liabilities	5,651	8,787	10,906
Shareholders' equity	34,259	42,330	15,347

Total assets as at August 31, 2022, were \$48,511,000 compared to \$58,512,000 as at August 31, 2021. The decrease is mainly related to lower cash and cash equivalents of \$14,747,000 following the repayment of the long-term loan with a Canadian financial institution and the increase in the operating expenses.

Current liabilities totalled \$8,601,000 as of August 31, 2022, compared to \$7,395,000 as of August 31, 2021. The increase is mainly explained by higher accounts payable and accrued liabilities of \$3,457,000. This is partly offset by a lower current portion of long-term debt of \$2,332,000.

Long-term liabilities totalled \$5,651,000 as of August 31, 2022, compared to \$8,787,000 as of August 31, 2021, a decrease of \$3,136,000. The decrease is mainly explained by the repayment of the long-term loan with a Canadian financial institution. This is partly offset by the increase of the lease liabilities.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

(Unaudited, in thousands of Canadian dollars, except for information per share)	Three-month period ended August 31, 2022	Three-month period ended May 31, 2022	Three-month period ended February 28, 2022	Three-month period ended November 30, 2021
	\$	\$	\$	\$
Revenues	9,052	10,076	8,100	8,096
Net loss for the period	(4,029)	(2,856)	(2,404)	(2,089)
Basic and diluted net loss per share	(0.04)	(0.03)	(0.02)	(0.02)

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

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

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2022, the Company had cash and cash equivalents of \$23,816,000 compared to \$38,563,000 as at August 31, 2021. Of this amount as at August 31, 2022, \$21,194,000 were invested in highly-liquid, safe investments.

As at August 31, 2022, OpSens had a working capital of \$30,415,000, compared to \$42,388,000 as at August 31, 2021. The decrease in working capital is mainly related to lower cash and cash equivalents following the reimbursement of the long-term loan with a Canadian financial institution and the increase in the operating expenses.

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

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

(In Canadian dollars)	Use of funds as planned	Over-Allotment	Funds available to OpSens from equity financing	Actual use of funds as at August 31, 2022	Funds remaining to be used
	\$	\$	\$	\$	\$
Net proceeds from the issue, including the over-allotment option	22,874,000	3,750,000	26,624,000	16,810,211	9,813,789
Use of proceeds					
Sales and Marketing	7,000,000	-	7,000,000	7,000,000	-
Research and Development	8,000,000	-	8,000,000	8,000,000	-
Capital expenditures and production ramp-up	3,000,000	-	3,000,000	1,501,733	1,498,267
Working capital	4,874,000	3,750,000	8,624,000	308,478	8,315,522
Total use of proceeds	22,874,000	3,750,000	26,624,000	16,810,211	9,813,789

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

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

SUMMARY OF CASH FLOWS

(In thousands of Canadian dollars)	Year ended August 31, 2022	Year ended August 31, 2021
	\$	\$
Operating activities	(8,781)	2,839
Investing activities	(973)	(937)
Financing activities	(5,011)	25,875
Effect of foreign exchange rate changes on cash and cash equivalents	18	(98)
Net change in cash and cash equivalents	(14,747)	27,679

Operating Activities

For the year ended August 31, 2022, cash flows used by our operating activities were \$8,781,000 compared to cash flows generated of 2,839,000 for the same period last year. The increase in cash flows used by our operating activities is mainly explained by a negative variance of EBITDAO, as explained previously and by a negative variance of changes in non-cash operating working capital items related to trade and other receivables and prepaid expenses. This is partly offset by a positive variance of changes in non-cash operating working capital items related to accounts payable and accrued liabilities.

Investing Activities

For the year ended August 31, 2022, cash flows used by our investing activities reached \$973,000 compared to \$937,000 for the same period in 2021. The slight increase in cash flows used is mainly explained by higher acquisition of property, plant and equipment assets for the Medical sector. This is partly offset by an increase in interest received.

Financing Activities

For the year ended August 31, 2022, cash flows used by financing activities reached \$5,011,000 compared to cash flows generated of \$25,875,000 for the same period in 2021. The variation is mainly explained by completion of a bought deal public offering in February 2021 and by the repayment of the long-term loan with a Canadian financial institution in September 2021.

INFORMATION BY REPORTABLE SEGMENTS

Segmented Information

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

Medical segment: in this segment, OpSens focuses mainly on physiological measurement such as FFR and dPR in the coronary artery disease market and on the TAVR procedure in the structural market. Opsens also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. This also includes other revenues related to its optical sensor technology.

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

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

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

	Years ended August 31					
	2022			2021		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	31,747,408	3,576,498	35,323,906	31,101,209	3,362,611	34,463,820
Internal sales	84,363	259,961	344,324	111,695	381,797	493,492
Gross margin	15,506,597	2,294,121	17,800,718	16,457,466	2,222,896	18,680,362
Depreciation of property, plant and equipment and right-of-use assets	1,342,485	210,896	1,553,381	1,362,247	181,951	1,544,198
Amortization of intangible assets	244,980	19,181	264,161	218,255	11,644	229,899
Other income	-	-	-	445,506	294,656	740,162
Financial expenses	13,854	297,633	311,487	318,488	318,636	637,124
Loss (gain) on foreign currency translation	73,558	(5,311)	68,247	221,522	59,102	280,624
Current income tax expense	43,693	-	43,693	21,186	-	21,186
Net (loss) income	(11,764,281)	386,051	(11,378,230)	(1,969,256)	818,828	(1,150,428)
Acquisition of property, plant and equipment	980,552	18,794	999,346	651,109	44,650	695,759
Additions to intangible assets	314,138	59,917	374,055	264,398	19,788	284,186
Segment assets	45,525,229	2,986,062	48,511,291	56,212,182	2,300,223	58,512,405
Segment liabilities	13,334,210	918,339	14,252,549	15,246,157	936,253	16,182,410

Information by geographic segment

	Years ended August 31,	
	2022	2021
	\$	\$
Revenue by geographic segment		
United States	14,883,524	12,862,452
Japan	5,993,435	7,277,326
Canada	3,428,461	3,270,982
Other*	11,018,486	11,053,060
	35,323,906	34,463,820

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

Revenues are attributed to the geographic segment based on the client's location.

Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are located in Canada, except non-current assets located in United States of \$191,909 as at August 31, 2022 (\$19,440 as at August 31, 2021).

For the year ended August 31, 2022, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company i.e., 23% and 16% (21% and 19% for the year ended August 31, 2021).

Medical Segment

For the year ended August 31, 2022, sales from the Medical segment were \$31,427,000 compared to \$30,985,000 for the year ended August 31, 2021, an increase of \$442,000. The increase is explained by higher OEM medical sales of \$1,439,000. This is partly offset by lower coronary artery disease product sales of \$1,087,000.

Gross margin was \$15,507,000 for the year ended August 31, 2022, compared to \$16,458,000 for the year ended August 31, 2021, a decrease of \$951,000. The gross margin percentage decreased at 49% for the year ended August 31, 2022, compared to 53% for year ended August 31, 2021. The decrease in gross margin percentage is mainly explained by the end-of-life production for OptoWire 2, higher manufacturing costs during the COVID-19 period and by the decreased in the average sales price for the EMEA market due to depreciation for the euro currency.

Net loss for the medical segment was \$11,764,000 for the year ended August 31, 2022, compared to \$1,969,000 for the same period last year. The increase in net loss is mainly explained by higher operating expenses in the current year and by lower gross margin.

Working capital for the Medical segment as at August 31, 2022, was \$28,719,000 compared to \$41,372,000 as at August 31, 2021. The decrease of \$12,653,000 is mainly explained by lower cash and cash equivalents of \$15,001,000. This is partly offset by higher prepaid expenses of \$1,079,000 and by higher trade and other receivables of \$1,384,000.

Industrial Segment

For the year ended August 31, 2022, external sales from the Industrial segment were \$3,577,000 compared to \$3,363,000 for the year ended August 31, 2021, an increase of \$214,000 mostly explained by a higher volume of orders compared to the same period last year.

Gross margin was \$2,294,000 for the year ended August 31, 2022, compared to \$2,223,000 for the same period in 2021, an increase of \$71,000. The gross margin percentage slightly increased from 59% for the year ended August 31, 2021, to 60% for the year ended August 31, 2022.

Net income for the Industrial segment was \$386,000 for the year ended August 31, 2022, compared to \$819,000 for the year ended August 31, 2021. The decrease is mainly explained by a non-refundable contribution under the Canada Emergency Wage Subsidy (CEWS) program received last year.

