MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD AND NINE-MONTH PERIOD ENDED MAY 31, 2023

The following comments are intended to provide a review and analysis of the results of operations, financial condition, and cash flows of OpSens Inc. for the three-month and nine-month periods ended May 31, 2023, in comparison with the corresponding periods ended May 31, 2022. 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 July 12, 2023. 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 July 12, 2023 and is subject to change after this date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

OVERVIEW

OpSens is a leader in advanced 2nd generation fiber optic sensor applications for cardiovascular interventions. The Company's current 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. Additionally, OpSens recently entered the large and rapidly growing Structural Heart market with its introduction of the SavvyWire as the first and only Sensor-Guided transcatheter aortic valve replacement ("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 the Structural Heart market, one of the fastest growing segments of interventional cardiology. The SavvyWire is developed specifically for 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, micro-waves, high-intensity magnetic waves (MR) or high-temperatures, elements that typically disrupt results with conventional sensors. Customers' needs are wide-ranging and require measuring various parameters like pressure, temperature, strain, and others.

The Company focuses on business opportunities with the highest returns and has developed new products to fulfill their specific needs. As an example, the new OPP-GD fibre optic differential pressure sensor and the new 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 estimates[1], 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 2023 global market opportunity of close to $8 billion increasing to $14 billion by 2030[(2)]. The 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 330,000, with approximately 40% of that volume in North America and another 40% in Europe[(2)], two major markets where initial SavvyWire commercial activities are intended.

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 in 2025 and 600,000 units by 2030[(2)].

1. OpSens FFR Market Calculations based on GRAND VIEW RESEARCH (Feb. 2019).
2. OpSens TAVR and guidewire market calculations based on GlobalData, Cardiovascular Devices, Transcatheter Aortic Valve Replacement (TAVR), 2015 - 2033 (Dec. 2022).
3. Edwards Lifesciences: PARTNER 3, EARLY TAVR (asymptomatic severe aortic stenosis), PROGRESS Trial (moderate AS) and Medtronic: Evolut in Low-Risk patients.

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.

COMPETITION

In the Medical sector, the 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 strategic TAVR companies. We anticipate these companies to continue providing iterative, rather than platform, innovation. One existing strategic has delivered an iterative version of their current wire and one additional strategic has entered the market with their offering. OpSens' entrance into this market is expected to be disruptive, 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 and disrupt 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 more than 250,000 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 and completed a limited market release in August.

OpSens 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 completed a limited market release in the U.S while still operating under a controlled commercialization program.

Finally, OpSens has submitted for CE Mark, and we anticipate approval in calendar year 2023. We will leverage Health Canada Approval, New Zealand registration and FDA clearance to register and conduct initial cases in specific countries in Europe, Middle East and Asia in FY23.

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 share and commercialization penetration in the United States and Canada and was doubled in 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

OpSens aims to generate meaningful clinical data on OptoWire performance and benefit and also on the importance of hemodynamics in the treatment of coronary artery disease. We are also planning clinical studies on SavvyWire. On October 26, 2022, OpSens announced the first SavvyWire cases in Europe and launch of the SAFE-TAVI study, the enrollment for which has successfully completed since the end of the quarter ended May 31, 2023. On May 10, 2023, OpSens announced the SavvyWire inclusion in the COMPLETE TAVR clinical study to investigate the impact of standardized invasive hemodynamics ("SIH") during transcatheter aortic valve replacement or TAVR procedures. The COMPLETE TAVR study is a randomized, multicenter, open-label trial with blinded adjudication of outcomes with planned enrollment of 4,000 patients at up to 120 centers. The SIH sub-study using the SavvyWire will enroll up to 200 patients at up to 20 centers across the United States and Canada.

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 net income (loss), excluding 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 them to see the Company's results through the eyes of management, and to better understand its historical and future financial performance.

