SQI Diagnostics Inc.

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

June 30, 2009

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This discussion and analysis covers the financial statements for the fiscal quarter ended June 30, 2008 and 2009, prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The fiscal year end of SQI Diagnostics Inc. ("SQI" or "Company") is September 30th.

All amounts are expressed in Canadian dollars unless otherwise indicated.

This discussion and analysis was performed by management using information available as at August 20, 2009. Certain portions of this document including management's assessment of the Company's future plans and operations contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general imprecision of reserve estimates, taxation policies, competition from other producers, stock market volatility and the ability to access sufficient capital from internal or external sources. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive from them. Additional information relating to the Company is available by accessing the SEDAR website at www.sedar.com and the Company's website at www.sqidiagnostics.com.

OVERVIEW

SQI Diagnostics Inc. is a medical systems company that develops proprietary human diagnostic technology in multiplexing, miniaturization and automation. We provide laboratories the ability to simultaneously analyze multiple biomarkers, deliver accurate and quantitative patient results in less time, significantly reduce labor, and increase profits when compared with current diagnostic instrumentation. The Company has received Canadian regulatory approval for, and has CE Marked its SQiDworks platform together with its QuantiSpot RA test kit used to detect and quantify a panel of biomarkers to aid in the diagnosis of rheumatoid arthritis. The Company has applied for marketing clearance of its rheumatoid arthritis test system from the United States Food and Drug Administration and believes a decision regarding this product will be rendered shortly. The Company is developing and commercializing other test kits for the autoimmune disease market and plans to pursue commercialization of tests in infectious disease and allergen testing in the future. The Company plans to seek regulatory approvals and clearances to sell these additional tests globally starting with the North American markets and Europe.

The Company's proprietary SQiDworks™ instrument and QuantiSpot™ consumable tests together form an immunoassay system capable of providing many of the diagnostic tests currently performed in reference laboratories engaged in testing human blood for a wide range of disease markers. The Company will provide to the laboratory diagnostic testing market:

(a) Fully automated, microarray-based test platforms enabling laboratory customers to generate multiple patient results with one unit of 'test effort', and

(b) A menu of tests to support a wide range of disease diagnoses in each of the disease segments we are targeting. The Company's first launch market is in the autoimmune disease segment with its QuantiSpot RA™ 4-plex panel for aiding in the diagnosis of rheumatoid arthritis. The Company is developing additional test kits within the autoimmune disease segments including but not restricted to tests that aid in the

diagnosis of antiphospholipid syndrome (APS), thyroid disease, celiac and Crohn's disease, and vasculitis. Other autoimmune disease, infectious disease and allergen panels are expected to follow.

(c) The Company has also begun discovery of tests to measure the presence of biologic drugs used to treat a variety of autoimmune diseases. The Company believes that a test to measure these molecules in patients will provide important clinical and patient management tools for autoimmune diseases. The Company believes that it will have the first commercial product available for use in Canada by the end of the 2009 calendar year.

From 2003 to present, the Company has been primarily involved in research, development and initial commercialization activities related to its core technology platform (together SQiDworks™ and QuantiSpot™). The Company has expended significant resources to create and protect its technology platform through the filing of patents and in building an automated instrument and multiplexed assay platform. The Company has also incurred costs associated with gathering market intelligence from prospective customers and in fostering partnership opportunities with potential novel biomarker collaborators and OEM device manufacturers.

Commercial Development Current Status

During the nine months ended June 30, 2009, the Company completed internal validation and multi-site, external validation studies for its SQiDworks platform and QuantiSpot RA test kit. Successful completion of these validation studies lead to the Company filing submissions seeking clearance from the United States Food & Drug Administration ("FDA") to market and sell the products; for licenses from Health Canada to market and sell the products in Canada; and, authority to CE Mark the products for sale in the European Union. During the nine month period ended June 30, 2009 the Company received its license from Health Canada clearing it to market and sell the SQiDworks platform with the QuantiSpot RA test kit in Canada as well as clearance to CE Mark and sell in Europe. The information below provides an overview of the Company's achievements during the nine month period ended June 30, 2009:

- Progressed a number of pipeline diagnostic tests through our discovery and development program.
    - RA 5-plex is an expansion on our RA 4-plex product and adds an additional biomarker to the panel.
    - Anti-TNF was moved into discovery and is expected to be mid-way through the development phase in the fourth fiscal quarter of 2009. The successful commercialization of the Anti-TNF product would result in a research use only (RUO) initial release by the end of calendar 2009.
    - Celiac 6-plex panel was moved from discovery into commercial development and completion of development is planned in calendar 2009.
    - Vasculitis entered into the discovery process and is expected to advance to development verification stage by calendar year end (2009).