Working capital for the Industrial segment as at August 31, 2022, was \$1,696,000 compared to \$1,016,000 as at August 31, 2021. The increase is mainly explained by higher trade and other receivables of \$339,000, by higher cash and cash equivalents of \$252,000 and by higher inventory of \$179,000. This is partly offset by higher accounts payable and accrued liabilities of \$207,000.

FOURTH QUARTER 2022

Revenues

Revenues totalled \$9,052,000 for the three-month period ended August 31, 2022, compared to \$8,066,000 for the corresponding period in 2021, an increase of \$986,000. The increase is explained by higher revenues in all segments.

Gross Margin

Gross margin was \$4,375,000 for the three-month period ended August 31, 2022, compared to \$4,016,000 for the same period last year. The gross margin percentage decreased to 48% for the three-month period ended August 31, 2022, compared to 50% for the three-month period ended August 31, 2021. The decrease in gross margin percentage is mainly explained by the end-of-life production for OptoWire 2.

Administrative Expenses

Administrative expenses were at \$1,872,000 and \$1,794,000, respectively, for the three-month period ended August 31, 2022, and the three-month period ended August 31, 2021. The increase is largely explained by higher headcount.

Sales and Marketing Expenses

Sales and marketing expenses totalled \$4,339,000 for the three-month period ended August 31, 2022, an increase of \$2,148,000 over the \$2,191,000 reported during the same period in 2021. The increase is largely explained by higher headcount, commissions, in person trade shows, subcontractors and travelling expenses when compared to last year related to the expansion of our direct sales force to accelerate the growth of our coronary artery disease market and to enter a segment of the large, rapidly growing global TAVR market.

Research and Development Expenses

Research and development expenses totalled \$2,244,000 for the three-month period ended August 31, 2022, an increase of \$904,000 over the \$1,340,000 reported during the same period in 2021. The increase is largely explained by the higher headcount and subcontractors dedicated to the development of new products and software in our medical segment. These additions aim at improving OpSens' competitiveness and at achieving our growth objectives.

Other Income

Other income was nil and \$19,000, respectively, for the three-month periods ended August 31, 2022, and August 31, 2021. The decrease is explained by a non-refundable contribution under the CEWS program received last year.

Financial Expenses

Financial expenses totalled \$1,000 for the three-month period ended August 31, 2022, compared to \$141,000 for the same period in 2021. The decrease in financial expenses is mainly explained by lower interest expenses of \$65,000 and a higher interest income of \$87,000.

Gain on Foreign Currency

Gain on foreign currency totalled \$52,000 for the three-month period ended August 31, 2022, compared to \$202,000 for the same period in 2021.

Net Loss

As a result of the foregoing, net loss for the three-month period ended August 31, 2022, was \$4,029,000 compared to \$1,215,000 for the same period in 2021.

PRODUCT DEVELOPMENT

	Years ended August 31	
	2022	2021
	\$	\$
SavvyWire	880,000	1,334,000
R&D expenses	7,478,000	4,176,000
	8,358,000	5,510,000
As a percentage of revenues	24%	16%

OpSens is developing the SavvyWire, a product targeting the TAVR market in structural cardiology, one of the fastest growing segments of cardiology. It is anticipated to become the first guidewire intended to deliver a valvular prosthesis while allowing continuous hemodynamic pressure measurement during the procedure and having reliable left ventricular pacing capacity.

OpSens has successfully completed the planned in-human clinical study on twenty patients required to complete regulatory filing in U.S. Regulatory filing for Canada, United States and Europe were done during Q2 2022. SavvyWire was approved in Canada in April 2022 and in the United States in September 2022. Product launch of the SavvyWire is deployed as authorizations are received.

Expenses related to the development of the SavvyWire since the beginning of the project total \$3,298,000.

INFORMATION ON SHARE CAPITAL

For the year ended August 31, 2022, the Company granted to some employees and directors a total of 2,868,250 stock options with an average exercise price of \$2.43, cancelled 553,375 stock options with an exercise price of \$1.44, 1,678,000 stock options with an average exercise price of \$1.29 were exercised, and 131,000 stock options with an exercise price of \$1.44 expired.

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

As at November 21, 2022, the following components of shareholders' equity are outstanding:

Common shares	108,884,312
Stock options	7,991,414
Securities on a fully diluted basis	116,875,726

No dividend was declared per share for each share class.

RELATED PARTY TRANSACTIONS

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors for the years ended August 31, 2022, and 2021 were as follows:

	Years ended August 31	
	2022	2021
	\$	\$
Short-term salaries and other benefits	1,718,459	1,219,527
Option-based awards	432,386	119,303
	2,150,845	1,338,830

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

FINANCIAL INSTRUMENTS

Fair Value

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

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

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

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

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

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

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

Risk Management

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. The Company's credit risk management policies include the authorization to carry out investment transactions with recognized financial institutions with credit ratings of at least A and higher, in either bonds, money market funds or guaranteed investment certificates. Consequently, the Company manages credit risk by complying with established investment policies.

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 35.98% of the Company's total accounts receivable as at August 31, 2022 (34.67% as at August 31, 2021).

As at August 31, 2022, 0.03% (10.36% as at August 31, 2021) of the accounts receivable were of more than 90 days whereas 68.02% (64.51% as at August 31, 2021) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2022, the allowance for doubtful accounts was nil (\$213,353 as at August 31, 2021).

Liquidity Risk

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

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2022, and 2021:

As at August 31, 2022	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	7,300,262	7,300,262	7,300,262	-	-
Long-term debt	1,110,076	1,053,190	462,684	436,944	153,562
Total	8,410,338	8,353,452	7,762,946	436,944	153,562

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

Interest Rate Risk

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

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

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments. The Company owns investments with fixed and variable interest rates. As at August 31, 2022, the Company was holding more than 89% (93% as at August 31, 2021) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would have an impact of \$8,507 on net loss and comprehensive loss for the year ended August 31, 2022 (\$75,939 for the year ended August 31, 2021).

Financial Expenses (Revenues)

	Years ended August 31	
	2022	2021
	\$	\$
Interest and bank charges	210,822	80,498
Interest on long-term debt	102,401	398,605
Interest on lease liabilities	270,038	267,557
Interest income	(271,774)	(109,536)
	311,487	637,124

Concentration Risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As at August 31, 2022, and 2021, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases mainly of raw materials, salaries and other benefits, supplies and professional services in U.S. dollars, Euros and British pounds. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk

Foreign Currency Sensitivity Analysis

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

Year ended August 31, 2022

		CA\$/US\$	CA\$/EUR€	CA\$/GBP£
		\$	\$	\$
Decrease (increase) of the net loss	10% appreciation in the Canadian dollar	(461,000)	(580,000)	34,000
Decrease (increase) of the net loss	10% depreciation in the Canadian dollar	461,000	580,000	(34,000)

Year ended August 31, 2021

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

As at August 31, 2022 and 2021, the risks to which the Company was exposed is established as follows:

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Cash and cash equivalents (US\$1,105,744; US\$1,350,764 as at August 31, 2021)	1,449,741	1,704,259
Cash and cash equivalents (€344,904; €233,721 as at August 31, 2021)	453,928	348,385
Cash and cash equivalents (£ 6,115; £ 3,039 as at August 31, 2021)	9,320	5,277
Trade and other receivables (US\$2,848,057; US\$1,828,513 as at August 31, 2021)	3,734,087	2,307,035
Trade and other receivables (€956,523; €815,415 as at August 31, 2021)	1,258,880	1,215,458
Trade and other receivables (£ 97,768; £ 52,500 as at August 31, 2021)	149,008	91,166
Accounts payable and accrued liabilities (US\$1,846,808; US\$376,989 as at August 31, 2021)	(2,421,350)	(475,647)
Accounts payable and accrued liabilities (€63,690; €9,273 as at August 31, 2021)	(83,822)	(13,822)
Accounts payable and accrued liabilities (£ 16,283; £ 6,753 as at August 31, 2021)	(24,817)	(11,726)
Total	4,524,975	5,170,385

CAPITAL MANAGEMENT

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

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

As at August 31, 2022, the Company's working capital amounted to \$30,414,701 (\$42,387,696 as at August 31, 2021), including cash and cash equivalents of \$23,816,490 (\$38,563,271 as at August 31, 2021). The accumulated deficit at the same date was \$55,773,679 (\$44,395,449 as at August 31, 2021). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2022.

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

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

For the years ended August 31, 2022, and 2021, the Company has not been in default on any of its obligations regarding long-term debt and lease liabilities.

CAPACITY TO PRODUCE RESULTS

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

From the human resources’ perspective, there are no vacancies in the major executive positions within the Company. However, additional technical and production personnel as well as sales and marketing personnel will be required to support the expected growth. Considering the employment market in Canada, the United States and Europe, the Company is confident in its capacity to recruit qualified human resources in a timely fashion.