RECONCILIATION OF EBITDAO TO NET LOSS

(In thousands of Canadian dollars)	**Three-month period ended May 31, 2023**	**Three-month period ended May 31, 2022**	**Nine-month period ended May 31, 2023**	**Nine-month period ended May 31, 2022**
	$	**$**	**$**	**$**
Net loss	(4,156)	(2,856)	(10,771)	(7,350)
Financial expenses (income)	12	75	(28)	311
Depreciation of property, plant and equipment and right-of-use assets	445	397	1,409	1,171
Amortization of intangible assets	74	66	212	193
Stock-based compensation costs	350	213	923	912
Current income tax expense	88	9	116	43
EBITDAO	(3,187)	(2,096)	(8,139)	(4,720)

The negative variance of EBITDAO for the three-month and nine-month periods ended May 31, 2023, is mainly explained by the increase in our operating expenses. This is partly offset by higher gross margin in all segments.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands of Canadian dollars, except for information per share)	Three-month period ended May 31, 2023	Three-month period ended May 31, 2022	Nine-month period ended May 31, 2023	Nine-month period ended May 31, 2022
	$	$	$	$
Revenues				
Sales				
Medical	12,516	9,170	31,230	23,478
Industrial	681	874	2,591	2,596
	13,197	10,044	33,821	26,074
Other	(42)	32	336	197
	13,155	10,076	34,157	26,271
Cost of sales	5,421	4,938	14,406	12,846
Gross margin	7,734	5,138	19,751	13,425
Gross margin percentage	59%	51%	58%	51%
Operating expenses				
Administrative	2,544	1,886	7,574	5,950
Sales and marketing	5,695	3,639	14,713	8,237
Research and development	3,515	2,322	8,469	6,114
	11,754	7,847	30,756	20,301
Financial (income) expenses	12	75	(28)	311
Loss (gain) on foreign currency	36	63	(322)	120
Loss before income taxes	(4,068)	(2,847)	(10,655)	(7,307)
Current income tax expense	88	9	116	43
Net loss	(4,156)	(2,856)	(10,771)	(7,350)
Basic and diluted net loss per share	(0.04)	(0.03)	(0.10)	(0.07)

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

(In thousands of Canadian dollars)	Three-month period ended May 31, 2023	Three-month period ended May 31, 2022	Nine-month period ended May 31, 2023	Nine-month period ended May 31, 2022
	$	$	$	$
Cost of sales	9	7	27	23
Administrative	110	49	268	484
Sales and marketing	166	92	428	215
Research and development	65	65	200	190
Stock-based compensation costs	350	213	923	912

Revenues

The Company reported revenues of $13,155,000 for the three-month period ended May 31, 2023, compared to $10,076,000 for the corresponding period in 2022, an increase of $3,079,000 or 31%.

Sales in the Medical segment totalled $12,516,000 (excluding other revenues) for the three-month period ended May 31, 2023, compared to $9,170,000 for the same period in 2022, an increase of $3,346,000. The increase in Medical segment revenues is explained by higher sales in the original equipment manufacturer ("OEM") line of business of $2,350,000 compared with the same period in 2022, and by higher sales in the coronary artery disease measurement sales (FFR and dPR) of $252,000 compared to the same period last year. The Company reported TAVR revenues of $763,000 for the three-month period ended May 31, 2023, compared to $18,000 reported for the same period in 2022.

Sales in the Industrial segment totalled $681,000 for the three-month period ended May 31, 2023, compared to sales of $874,000 for the same period in 2022. The decrease is explained by a lower volume of orders compared to the same period last year.

The Company's revenues are generated in U.S. dollars, Canadian dollars, euro, and British pounds; fluctuations in the exchange rate affect revenues and net loss. For the three-month period ended May 31, 2023, revenues were positively impacted by $773,000 compared to the same period last year (sales were negatively impacted by $17,000 for the three-month period ended May 31, 2022).

Gross Margin

Gross margin was $7,734,000 for the three-month period ended May 31, 2023, compared to $5,138,000 for the same period last year. The gross margin percentage increased to 59% for the three-month period ended May 31, 2023, compared to 51% for the three-month period ended May 31, 2022. The increase in gross margin percentage reflects higher sales volume and the related economies of scale, favorable product mix and by the increase in the average sales price for the US market, including favorable currency impact.

Administrative Expenses

Administrative expenses were at $2,544,000 and $1,886,000, respectively, for the three-month periods ended May 31, 2023, and 2022. The increase is largely explained by higher headcount and higher stock option expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $5,695,000 for the three-month period ended May 31, 2023, an increase of $2,056,000 over the $3,639,000 reported during the same period in 2022. The increase is largely explained by higher headcount, commissions, in-person trade shows, and travelling expenses related to the expansion of our direct sales force to accelerate the growth of our coronary artery disease business and entry into the large North American TAVR market.