- Submitted FDA 510(k) Pre-Market clearance submission for the SQiDworks™ Platform and QuantiSpot RA kit;

- Submitted application and received Health Canada license for the SQiDworks™ Platform and QuantiSpot RA kit;

- Received CE Mark authorization for the QuantiSpot RA kit and SQiDworks Platform;

- Filed four patents including:
    - IgX-Plex™ and IVDplus plex™ technologies with the potential to secure our technological advantage on antibody sub-class multiplexing;
    - Synthetic protein mimetic molecules to optimize multiplex binding and increasing specificity;
    - A method to increase fluorescent signal intensity of microarray matrices;
    - A two-phase method to optimize microarray surfaces and vapour content thus improving fluorescent signal and ultimately improving assay sensitivity;

- Filed trademarks to support new branding IgX-Plex™ and IVDplus plex™ to support our competitive differentiation;

- Mount Sinai Services (MSS) and SQI entered into an agreement to supply the QuantiSpot Rheumatoid Arthritis test to MSS allowing MSS to offer this assay system to its customers; and,

- The Company continued working with the FDA to receive clearance to sell its SQiDworks Platform and QuantiSpot RA test kit in the United States. In response to questions from the FDA, the Company, subsequent to the period end, has delivered what it believes is the final material information requested by the FDA; it remains the option of the FDA to request additional information at any time prior to rendering its decision. The Company believes that a positive response by the FDA would allow it to immediately launch commercial sales efforts in the U.S. market.

Corporate Financing Transactions

On April 26, 2007 umedik Inc. amalgamated with 6701914 Canada Inc., a wholly owned subsidiary of SQI to become a wholly owned subsidiary of SQI through the reverse takeover of SQI, formerly known as Emblem Capital Inc. ("Emblem"), a company whose shares were listed for trading on TSX Venture Exchange as a Capital Pool Company (CPC) just prior to the transaction. For more information regarding the transaction refer to the year end 2007 annual financial statements and Management's Discussion and Analysis.

In May, 2008 the Company entered into a financing arrangement with the Royal Bank of Canada to borrow $730,000 in a non-revolving term credit facility. The interest and principal were originally due by November 30, 2008, or upon receipt of 2006 and 2007 SR&ED investment tax credit refund, whichever was sooner. The bank waived the original due date and deferred repayment until receipt of the cash refunds from the Canada Revenue Agency. During the three month ended June 30, 2009 the Company received from the Canada Revenue Agency a cash refund of $1,016,302, excluding accrued interest and the Company used $730,000 of the refund to retire the credit facility.

During the nine month period ending June 30, 2009 the Company completed a non-brokered private placement in two tranches for combined gross proceeds of $4,664,375. The first tranche, which closed December 23, 2008, resulted in gross proceeds of $3,000,000 through issuance of

2,400,000 common shares at $1.25 per common share. The second tranche, which closed on January 21, 2009, resulted in gross proceeds of $1,664,375 through the issuance of 1,331,500 shares at $1.25 per common share. The shares issued through the private placement are subject to a four month hold period. The Company paid a finder's fee in relation to the private placement satisfied through the issuance of 236,800 finder's warrants with an exercise price of $1.90 and expiring on December 23, 2011; the issuance of 106,520 finder's warrants with an exercise price of $1.25 and expiring on January 21, 2011; and, through the payment of $133,150.

During the three month period ending June 30, 2009 the Company issued 183,335 shares resulting from the exercise of warrants. The exercise of these warrants resulted in gross proceeds of $156,667.

Subsequent to the period end the Company issued 777,622 shares upon the exercise of warrants with an expiry date of April 25, 2010 and an exercise price of $0.60. The exercise of the warrants resulted in gross proceeds of $466,573.

Operational Risks

The Company is subject to various operational risks. Factors that could cause operational results or events to differ materially from management's current expectations include, but are not limited to:

- changing competitive technology and market conditions;
- the Company's ability to successfully commercialize additional QuantiSpot™ tests in the autoimmune disease market;
- the successful and timely completion of clinical validation studies at partner sites;
- the failure to obtain requisite regulatory approvals (including the approval of the FDA) for the Company's diagnostic tests in a timely manner, if at all, and other inherent uncertainties related to the regulatory approval process;
- the ability to generate sales of the Company's platforms and tests; and,
- the ability of the Company to fund its cash requirements from internal and external sources.