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

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the requirements of National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), the Company’s management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures (DC&P). Based upon the results of the evaluation, the Company’s CEO and CFO have concluded that as at August 31, 2022, the Company’s disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective as at August 31, 2022.

RISK FACTORS

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

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

OFF-BALANCE SHEET ARRANGEMENTS

As of August 31, 2022, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements.

OTHER INFORMATION

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

On behalf of management,
Chief Financial Officer and Corporate Secretary

(s) Robin Villeneuve, CPA

November 21, 2022

Consolidated Financial Statements

OpSens Inc.

Years ended August 31, 2022 and 2021

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of OpSens Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended August 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte LLP

Quebec City, Canada
November 21, 2022

¹CPA auditor, public accountancy permit No. A124208

OpSens Inc.

Consolidated Statements of Loss and Comprehensive Loss

Years ended August 31, 2022 and 2021

(in Canadian dollars)

	2022	2021
	\$	\$
Revenues		
Sales	35,003,815	34,347,899
Other	320,091	115,921
	35,323,906	34,463,820
Cost of sales	17,523,188	15,783,458
Gross margin	17,800,718	18,680,362
Operating expenses (Note 21)		
Administrative	7,822,257	6,472,857
Sales and marketing	12,575,441	7,649,336
Research and development	8,357,823	5,509,825
	28,755,521	19,632,018
Other income (Note 16)	-	(740,162)
Financial expenses (Note 22)	311,487	637,124
Loss on foreign currency translation	68,247	280,624
Loss before income taxes	(11,334,537)	(1,129,242)
Current income tax expense	43,693	21,186
Net loss	(11,378,230)	(1,150,428)
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to net loss</i>		
Net changes in unrealized gain (loss) on translation of foreign operations	(10,797)	8,662
Comprehensive loss	(11,389,027)	(1,141,766)
Basic and diluted net loss per share (Note 13)	(0.11)	(0.01)

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

OpSens Inc.

Consolidated Statement of Changes in Equity

Year ended August 31, 2022

(in Canadian dollars)

	Common shares (number)	Share capital	Reserve – Stock option plan	Accumulated other comprehensive loss – Foreign operations translation	Deficit	Total
		\$	\$	\$	\$	\$
Balance as at August 31, 2021	107,157,039	82,894,802	3,821,980	8,662	(44,395,449)	42,329,995
Common shares issued pursuant to the stock option plan (Note 12a)	1,678,000	3,048,765	(892,314)	-	-	2,156,451
Stock-based compensation costs (Note 12b)	-	-	1,161,323	-	-	1,161,323
Other comprehensive loss – Net changes in unrealized loss on translation of foreign operations	-	-	-	(10,797)	-	(10,797)
Net loss	-	-	-	-	(11,378,230)	(11,378,230)
Balance as at August 31, 2022	108,835,039	85,943,567	4,090,989	(2,135)	(55,773,679)	34,258,742

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

OpSens Inc.

Consolidated Statement of Changes in Equity

Year ended August 31, 2021

(in Canadian dollars)

	Common shares (number)	Share capital	Reserve – Stock option plan	Accumulated other comprehensive income – Foreign operations translation	Deficit	Total
		\$	\$	\$	\$	\$
Balance as at August 31, 2020	90,280,317	54,768,369	3,823,514	-	(43,245,021)	15,346,862
Common shares issued in connection with a public bought deal offering (Note 12a)	15,972,222	26,624,000	-	-	-	26,624,000
Common shares issued pursuant to the stock option plan (Note 12a)	904,500	1,502,433	(460,077)	-	-	1,042,356
Stock-based compensation costs (Note 12b)	-	-	458,543	-	-	458,543
Other comprehensive income – Net changes in unrealized gain on translation of foreign operations	-	-	-	8,662	-	8,662
Net loss	-	-	-	-	(1,150,428)	(1,150,428)
Balance as at August 31, 2021	107,157,039	82,894,802	3,821,980	8,662	(44,395,449)	42,329,995

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

OpSens Inc.

Consolidated Statements of Financial Position

(in Canadian dollars)

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Assets		
Current		
Cash and cash equivalents (Note 14)	23,816,490	38,563,271
Trade and other receivables (Note 4)	5,855,295	4,135,446
Government assistance receivable (Note 16)	264,695	-
Tax credits receivable (Note 18)	655,418	320,000
Inventories (Note 5)	6,672,179	6,115,091
Prepaid expenses	1,751,567	648,884
	39,015,644	49,782,692
Property, plant and equipment (Note 6)	2,683,077	2,731,508
Intangible assets (Note 7)	1,786,491	1,676,597
Right-of-use assets (Note 11)	5,026,079	4,321,608
	48,511,291	58,512,405
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	7,300,262	3,842,871
Warranty provision (Note 15)	52,419	83,803
Deferred revenues	204,283	120,710
Current income taxes payable	10,979	19,895
Current portion of long-term debt (Note 10)	470,516	2,802,223
Current portion of lease liabilities (Note 11)	562,484	525,494
	8,600,943	7,394,996
Long-term debt (Note 10)	639,560	4,594,594
Lease liabilities (Note 11)	5,012,046	4,192,820
	14,252,549	16,182,410
Shareholders' equity		
Share capital (Note 12a)	85,943,567	82,894,802
Reserve – Stock option plan (Note 12b)	4,090,989	3,821,980
Accumulated other comprehensive income (loss)	(2,135)	8,662
Deficit	(55,773,679)	(44,395,449)
	34,258,742	42,329,995
	48,511,291	58,512,405

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

Approved by the Board

Signed [Jean Lavigueur], director

Signed [Louis Laflamme], director

OpSens Inc.

Consolidated Statements of Cash Flows

Years ended August 31, 2022 and 2021

(in Canadian dollars)

	2022	2021
	\$	\$
Operating activities		
Net loss	(11,378,230)	(1,150,428)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (Notes 6 and 11)	1,553,381	1,544,198
Amortisation of intangible assets (Note 7)	264,161	229,899
Loss on disposal of property, plant and equipment	156,244	267,562
Stock-based compensation costs (Note 12b)	1,161,323	458,543
Interest expense	136,768	568,130
Unrealized foreign exchange loss (gain)	(31,043)	106,757
Changes in non-cash operating working capital items (Note 14)	(643,955)	814,833
	(8,781,351)	2,839,494
Investing activities		
Acquisition of property, plant and equipment (Notes 6 and 14)	(857,996)	(746,837)
Additions to intangible assets (Notes 7 and 14)	(350,519)	(288,150)
Interest received	235,673	97,529
	(972,842)	(937,458)
Financing activities		
Increase in long-term debt, net of transaction costs	-	842,180
Reimbursement of long-term debt	(6,317,585)	(1,550,736)
Payment of lease liabilities	(508,097)	(453,686)
Proceeds from issuance of shares (Note 12a)	2,156,451	29,792,356
Transaction costs attributable to the issuance of common shares (Note 12a)	-	(2,126,000)
Interest paid	(341,597)	(628,851)
	(5,010,828)	25,875,263
Effect of foreign exchange rate changes on cash and cash equivalents	18,240	(98,047)
Increase (decrease) in cash and cash equivalents	(14,746,781)	27,679,252
Cash and cash equivalents – Beginning of year	38,563,271	10,884,019
Cash and cash equivalents – End of year	23,816,490	38,563,271

Additional information on the consolidated statements of cash flows is presented in Note 14.

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

1. Incorporation and Description of Business

OpSens Inc. ("OpSens" or the "Company") is incorporated under the Business Corporations Act (Quebec). OpSens focuses mainly on physiological measurement such as Fractional Flow Reserve (FFR) and Diastolic Pressure Ratio (dPR) in the coronary artery disease market and on transcatheter aortic valve replacement (TAVR) in the structural heart market. The Company supplies an advanced optical-based pressure guidewire (OptoWire), a guidewire used in the TAVR procedure (SavvyWire) and a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. OpSens is also involved in industrial activities through its wholly-owned subsidiary OpSens Solutions Inc. ("Solutions"). Solutions develops, manufactures and installs innovative fibre optic sensing solutions for critical and demanding industrial applications. The Company's head office is located at 750, du Parc-Technologique Blvd., Québec, Québec, Canada, G1P 4S3.

2. Summary of Significant Accounting Policies

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

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Basis of Preparation

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

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

Basis of Consolidation

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

Subsidiary

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

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

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

Reporting Currency and Foreign Currency

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

Foreign Currency Transactions

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

Foreign Operations Translation

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

Research and Development Costs

Research and development costs include mainly development projects for new products, improvements to existing products and manufacturing processes, clinical research, regulatory compliance and manufacturing engineering.