Research and Development Expenses

Research and development expenses totalled $3,515,000 for the three-month period ended May 31, 2023, an increase of $1,193,000 over the $2,322,000 reported during the same period in 2022. The increase is largely explained by the higher headcounts and subcontractors dedicated to the development of new products and software in our medical segment.

Financial expenses

Financial expenses totalled $12,000 for the three-month period ended May 31, 2023, compared to $75,000 for the same period in 2022. The decrease in financial expenses is mainly explained by higher interest income of $98,000.

Loss on foreign currency

Loss on foreign currency totalled $36,000 for the three-month period ended May 31, 2023, compared to $63,000 for the same period in 2022.

Net loss

As a result of the foregoing, net loss for the three-month period ended May 31, 2023, was $4,156,000 compared to $2,856,000 for the same period in 2022.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

(In thousands of Canadian dollars)	**As at May 31, 2023**	**As at August 31, 2022**
	$	**$**
Current assets	41,608	39,015
Total assets	54,169	48,511
Current liabilities	9,924	8,601
Long-term liabilities	9,117	5,651
Shareholders' equity	35,128	34,259

Total assets as at May 31, 2023, were $54,169,000 compared to $48,511,000 as at August 31, 2022. The increase is mainly related to higher inventory of $4,595,000, by higher trade and other receivables of $2,025,000 and by higher right-of-use asset of $2,475,000. This is partly offset by lower cash and cash equivalents of $3,345,000.

Current liabilities totalled $9,924,000 as of May 31, 2023, compared to $8,601,000 as of August 31, 2022. The increase is mainly explained by higher accounts payable and accrued liabilities of $1,004,000.

Long-term liabilities totalled $9,117,000 as of May 31, 2023, compared to $5,651,000 as of August 31, 2022, an increase of $3,466,000. The increase is mainly explained by the increase of the lease liabilities of $2,668,000 and the increase in long-term debt of $797,000.

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 May 31, 2023**	**Three-month period ended February 28, 2023**	**Three-month period ended November 30, 2022**	**Three-month period ended August 31, 2022**
	$	**$**	**$**	**$**
Revenues	13,155	10,809	10,193	9,052
Net loss for the period	(4,156)	(2,977)	(3,638)	(4,029)
Basic and diluted net loss per share	(0.04)	(0.03)	(0.03)	(0.04)

(Unaudited, in thousands of Canadian dollars, except for information per share)	**Three-month period ended May 31, 2022**	**Three-month period ended February 28, 2022**	**Three-month period ended November 30, 2021**	**Three-month period ended August 31, 2021**
	$	**$**	**$**	**$**
Revenues	10,076	8,100	8,096	8,066
Net income (loss) for the period	(2,856)	(2,404)	(2,089)	(1,215)
Basic and diluted net income (loss) per share	(0.03)	(0.02)	(0.02)	(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 May 31, 2023, the Company had cash and cash equivalents of $20,472,000 compared to $23,816,000 as at August 31, 2022. Of this amount as at May 31, 2023, $13,711,000 were invested in highly-liquid, safe investments.

As at May 31, 2023, OpSens had a working capital of $31,684,000, compared to $30,415,000 as at August 31, 2022. The increase in working capital is mainly related to higher inventory and trade and other receivables. This is partly offset by lower cash and cash equivalents.

On December 22, 2022, the Company completed a public bought deal offering for aggregate gross proceeds of $11,500,000. In connection with the offering, the Company issued a total of 6,052,632 common shares at a price of $1.90 per common share. Transaction costs of the offering include underwriting fees of $690,000 and other professional fees and miscellaneous fees of $504,000 for total transactions costs of $1,194,000. Of this amount, $7,418,000 was used for sales and marketing and $2,888,000 for our research and development activities.

On December 22, 2022, The Company also filed a preliminary base shelf prospectus. The Company will be able to offer for sale and issue up to $50 million of common shares, subscription receipts, debt securities warrants and units, or any combination thereof from time to time during the 25-month period during which the Shelf Prospectus remains valid.

