SQI Diagnostics Inc.

Consolidated Financial Statements

For the Years Ended September 30, 2011 and 2010

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of SQI Diagnostics Inc.

We have audited the accompanying consolidated financial statements of SQI Diagnostics Inc. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and 2010 and the consolidated statements of operations, deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SQI Diagnostics Inc. and its subsidiaries as at September 30, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
December 20, 2011
Toronto, Ontario

SQI Diagnostics Inc.
Consolidated Balance Sheets
As at September 30, 2011 and 2010
(Amounts are in thousands of dollars)

	Note	2011	2010
Assets			
Current			
Cash and cash equivalents		**$ 851**	$ 9,408
Prepaids, deposits and amounts receivable		**277**	168
Inventory	4	**138**	260
Due from related party	5	**-**	66
		1,266	9,902
Due from related party	5	**-**	32
Property and equipment	7	**2,853**	2,731
Patents and trademarks	8	**615**	469
		$ 4,734	$ 13,134
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 2,588**	$ 972
Shareholders' Equity			
Capital stock	9	**35,387**	35,026
Warrants	10	**1,614**	1,799
Employee share purchase loan	9	**-**	(10)
Contributed surplus	12	**9,377**	8,832
Deficit		**(44,232)**	(33,485)
		2,146	12,162
		$ 4,734	$ 13,134

Subsequent events (Note 21)
Contingencies (Note 17)

Approved by the Board **"Peter Winkley"** Director **(Signed)** **"Claude Ricks"** Director **(Signed)**

SQI Diagnostics Inc.
Consolidated Statements of Operations and Deficit
Years ended September 30, 2011 and 2010
(Amounts are in thousands of dollars except per share amounts)

	Note	2011	2010
Revenue			
Product sales		**$ 27**	$ 5
Consulting fees	6	**9**	30
		36	35
Expenses			
Salaries and wages		**816**	556
General and administrative	6	**737**	471
Professional and consulting fees	21	**2,083**	659
Sales and marketing		**448**	474
Stock-based compensation	14	**475**	402
Research and development costs	16	**5,456**	5,059
Amortization - patents and trademarks		**122**	100
Amortization - property and equipment		**456**	415
		10,593	8,136
Loss before the undernoted items		**(10,557)**	(8,101)
Interest income		**61**	32
Interest expense		-	(4)
Write down of equipment	7	**(251)**	-
		(190)	28
Net loss		**(10,747)**	(8,073)
Deficit at beginning of period		**(33,485)**	(25,412)
Deficit at end of period		**$ (44,232)**	$ (33,485)
Loss per Share			
Basic and diluted		**$ (0.32)**	$ (0.27)
Weighted average number of common shares outstanding			
Weighted average number of shares		**33,874**	30,349

SQI Diagnostics Inc.
Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010
(Amounts are in thousands of dollars)

		2011		2010
Cash provided by (used in)				
Operations				
Loss for the period	**$**	**(10,747)**	$	(8,073)
Add items not affecting cash				
Amortization - patents and trademarks		**122**		100
- property and equipment		**456**		415
Stock-based compensation		**475**		402
Loss on sale of property and equipment		**43**		**-**
Write down of equipment		**251**		**-**
Interest accrual		**-**		(2)
		(9,400)		(7,158)
Changes in non-cash working capital items				
Prepaids deposits and amounts receivable		**(109)**		(61)
Due from related party		**98**		7
Inventory		**(270)**		(568)
Accounts payable and accrued liabilities		**1,616**		604
		(8,065)		(7,176)
Investing				
Purchase of property and equipment		**(482)**		(418)
Additions to patents and trademarks		**(268)**		(175)
Sale of property and equipment		**2**		**-**
		(748)		(593)
Financing				
Repayment of shareholder loan		**10**		-
Proceeds from private placement and exercise of warrants and options, net of share issuance costs		**246**		13,997
		256		13,997
Net change in cash and cash equivalents		**(8,557)**		6,228
Cash and cash equivalents, beginning of year		**9,408**		3,180
Cash and cash equivalents, end of year	**$**	**851**	$	9,408
Non-cash Investing activities				
Equipment reallocated from inventory and segregated for use by the Company	**$**	**392**	$	631
Supplemental disclosure				
Cash paid for interest	$	-	$	4

1. NATURE OF OPERATIONS

SQI Diagnostics Inc., (the "Company"), has its head office and development centre in Toronto, Ontario. The Company is a life sciences company that develops and commercializes proprietary technologies and custom products and services for advanced microarray diagnostics. The Company's goal is to become a leader in the development and commercialization of microarray and multiplexed diagnostics by offering customers a comprehensive "turnkey" solution that increases the efficiency and ease of diagnostic testing and test development.