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet generally accepted criteria for deferral, in which case, the costs are capitalized and amortised to operations over the estimated period of benefit. When costs are conditional to the achievement of milestones under research and development arrangements with third parties, costs are expensed when the milestones results are achieved. No development costs have been capitalized during any of the years presented.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

Refundable Research and Development Tax Credits and Government Assistance

Refundable research and development (R&D) tax credits and government assistance, except for the Canada Emergence Wage Subsidy (CEWS), are accounted for using the cost reduction method. Accordingly, refundable R&D tax credits and government assistance are recorded as a reduction of the related expenses or capital expenditures in the period in which the expenses are incurred.

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

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

Shareholders' Equity

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

Share-based Compensation

The Company offers a stock option plan described in note 12b), which is determined as an equity-settled plan.

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments redeemable anytime or with a maturity of three months or less beginning on the acquisition date.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is essentially determined using the weighted average cost. The cost of work in progress and finished goods comprises the cost of raw materials, direct labour costs, an allocation of fixed production overheads based on the normal capacity of the production, including applicable depreciation of property, plant and equipment and right-of-use assets, and an allocation of variable production overheads based on the actual use of the production facilities.

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

Property, Plant and Equipment

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

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

Office furniture and equipment	10 years
Production equipment	7 years
Research and development equipment	7 years
Diagnostic and demonstration equipment	3 to 5 years
Research and development computer equipment	3 years
Computer equipment	3 years
Leasehold improvements	Remaining lease terms (2 to 11 years)

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

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

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

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

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

Impairment of Non-Financial Assets

Indefinite-Life Intangible Assets

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

Non-Financial Assets with Finite Useful Life

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

Recognition of Impairment Charge

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

Leases

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

Right-of-Use Assets

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

Lease Liabilities

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

Classification and Presentation

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

Warranty Provision

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

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

Current Income Taxes

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

Deferred Income Taxes

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

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

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

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

Loss per Share

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

Diluted net loss per share is calculated by dividing the net loss for the year attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This method requires that diluted net loss per share be calculated using the treasury stock method, as if all dilutive potential common share equivalents had been exercised at the beginning of the reporting period, or period of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the fair value of the common shares during the period.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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2. Summary of Significant Accounting Policies (continued)

Financial Instruments

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

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

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

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

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

The Company's financial instruments are classified as follows:

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

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the related asset or related liability. Management has considered the potential impact of COVID-19 in its critical estimates, assumptions and judgments and continues to monitor and evaluate the situation and its impact on the Company's activities.

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

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

Impact Assessment of the COVID-19 Pandemic

The COVID-19 pandemic had a moderate impact on the consolidated financial statements for the year ended August 31, 2022, following the supply chain disruptions that affected manufacturing and distribution of its products and hospitals procedure disruptions. For the second semester of the year, there have been a decrease in the negative impacts generated by the COVID-19 pandemic.

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

Inventories

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

Useful Life of Depreciable Assets

Management reviews the useful life of depreciable assets at each reporting date. As at August 31, 2022, management stated that the useful life represents the expected utility of the assets to the Company. The carrying amounts are presented in notes 6 and 7. Actual results, however, may vary due to technical obsolescence or changes in the market, particularly for computer equipment and software.

Impairment of Non-Financial Assets

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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

Leases

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

Government Assistance and Refundable R&D Tax Credits

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

Warranty Provision

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

Loss Allowance for Expected Credit Losses

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

Stock-based Compensation

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

Revenue Recognition

Delivery generally occurs when the product is handed over to a transporter for shipment. At the time of the transaction, the Company assesses whether the price associated with its revenue transaction is fixed or determinable and whether collection is reasonably assured. The Company assesses collection based on several factors, including past transaction history and the creditworthiness of the customer. For the milestone revenues, the Company estimates the probability that the respective milestone event criteria are met.

Functional Currency

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

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

Income Taxes

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

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

4. Trade and Other Receivables

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Trade	5,601,931	4,204,946
Allowance for expected credit losses	-	(213,353)
Sales taxes receivable	246,869	102,919
Other receivables	6,495	40,934
Total	5,855,295	4,135,446

Allowance for Expected Credit Losses

	Years ended August 31,	
	2022	2021
	\$	\$
Balance – Beginning of year	(213,353)	-
Additional provision recognized	-	(213,353)
Amount written off during the year as uncollectible	216,854	-
Effect of foreign exchange differences	(3,501)	-
Balance – End of year	-	(213,353)

5. Inventories

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Raw materials	4,112,389	3,107,546
Work in progress	1,507,108	1,580,270
Finished goods	1,052,682	1,427,275
Total	6,672,179	6,115,091

For the year ended August 31, 2022, \$13,812,817 of inventories were expensed in the consolidated statements of loss and comprehensive loss as *Cost of sales* (\$12,393,833 for the year ended August 31, 2021). Write-downs of inventories amounting to \$121,470 (\$114,680 for the year ended August 31, 2021) were included under *Cost of sales*.

OpSens Inc.

Notes to the Consolidated Financial Statements
Years ended August 31, 2022 and 2021
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6. Property, Plant and Equipment

	Office furniture and equipment, net of income tax credits of \$3,420	Production equipment, net of income tax credits of \$103,160	Diagnostic and demonstration equipment	Research and development, net of income tax credits and government assistance of \$55,303	Research and development computer equipment	Computer equipment	Leasehold improvements, net of income tax credits of \$44,823	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance as at August 31, 2021	502,640	3,869,465	400,870	551,576	90,751	336,802	1,028,552	6,780,656
Acquisition	108,867	391,230	73,064	52,984	7,567	185,733	179,901	999,346
Disposals	-	-	(275,646)	-	-	-	-	(275,646)
Effect of foreign exchange differences	818	-	-	-	-	1,609	96	2,523
Balance as at August 31, 2022	612,325	4,260,695	198,288	604,560	98,318	524,144	1,208,549	7,506,879
Accumulated depreciation								
Balance as at August 31, 2021	255,624	2,550,449	124,926	313,109	55,362	192,204	557,474	4,049,148
Disposals	-	-	(119,402)	-	-	-	-	(119,402)
Depreciation	52,744	489,611	61,003	61,174	21,793	99,209	108,036	893,570
Effect of foreign exchange differences	17	-	-	-	-	455	14	486
Balance as at August 31, 2022	308,385	3,040,060	66,527	374,283	77,155	291,868	665,524	4,823,802
Net book value as at August 31, 2022	303,940	1,220,635	131,761	230,277	21,163	232,276	543,025	2,683,077

OpSens Inc.

Notes to the Consolidated Financial Statements Years ended August 31, 2022 and 2021 (in Canadian dollars)

6. Property, Plant and Equipment (continued)

	Office furniture and equipment, net of income tax credits of \$3,420	Production equipment, net of income tax credits of \$103,160	Diagnostic and demonstration equipment	Research and development, net of income tax credits and government assistance of \$55,303	Research and development computer equipment	Computer equipment	Leasehold improvements, net of income tax credits of \$44,823	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance as at August 31, 2020	562,164	3,855,483	650,257	1,568,067	125,467	597,685	1,300,504	8,659,627
Acquisition	16,724	147,252	275,414	30,460	25,347	133,694	66,868	695,759
Disposals	(76,248)	(203,983)	(524,801)	(976,238)	(60,063)	(394,571)	(338,820)	(2,574,724)
Transfers	-	70,713	-	(70,713)	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	(6)	-	(6)
Balance as at August 31, 2021	502,640	3,869,465	400,870	551,576	90,751	336,802	1,028,552	6,780,656
Accumulated depreciation								
Balance as at August 31, 2020	282,514	2,216,244	258,464	1,285,821	90,094	522,241	774,462	5,429,840
Disposals	(76,248)	(203,983)	(257,239)	(976,238)	(60,063)	(394,571)	(338,820)	(2,307,162)
Depreciation	49,358	472,292	123,701	69,422	25,331	64,492	121,832	926,428
Transfers	-	65,896	-	(65,896)	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	42	-	42
Balance as at August 31, 2021	255,624	2,550,449	124,926	313,109	55,362	192,204	557,474	4,049,148
Net book value as at August 31, 2021	247,016	1,319,016	275,944	238,467	35,389	144,598	471,078	2,731,508

OpSens Inc.