Management seeks to mitigate these risks, and others, primarily through 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.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Financial statements are prepared in accordance with Canadian GAAP. These accounting principles require management to make certain estimates and assumptions. Management believes that the estimates and assumptions relied upon are reasonable, based upon information available at the time that these estimates and assumptions are made. Actual results could differ from these estimates.

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

Patents
The costs relating to patent fees are deferred and amortized over 10 years on a straight-line basis. Patents are recorded net of accumulated amortization of $551,124 (September 30, 2008 - $402,779).

Research and Development Costs
Research costs are charged to earnings 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 June 30, 2009, the Company was in development of its pipeline of novel tests for its diagnostic system. Deferral criteria have not yet been met, and accordingly, all development costs have been expensed.

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 and the related contributed surplus is transferred to share capital.

Share Issuance Costs
Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

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.

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 year. 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 for amortization purposes, valuation of ITC's receivable, valuation of stock options and warrants and valuation allowance on future tax assets.

SELECTED FINANCIAL INFORMATION

The table below summarizes quarterly financial information for the 3 month periods shown.

3 Month Periods Ending	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009
Revenue	$ 19,025	$ 10,100	$ 6,975	$ 8,016
Net Loss	$ 926,404	$ 1,467,452	-$ 1,472,559	$ 1,354,277
Net Loss Per Share	$ (0.05)	$ (0.07)	$ (0.06)	$ (0.05)
Weighted Average Shares	22,217,478	22,448,275	25,836,509	26,325,586

	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008
Revenue	$ 17,190	$ 44,493	$ 19,145	$ 7,175
Net Loss	$ 946,214	$ 1,013,922	$ 521,274	$ 1,323,979
Net Loss Per Share	$ (0.05)	$ (0.05)	$ (0.03)	$ (0.06)
Weighted Average Shares	19,689,460	19,737,507	19,750,200	20,458,300

Revenue for the quarter ended June 30, 2009 was $8,016 compared to $7,175 for the quarter ended June 30, 2008. Revenue for the three month period ending June 30, 2009 was from both service-based revenue provided to a third party and from commercial sales of its QuantiSpot RA kits.

For the quarter ended June 30, 2009, the Company recorded a net loss of $1,354,277 ($0.05 net loss per share) compared to a net loss of $1,323,804 ($0.06 net loss per share) for the quarter ended June 30, 2008. The net loss for the nine months ended June 30, 2009 was $4,294,287 ($0.17 net loss per share) compared to a net loss of $2,859,000 ($0.14 net loss per share) in the nine months ended June 30, 2008. Per share values are based on the weighted average shares outstanding in the period. For the quarter ended June 30, 2009 there was an average of 26,325,586 shares outstanding and an average of 20,458,300 shares outstanding at the quarter ended June 30, 2008.

Net losses and net losses per share were materially the same for the quarters ended June 30, 2009 and June 30, 2008. The increased loss for the nine months ending June 30, 2009 was related to increases in wage and wage-related expenses, stock option expenses, consulting expenses and the ineligibility of the Company to earn cash Scientific Research and Development (SR&ED) refunds now that it is a public Company. In the nine months ending June 30, 2008 the Company recorded tax credits of $646,119 used to offset operating costs. The primary contributors to the increased wages were an overall increase in R&D staffing from 23 to 29 persons.

Other factors contributing to the higher net loss in the nine months ended June 30, 2009 compared to the previous year were new sales and marketing expenses, refreshing the Company's website, creating new corporate branding, travel related to launching sales efforts in Canada, and an increase in stock-based compensation expenses. Also contributing to increased operating expenses in the nine months ending June 30, 2009 were increased salaries and related expenses as the Company built out its development, sales and customer service teams.

R&D expenditures for the three and nine month periods ended June 30, 2009 were $825,129 and $2,490,018 respectively, compared to the $828,032 and $1,611,834 for the three and nine month

periods ended June 30, 2008 respectively. R&D costs reported include ITC tax credits of $646,119 for the nine month period ended June 30, 2008 and $NIL for the nine month period ended June 30, 2009 resulting in lower reported R&D expenses in the nine months ended June 30, 2008 compared to the current nine month period ended June 30, 2009. The increase in R&D expense for the nine month period ended June 30, 2009 compared to the nine months ending June 30, 2008 also resulted from an increase R&D activity with an increased number of assay panels in development and to regulatory validation efforts related to the QuantiSpot Rheumatoid Arthritis assay system.