During fiscal 2009 the Company obtained Health Canada licenses and self authorization to sell in the EU and during fiscal 2010 received United States Food & Drug Administration ("FDA") clearance of its SQiDworks and IgX PLEX Rheumatoid Arthritis (RA) system. During fiscal 2010 the Company obtained a Health Canada license for its IgX PLEX Celiac™ microarray test kits that run on the Company's automated SQiDworks™ platform. During the year ended September 30, 2011 the company obtained FDA clearance for its IgX PLEX Celiac™ qualitative assay and obtained a Health Canada license and self authorization to sell in the EU its second generation fully quantitative IgX PLEX Celiac™ panel. The Company has earned limited revenues from its IgX PLEX RA™ and IgX PLEX Celiac™ test kits run on installed SQiDworks™ platforms to date, and as such is considered to be a development stage company. The Company has a pipeline of additional autoimmune diagnostic products in various stages of development and commercialization. The Company expects to generate revenues from its IgX PLEX RA™ and IgX PLEX Celiac™ products as it grows its installed base of customers as well as from products to be launched as they complete commercialization. The Diagnostic Tools and Services initiative is intended to enable our customers to expand the use of our SQiDworks and SQiDLITE platforms by converting their single-plex diagnostic content to multiplexed microarrays.

The continuation of the Company's research, development and commercialization activities is dependent upon the Company's ability to successfully generate product or services revenues, or to finance its cash requirements through further equity financings. Subsequent to the year ended September 30, 2011 the Company raised $4,552,000 as detailed in Note 21(ii). Subsequent to year end the Company also announced that it had realigned its business to reduce operating expenses, streamline product development and focus on revenue generation as detailed in Note 21(iii).

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, within the framework of the significant accounting policies summarized below:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Inter-company balances and transactions are eliminated upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid money market investments such as bankers acceptance notes, treasury bills, cashable money market funds, and cashable guaranteed investment certificates.

Inventory

Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in, first-out basis.

Property and Equipment

Property and equipment are recorded at cost and are amortized on the straight-line basis over their estimated useful lives as follows:

Computer hardware	-	3 years
Computer software	-	3 years
Laboratory fixtures and equipment	-	3 and 10 years
Office equipment	-	10 years
Leasehold improvements	-	10 years

Patents and Trademarks

The costs relating to initial patent and trademark fees are deferred and amortized over 10 years on a straight-line basis.

Research and Development Costs

Research costs are charged to operations in the period in which they are incurred. Development costs are expensed as incurred or deferred if they meet the criteria for deferral under Canadian generally accepted accounting principles and are expected to provide future benefits with reasonable certainty.

At September 30, 2011, the Company was developing multiplexed assays for vasculitis, lupus (SLE), Crohn's (IBD), antiphospholipid syndrome, second generation, fully quantitative IgXPLEX RA assay and enhancements to the fully quantitative celiac assay which would add additional biomarkers. The Company continued its work to complete scientific discovery and assay design work for a diagnostic assay to detect and measure infliximab (also referred to as anti-TNF) in the blood of autoimmune patients. Deferral criteria have not been met, and accordingly, all development costs have been expensed in the period.

Impairment of Long-Lived Assets

Long-lived assets comprise property and equipment and intangible assets with finite lives (patents and trademarks). The Company recognizes an impairment loss for a long-lived asset when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carrying value of the asset over its fair value.

Revenue Recognition

Product sales are recognized upon the shipment of products to customers, if a signed contract exists, the sales price is fixed and determinable, collection of the resulting receivables is reasonably assured and any uncertainties with regard to customer acceptance are insignificant. Sales are recorded net of discounts and sales returns.

The Company also provides consulting services from time to time. Consulting fee revenue is recognized when services are completed, amounts are invoiced to customers and collectability is reasonably assured.

Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value based method of accounting for all stock-based payments. Accordingly, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Stock-based compensation is charged to operations over the vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital at which time the related contributed surplus is transferred to share capital.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange in effect at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in operations.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Investment Tax Credits

Investment tax credits are accrued when qualifying expenditures are incurred and there is reasonable assurance that the credits will be realized. Investment tax credits earned with respect to current expenditures for qualified research and development activities are included in the statements of operations as a reduction of research and development costs. Investment tax credits associated with capital expenditures are reflected as reductions in the carrying amounts of capital assets.

