SQI DIAGNOSTICS INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

December 31, 2014

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This Management's Discussion and Analysis ("MD&A") covers three months ended December 31, 2014 and 2013 and should be read in conjunction with the Company's condensed interim consolidated financial statements. The December 31, 2014 condensed interim consolidated financial statements and additional information about the Company, including the annual audited consolidated financial statements and MD&A for the year ended September 30, 2014 and the most recent Annual Information form ("AIF") can be found on SEDAR at www.sedar.com.

All amounts are expressed in Canadian dollars unless otherwise indicated.

This discussion and analysis was prepared by management using information available as at February 25, 2015.

This document contains forward-looking statements that relate to future events or future performance and reflect our expectations and assumptions regarding our growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "our goal", "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue", "positioned" or the negative of these terms or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this document include, among others, statements regarding our future operating results, economic performance, product development efforts, and statements in respect of:

- *our requirement for, and our ability to obtain, future funding;*
- *our expected future losses and accumulated deficit levels;*
- *technological advances of competitive products and general market competition;*
- *our expectations regarding the acceptance of our products by the market;*
- *our expectations regarding the progress and the successful and timely completion of the various stages of the regulatory clearance process;*
- *our strategy to develop new products and to enhance the capabilities of existing products;*
- *our strategy with respect to research and development;*
- *our dependence on expanding our customer base;*
- *our plans to market, sell and distribute our products in Canada and the United States;*
- *our plans in respect of strategic partnerships for research and development;*
- *our ability to obtain a sufficient supply of the components needed for our products;*
- *our plans to retain and recruit personnel;*
- *our plans to correct defects or errors in our systems; and*
- *our strategy with respect to the protection of our intellectual property.*

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- *the extent of our future losses;*
- *our ability to obtain the capital required to fund development and operations;*
- *development or commercialization of similar products by our competitors;*
- *our ability to develop and market our products;*
- *our ability to comply with applicable governmental and securities regulations and standards;*

- *our ability to develop and commercialize our technologies;*
- *delays or failures in our ability to develop and implement new diagnostic products;*
- *our ability to expand our customer base;*
- *our ability to market, sell and successfully commercialize our products;*
- *our ability to attract and retain skilled and experienced personnel;*
- *the impact of changes in the business strategies and development priorities of our strategic partners;*
- *loss of suppliers or increases to the cost of the components of our systems;*
- *the impact of legislative changes to the healthcare system and regulatory process;*
- *our ability to maintain effective internal control over financial reporting;*
- *damage to our manufacturing facility or its failure to accommodate future sales growth;*
- *the impact of unknown defects or errors and product liability claims;*
- *foreign currency fluctuations;*
- *our ability to obtain patent protection and protect our intellectual property rights and not infringe on the intellectual property rights of others;*
- *the expense and potential harm to our business of intellectual property litigation;*
- *stock market volatility;*
- *the fact that further equity financing may substantially dilute the interests of our shareholders; and*
- *other risks detailed from time-to-time in our ongoing quarterly filings, annual information forms, annual reports and annual filings with applicable securities regulators, and those which are discussed under the heading "Risk Factors".*

Although the forward-looking statements contained in this management discussion and analysis are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this document.

OVERVIEW

SQI Diagnostics Inc. ("SQI Diagnostics" or "SQI" or the "Company") was founded in 1999 on the straightforward idea that the number of blood tests performed to diagnose a patient's disease state was large and growing and that reducing the effort to complete these multiple tests would create a significant benefit. Since then, SQI has invested significant resources to develop products and automated systems that enable our customers to obtain multiple results from one single test well (multiplexing), saving them time and money.

SQI Diagnostics Inc. is now a leading innovator in the multiplexed microarray diagnostics and life sciences tools arena. Our multiplex tests and automated platforms together form a powerful tool for the design, development and running of tests in three key markets:

(1) Drug Development Testing - blood testing in clinical trials for pharmaceutical and biotechnology companies developing novel drugs; tests developed for our customers in this segment generally have lower regulatory requirements than in our Human Diagnostics Testing segment;

(2) Human Diagnostic Testing - diagnostic tests for humans developed for our strategic customers including DNA-based tests for infectious disease and in-house developed tests for regulatory cleared *in vitro* diagnostic (IVD) immunology testing done in reference laboratories for the diagnosis and monitoring of autoimmune diseases. There is a large market for unregulated applications although IVD tests have relatively rigid regulatory requirements; and,

(3) Animal Health Diagnostic Testing – diagnostics tests used for animal health including tests for infectious diseases, food safety and routine companion animal tests. Tests in this market generally have lower regulatory requirements than human testing markets.