Corporate expenses include, primarily: all 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; facility costs; insurance costs; and foreign exchange expenses. Corporate expenses totaled $210,239 for the quarter ended June 30, 2009 compared to $130,639 for the quarter ended June 30, 2008. Corporate expenses increased by $79,546 during the quarter ended June 30, 2009 compared to the quarter ended June 30, 2008 and $182,358 from the nine months ended June 30, 2008 compared to the nine months ended June 30, 2009. The major contributors to the increases between the periods were costs related to travel for supplier quality validation, salary-related executive compensation increases and advertising costs. Owing to the growth in the organization the Company's variable occupancy costs (telecom, utilities, etc.) also contributed to the overall increase in corporate expenses in the quarter and nine months ended June 30, 2009 compared to the quarter and nine months ended June 30, 2008.

Professional consulting (legal, accounting, Board of Directors compensation, recruiting, sales and marketing, administrative contractor, and investor relations) costs in the quarter ended June 30, 2009 were $187,745. This is an increase of $51,782 from the quarter ended June 30, 2008. The increase in the professional and consulting costs in the quarter ended June 30, 2009 were primarily related to sales and marketing consultants fees and related travel expenses to prepare for the Company's North American product launch and sales efforts within Canada. The Company added a US-based sales leader in September 2008, and a US-based customer sales engineer was added in April, 2009 who are engaged as consultants to the Company. Professional and consulting costs for the nine months ended June 30, 2009 were $545,353 compared to $292,512 for the nine months ended June 30, 2008. The increase in the current period over last year included, in addition to expenses cited above, other one-time costs to re-brand the Company prior to product launches in North America and increased professional recruiting costs related to growing both scientific and sales-focused expertise.

Operational expenses were partially offset by interest income earned on short-term investments and interest accrued on ITC credits outstanding. Combined, the interest income was $100,342 for the quarter ended June 30, 2009 and $117,794 for the nine months ending June 30, 2009. The Company invests its cash in variable term cashable government investment certificates and short-term money market deposits.

Non-cash stock based compensation charges totaled $93,619 for the quarter ended June 30, 2009 ($291,271 – nine months ended June 30, 2009) compared to $82,200 for the quarter ended June 30, 2008 ($187,392 - nine months ended June 30, 2008). The related stock option issuances are described further below in the Outstanding Share Capital section.

Management expects losses to continue for the current fiscal year as investment continues in product development and commercialization efforts on its pipeline of autoimmune test kits as well as investment in sales and marketing with sales launches in Canada and the United States. Management has targeted development and commercialization of several new multiplex test kits to the point of submitting data to the regulatory bodies in calendar 2009 and this will generate

increased expenses related to internal development, internal verification and validation studies and third party validation studies. The Company also expects, by the end of calendar 2009 to offer a research use only version of an anti-TNF test kit used in the management of autoimmune disease. It is Management's expectation that the R&D expenses reported in the period ended June 30, 2009 will not continue to increase significantly in the remainder of fiscal 2009. Management expects some increases to R&D salary expenses as it added customer-facing technical resources during the quarter ended June 30, 2009 and is planning to add several contract resources for platform development and software (Laboratory Information Management Systems) integration at customer sites in the fiscal fourth quarter of 2009. It will also be necessary to invest in the administrative elements to support our customers and sales, as we place SQiDworks platforms across Canada and the United States. Management will plan to add these expenses as needed to support forecasted customer installations of SQiDworks platforms and sales of consumable kits. In general management does not expect an acceleration of administrative costs in the remainder of the fiscal year 2009. The Company's management will continue to monitor the cash burn rate in relation to the capital available to it and will manage cash flows as required in the context of the capital markets. Management believes that it will, at some point, seek additional capital to advance and accelerate the number of tests under development and being validated for regulatory submissions.

Related Party Transactions

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

Included in general and administrative expense for the nine month period ended June 30, 2009 is $37,169 (nine month period ended June 30, 2008 - $33,161), related to recovery of occupancy costs, from a corporation in which an officer of the Company was also an officer. Consulting fee revenue of $20,075 for the nine month period ended June 30, 2009 (nine month period ended June 30, 2008- $70,813) was earned from this corporation. At quarter end, $554 (September 31, 2008 - $37,663) due from this corporation is included in amounts receivable.