During the year ended September 30, 2011 the company recorded $300,000 as a reduction of research and development costs (2010 - $295,000).

Financial Instruments

Financial instruments are measured initially at fair value and thereafter based on their classification.

The Company has classified and measured its financial instruments as follows:

Financial Instrument	Classification	Measurement Basis
Cash and cash equivalents	Held-for-trading	Fair value
Amounts receivable	Loans and receivable	Amortized cost
Due from related party	Loans and receivable	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost

Financial Instruments measured at fair value are required to be categorized into one of three hierarchy levels that are based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 inputs are determined by reference to quoted prices in active markets for identical assets and liabilities.

Level 2 inputs, other than quoted prices included in Level 1, are based on either directly or indirectly observable market data.

Level 3 inputs used in a valuation technique are not based on observable market data.

The Company's cash and cash equivalents are categorized as Level 1.

Comprehensive Income

The Company has not presented a statement of comprehensive income as it has no other comprehensive income.

Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants determined using the treasury stock method.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the determination of the useful lives of property and equipment and patents and trademarks for amortization purposes, valuation of ITC's receivable, valuation of stock options and warrants and valuation allowance on future tax assets.

3. RECENT ACCOUNTING PRONOUNCEMENTS

(i) Adoption of New Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, while section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company adopted the new standards on October 1, 2010.

(ii) Recent Accounting Pronouncements Issued and Not Yet Applied

International Financial Reporting Standards

Effective January 1, 2011 the CICA has adopted International Financial Reporting Standards ("IFRS"). The Company will be required to adopt IFRS for its 2012 fiscal year. The transition date of October 1, 2010 for the Company will require restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. Starting in the first quarter of fiscal 2012, the Company will provide consolidated financial information in accordance with IFRS including comparative figures for 2011.

4. INVENTORY

Inventory consists of component parts that are to be used in the future production of SQiDworks™ Platforms and IgX PLEX consumable assays.

5. DUE FROM RELATED PARTY

	September 30, 2011 ($000s)	September 30, 2010 ($000s)
Amount due from an officer and director (i) and (ii)	**$ -**	$ 98
Less: Current portion	**-**	(66)
	$ -	$ 32

(i) Amount due was secured, principal amount of $98,000 repayable in three equal payments on September 1, 2010, 2011 and 2012. Terms of the promissory note were amended on April 16, 2010 as follows: interest bearing at Canada Revenue Agency prescribed rate for taxable benefits to employees and shareholders on interest-free and low-interest loans, which was 1% per annum at September 30, 2011. Prior to amendment, the loan was bearing interest at 4.25% per annum during the year ended December 31, 2009 and non-interest bearing from October 1, 2009 to April 15, 2010.

(ii) The loan was paid in full during the year ended September 30, 2011.

6. RELATED PARTY TRANSACTIONS

Transactions with related parties occur in the normal course of business and are measured at the exchange amount. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

Included in general and administrative expense for the year ended September 30, 2011 is $38,000 (2010 - $49,000) related to recovery of occupancy costs from a corporation in which an officer of the Company is also an officer. Consulting fee revenue of $9,000 for the year ended September 30, 2011 (2010 - $30,000) was earned from this corporation. At year end, NIL (2010 - $1,000) due from this corporation is included in amounts receivable.

7. PROPERTY AND EQUIPMENT

As at September 30, 2011:	**Cost ($000s)**	**Accumulated Amortization ($000s)**	**Net ($000s)**
Computer hardware	**$ 266**	**$ 186**	**$ 80**
Computer software	**179**	**147**	**32**
Laboratory fixtures and equipment	**4,326**	**1,713**	**2,613**
Office equipment	**176**	**137**	**39**
Leasehold improvements	**265**	**176**	**89**
	$ 5,212	**$ 2,359**	**$ 2,853**

As at September 30, 2010**:**	Cost ($000s)	Accumulated Amortization ($000s)	Net ($000s)
Computer hardware	$ 193	$ 141	$ 52
Computer software	153	130	23
Laboratory fixtures and equipment	4,172	1,670	2,502
Office equipment	176	128	48
Leasehold improvements	263	157	106
	$ 4,957	$ 2,226	$ 2,731

During the year ended September 30, 2011 the Company determined that certain laboratory equipment intended for use in the SQiDworks™ platform would not be incorporated into future platforms or used to develop future assays. Accordingly, laboratory equipment with a net book value of $251,000 was written off.