We achieved the following key milestones in the first quarter of fiscal 2015:

Customer projects/sales activities

- We announced a follow-on agreement and technology transfer agreement that expands our partnership with our customer in the DNA space. In particular we are commercializing several multiplex infectious disease DNA-based tests. The first is a 30-plex panel to test for infections of human blood and is targeted at high volume opportunities. The second we expect to develop for our customer is a 19-plex test focused on infectious disease testing in the dairy market. In this market we believe there are currently 60 million tests run in approximately 60 North American dairy testing labs. The technology transfer agreement is important to SQI as we believe that it positions SQI as the manufacturer for the products for both near-term validation work and for longer-term commercial use. We believe that this relationship will continue to grow and that we are well-positioned with this customer to win additional important work related to the automation of the tests for both human and animal health opportunities.

- During the period we won a second project from a global pharmaceutical company previously referred to as Global Pharma 3. This second project is meaningful as it is our third global-sized drug development company that has initiated a second project. This repeat business is expected to generate product-based revenue for their human studies in fiscal 2015 and we expect additional agreements from this customer as we advance the business with them. Subsequent to the fiscal quarter, we entered into an additional agreement to carry out testing of pre-clinical (monkey) samples as a service in our lab.

- During the period we completed the development work and reporting for a global pharmaceutical company and we believe that we will sell this customer one or more SQI platform(s), as well as test kits for human studies for this first project by the third fiscal quarter 2015, or sooner. We are in discussions with this customer for additional projects for new drugs in their pipeline.

- Our first global pharmaceutical customer has a loaner instrument planned for March 2015 delivery to evaluate two immunogenicity products developed to date, one of which was completed during the quarter. We believe successful evaluation of the instrument and test kits will lead to the purchase of a sqidlite instrument. The Company is currently in discussion with this customer to initiate two additional projects to be developed with expected launch dates for these projects in Q2 2015 and Q3 2015.

- We believe that work completed previously for Isis Pharmaceuticals will lead to kit sales for sample analysis at Algorithme Pharma, ISIS's contract research organization, some time in Q2 2015

- And, most importantly during the quarter we worked closely with our current customer base to positioned SQI to place a significant number of diagnostic platforms at our customers in 2015. These placements are the drivers for delivering on-going revenues from our customers in the years to come.

IVD

- We re-established our regulated product capability by winning US Food and Drug Administration ("FDA") clearance for our newest multiplexed celiac diagnostic test. This comprises four individual tests that are used to aid in the diagnosis of celiac disease.

Celiac disease is a leading gastrointestinal illness reported to occur in 1 in 130 North Americans.

Below we provide a brief glimpse into our near-term sales pipeline:

- Subsequent to quarter-end a contract was signed with a customer in the animal health market to convert 3 existing veterinary ELISA tests to the SQI platform.
- A clinical diagnostic company is interested in porting over a multiplexed cardiac biomarker test from an older system to sqidlite.
- In discussions with a major US-based CRO for the development of a multiplexed Alzheimer's test
- In advanced discussions with a US-based immunogenicity CRO for the placement of a sqidlite platform and co-marketing of test development and testing services
- Follow-on meetings with major vaccine companies
- Advancing multiple major pharma opportunities including vaccine, cancer and diversified pharmaceutical companies
- We expect that these opportunities could double the number of customers and projects that we currently have significantly building on our revenue opportunities for the end of fiscal years 2015 and 2016.