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 to use the proceeds from this equity financing as follows:

(In Canadian dollars)	**Use of funds as planned**	**Over-Allotment**	**Funds available to OpSens from equity financing**	**Actual use of funds as at May 31, 2023**	**Funds remaining to be used**
	$	**$**	**$**	**$**	**$**
Net proceeds from the issue, including the over-allotment option	22,874,000	3,750,000	26,624,000	26,582,389	41,611
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	2,958,389	41,611
Working capital	4,874,000	3,750,000	8,624,000	8,624,000	-
Total use of proceeds	22,874,000	3,750,000	26,624,000	26,582,389	41,611

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)	Three-month period ended May 31, 2023	Three-month period ended May 31, 2022	Nine-month period ended May 31, 2023	Nine-month period ended May 31, 2022
	$	$	$	$
Operating activities	(2,363)	(2,483)	(13,229)	(4,737)
Investing activities	(157)	(390)	(1,074)	(729)
Financing activities	1,031	(12)	10,796	(5,031)
Effect of foreign exchange rate changes on cash and cash equivalents	25	(33)	162	(36)
Net change in cash and cash equivalents	(1,464)	(2,918)	(3,345)	(10,533)

Operating Activities

For the three-month period ended May 31, 2023, cash flows used by our operating activities were $2,363,000 compared to $2,483,000 for the same period last year. The decrease in cash flows used by our operating activities is mainly explained by a positive variance of changes in non-cash operating working capital items related to accounts payables and accrued liabilities. This is partly offset by a negative variance of EBITDAO, as explained previously.

For the nine-month period ended May 31, 2023, cash flows used by our operating activities were $13,229,000 compared to $4,737,000 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 primarily related to inventory.

Investing Activities

For the three-month period ended May 31, 2023, cash flows used by our investing activities were $157,000 compared to $390,000 for the same period in 2022. The decrease in cash flows used is mainly explained by higher interest received.

For the nine-month period ended May 31, 2023, cash flows used by our investing activities reached $1,074,000 compared to $729,000 for the same period in 2022. The 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 three-month period ended May 31, 2023, cash flows generated by financing activities reached $1,031,000 compared to cash flow used of $12,000 for the same period in 2022. The variation is mainly explained by an increase in long-term debt.

For the nine-month period ended May 31, 2023, cash flows generated by financing activities were $10,796,000 compared to cash flows used of $5,031,000 for the same period in 2022. The variation is mainly explained by the public bought deal offering closed on December 22, 2022 and the increase in long-term debt. This is partly offset 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.

	Three-month periods ended May 31,					
			2023			2022
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	12,474,496	680,135	13,154,631	9,202,825	873,449	10,076,274
Internal sales	(2,497)	63,229	60,732	42,041	73,947	115,988
Gross margin	7,342,649	390,817	7,733,466	4,553,428	584,279	5,137,707
Depreciation of property, plant and equipment and right-of-use assets	394,751	50,081	444,832	346,455	50,625	397,080
Amortization of intangible assets	65,470	8,073	73,543	61,392	4,641	66,033
Financial (income) expenses	(62,752)	74,791	12,039	317	74,815	75,132
Loss (gain) on foreign currency translation	34,566	1,337	35,903	43,192	19,969	63,161
Current income tax expense	87,651	-	87,651	9,066	-	9,066
Net income (loss)	(4,008,263)	(147,506)	(4,155,769)	(2,928,571)	72,245	(2,856,326)
Acquisition of property, plant and equipment	330,084	1,192	331,276	315,987	5,413	321,400
Additions to intangible assets	57,483	14,240	71,723	130,940	47,078	178,018
Segment assets	50,868,089	3,301,152	54,169,241	47,971,368	2,586,281	50,557,649
Segment liabilities	18,348,478	692,791	19,041,269	12,053,847	859,978	12,913,825