During the year ended September 30, 2011 the Company also determined that the useful life of certain laboratory equipment with a book value of $282,000 should be reduced from 10 years to 3 years as this equipment would not be used for future platforms or in future assay development, but would be maintained by the Company for future use. The impact of this change does not have a material impact on the financial statements.

8. PATENTS AND TRADEMARKS

As at September 30, 2011:	**Cost ($000s)**	**Accumulated Amortization ($000s)**	**Net ($000s)**
	$ 1,364	**$ 749**	**$ 615**

As at September 30, 2010**:**	Cost ($000s)	Accumulated Amortization ($000s)	Net ($000s)
	$ 1,096	$ 627	$ 469

9. CAPITAL STOCK

(a) The Company has authorized an unlimited number of common shares. Issued and outstanding common shares are detailed in the schedule below:

	Number (000s)	**Value ($000s)**
Balance, September 30, 2009	27,193	**$ 22,366**
Warrants exercised (Note 10[(i)])	970	**2,008**
Issued in connection with a private placement [(i)]	4,678	**12,295**
Allocated to warrants [(i)]	-	**(1,424)**
Options exercised	917	**755**
Share issuance costs [(i)]	-	**(974)**
Balance, September 30, 2010	33,758	**$ 35,026**
Options exercised	81	**174**
Warrants exercised (Note 10[(i)])	107	**193**
Share issuance costs	-	**(6)**
Balance, September 30, 2011	33,946	**$ 35,387**

(i) On December 4, 2009, pursuant to a private placement, the Company issued 2,398,104 units at a price of $2.75 per unit, each unit comprised one common share of the Company and one-half common share purchase warrant, resulting in gross proceeds of $6,595,000. Each whole warrant has an exercise price of $4.00 per share and expires on December 4, 2011. The value of capital stock includes value attributable to the warrants in the amount of $846,000, which has been included in warrant capital.

The Company paid a finder's fee in relation to the private placement satisfied through a cash payment of $453,000 and the issuance of 143,886 compensation unit warrants with an exercise price of $2.75 per unit and expiring on December 4, 2010, valued at $125,000. Each unit entitles the purchaser to purchase one common share and one-half common share purchase warrant with an exercise price of $4.00 per share, expiring on December 4, 2010. Total share issuance costs were $611,000.

On August 12, 2010, pursuant to a private placement the Company issued 2,280,000 units at a price of $2.50 per unit, each unit comprised one common share of the Company and one-half common share purchase warrant, resulting in gross proceeds of $5,700,000. Each whole warrant has an exercise price of $5.00 and expires on August 12, 2012. The value of capital stock includes value attributable to the warrants in the amount of $578,000, which has been included in warrant capital.

The Company paid a finder's fee in relation to the private placement satisfied through a cash payment of $260,000 and the issuance of 57,000 compensation unit warrants with an exercise price of $2.50 per unit and expiring on August 12, 2012, valued at $62,000. Each unit entitles the purchaser to purchase one common share and one-half common share purchase warrant. Each whole warrant has an exercise price of $5.00 per share, expiring on August 12, 2012. The total share issuance costs were $363,000.

(b) During the period ended September 30, 2007, the Company made a non-interest bearing loan to an officer, which was used to acquire 100,000 common shares. The loan has been accounted for as a share purchase loan and, accordingly, the $10,000 loan balance has been deducted from share capital. The loan was paid in full during the year ended September 30, 2011.

10. WARRANT CAPITAL

The following summarizes the change in warrants:

		2011 ($000s)		2010 ($000s)
Balance, beginning of period	**$**	**1,799**	$	461
Issued on private placement (Note 9[(i)])		**-**		1,424
Finder warrants (Note 9[(i)])		**-**		187
Exercise of warrants [(i)]		**(60)**		(213)
Expiry of warrants [(ii)]		**(125)**		(60)
Balance, end of period	**$**	**1,614**	$	1,799

(i) During the year ended September 30, 2011, 106,520 warrants with an expiry of January 22, 2011 were exercised for proceeds of $133,000. Upon exercise $60,000 was transferred to share capital.