Marketing efforts that supplement direct selling in the first half of calendar 2015 include:

- Attended the *Immunogenicity and Immunotoxicity* conference in January where Merck & Co. delivered a talk entitled "Immunogenicity Assays: Challenges of Anti-Drug Antibody (ADA) Detection in the presence of High Concentration of Circulating Drug (Drug Tolerance)" which highlighted the superior drug tolerance capabilities of SQI's technology, solving Merck's need for better drug tolerance for their existing test.
- Sponsoring WRIB (bioanalytics) conference in April, 2015
- National Biotech Conference in May, 2015; Dr Renuka C. Pillutla PhD. of Bristol-Myers Squibb will deliver a talk entitled "Application of SQI Multiplex Platform in immunogenicity Testing – Epitope Mapping and Isotyping"
- National Biotech conference in June, 2015

Industry collaborations

- SQI is on a steering committee for emerging technologies at AAPS
- Matrix interference task force at AAPS currently reviewing vendor projects to be published in 2015

On January 30, 2015 and on February 20, 2015 the Company completed a two tranches of a debenture financing resulting in gross proceeds of $3,236,000. The debenture financing is described in further detail on page 9 of this discussion.

OUTLOOK - OUR STRATEGY for 2015

To achieve our vision and drive our future growth, we have 5 strategic objectives.

1. ACHIEVE SUSTAINABLE REVENUE VELOCITY

Our main objective for the 2015 fiscal year, that we reported in our 2014 year end disclosure material, is to leverage the success achieved in 2014 and to sell and place sqid**lite™** analyzers into our customers' labs, have them further validate the tests we have delivered to them and drive revenue growth across the installed customer base selling custom and routine test kits. Simply put – we aim to achieve sustainable revenue velocity.
In the first quarter of fiscal 2015 we made progress towards this objective by:

1) Working with our large pharma customers to complete development work and determine delivery timeframes for multiple sqidlite systems in the coming quarters.

2) We won additional, repeat business from our DNA customer and continue to progress the development work to deliver a fully-automated pathogen detection system for testing of human blood. In the multi-stage project we have signed three individual agreements and subsequent to the quarter end have completed two and have made significant progress on the remaining one (Technology Transfer).

2. DELIVER DIFFERENTIATED CUSTOMER EXPERIENCES

Our value proposition is consistent across our markets. We provide state of the art test kits and platforms that reduce the amount of work performed while delivering superior product performance. We do this through "multiplexing" and automation. Multiplexing allows our customers to get many results from a single test. To date, we have built custom tests in our drug development market that have as many as 21 unique results from a single SQI test. In other words, we take away the effort our customers would have previously needed to develop 21 different tests – now 1 test provides 21 results; reduce the effort to validate 21 different tests; reduce the effort to collect very valuable blood samples to allow the customers to run 21 different tests from 21 times less blood; and, finally, our automated systems will run the SQI tests and complete the analysis and reporting of the results. Our scientists are developing these highly technical products in timelines and at levels of performance that we believe to be unparalleled in the industry.

3. EXPAND OUR PRODUCT REACH

Combined, our current pharma and biotech customers have a total of approximately130 drugs in development and are estimated to be adding 10 new products into their drug development pipeline each year. Our goal is to expand our customers' use of our tests beyond the initial prototype products we are working on, and, we expect to have customers with multiple projects delivering multiple revenue sources concurrently. Our entry point into our customers is custom-developed tests. Our goal is to expand beyond these high value tests and to also sell other, high volume routine tests that can be run on their sqidlite platforms.

4. MAINTAIN INDUSTRY-LEADING TECHNOLOGIES IN HIGH VOLUME PRODUCT MARKETS

Whether we are developing tests to assist drug developers in their clinical programs or automating DNA tests for customers in the infectious disease markets, our products are laser focussed on high throughput solutions in markets that have been largely underserved by multiplexing and automation. Over the last 18 months we have evolved the business to diversify our revenue risk.

5. FOCUS ON NEAR-TERM PHARMA AND DIAGNOSTIC REVENUE OPPORTUNITIES

SQI started as a multiplexing company focused on autoimmune disease testing in humans. Today, we are focussed on expanding the application of our technology to address needs in the drug development and other diagnostic markets while maintaining our progress in autoimmune disease. This change of focus is being successfully executed in order to win revenue in markets requiring less investment, much less regulatory effort and where there is a much larger aggregate opportunity. We are in the process of unlocking the opportunities in a wide range of projects and across multiple product lines. We believe that this strategy will achieve our goal of sustainable revenue velocity sooner.