Sources and Uses of Cash

Operational activities for the quarter ended June 30, 2009 were financed by cash on hand. Cash reserves were increased in the period through the receipt of ITC credits of $1,162,522 from outstanding prior fiscal year claims.

During the three month period ending June 30, 2009 the Company issued 183,335 shares resulting from the exercise of warrants. The exercise of these warrants resulted in gross proceeds of $156,667. During the three month period ending June 30, 2009 the Company retired a loan of $730,000 that was due upon receipt of the ITC credits.

At June 30, 2009, current assets were $4,402,113 compared to $4,362,320 at September 30, 2008. Working capital as at June 30, 2009 was $ 4,022,693 compared to $3,244,418 at September 30, 2008.

Management believes that with the cash on hand at June 30, 2009, will be sufficient to fund Company operations to the middle of fiscal 2010. A successful commercial launch and generation of revenue in the 2009 and 2010 fiscal years would extend this period.

Risks

The Company's SQiDworks automated analytical platform and its lead QuantiSpot RA test kit used to detect and quantify a panel of biomarkers to aid in the diagnosis of rheumatoid arthritis was licensed and cleared to be sold and marketed in Canada during the quarter ended December 31, 2008 and during the quarter ended March 31, 2009 were authorized to be CE Marked and to be sold in Europe. During the quarter ended December 31, 2008, the Company filed a 510(k) Pre-market Notification with the United States Food & Drug Administration ("FDA") for review to seek approval to market and sell the QuantiSpot RA test kit and SQiDworks platform in the United States. Subsequent to the filing of the SQiDworks/QuantiSpot RA 510(k) the Company began the usual process of communication with the FDA about its filing. During the quarter ending June 30, 2009 the Company responded to questions from the FDA, and, subsequent to the period end, has delivered what it believes is the final material information requested by the FDA; it remains the option of the FDA to request additional information at any time prior to rendering its decision. The Company believes that a positive response by the FDA would allow it to immediately launch commercial sales efforts in the US market

QuantiSpot tests are designed to run only on the SQiDworks platform. In order to get the SQiDworks platform and QuantiSpot consumable tests approved for sale in the United States, the FDA typically requires the conduct of clinical validation studies to compare the performance of a new test to predicate tests currently approved for sale in the US. Upon successful completion of validation studies conducted at both SQI Diagnostics' labs and at multiple third party labs, the data derived is then presented to the FDA in the form of a 510(k) Pre-market Notification. It is typical for the external validation studies to take several months to complete and upon receipt of a completed 510(k) submission the FDA may take up to 180 days to render a decision on the application, not including any "time-outs" which the Company may take to prepare responses to various inquiries from the FDA. The Company believes the changes made to its QuantiSpot RA assay system, as confirmed by internal verification and validation testing, will have resolved the questions posed by the FDA and will result in submission of a response to the FDA that will lead to clearance of the assay system; the timing of such clearance is dependent on several factors, some of which are not controlled by the Company.

The QuantiSpot APS multiplexed test panel used to detect and quantify a panel of biomarkers to aid in the diagnosis of APS, Crohn's disease, Celiac Disease, and thyroid disease are currently in the Company's discovery and development pipeline as well as a panel to detect anti-TNF used in the management of multiple autoimmune diseases. The anti-TNF panel is used to measure the quantity of therapeutic agent in the body and the information from this test would be used by clinicians in the management of several autoimmune diseases, including rheumatoid arthritis and IBD. The Company is expecting one, or all of these new multiplexed test panels and the SQiDworks platform, together each a system, to be commercially ready to file applications with the applicable regulatory jurisdictions in calendar 2009.

The Company has not earned material revenues from its QuantiSpot test kits or SQiDworks platform. The Company expects to earn revenue from its platform and QuantiSpot RA product commencing in fiscal 2010. 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. Management believes that it has sufficient cash reserves to support product launches of QuantiSpot RA and SQiDworks in North America and to complete development work, validation studies and regulatory efforts required for its current pipeline of up to 4 new test panels.