During the year ended September 30, 2010, 194,200 warrants with an expiry of June 3, 2010 were exercised resulting in the issuance of 194,200 shares and net proceeds of $291,000, 576,563 warrants with an expiry of June 29, 2010 were exercised resulting in the issuance of 576,563 shares and net proceeds of $1,384,000 and 199,493 warrants with an expiry of April 26, 2010 were exercised resulting in the issuance of 199,493 shares and net proceeds of $120,000. On exercise, $213,000 was transferred from warrant capital to share capital.

(ii) During the year ended September 30, 2011, 143,886 warrants with an expiry of December 4, 2010 expired unexercised, and $125,000 was transferred to contributed surplus upon expiry.

During the year ended September 30, 2010 1,207,213 warrants with an expiry date of June 29, 2010 expired unexercised. On expiry, $60,000 was transferred from warrant capital to contributed surplus.

11. WARRANTS

The Company had the following warrants outstanding at September 30, 2011:

Number of Warrants (000s)	Purchase Price	Expiry Date
1,199	$ 4.00	December 4, 2011 [(i)]
237	$ 1.90	December 23, 2011
1,140	$ 5.00	August 12, 2012
57	$ 2.50	August 12, 2012
2,633		

(i) Subsequent to the year ended September 30, 2011 the Company received approval from the TSX Venture Exchange to extend the expiry of these warrants to December 4, 2012.

12. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

		2011 ($000s)		2010 ($000s)
Balance, beginning of period	**$**	**8,832**	$	8,431
Stock-based compensation (Note 14)		**475**		402
Options exercised (Note 13 [(i)])		**(55)**		(61)
Warrants expired (Note 10[(ii)])		**125**		60
Balance, end of period	**$**	**9,377**	$	8,832

13. STOCK OPTIONS

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance under the Plan, together with any other employee stock option plans, options for services and employee share purchase plans, will not exceed 10% of the issued and outstanding shares at the time of the option grant. Options granted pursuant to the Plan will have terms not to exceed five years, and are granted at an option price which will not be less than the fair market price at the time the options are granted. All options granted to individual optionees, other than consultants, generally vest in three equal installments over a period of 36 months.

The following summarizes the stock option activities under the Plan:

	September 30, 2011		September 30, 2010	
	Number of Options (000s)	**Weighted Average Exercise Price**	Number of Options (000s)	Weighted Average Exercise Price
Beginning balance	**1,814**	**$ 1.77**	2,368	$ 1.20
Granted	**175**	**$ 2.88**	434	$ 2.41
Exercised [(i)]	**(81)**	**$ 1.45**	(850)	$ 0.75
Cancelled/Expired	**(36)**	**$ 1.71**	-	$ -
Forfeited	**(331)**	**$ 1.71**	(138)	$ 1.73
Ending balance	**1,541**	**$ 1.92**	1,814	$ 1.77
Exercisable	**962**	**$ 1.61**	985	$ 1.60

(i) On exercise of stock options, $55,000 (September 30, 2010 - $61,000) was transferred from contributed surplus to share capital.

During the year ended September 30, 2010, in addition to the options exercised included in the table, there were 66,667 options that were not granted under the Plan that were exercised at a price of $0.90 per share.

There are no other options outstanding that are not part of the Plan.

The Company had the following stock options outstanding under the Plan at September 30, 2011:

Number of Options (000s)	Exercise Price	Expiry Date
58	$ 1.20	November 25, 2011 (i)
143	$ 1.74	August 7, 2012
50	$ 1.50	October 23, 2012
472	$ 1.60	February 26, 2013
255	$ 1.75	August 26, 2013
65	$ 1.30	May 22, 2014
25	$ 3.26	November 3, 2014
88	$ 2.25	February 22, 2015
50	$ 2.10	May 27, 2015
175	$ 2.50	August 16, 2015
100	$ 2.90	October 4, 2015
60	$ 2.85	January 31, 2016
1,541		

(i) These options were exercised subsequent to year end

14. STOCK-BASED COMPENSATION

The fair value of the options granted during year ended September 30, 2011 was $327,000 (2010 - $591,000), which will be recognized over the vesting period of 36 months. The total compensation expense for the year ended September 30, 2011 was $475,000 (2010 - $402,000). The total amount credited to contributed surplus for the year ended September 30, 2011 was $475,000 (2010 - $402,000).

The fair value of each option granted has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model with the following weighted average assumptions at the measurement date:

	2011	2010
Dividend yield	**0%**	0%
Expected volatility	**80%**	80%
Risk-free interest rate	**2.13%**	2.00%
Expected life (years)	**5.00**	5.00
Weighted average grant date fair value	**$1.87**	$1.54

The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur.

15. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the financial statements:

		2011 ($000s)		2010 ($000s)
Loss before income taxes	**$**	**(10,747)**	$	(8,073)
Statutory rate		**29.00%**		31.75%
Expected income tax recovery	**$**	**(3,117)**	$	(2,563)
Effect on income taxes of unrecognized future income tax assets relating to deductible temporary differences on:				
Change in valuation allowance related to operations		**3,288**		1,971
Change in future tax rates		**315**		1,150
Impact of SR&ED filings		**(600)**		(689)
Non-deductible expenses and other items		**114**		131
Income tax expense	**$**	**-**	$	-

(b) Future Income Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

		2011 ($000s)		2010 ($000s)
Amounts related to tax loss and other credits carry forwards	**$**	**11,892**	$	8,646
Property and equipment and intangibles		**(130)**		(279)
Share issue costs		**173**		280
Net future tax asset		**11,935**		8,647
Less: Valuation allowance		**(11,935)**		(8,647)
	$	**-**	$	-

(c) Loss and Tax Credit Carryforwards

As at September 30, 2011, the Company has non-capital losses of approximately $25,393,000 expiring as follows:

2013	$ 879,000
2014	766,000
2025	1,146,000
2026	516,000
2027	1,154,000
2028	2,537,000
2029	3,287,000
2030	5,068,000
2031	10,040,000
	$ 25,393,000

The Company has undeducted scientific research and experimental development costs of approximately $12,374,000 and investment tax credits relating to scientific research and development costs of approximately $2,758,000 available to apply against future taxable income.

The potential tax benefit relating to the non-capital losses and tax credit carryforwards has not been reflected in these financial statements.

16. RESEARCH AND DEVELOPMENT COSTS

The Company's autoimmune diagnostic research and development programs focus primarily on the following technology platforms:

(a) Platform: The Company develops various platforms to enable its customers to run and analyze the Company's immunoassay IgX PLEX ™ and QuantiSpot test kits. The Company's SQiDworks™ platform is a fully automated, multi plate system used to process up to three IgX PLEX ™ or QuantiSpot test kits. The SQiDworks™ platform is a fully load-and-go device that completes all sample handling, biochemistry, plate scanning and data analysis. The Company's platform research and development activities focus on continuous improvement to the platforms, novel applications, required modifications for the Company's pipeline IgX PLEX and QuantiSpot content as well as the evolution of the platform to meet customer needs and market demands. The SQiDLITE™ platform, in the development stage in 2011, is designed to address customers' requirements for smaller, less costly, fully automated systems and is intended to address the IVD and Diagnostic Tools and Services markets as well as the research and drug development markets.

(b) IgX PLEX™: The Company develops multiplex microarrays used to aid in the diagnosis of a variety of autoimmune diseases and with a goal of expanding the use of this technology into infectious diseases and allergens. The IgX PLEX™ research and development program includes basic and advanced research and development in materials science, surface chemistry, biochemistry, ELISA chemistry, multiplexing, antibody kinetics, autofluorescing anti body marker biochemistry and detection, multiplexed calibration and normalization, qualitative and quantitative measurement and automation of the assay biochemistry. The development of the core IgX PLEX™ technology was completed in parallel with the development of the Company's first QuantiSpot RA and IgX PLEX™ test kits licensed in Canada, cleared in the US and authorized in the EU to aid in the diagnosis of rheumatoid arthritis.

(c) Gastrointestinal ("GI"): The Company is developing a pipeline of IgX PLEX™ test kits targeted at autoimmune disorders of the digestive system. The first such test kit for Celiac disease has been licensed in Canada and is FDA approved in the United States. The IgX PLEX™ products currently in development include fully quantitative and expanded multiplex microarrays detecting and measuring serum antibodies to aid in the diagnosis of celiac disease and Crohn's/ulcerative colitis.

(d) Rheumatoid Arthritis ("RA"): The Company is continuing the development of its in-market test and believes that it must continuously improve and update its products. During the year the Company moved into development enhancement which include fully quantitative IgX PLEX microarray technology and expanded biomarker content.

(e) Vascular: The Company is developing a pipeline of IgX PLEX™ test kits targeted at autoimmune disorders of the vasculature. The IgX PLEX™ products in development during the year include multiplex microarrays detecting and measuring serum antibodies to aid in the diagnosis of vasculitis and Antiphospholipid Syndrome (APS).