As such, the Company commercializes its technology through two principal and integrated lines of business in the three main markets discussed above:

Drug Development Tools and Services (DDTS)
Drug Development Tools and Services is focused primarily on pharmaceutical companies, biotechnology companies, and vaccine companies along with the Contract Research Organizations (CROs) that serve them. These companies are required to understand many biological responses to their in-development drugs and these responses are expressed through the production of a wide range of proteins and antibodies in animals and humans during a drug's development. Detecting, measuring and understanding these responses can impact the design, evaluation and selection of drug candidates and the course of development of a drug. Common types of testing to measure responses are categorized as follows: immunogenicity; anti-drug antibody ("ADA"); inflammatory; biomarker and epitope mapping. The use of these common tests has grown dramatically over the last decade, enabled by testing innovation and the rise of data management and informatics. And, more recently, FDA guidance to drug developers issued in 2014 is expected to influence this market positively as it provides more direct guidance to industry related to using these tests in their drug development programs. Over the last 18 months, SQI used the widely available *draft* guidance from the FDA to build products that specifically addressed the expected needs of the industry to follow the now issued guidance.

SQI's business model for DDTS customers is to sell comprehensive "turnkey" services including the initial rapid design, development and validation of custom multiplex tests kits. The customer then contracts SQI to manufacture these custom tests for purchase and use in their pre-clinical and clinical drug trials, with testing conducted at the customer or its CRO. In some cases, SQI can also provide sample analysis performed at the Company, as a service.

As we commercialize our products in the pharma market, customers are choosing multiplex tests from SQI because they combine multiple tests that they use in a particular application into a single test providing all of their required results, while maintaining or exceeding the technical performance to which they are currently accustomed. Further, we fully automate the processing of these tests on our systems so that with as little as 15 minutes of operator hands on time they can run many samples, achieving high throughput, in a run and walk away mode. Our technology meets or exceeds all FDA and European Medicines Agency ("EMA") immunogenicity and biosimilar test guidelines.

In Vitro Diagnostics (IVD)
SQI is also advancing a pipeline of **multiplexed IVD products** targeting protein and antibody biomarkers relevant to autoimmune and other immunological diseases. These tests are developed, validated and manufactured by the Company for direct marketing and sales to reference labs once cleared by regulators such as the FDA.

Our target customers require diagnostic processing equipment and consumable tests (together "systems") that are capable of processing large numbers of patient samples to detect and quantify multiple and varied types of human antibodies, isotypes (different forms of the same antibody) and sub-classes of antibodies. Our systems and multiplexing technologies enable many tests to be completed in a single well of one of our consumable test kits at low cost and with minimal labour requirements using our semi-automated or fully-automated high-throughput systems. Our systems have the potential to increase a laboratory's throughput with significantly less labour, consumables and other costs.

Although the majority of our time and resources were devoted to the near-term opportunities in the pharmaceutical and biotech development markets in fiscal 2014 and the first quarter of fiscal 2015, the Company also continued to advance its pipeline of IVD tests, albeit at a slower pace. SQI's lead IVD test is its multiplexed Ig_plex® Celiac DGP Panel, which provides clinicians with a valuable and rapid tool to quantify the levels of multiple key biomarkers associated with celiac disease. In February of 2014 the Company obtained a license from Health Canada permitting the Company to market this panel. SQI received clearance from the United States Food and Drug Administration (FDA) allowing Company to market its proprietary Celiac Panel in the United

States in the quarter. According to the New England Journal of Medicine[1], it is estimated that 1 in 100 people in the United States is affected by celiac disease.

The Company is currently focusing on the development of Ig_plex Vasculitis and Ig_plex Lupus IVD products.

The tests developed by SQI have the potential to save large volume reference labs both time and money and may also improve the data collected in each test. Successful penetration of the IVD testing market is difficult to achieve based on a single test, particularly when that test requires investment by a lab in a hardware platform. By adding further qualitative tests to the SQI menu of regulatory cleared tests, management believes the business case for switching to the SQI platform becomes compelling. As a consequence, the Company plans to continue to invest to develop and achieve clearance for the tests listed above. In light of the Company's limited resources such investment will rank behind investing in our tools and services business opportunities as those projects can deliver revenue and cash flow more quickly

[1] . Celiac Disease, Alessio Fasano, M.D., and Carlo Catassi, M.D., M.P.H., N Engl J Med 2012; 367:2419-2426, December 20, 2012.