Notes to the Consolidated Financial Statements

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7. Intangible Assets

	Indefinite life – Trademarks	Finite life – Internally generated software	Finite life – Software	Finite life – Internally developed patents	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at August 31, 2021	58,279	587,621	311,057	1,548,812	2,505,769
Additions	11,282	-	95,775	286,998	394,055
Grant recorded against intangible assets (Note 16)	-	(20,000)	-	-	(20,000)
Disposals	-	-	-	-	-
Balance as at August 31, 2022	69,561	567,621	406,832	1,835,810	2,879,824
Accumulated amortisation					
Balance as at August 31, 2021	-	109,534	98,704	620,934	829,172
Amortisation	-	111,205	59,240	93,716	264,161
Disposals	-	-	-	-	-
Balance as at August 31, 2022	-	220,739	157,944	714,650	1,093,333
Net book value as at August 31, 2022	69,561	346,882	248,888	1,121,160	1,786,491

	Indefinite life – Trademarks	Finite life – Internally generated software	Finite life – Software	Finite life – Internally developed patents	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at August 31, 2020	45,673	584,264	349,791	1,398,335	2,378,063
Additions	12,606	49,633	117,746	150,477	330,462
Grant recorded against intangible assets (Note 16)	-	(46,276)	-	-	(46,276)
Disposals	-	-	(156,480)	-	(156,480)
Balance as at August 31, 2021	58,279	587,621	311,057	1,548,812	2,505,769
Accumulated amortisation					
Balance as at August 31, 2020	-	-	221,184	534,569	755,753
Amortisation	-	109,534	34,000	86,365	229,899
Disposals	-	-	(156,480)	-	(156,480)
Balance as at August 31, 2021	-	109,534	98,704	620,934	829,172
Net book value as at August 31, 2021	58,279	478,087	212,353	927,878	1,676,597

The Company has considered indicators of impairment as at August 31, 2022, to determinate if an impairment loss was necessary in particular because of patent requests that have not been pursued. No impairment loss was recognized for the years ended August 31, 2022 and 2021.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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8. Authorized Line of Credit

The Company has a revolving operating credit facility for a maximum of \$1,000,000 (the credit limit). The available revolving operating credit is limited to the lesser of the credit limit and 75% of eligible accounts receivable, plus 50% of eligible inventories, minus priority claims. The aggregate outstanding amount under the revolver may not at any time exceed the credit limit. This revolving operating credit bears interest at the prime rate plus 1% and is repayable on the first anniversary of the date of the agreement. The Company is also allowed to prepay this facility in whole or in part at any time without penalty. It is secured by a first-rank movable hypothec on the universality of receivables and inventories. This credit line was not used as at August 31, 2022 and 2021.

Since September 2021, the Company also had an additional non-revolving credit facility of \$10,000,000 that could be used for growth and working capital purposes and that was secured by a first-rank movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets. The Company could use the credit facility through two advances that had to be made by August 31, 2022. The Company had to pay an annual fee of 0.50% on the unused portion of the credit facility. This credit line was not used as at August 31, 2022. Thus, this non-revolving credit facility of \$10,000,00 has been automatically cancelled.

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

9. Accounts Payable and Accrued Liabilities

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Suppliers	2,438,572	877,729
Salaries, employee benefits and other	3,038,488	1,877,880
Other liabilities	1,823,202	1,087,262
Total	7,300,262	3,842,871

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

10. Long-term Debt

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Contributions repayable to Canada Economic Development (CED), without interest (effective rate of 12.00%), repayable in 59 equal and consecutive monthly instalments of \$3,333 and a final payment of \$3,353, maturing in July 2024 without payment from April to December 2020 inclusive due to a nine-month moratorium.		
Debt balance	76,679	116,675
Imputed interest	(5,101)	(11,622)
	71,578	105,053
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, payable in 48 monthly instalments of \$4,500, maturing in August 2022 without principal payment from March to August 2020 inclusive due to a six-month moratorium. Amounts received are net of transaction costs of \$2,160.	-	53,900
Term loan, bearing interest at prime rate plus 2.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in February 2024 without principal payment for a 24-month period following the signature of an agreement in March 2019. The principal is payable in 36 monthly instalments of \$194,444. Amounts received are net of transaction costs of \$87,468. The Company finally prepaid the entire balance of the term loan in September 2021 for a principal amount of \$5,833,333.	-	5,804,813
Term loan, bearing interest at prime rate plus 0.25%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in June 2024 without principal payment for a 12-month period following the receipt of the first tranche of the loan in October 2019. The second and last tranche of the loan for \$242,180 has been received in January 2021. The principal is payable in 44 monthly instalments of \$10,938 and a final payment of \$10,386. Amounts received are net of transaction costs of \$5,250.	239,300	369,507
Term loan bearing interest at 6.66% payable in 111 monthly instalments of \$8,070, maturing in September 2025.	361,361	463,544
Term loan, bearing interest at prime rate plus 1.00%, secured by a movable hypothec on the universality of the Company's present and future property, plant and equipment and intangible assets, maturing in November 2024 without principal payment for a 12-month period following the receipt of the loan in November 2020. The principal is payable in 37 monthly instalments of \$16,216.	437,837	600,000
	1,110,076	7,396,817
Current portion	470,516	2,802,223
	639,560	4,594,594

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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10. Long-term Debt (continued)

The following table presents changes in long-term debt for the Company for the years ended August 31, 2022 and 2021:

	Years ended August 31,	
	2022	2021
	\$	\$
Balance – Beginning of year	7,396,817	8,068,565
Increase in long-term debt	-	842,180
Reimbursement of long-term debt	(6,317,585)	(1,550,736)
Amortisation of transaction costs	30,844	36,808
Balance – End of year	1,110,076	7,396,817

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

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Less than 1 year	470,516	2,802,223
1 to 2 years	455,440	2,800,058
2 to 3 years	173,350	1,625,731
3 to 4 years	10,770	158,035
4 to 5 years	-	10,770
	1,110,076	7,396,817

Under the terms and conditions of the agreements on long-term debt with its lenders, the Company is subject to certain covenants with respect to maintaining minimum financial ratios. As at August 31, 2022 and 2021, these financial ratios were met by the Company.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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11. Leases

Right-of-Use Assets

The following tables present changes in right-of-use assets for the Company for the years ended August 31, 2022 and 2021:

	Year ended August 31, 2022		
	Buildings	Hosting servers	Total
	\$	\$	\$
Balance as at August 31, 2021	4,307,220	14,388	4,321,608
New leases / leases modifications	1,308,305	51,122	1,359,427
Depreciation of right-of-use assets	(619,859)	(39,952)	(659,811)
Effect of foreign exchange differences	4,855	-	4,855
Balance as at August 31, 2022	5,000,521	25,558	5,026,079

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

Lease Liabilities

The following tables present changes in lease liabilities for the Company for the years ended August 31, 2022 and 2021:

	Year ended August 31, 2022		
	Buildings	Hosting servers	Total
	\$	\$	\$
Balance as at August 31, 2021	4,702,589	15,725	4,718,314
New leases / leases modifications	1,308,305	51,122	1,359,427
Payment of lease liabilities	(744,758)	(39,363)	(784,121)
Sublease income from right-of-use assets	5,986	-	5,986
Interest expense on lease liabilities	268,939	1,099	270,038
Effect of foreign exchange differences	4,886	-	4,886
Balance as at August 31, 2022	5,545,947	28,583	5,574,530
Current portion	533,901	28,583	562,484
Long-term lease liabilities as at August 31, 2022	5,012,046	-	5,012,046

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

11. Leases (continued)

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

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

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Less than 1 year	854,427	765,549
1 to 2 years	768,536	769,175
2 to 3 years	573,807	726,938
3 to 4 years	586,215	576,257
4 to 5 years	598,901	587,782
More than 5 years	4,104,868	2,524,166
	7,486,754	5,949,867

For the years ended August 31, 2022 and 2021, expenses relating to short-term leases and leases for which the underlying asset is of low value were not significant.

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

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Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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11. Leases (continued)

As at August 31, 2022, the Company also has leases not yet commenced for buildings to which the Company is committed. These leases will begin in October 2022 (maturing in December 2033) and in January 2024 (maturing in December 2033). As at August 31, 2021, there were no leases not yet commenced.

The lease payments for the leases not yet commenced are as follows:

	As at August 31, 2022
	\$
Less than 1 year	168,417
1 to 2 years	481,841
2 to 3 years	526,507
3 to 4 years	536,793
4 to 5 years	547,184
More than 5 years	3,809,246
	<u>6,069,988</u>

12. Shareholders' Equity

a) Share Capital

During the year ended August 31, 2022, following the exercise of stock options, the Company issued 1,678,000 common shares (904,500 common shares for the year ended August 31, 2021) for a cash consideration of \$2,156,451 (\$1,042,356 for the year ended August 31, 2021). As a result, an amount of \$892,314 was reallocated from *Reserve – Stock option plan* to *Share capital* in shareholders' equity (\$460,077 for the year ended August 31, 2021).

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

b) Stock Options

According to the policies of the TSX Exchange, the stock option plan must be approved by the Company's shareholders every three years. So, the shareholders approved the stock option plan on January 21, 2020. The number of common shares reserved by the Board of Directors for options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The plan is available to the Company's directors, consultants, officers and employees.