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 Share Capital

As at June 30, 2009, there were 26,365,401 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 at June 30, 2009:

Number of Warrants	Purchase Price		Expiry Date
977,115	$	0.60	26 April 2010
194,200	$	1.50	03 June 2010
1,783,776	$	2.40	29 June 2010
236,800	$	1.90	23 December 2011
106,520	$	1.25	22 January 2011
3,298,411			

The Company had the following stock options outstanding under the Plan at June 30, 2009:

Number of Options	Exercise Price	Expiry Date
8,334	$1.68	July 1, 2009
833,350	$0.60	April 15, 2010
141,670	$1.20	April 15, 2010
88,891	$1.20	June 29, 2011
83,335	$1.20	August 29, 2011
197,500	$1.74	August 7, 2012
50,000	$1.50	October 23, 2012
757,500	$1.60	February 26, 2013
302,500	$1.75	August 26, 2013
80,000	$1.30	May 22, 2014
2,543,079		

The Company also had 66,667 options outstanding at June 30, 2009 that were not granted under

the plan. All of these options were exercisable at June 30, 2009 and have an exercise price of $0.90 and expire on January 13, 2010.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Adoption of New Accounting Policies

Effective October 1, 2007, the Company adopted the recommendations of the CICA Handbook Section 1535, Capital Disclosures. Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 16 to the consolidated financial statements.

Effective October 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 1506, Accounting Changes. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information, require changes in accounting policy to be applied retrospectively unless doing so is impractical, require prior period errors to be corrected retrospectively or require enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective. The impact that the adoption of this section will have on the Company's financial statements will depend on the nature of future accounting changes and the required additional disclosure on Recent Accounting Pronouncements is disclosed in Note 3 to the consolidated financial statements.

Effective October 1, 2007, the Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments – Disclosure. Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to Section 3862 are contained in Note 17 to the consolidated financial statements.

Effective October 1, 2007, the Company adopted the recommendations of CICA Handbook Section 3863, Financial Instruments – Presentation. Section 3863 provides standards for presentation of financial instruments and non-financial derivatives. Adoption of this standard had no impact on the presentation of the Company's financial instruments.

Future Prospects

In its current state of evolution, management believes that the Company has assembled the appropriate intellectual, financial, and human capital to advance its current pipeline of autoimmune test panels and SQiDworks system through the completion of clinical validation studies and regulatory filings in Canada, the U.S. and Europe. The Company believes that completion and approval, in Canada, of its lead assay and authorization to CE Mark it in Europe justifies intensified investment in development and commercialization of its pipeline of an additional group of at least nine other autoimmune microarray diagnostic panels over the next two years with four of these currently in the Company's discovery and development process. It

further believes that successful completion of these pipeline tests may lead to the development and commercialization of other test panels addressing unmet medical needs in the detection of known analytes used in the diagnosis of infectious disease and allergy management. At present, the Company's value proposition is derived from its Health Canada approval and CE Marking for QuantiSpot RA and SQiDworks platform; anticipation of marketing clearance by the FDA; the potential value in its product development pipeline; and, further future enhancements of its automated microarray processing platform. The Company's platform and tests are expected to replace highly manual and semi-automated test methodologies with a fully automated, multiplexed solution and to provide significant cost savings to its customers. The Company believes that the market size related to the testing of patients in its primary markets in Canada, the U.S. and Europe is significantly large and the Company's value proposition to its customers will provide opportunities for significant revenues from the sale of commercial assays and test platforms in each of its target markets.

SQI's operational objectives are straightforward: adequate and complete response to any communication received from regulatory bodies in connection with the QuantiSpot multiplexed tests and the SQiDworks platform; continued successful commercialization of a menu of autoimmune test kits; and, focus on customer acquisition and revenue in the regulatory jurisdictions for which we have acquired regulatory approvals or licenses. Success in these steps will allow the Company to validate its multiplexing model, value proposition and to roll-out and sell its products to customers in its target markets.

During the remainder of fiscal 2009 and the first quarter of 2010, the Company plans to execute on the following components of its operational strategy:

- Generate, maintain and grow customer sales in North America;
- Complete commercialization and regulatory filings for thyroid, celiac, Crohn's and anti TNF products;
- Work with our partners to enhance our product offerings;
- Provide world-class customer support and service to ensure satisfaction; and,
- Publish scientific papers to broaden our product value proposition.

The Company will continue to invest in research and development activities related to its core platform technologies of microarray-based assays and detection devices.

DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 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 Canadian GAAP;

(c) evaluated the design and effectiveness of the Company's DC&Ps as of the quarter ended June 30, 2009;

(d) have 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 June 30, 2009; and

(e) have 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.