CORPORATE FINANCING TRANSACTIONS

On December 4, 2011 the Company extended the expiry of 1,199,052 warrants by 12 months to December 4, 2012. The warrants were issued in December 2009. On December 4, 2012 the Company received approval to extend the expiry of these warrants for an additional 12 months to December 4, 2013. On December 4, 2013, the Company received approval to extend the expiry of these warrants for a final 12 months to December 4, 2014. All other terms of the warrants remained unchanged. The fair value of the extension was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.70; dividend yield 0%; risk free interest 1.1%; volatility 154%; and an expected life of 1 year. Expected volatility is based on historical volatility. As a result of the extension $170,000 was recorded in warrant capital with a corresponding reduction in contributed surplus. On December 4, 2014 these warrants, having reached the maximum term allowable under TSX rules, expired unexercised. Accordingly, $1,107,000 was transferred from warrant capital to contributed surplus.

On October 10, 2013, the Company extended the expiry of 2,276,000 warrants by 36 months to October 25, 2016. The warrants were issued in October 2011 in connection with a private placement. All other terms of the warrants remained unchanged. The fair value of the extension was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.76; dividend yield 0%; risk free interest 1.2%; volatility 96%; and an expected life of 3 years. Expected volatility is based on historical volatility. As a result of the extension $616,000 was recorded in warrant capital with a corresponding reduction in contributed surplus. In addition, 86,040 warrants with an expiry of October 26, 2013 expired unexercised and $54,000 was transferred to contributed surplus upon expiry.

Subsequent to quarter end the Company completed a secured debenture offering (the “Offering”). The first tranche of the Offering was completed on January 30, 2015 for gross proceeds of $1,950,000. The second tranche was completed on February 20, 2015 for gross proceeds of $1,286,000. The debentures bear interest at a rate of 10% per annum on the principal amount outstanding and will be repayable 60 months from the date issued. The debentures are secured by a General Security Agreement over all the present and future assets of the Company including intangibles. As part of the consideration for the debentures the Company issued an aggregate of 3,236,000 common share purchase warrants. 1,950,000 and 1,286,000 common share purchase warrants were issued in connection with the first tranche and second tranche, respectively. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.60 and is exercisable at any time up to 60 months from the date of issue. The debentures may be redeemed in whole or in part, at par without premium or penalty, at the option of the Company if at any time following the first anniversary of the date of issuance of the debenture, and prior to the maturity date of such debenture, the volume weighted average closing price of the Company’s shares on the TSXV (or any other stock exchange on which such shares are then traded) is equal to or greater than $1.00 per share for twenty consecutive trading days.

In connection with the Offering, the Company paid a total finder’s fee of $194,000 and issued 323,600 compensation warrants. The compensation warrants will be exercisable at a price of $0.60 at any time up to 60 months after the date of issue.

First Quarter Commentary

The table below summarizes quarterly financial information for the three month periods shown.

	December 31, 2014 (000s)	September 30, 2014 (000s)	June 30, 2014 (000s)	March 31, 2014 (000s)
Revenue	$ 15	$ 67	$ 32	$ 18
Net Loss	$ 1,365	$ 1,546	$ 1,449	$ 964
Net Loss Per Share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.02)
Weighted Average Shares	56,336	56,336	55,505	47,080

	December 31, 2013 (000s)	September 30, 2013 (000s)	June 30, 2013 (000s)	March 31, 2013 (000s)
Revenue	$ 2	$ -	$ -	$ -
Net Loss	$ 1,501	$ 1,553	$ 1,740	$ 1,351
Net Loss Per Share	$ (0.03)	$ (0.03)	$ (0.04)	$ (0.03)
Weighted Average Shares	44,970	44,952	43,206	39,826

During the first quarter of fiscal 2015 the Company continued to record revenue from product and services sales in our DDTS business. Revenue for the three months ended December 31, 2014 was $15,000 compared to $2,000 for the same period last year. Revenue in the first quarter of fiscal 2015 includes fess earned for the technology transfer phase of the project to manufacture a DNA-based pathogen detection test as well as for additional work contracted by one of our Global Pharma customers. Management expects a high level of variability in revenue each quarter in fiscal 2015 as various development projects are being initiated, in progress and completed during each period. As our customer and project base grows management expects growth in overall service-based revenue. Management also expects sales of systems and test kits to further increase revenue growth and cause period to period variability to decrease.