(f) General Discovery Markers: The Company conducts discovery research as the first step in the development process. Discovery includes basic research to determine the suitability of candidate biomarkers that could be combined in marketable multiplex microarrays. The research during the year included biomarkers used to aid in the diagnosis of autoimmune diseases and includes: lupus, thyroid disease, autoimmune hepatitis, autoimmune renal disease and food intolerance.

(g) Therapeutic Monitoring: The Company initiated a program to develop monitoring tests used to aid in the therapeutic treatment of autoimmune diseases. These tests are used to measure biologic therapies in patient's blood to assist clinicians in their use of various clinical approaches. Therapeutic Monitoring may be used alone, or in combination with the Company's IgX PLEX™ products.

The following table summarizes the Company's research and development costs for the years ending September 30, 2011 and 2010:

		2011 ($000s)		2010 ($000s)
Platform	**$**	**636**	$	907
IgXPLEX Technology		**-**		1,431
Gastrointestinal		**2,004**		1,861
Rheumatoid Arthritis		**1,413**		-
Vascular		**1,331**		345
General Discovery Markets		**354**		304
Therapeutic Monitoring		**18**		506
		5,756		5,354
ITC Refund		**(300)**		(295)
	$	**5,456**	$	5,059

17. CONTINGENCIES

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers, former employees or competitors. Management believes that adequate provisions have been recorded in accounts where required.

18. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can complete its lead assay commercialization efforts and receive the required regulatory approvals to sell and market its products and provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Company consists of shareholders' equity. The Company is not subject to externally imposed capital requirements.

19. FINANCIAL RISK MANAGEMENT

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents are exposed to credit risk. The credit risk on cash and cash equivalents is small because the counterparties are highly rated Canadian banks.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are exposed to cash flow interest rate risk as the Company invests cash and cash equivalents at floating rates of interest in highly liquid instruments. Fluctuations in interest rates would not significantly impact interest income.

c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk due to its purchases in US dollars. A 1% change in the foreign exchange rate would result in a change of approximately $18,000 in the reported profit and loss.

d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At September 30, 2011 the Company had a working capital deficit of $1,322,000 and as such has liquidity risk. Subsequent to the year ended September 30, 2011, the Company raised $4,552,000 as detailed in Note 21.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

21. SUBSEQUENT EVENTS

(i) On October 5, 2011 the Company announced that it would not proceed with its previously announced financing and withdrew its preliminary short form base PREP prospectus with the Ontario Securities Commission and withdrew the corresponding registration statement on Form F-10 filed with the Securities and Exchange Commission. Costs relating to the financing were $956,000. These costs have been expensed in the current year as they no longer meet the criteria for deferral.

In light of the withdrawal of the prospectus and registration statement and the termination of the financing, effective October 6, 2011 closing conditions to the Company's acquisition of Scienion AG were not met, and the Company therefore did not complete the acquisition as contemplated. Costs of $697,000 relating to the acquisition have been expensed in the current year.

(ii) On October 26, 2011 the Company completed a non-brokered private placement of 2,276,000 units of the Company at $2.00 per unit for gross proceeds of $4,552,000.

Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $2.50 for a period of two years from the date of issuance, provided that if on any day that is 12 months following the date of issuance the 20-day volume weighted average trading price of the Company's shares on the TSX Venture Exchange equals or exceeds $3.25, then upon the Company sending subscribers written notice of such date and issuing a news release announcing such date, the common share purchase warrants will only be exercisable for a period of 30 days following the date on which such written notice is sent to the subscribers.

In connection with the private placement, the Company paid a finder's fee equal to 6% of the gross proceeds and issued 85,040 compensation warrants exercisable for 24 months from the Closing of the Private Placement. Each warrant is exercisable into one common share and one warrant at a price of $2.00. Each underlying warrant is exercisable into one common share at a price of $2.50 for a two year period.

(iii) On November 30, 2011 the Company announced that it realigned its business to streamline its product development portfolio and to focus on revenue generation from its Diagnostic Tools and Services business. As part of this realignment the Company reduced its workforce by 14 positions leaving a total workforce of 36 employees. The impact of this realignment was to focus more intensively on completing products in final development and to shift all products in development such that fewer products would be in active development at any given time.

(iv) Additional subsequent events are disclosed in Note 11 and Note 13.