The stock option plan stipulates that the terms of the options and the option price shall be fixed by the directors subjected to the price restrictions and other requirements imposed by the TSX Exchange. The exercise period cannot exceed five years, beginning on the grant date. These options generally vest over a four-year period, except for 1,230,000 stock options (1,020,000 stock options granted as at August 31, 2021), which were completely vested at grant date. The exercise price of the options is the closing price of the shares of the Company on the TSX Exchange on the trading day immediately preceding the date of grant.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

12. Shareholders' Equity

b) Stock Options (continued)

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

	Years ended August 31,	
	2022	2021
Risk-free interest rate	Between 0.38% and 3.52%	Between 0.17% and 0.84%
Volatility	Between 58.29% and 75.48%	Between 55.81% and 73.20%
Dividend yield on shares	Nil	Nil
Expected life	0 to 5 years	0 to 5 years
Weighted share price	\$2.43	\$1.71
Weighted fair value per option at the grant date	\$1.12	\$0.75

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

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

The changes in the number of stock options granted by the Company and their weighted-average exercise prices, for the years ended August 31, 2022 and 2021, are as follows:

	Number of options	Weighted-average exercise price
		\$
Outstanding as at August 31, 2020	6,596,375	1.01
Options granted	2,342,500	1.71
Options exercised	(904,500)	1.15
Options expired	(327,500)	1.21
Options cancelled	(566,625)	1.10
Outstanding as at August 31, 2021	7,140,250	1.20
Options granted	2,868,250	2.43
Options exercised	(1,678,000)	1.29
Options expired	(131,000)	1.44
Options cancelled	(553,375)	1.44
Outstanding as at August 31, 2022	7,646,125	1.62
Options exercisable as at August 31, 2022	3,427,219	1.21

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

12. Shareholders' Equity (continued)

b) Stock Options (continued)

The table below provides information on the outstanding stock options as at August 31, 2022:

Exercise price	Number of outstanding stock options	Number of exercisable stock options	Weighted average remaining contractual life (years)
\$			
0.51 – 1.00	2,955,625	2,277,218	1.71
1.01 – 1.50	652,500	252,188	2.75
1.51 – 2.00	1,085,000	235,625	4.03
2.01 – 2.50	2,047,250	404,063	4.51
2.51 – 3.00	475,000	158,125	4.29
3.01 – 3.50	-	-	-
3.51 – 4.00	430,750	100,000	4.23
1.62	7,646,125	3,427,219	3.18

13. Net Loss per Share

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

	Years ended August 31,	
	2022	2021
	\$	\$
Net loss attributable to shareholders		
Basic and diluted	(11,378,230)	(1,150,428)
Number of shares		
Basic and diluted weighted average number of shares outstanding	108,219,362	98,806,987
Amount per share		
Basic and diluted net loss per share	(0.11)	(0.01)

Stock options are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares or when their effect is antidilutive. The number of stock options excluded from the calculation because their exercise price is greater than the average market price of common shares is presented below:

	Years ended August 31,	
	2022	2021
Stock options	905,750	1,733,750

For the years ended August 31, 2022 and 2021, the diluted amount per share was the same amount as the basic amount per share, since the dilutive effect of stock options was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for these periods was calculated using the basic weighted average number of shares outstanding.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

14. Additional Information on the Consolidated Statements of Cash Flows

	Years ended August 31,	
	2022	2021
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Trade and other receivables	(1,719,849)	(94,366)
Government assistance receivable	(264,695)	428,601
Tax credits receivable	(335,418)	(214,323)
Inventories	(557,088)	390,003
Prepaid expenses	(1,102,683)	(69,991)
Accounts payable and accrued liabilities	3,292,505	352,590
Warranty provision	(31,384)	(69,335)
Deferred revenues	83,573	71,759
Current income taxes payable	(8,916)	19,895
	(643,955)	814,833
	As at August 31, 2022	As at August 31, 2021
	\$	\$
<i>Supplementary information</i>		
Unpaid acquisition of property, plant and equipment	173,777	32,427
Unpaid additions to intangible assets	49,039	25,503
	As at August 31, 2022	As at August 31, 2021
	\$	\$
<i>Cash and cash equivalents</i>		
Cash	2,622,426	2,700,529
Cash equivalents	21,194,064	35,862,742
	23,816,490	38,563,271

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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15. Warranty provision

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

	Years ended August 31,	
	2022	2021
	\$	\$
Balance – Beginning of year	83,803	153,138
Additional provision recognized	40,845	73,982
Unused amount reversed during the year	(12,497)	(46,515)
Amount used during the year	(59,926)	(96,573)
Effect of foreign exchange differences	194	(229)
Balance – End of year	52,419	83,803

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

16. Government assistance

Under agreements reached with the National Research Council Canada with respect to the Industrial Research Assistance Program (IRAP), the Company may receive a non-refundable contribution for a maximum amount of \$1,499,800 to cover some of its incurred costs to gather different data and develop new products for the coronary intervention market, a non-refundable contribution for a maximum amount of \$500,000 to cover some of its incurred costs to develop a new product for the structural heart market and a non-refundable contribution for a maximum amount of \$500,000 to cover some of its incurred costs to develop an optical-based fuel monitoring system for aerospace applications. For the year ended August 31, 2022, the Company recorded contributions totalling \$383,191 (\$323,084 for the year ended August 31, 2021) which were accounted for against research and development expenses.

Under agreements reached with the ministère de l'Économie et de l'Innovation, with respect to the Projet stratégique mobilisateur (PSM), the Company may receive a non-refundable contribution for a maximum amount of \$512,713 to cover some of its incurred costs to develop a new product for the structural heart market. For the year ended August 31, 2022, the Company recorded contributions totalling \$200,130 (\$211,990 for the year ended August 31, 2021) which were accounted for against research and development expenses.

Under an agreement reached with the Ville de Québec, the Company may receive a non-refundable contribution for a maximum amount of \$350,000 to cover some of its incurred costs related to the development of a software and sales and marketing expenses. For the year ended August 31, 2022, the Company recorded contributions totalling \$170,000 which were accounted for against internally generated software and sales and marketing expenses (nil for the year ended August 31, 2021).

Under an agreement reached with Innovation, Science and Economic Development Canada, with respect to the Strategic Innovation Fund, the Company may receive a non-refundable contribution for a maximum amount of \$125,000 to cover some of its incurred costs for artificial intelligence research. For the year ended August 31, 2022, the Company recorded contributions totalling \$97,390 which were accounted for against research and development expenses (nil for the year ended August 31, 2021).

Under an agreement reached with the Government of Québec, the Company may receive a non-refundable contribution for a maximum amount of \$180,000 to cover some of its incurred costs for the optimization of manufacturing processes. For the year ended August 31, 2022, the Company recorded contributions totalling \$84,541 which were accounted for against research and development expenses (nil for the year ended August 31, 2021).

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Notes to the Consolidated Financial Statements

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16. Government assistance (continued)

Under agreements reached with Investissement Québec, the Company may receive a non-refundable contribution for a maximum amount of \$250,000 to cover some of its incurred costs to develop markets outside the province of Quebec and to export products in North America. For the year ended August 31, 2022, the Company recorded contributions totalling \$126,273 which were accounted for against sales and marketing expenses (nil for the year ended August 31, 2021).

Because of the spread of COVID-19 virus, the Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS) to cover admissible salaries for some employees. For the year ended August 31, 2022, the Company didn't receive the CEWS (\$740,162 for the year ended August 31, 2021, which were accounted as *Other income*).

Under an agreement reached with the ministère de l'Économie et de l'Innovation, the Company may receive a non-refundable contribution for a maximum amount of \$92,804 to cover some of its incurred costs related to the development of a software. For the year ended August 31, 2022, the Company didn't receive any contribution under this agreement (\$46,276 for the year ended August 31, 2021, which were accounted for against internally generated software).