For the quarter-ended December 31, 2014, the Company recorded a net loss of $1,365,000 ($0.02 net loss per share) compared to a net loss of $1,501,000 ($0.03 net loss per share) for the quarter-ended December 31, 2013. Per share values are based on the weighted average shares outstanding in the period. For the quarter-ended December 31, 2014 there was an average of 56,336,000 shares outstanding.

The net loss was lower for the three months ended December 31, 2014 as compared to the same period last year due mainly to decreases in R&D expenditures as discussed below.

R&D expenditures, excluding amortization and stock based compensation, for the three months ended December 31, 2014 were $684,000 compared to $840,000 for the same period last year. During the three months ended December 31, 2014 the Company continued development work for customers in its DDTS business. The Company also focused some limited development

efforts on two IVD tests. R&D costs were lower for the three months ended December 31, 2014 as compared to the same period last year. In the quarter-ended December 31, 2013 the Company incurred significant costs related to the verification and validation of Celiac DGP. There were no tests in the validation or verification stages in the current quarter. In addition the Company incurred lower R&D salary and related costs in the first quarter of fiscal 2015 as compared to the first quarter of fiscal 2014 due to staff reductions affected in February of 2014 and other temporary staff changes during the current quarter.

Corporate and general expenses include salaries and related expenses (including benefits and payroll taxes) of the Company other than salaries and related expenses paid to personnel engaged in research and development. Salaries and wages were $111,000 for the quarter-ended December 31, 2014 compared to $141,000 for the quarter-ended December 31, 2013. The decrease is due to one administrative position eliminated in February 2014.

Corporate and general expenses also include general and administrative expenses which comprise occupancy costs, insurance costs, foreign exchange expenses, and other general operating costs. General and administrative expenses were $125,000 for the three months ended December 31, 2014 compared to $102,000 for the three months ended December 31, 2013. General and administrative costs were higher in the quarter-ended December 31, 2014 due mainly to regulatory fee and other fees incurred in the OTCQX listing process.

Professional consulting (legal, accounting, Board of Directors compensation, recruiting, administrative contractor, and investor relations) costs in the three months ended December 31, 2014 were $123,000 compared to $55,000 for the three months ended December 31, 2013. The increase in professional and consulting costs for the quarter-ended December 31, 2014 compared to the same period last year is a result of investor relations initiatives pursued to increase investor awareness.

Sales and marketing expenses were primarily related to sales and marketing consultant fees and to travel related to selling activities in the quarter. Sales and marketing expenses, excluding stock based compensation, totalled $160,000 for the three months ended December 31, 2014 compared to $150,000 for the three months ended December 31, 2013. Sales and marketing expenses were higher for the three months ended December 31, 2014 compared to the same period in the previous year, primarily due to the addition of one individual to the sales and marketing area. Sales and marketing expenses in the quarter-ended December 31, 2013 include a bonus paid for the execution of 3 commercial contracts, there were no bonuses paid in the quarter-ended December 31, 2014.

Non-cash stock based compensation charges totalled $36,000 for the three months ended December 31, 2014 compared to $52,000 for the three months ended December 31, 2013. The related stock option issuances are described further in the Outstanding Capital Stock section that follows.

Operational expenses were partially offset by interest income earned on short-term investments of $3,000 for the three months ended December 31, 2014 compared to $2,000 for three months ended December 31, 2013. The Company invests its cash in variable term cashable government investment certificates and short-term money market deposits.

Sources and Uses of Cash

Management expects losses to continue into fiscal 2015 as investment continues in product development and commercialization efforts for its pipeline of IVD and custom Ig_plex test kits and platforms, as well as investment in sales and marketing. Management expects to reduce losses later in fiscal 2015 as it generates revenues and margin from a variety of Diagnostic Tools and Services' customers.

As at the date of this report and as a result of the debt financing subsequent to quarter-end, the Company has funds sufficient to meet our anticipated cash requirements for approximately the next eight months. The Company is actively reviewing its forecasted expenditures, capital needs and financing options.

Operational activities for the quarter-ended December 31, 2014 were financed by cash on hand.

At December 31, 2014, current assets were $744,000 compared to $2,058,000 at September 30, 2014. As at December 31, 2014 the Company has a $342,000 working capital surplus compared to a surplus of $1,625,000 at September 30, 2014.

Cash used in investing activities for the quarter-ended December 31, 2014 was $98,000 compared to $85,000 for the quarter-ended December 31, 2013. The Company continues to critically evaluate all capital purchases and is evaluating all patent and trademark expenditures. Investing activities focused on enhancing and maintaining the Company's patent and trademark portfolio, and strategic laboratory equipment purchases.