	Nine-month periods ended May 31,					
			2023			2022
	Medical	Industrial	Total	Medical	Industrial	Total
	$	$	$	$	$	$
External sales	31,566,321	2,590,722	34,157,043	23,675,936	2,595,510	26,271,446
Internal sales	-	152,019	152,019	78,765	195,656	274,421
Gross margin	18,023,614	1,727,472	19,751,086	11,786,472	1,638,847	13,425,319
Depreciation of property, plant and equipment and right-of-use assets	1,257,990	150,559	1,408,549	1,010,739	160,517	1,171,256
Amortization of intangible assets	189,123	22,557	211,680	181,404	12,033	193,437
Financial (income) expenses	(248,896)	220,990	(27,906)	88,474	222,643	311,117
Loss (gain) on foreign currency translation	(265,945)	(55,983)	(321,928)	101,747	18,350	120,097
Current income tax expense	116,366	-	116,366	43,362	-	43,362
Net income (loss)	(10,996,440)	225,317	(10,771,123)	(7,518,230)	168,283	(7,349,947)
Acquisition of property, plant and equipment	1,358,984	18,499	1,377,483	571,509	13,426	584,935
Additions to intangible assets	97,670	14,606	112,276	267,733	58,416	326,149
Segment assets	50,868,089	3,301,152	54,169,241	47,971,368	2,586,281	50,557,649
Segment liabilities	18,348,478	692,791	19,041,269	12,053,847	859,978	12,913,825

Information by geographic segment

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2023	2022	2023	2022
	$	$	$	$
Revenue by geographic segment				
United States	7,005,645	4,161,505	17,564,154	10,936,497
Japan	1,492,843	2,200,817	3,467,763	4,363,470
Canada	1,155,107	890,196	3,049,579	2,512,836
Other*	3,501,036	2,823,756	10,075,547	8,458,643
	13,154,631	10,076,274	34,157,043	26,271,446

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

Revenues are attributed to the geographic segment based on the clients' location. Non-current assets, which include property, plant and equipment, intangible assets and right-of-use assets, are mainly located in Canada. Non-current assets located in other countries are not significant.

During the three-month period ended May 31, 2023, revenues from two clients from the Medical reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 33% and 11% (22% and 21% from two clients for the three-month period ended May 31, 2022).

During the nine-month period ended May 31, 2023, revenues from one client from the Medical reportable segment represented individually more than 10% of the total revenues of the Company, i.e. 31% (24% and 16% from two clients for the nine-month period ended May 31, 2022).

Medical Segment

For the three-month period ended May 31, 2023, sales from the Medical segment were $12,474,000 compared to $9,202,000 for the three-month period ended May 31, 2022, an increase of $3,272,000. The increase is mainly explained by higher OEM medical sales of $2,350,000 and by higher TAVR sales of $745,000.

Gross margin was $7,343,000 for the three-month period ended May 31, 2023, compared to $4,554,000 for the three-month period ended May 31, 2022, an increase of $2,789,000. The gross margin percentage increased to 59% for the three-month period ended May 31, 2023, compared to 49% for the three-month period ended May 31, 2022. The increase in gross margin percentage reflects higher sales volume, product mix and the related economies of scale by the increase in the average sales price for the US market due to appreciation of the US currency.

Net loss for the medical segment was $4,008,000 for the three-month period ended May 31, 2023, compared to $2,929,000 for the same period last year. The increase in net loss is mainly explained by higher operating expenses in the current period.

Working capital for the Medical segment as at May 31, 2023, was $29,460,000 compared to $28,719,000 as at August 31, 2022. The increase of $741,000 is mainly explained by higher inventory of $4,394,000 and by higher trade and other receivables of $1,888,000. This is partly offset by lower cash and cash equivalents of $3,591,000 and by higher accounts payable and accrued liabilities of $1,179,000.

Industrial Segment

For the three-month period ended May 31, 2023, external sales from the Industrial segment were $681,000 compared to $874,000 for the three-month period ended May 31, 2022, a decrease of $193,000 mostly explained by a lower volume of orders compared to the same period last year.

Gross margin including internal sales was $391,000 for the three-month period ended May 31, 2023, compared to $584,000 for the same period in 2022, a decrease of $193,000. The gross margin percentage decreased from 62% for the three-month period ended May 31, 2022, to 53% for the three-month period ended May 31, 2023. The decrease in gross margin percentage is explained by a lower volume of sales.

Net loss for the Industrial segment was $148,000 for the three-month period ended May 31, 2023, compared to net income of $72,000 for the three-month period ended May 31, 2022. The decrease in net income is mainly explained by the decrease in the gross margin.