17. Income Taxes

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

	Years ended August 31,	
	2022	2021
	\$	\$
Income tax payable using the combined federal and provincial statutory tax rate (26.5%; 26.5% in 2021)	(3,003,652)	(299,249)
Effect of different tax rates of subsidiaries in other jurisdictions	10,774	(2,573)
Non-deductible expenses and other	813,786	823,431
Deductible financing fees	(117,592)	(180,924)
Non-taxable income tax credits	(119,651)	(84,800)
Losses carried forward	2,460,028	(234,699)
Income tax using effective income tax rate	43,693	21,186

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Notes to the Consolidated Financial Statements

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17. Income Taxes (continued)

As at August 31, 2022, the Company has tax losses of approximately \$34,951,000 for federal purposes and \$35,520,000 for provincial purposes that can be used to reduce future taxable income. These losses expire as follows:

	Federal	Provincial
	\$	\$
2024	83,000	-
2025	42,000	-
2026	-	-
2027	1,552,000	1,259,000
2028	641,000	617,000
2029	463,000	273,000
2030	-	-
2031	1,731,000	1,754,000
2032	1,193,000	1,188,000
2033	181,000	183,000
2034	663,000	728,000
2035	2,513,000	2,510,000
2036	5,759,000	5,493,000
2037	5,447,000	5,427,000
2038	2,912,000	4,308,000
2039	271,000	325,000
2040	1,282,000	1,278,000
2041	-	-
2042	10,218,000	10,177,000
	34,951,000	35,520,000

The Company also has undeducted research and development expenses of \$13,957,000 (\$12,489,000 as at August 31, 2021) for federal purposes and \$17,157,000 (\$15,642,000 as at August 31, 2021) for provincial purposes that are deferred over an undetermined period.

Deferred income tax assets related to unclaimed tax losses, financing costs, research and development expenses and others, as well as non-refundable R&D tax credits totalling approximately \$19,313,000 (\$16,080,000 as at August 31, 2021) were not recognized due to the uncertainty about the Company's ability to generate taxable income. In addition, deferred tax liabilities of approximately \$1,031,000 (\$940,000 as at August 31, 2021) related to federal investment tax credits on research and development expenses were recognized and offset by a deferred income tax asset.

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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18. R&D Tax Credits

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

	Years ended August 31,	
	2022	2021
	\$	\$
Federal	1,388,000	1,116,000
Provincial	1,429,000	1,173,000

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

	Years ended August 31,	
	2022	2021
	\$	\$
Federal	-	-
Provincial	425,000	320,000
	425,000	320,000

These credits were accounted for against research and development expenses in the consolidated statements of loss and comprehensive loss.

Reimbursable scientific research and experimental development income tax credits earned for the years ended August 31, 2022 and 2021, have not yet been reviewed by the taxation authorities, and the amounts granted could differ from those that have been recorded.

Over the years, the Company qualified for federal R&D tax credits, which were non-refundable and could be used against Part I Company tax. The accumulated credits as at August 31, 2022, are about \$3,889,000 (\$3,549,000 for the year ended August 31, 2021) and expire over a period of 5 to 20 years beginning in 2022.

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Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

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19. Segmented Information

Segmented Information

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

Medical segment: in this segment, OpSens focuses mainly on physiological measurement such as FFR and dPR in the coronary artery disease market and on the TAVR procedure in the structural heart market. The Company also supplies a wide range of miniature optical sensors to measure pressure and temperature to be used in a wide range of applications that can be integrated in other medical devices. This also includes other revenues related to its optical sensor technology.

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

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

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

	Years ended August 31,					
	2022			2021		
	Medical	Industrial	Total	Medical	Industrial	Total
	\$	\$	\$	\$	\$	\$
External sales	31,747,408	3,576,498	35,323,906	31,101,209	3,362,611	34,463,820
Internal sales	84,363	259,961	344,324	111,695	381,797	493,492
Gross margin	15,506,597	2,294,121	17,800,718	16,457,466	2,222,896	18,680,362
Depreciation of property, plant and equipment and right-of-use assets	1,342,485	210,896	1,553,381	1,362,247	181,951	1,544,198
Amortisation of intangible assets	244,980	19,181	264,161	218,255	11,644	229,899
Other income	-	-	-	445,506	294,656	740,162
Financial expenses	13,854	297,633	311,487	318,488	318,636	637,124
Loss (gain) on foreign currency translation	73,558	(5,311)	68,247	221,522	59,102	280,624
Current income tax expense	43,693	-	43,693	21,186	-	21,186
Net income (loss)	(11,764,281)	386,051	(11,378,230)	(1,969,256)	818,828	(1,150,428)
Acquisition of property, plant and equipment	980,552	18,794	999,346	651,109	44,650	695,759
Additions to intangible assets	314,138	59,917	374,055	264,398	19,788	284,186
Segment assets	45,525,229	2,986,062	48,511,291	56,212,182	2,300,223	58,512,405
Segment liabilities	13,334,210	918,339	14,252,549	15,246,157	936,253	16,182,410

OpSens Inc.

Notes to the Consolidated Financial Statements

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19. Segmented Information (continued)

Information by geographic segment

	Years ended August 31,	
	2022	2021
	\$	\$
Revenue by geographic segment		
United States	14,883,524	12,862,452
Japan	5,993,435	7,277,326
Canada	3,428,461	3,270,982
Other*	11,018,486	11,053,060
	35,323,906	34,463,820

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

Revenues are attributed to the geographic segment based on the clients' location.

Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are located in Canada, except non-current assets located in United States of \$191,909 as at August 31, 2022 (\$19,440 as at August 31, 2021).

For the year ended August 31, 2022, revenues from two clients from the Medical's reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 23% and 16% (21% and 19% for the year ended August 31, 2021).

20. Related Party Transactions

Key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Company, comprise the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the President of OpSens Solutions Inc. Compensation of key management personnel and directors for the years ended August 31, 2022 and 2021 were as follows:

	Years ended August 31,	
	2022	2021
	\$	\$
Short-term salaries and other benefits	1,718,459	1,219,527
Option-based awards	432,386	119,303
	2,150,845	1,338,830

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

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

Expenses (revenues) by function	Years ended August 31,	
	2022	2021
	\$	\$
Salaries and Other Benefits	20,738,090	14,652,074
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Depreciation of Property, Plant and Equipment and Right-of-Use Assets	1,553,381	1,544,198
Cost of sales		
Administrative		
Sales and marketing		
Research and development		
Amortisation of Intangible Assets	264,161	229,899
Administrative		
Research and development		
Government Assistance	(1,078,113)	(535,074)
Sales and marketing		
Research and development		
Refundable Research and Development Tax Credits	(451,512)	(347,185)
Research and development		

22. Financial Instruments

Fair Value

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

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

Risk Management

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk currently relates to cash and cash equivalents and to trade and other receivables. The Company's credit risk management policies include the authorization to carry out investment transactions with recognized financial institutions with credit ratings of at least A and higher, in either bonds, money market funds or guaranteed investment certificates. Consequently, the Company manages credit risk by complying with established investment policies.

The credit risk associated with trade and other receivables is generally considered normal as trade receivables consist of a large number of customers spread across diverse geographical areas. In general, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit checks of its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Two major customers represented 36% of the Company's total accounts receivable as at August 31, 2022 (35% as at August 31, 2021).

As at August 31, 2022, 0% (10% as at August 31, 2021) of the accounts receivable were of more than 90 days whereas 68% (65% as at August 31, 2021) of those were less than 30 days. The maximum exposure to the risk of credit for accounts receivable corresponded to their book value. As at August 31, 2022, the allowance for doubtful accounts was nil (\$213,353 as at August 31, 2021).

Liquidity Risk

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

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

22. Financial Instruments (continued)

Risk Management (continued)

Liquidity Risk (continued)

The following are the contractual maturities of the financial liabilities (principal and interest, assuming current interest rates) as at August 31, 2022 and 2021:

As at August 31, 2022	Carrying amount	Cash flows	0 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	7,300,262	7,300,262	7,300,262	-	-
Long-term debt	1,110,076	1,053,190	462,684	436,944	153,562
Total	8,410,338	8,353,452	7,762,946	436,944	153,562

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

Interest Rate Risk

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

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

Interest Rate Sensitivity Analysis

Interest rate risk exists when interest rate fluctuations modify the cash flows or the fair value of the Company's investments. The Company owns investments with fixed and variable interest rates. As at August 31, 2022, the Company was holding more than 89% (93% as at August 31, 2021) of its cash and cash equivalents in all-time redeemable term deposits.

All else being equal, a hypothetical 1% interest rate increase or decrease would have an impact of \$8,507 on net loss and comprehensive loss for the year ended August 31, 2022 (\$75,939 for the year ended August 31, 2021).

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

22. Financial Instruments (continued)

Risk Management (continued)

Interest Rate Risk (continued)

Financial Expenses (Revenues)

	Years ended August 31,	
	2022	2021
	\$	\$
Interest and bank charges	210,822	80,498
Interest on long-term debt	102,401	398,605
Interest on lease liabilities	270,038	267,557
Interest income	(271,774)	(109,536)
	311,487	637,124

Concentration Risk

Concentration risk exists when investments are made with multiple entities that share similar characteristics or when a large investment is made with a single entity. As at August 31, 2022 and 2021, the Company was holding 100% of its cash equivalents portfolio in all-time redeemable term deposits with financial institutions with high creditworthiness.

Foreign Exchange Risk

The Company realizes certain sales and purchases mainly of raw materials, salaries and other benefits, supplies and professional services in U.S. dollars, Euros and British pounds. Therefore, it is exposed to foreign currency fluctuations. The Company does not actively manage this risk

Foreign Currency Sensitivity Analysis

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

Year ended August 31, 2022

	CA\$/US\$	CA\$/EUR€	CA\$/GBP£
	\$	\$	\$
Decrease (increase) of the net loss 10% appreciation in the Canadian dollar	(461,000)	(580,000)	34,000
Decrease (increase) of the net loss 10% depreciation in the Canadian dollar	461,000	580,000	(34,000)

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

22. Financial Instruments (continued)

Risk Management (continued)

Foreign Exchange Risk (continued)

Foreign Currency Sensitivity Analysis (continued)

Year ended August 31, 2021

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

As at August 31, 2022 and 2021, the risk to which the Company was exposed is established as follows:

	As at August 31, 2022	As at August 31, 2021
	\$	\$
Cash and cash equivalents (US\$1,105,744; US\$1,350,764 as at August 31, 2021)	1,449,741	1,704,259
Cash and cash equivalents (€ 344,904; € 233,721 as at August 31, 2021)	453,928	348,385
Cash and cash equivalents (£ 6,115; £ 3,039 as at August 31, 2021)	9,320	5,277
Trade and other receivables (US\$2,848,057; US\$1,828,513 as at August 31, 2021)	3,734,087	2,307,035
Trade and other receivables (€ 956,523; € 815,415 as at August 31, 2021)	1,258,880	1,215,458
Trade and other receivables (£ 97,768; £ 52,500 as at August 31, 2021)	149,008	91,166
Accounts payable and accrued liabilities (US\$1,846,808; US\$376,989 as at August 31, 2021)	(2,421,350)	(475,647)
Accounts payable and accrued liabilities (€ 63,690; € 9,273 as at August 31, 2021)	(83,822)	(13,822)
Accounts payable and accrued liabilities (£ 16,283; £ 6,753 as at August 31, 2021)	(24,817)	(11,726)
Total	4,524,975	5,170,385

OpSens Inc.

Notes to the Consolidated Financial Statements

Years ended August 31, 2022 and 2021

(in Canadian dollars)

23. Capital Management

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

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

As at August 31, 2022, the Company's working capital amounted to \$30,414,701 (\$42,387,696 as at August 31, 2021), including cash and cash equivalents of \$23,816,490 (\$38,563,271 as at August 31, 2021). The accumulated deficit at the same date was \$55,773,679 (\$44,395,449 as at August 31, 2021). Based on the Company's assessment, which takes into account current cash and cash equivalents, as well as its strategic plan and corresponding budgets and forecasts, the Company believes that it has sufficient liquidity and financial resources to fund planned expenditures and other working capital needs for at least, but not limited to, the 12-month period after the reporting date of August 31, 2022.

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

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

For the years ended August 31, 2022 and 2021, the Company has not been in default on any of its obligations regarding long-term debt and lease liabilities.

24. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 21, 2022.

Governance

Directors

Alan Milinazzo
Executive Chairman of the Board of Directors

Louis Laflamme, CPA
President and Chief Executive Officer

Gaétan Duplain
President, OpSens Solutions

Lori Chmura
Director

Denis Harrington
Director

Jean Lavigueur, CPA
Director

Pat Mackin
Director

Denis M. Sirois
Director

Officers

Louis Laflamme, CPA
President and Chief Executive Officer

Gaétan Duplain
President, OpSens Solutions

Robin Villeneuve, CPA
Chief Financial Officer and Corporate Secretary

Corporate Information

Head Office

750 Boulevard du Parc-Technologique
Quebec, QC G1P 4S3
Phone: 418.781.0333
Fax: 418.781.0024

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

Registration

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

Auditors

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

Shares in Circulation

108,835,039 (as of August 31, 2022)
Transfer Agent and Registrar
TSX Trust Company (TSX Trust)
TSX Trust Company (TSX Trust)
1700 – 1190 Avenue des Canadiens-de-Montréal
Montréal, QC H3B 0G7
T: 1-800-387-0825 F: 514.285.8846

Annual Meeting of Shareholders

The annual meeting will be held virtually via live webcast available at <https://bit.ly/3APxObt> on January 24, 2023 at 10:00 a.m. (ET).

The Company encourages its shareholders to exercise their right to vote with TSX Trust during the advance voting period that ends on Friday, January 20, or 48 business hours prior to the event scheduled for Tuesday, January 24, 2023, at 10:00 a.m.

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

OpSens' Markets

Launch of Game-Changing Product for TAVR Market Underway in North America

OpSens' SavvyWire, introduces an entirely new category of innovation to the structural heart device market segment. It is designed to support the minimalist TAVR approach, which has been growing among structural heart physicians. This minimalist approach advances the procedure, allowing patients to leave the hospital earlier, sometimes the same day.

The SavvyWire aims to optimize the implantation of replacement aortic valves, promoting safety and speed in the intervention. It enables significant TAVR procedural benefits by supporting multiple steps over the same device without exchange, providing best-in-class valve delivery capability and improving workflow, while delivering continuous, accurate hemodynamic measurements and display. It is the first and only sensor guided TAVR solution, designed to support TAVR efficiency and lifetime patient management.

This 3-in-1 solution provides

- stable percutaneous aortic valve delivery and positioning,
- continuous accurate hemodynamic measurement during the procedure, and
- reliable left ventricular pacing without the need for adjunct devices or venous access.

OpSens' SavvyWire, has received Health Canada approval and 510(k) FDA clearance for the SavvyWire and has begun a release in the North American market. Once OpSens gets CE Mark, the product will be deployed in Europe, the Middle East and Africa (EMEA).

The arrival of the SavvyWire is on trend with the progression of the minimalist approach to TAVR procedures. Cardiologists traditionally performed open-heart surgery to replace the narrowed aortic valve. Very minimally invasive, the TAVR procedure was initially only indicated for inoperable patients with severe symptomatic aortic stenosis, and later for patients at high surgical risk. Clinical programs such as PARTNER and COREVALVE have since shown better or equivalent clinical outcomes in intermediate and low surgical risk patients.

The minimalist TAVR procedure has made this intervention simpler and more efficient. TAVR is now a rapidly growing trend globally, driven by the aging population and recent studies that demonstrate its benefits for a broader array of patients. The global TAVR market is currently estimated at over 200,000 procedures and is expected to reach 400,000 in 2027¹.

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

Aortic Stenosis an abnormal narrowing of the aortic valve opening

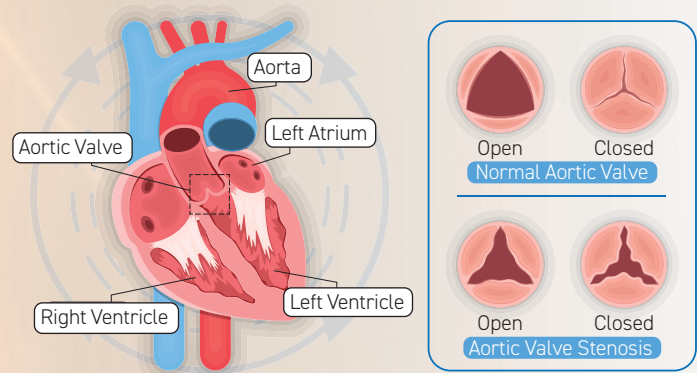


Photo: Stevens Leblanc

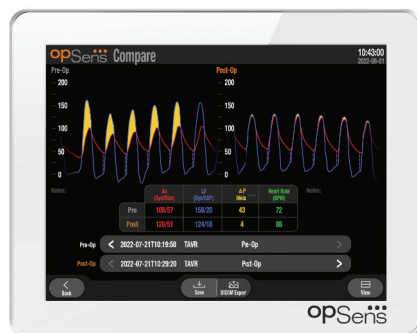
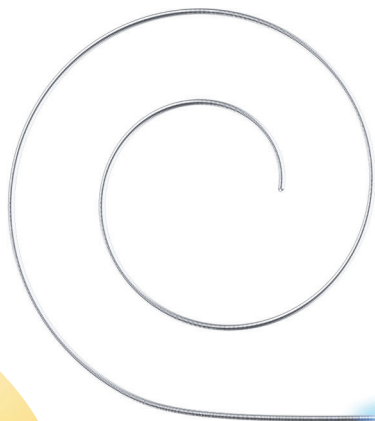
Cardiology

Measuring, a key step towards better heart health

SavvyWire, OpSens' new product for the TAVR market



SavvyWire™



Industrial applications

Innovative fiber optic sensing solutions for various industries including aerospace and nuclear

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