Subsequent to the quarter end, on January 30, 2015 and February 20, 2015 the Company completed a debenture financing resulting in gross proceeds of $3,236,000

RISK FACTORS

An investment in our common shares involves a number of risks. In addition to the other information contained in this Management Discussion and Analysis, including our consolidated financial statements and related notes and the Annual Information Form dated December 16, 2014, you should give careful consideration to the following risk factors. Any of the matters highlighted in these risk factors could have a material adverse effect on our business, results of operations and financial condition, causing an investor to lose all, or part of, its, his or her investment.

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are not aware of or focussed upon, or that we currently deem to be immaterial, may also impair our business operations and cause the trading price of our common shares to decline.

Risks Related to Our Business and Strategy

Our future capital needs are uncertain and we may need to raise additional funds in the future, which may not be available on a timely basis or on commercially reasonably terms.

We have incurred losses since inception, and we expect to continue to incur losses for the foreseeable future.

Market competition and technological advances of similar diagnostics products could reduce the attractiveness of our products or render them obsolete.

If our products fail to achieve and sustain sufficient market acceptance, our revenue will be adversely affected.

We are subject to complex regulatory compliance requirements and the failure to obtain, or the withdrawal of, regulatory clearance or approval for our products could adversely affect our ability to market our products and/or require us to incur significant costs to comply with such requirements.

We may not be able to develop new products or enhance the capabilities of our existing diagnostics products to keep pace with rapidly changing technology and customer requirements.

Research and development of diagnostic products requires significant testing and investment and may not result in commercially viable products within the timeline anticipated, if at all.

Our future success depends upon our ability to expand our customer base and introduce new products and services.

We have limited experience in marketing, selling and distributing our products, and we need to expand our internal and external sales and marketing force and distribution capabilities to successfully commercialize and sell our products.

We rely on strategic partnerships for research and development and commercialization of our products.

We depend upon key suppliers for some of the components and materials used in our platform technologies and our microarrays, and the loss of any of these suppliers could harm our business.

Future legislative or regulatory changes to the healthcare system, including reimbursement, may adversely affect our business.

We rely on certain key personnel and our ability to successfully grow our business would be adversely affected by their departure from our company.

If we cannot provide quality technical support, we could lose customers and our operating results could suffer.

We may experience development or manufacturing problems or delays that could limit the growth of our revenue or increase our losses.

Our products could have unknown defects or errors, which may give rise to claims against us and adversely affect market adoption of our systems.

Our future financial results may be adversely affected by foreign exchange fluctuations.

Risks Related to Intellectual Property

Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain.

Risks Related to Our Common Shares

We expect that our share price will fluctuate significantly, and you may not be able to resell your common shares at or above the current price.

We have never paid dividends on our common shares, and we do not anticipate paying any cash dividends in the foreseeable future.

Management seeks to mitigate these risks, and others, primarily by retaining experienced employees and advisors who have expertise in the scientific, medical business, regulatory, manufacturing and operational disciplines of automated platform integration and immunoassay diagnostic test development.

During the current reporting period, the Company did not earn significant revenues from its test kits or its diagnostic platforms. Management believes that it may generate revenues from a variety of Diagnostic Tools and Services customers in fiscal 2015; this is subject to certain risks including the continued success of the development program. The continuation of the Company's research, development and commercialization activities along with investment in marketing and sales is dependent upon the Company's ability to successfully manage its growth, investment in continued pipeline development and its cash requirements.

We are exposed to market risks related to changes in interest rates and foreign currency exchange rates, which could affect the value of our current assets and liabilities. We do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our cash investment, due to the prime interest rate based nature of the investment. We have not entered into any forward currency contracts or other financial derivatives to hedge foreign exchange risk. We are subject to foreign exchange rate changes that could have a material effect on future operating results or cash flows.

Management will continue to review the Company’s financial needs and to seek additional capital financing as required from sources that may include equity financing, debt financing, collaborative projects and licensing arrangements; however, there can be no assurance that such additional funding will be available or if available, whether acceptable terms will be offered.

Outstanding Capital Stock

As at February 25, 2015, there were 56,336,058 common shares issued and outstanding.