Working capital for the Industrial segment as at May 31, 2023, was $2,224,000 compared to $1,696,000 as at August 31, 2022. The increase is mainly explained by cash and cash equivalent of $249,000, higher inventory of $200,000 and by higher trade and other receivables of $134,000.

NINE-MONTH PERIODS ENDED MAY 31, 2023 AND MAY 31, 2022

Revenues

The Company reported revenues of $34,157,000 for the nine-month period ended May 31, 2023, compared to $26,271,000 for the corresponding period in 2022, an increase of $7,886,000 or 30%.

Gross Margin

Gross margin was $19,751,000 for the nine-month period ended May 31, 2023, compared to $13,425,000 for the same period last year. The gross margin percentage increased to 58% for the nine-month period ended May 31, 2023, compared to 51% for the nine-month period ended May 31, 2022. The increase in gross margin percentage reflects higher sales volume, favorable product mix and the related economies of scale and by the increase in the average sales price for the US market, including favorable currency impact.

Administrative Expenses

Administrative expenses were at $7,574,000 and $5,950,000, respectively, for the nine-month periods ended May 31, 2023, and 2022. The increase is largely explained by higher headcount, professional fees and recruiting expenses. This is partly offset by lower stock option expenses.

Sales and Marketing Expenses

Sales and marketing expenses totalled $14,713,000 for the nine-month period ended May 31, 2023, an increase of $6,476,000 over the $8,237,000 reported during the same period in 2022. The increase is largely explained by higher headcount, commissions, publicity, in-person trade shows and travelling expenses related to the expansion of our direct sales force to accelerate the growth of our coronary artery disease business and entry into the large, rapidly growing global TAVR market. This is partly offset by lower recruiting fees and higher grants.

Research and Development Expenses

Research and development expenses totalled $8,469,000 for the nine-month period ended May 31, 2023, an increase of $2,355,000 over the $6,114,000 reported during the same period in 2022. The increase is largely explained by the higher headcounts dedicated to the development of new products and software in our medical segment, supplies and subcontractors. This is partly offset by higher grants related to IRAP.

Financial (income) expenses

Financial income totalled $28,000 for the nine-month period ended May 31, 2023, compared to financial expenses of $311,000 for the same period in 2022. The decrease in financial expenses is mainly explained by higher interest income of $388,000. This is partly offset by higher interest expenses of $78,000.

Loss (gain) on foreign currency

Gain on foreign currency totalled $322,000 for the nine-month period ended May 31, 2023, compared to a loss on foreign currency of $120,000 for the same period in 2022.

Net loss

As a result of the foregoing, net loss for the nine-month period ended May 31, 2023, was $10,771,000 compared to $7,350,000 for the same period in 2022.

INFORMATION ON SHARE CAPITAL

For the nine-month period ended May 31, 2023, the Company granted to some employees and directors a total of 1,717,500 stock options with an average exercise price of $1.92, cancelled 902,813 stock options with an exercise price of $2.59, 450,937 stock options with an average exercise price of $0.95 were exercised and 41,875 stock options with an exercise price of $2.50 expired.

For the nine-month period ended May 31, 2022, the Company granted to some employees and directors a total of 1,328,750 stock options with an average exercise price of $2.66, cancelled 346,375 stock options with an exercise price of $1.22, 1,121,250 stock options with an average exercise price of $1.29 were exercised, and 63,500 stock options with an exercise price of $1.58 expired.

As at July 12, 2023, the following components of shareholders' equity are outstanding:

Common shares	115,414,858
Stock options	7,999,750
Securities on a fully diluted basis	123,414,608

No dividend was declared per share for each share class.

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.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR)

In accordance with the requirements of National Instrument 52-109–Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and the design of internal controls over financial reporting. There have been no changes in the Company's ICFR during the three-month period ended May 31, 2023, that have materially affected, or are reasonably likely materially affecting its ICFR.

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 May 31, 2023, the Company was not the primary beneficiary in Special Purpose Entities and there were no off-balance sheet arrangements.

OTHER INFORMATION

More information about the Company can also be found on the SEDAR website at http://www.sedar.com, as well as in the Annual Information Form.

On behalf of management,
Chief Financial Officer

(s) John Hannigan

July 12, 2023