The following tables describe the securities that have been issued that are convertible under certain conditions into common shares:

The Company had the following warrants outstanding as at February 25, 2015:

Number of Warrants	Purchase Price	Weighted average time to maturity
1,140	$5.00	0.46 years
5,784	$2.50	0.80 years
5,126	$1.10	0.18 years
513	$0.75	0.18 years
11,365	$0.65	1.07 years
885	$0.50	1.05 years
24,813		

The Company had the following stock options outstanding under the Plan at February 25, 2015:

Number of Options	Range of Exercise Prices	Weighted average time to maturity
1,943	$0.31 - 1.16	3.34 years
472	$1.17 - 2.03	1.91 years
313	$2.04 – 2.90	0.53 years
2,728		

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The significant accounting policies that management believes are the most critical in fully understanding and evaluating the reported financial results include the following:

Intangible Assets

Patents and trademarks comprise costs, including professional fees, incurred in connection with the creation and filing of patents and registration of trademarks related to the Company's core technology and trademarks. The costs relating to initial patent and trademark fees are deferred and amortized over ten years on a straight-line basis. Patents and trademarks are recorded net of impairment losses, if any. 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 IFRS and are expected to provide future benefits with reasonable certainty.

Stock-Based Compensation and Other Stock-Based Payments

The Company offers a share option plan for its employees, officers and directors. The fair value of stock-based payment awards granted is recognized as an expense with a corresponding increase in contributed surplus. The Company grants stock options with multiple vesting periods, with each vesting period being treated as a separate tranche and considered a separate grant for the calculation of fair value. Fair value is calculated using the Black-Scholes option pricing model and the resulting fair value is amortized over the vesting period of the respective tranches. In addition, stock-based compensation expense recognized reflects estimates of award forfeitures with any change in estimate there of reflected in the period of the change. Consideration received upon the exercise of stock options is credited to capital stock at which time the related contributed surplus is transferred to capital stock.

In situations where non-employee stock-based compensation is issued and some or all of the goods or services received by the entity as consideration cannot be measured reliably, they are measured at the fair value of the stock-based payment.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred 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. Deferred 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. Deferred tax assets for unused tax losses, investment tax credits ("ITCs") and deductible temporary differences are recorded in the financial statements, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS 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 and impairment of same, valuation of ITCs recoverable, valuation of stock options and warrants and recognition of deferred tax assets.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 Financial Instruments

In October 2010, the IASB issued IFRS 9, Financial Instruments (IFRS 9). IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities. The effective date for IFRS 9, which is to be applied retrospectively, is for annual periods beginning on or after January 1, 2018. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 38 Intangible Assets and IAS 16 Property Plant and Equipment

In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with earlier adoption permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

IFRS 15 Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRS guidance. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities.

Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying financial statements have been prepared by management in accordance with International Financial Reporting Standards. For quarterly reporting periods, the Company's financial statements are approved by the Audit Committee and the Board of Directors. For annual reporting periods, the Company's financial statements are approved by the Board of Directors upon recommendation by the Audit Committee. The integrity and objectivity of these financial statements are the responsibility of management. In addition, management is responsible for all other information in this report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

In particular, the CEO and CFO or his designate are responsible for establishing and maintaining disclosure controls and procedures ("DC&Ps") and internal controls over financial reporting ("ICFRs") for the Company, and have:

(a) designed such DC&Ps, or caused them to be designed under supervision, to provide reasonable assurance that material information is made known during the period in which the annual and quarterly filings are being prepared;

(b) designed such ICFRs, or caused them to be designed under supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;

(c) evaluated the design and effectiveness of the Company's DC&Ps as of December 31, 2014;

(d) concluded that a material design weakness in the ICFRs may exist in terms of the inadequate segregation of certain duties, which is typical of development stage companies; mitigating factors, including dual-payment authorization policies and transparent internal financial transaction reporting processes, serve to minimize the risk that such design weakness could result in a material misstatement of results for the quarter-ended December 31, 2014; and

(e) concluded that, other than the item described above in sub-point (d), there are no additional material design weaknesses in the DC&Ps or ICFRs, and that the effectiveness of the DC&Ps is sufficient to expect the prevention or detection of material misstatements of results.

The financial statements include amounts that are based on the best estimates and judgments of management. The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors, all of whom are independent and not involved in the daily operations of the Company. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval.