SQI DIAGNOSTICS INC.

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

SEPTEMBER 30, 2015

Letter to SQI Diagnostics Inc. Shareholders

Dear Shareholder,

On behalf of your Board of Directors I would like to express to all of our shareholders and other stakeholders the confidence in and appreciation for the very significant progress the company has made over the past two years.

As you know, four significant shareholders of the company, myself included, were appointed to SQI's Board in April of this year. The new Directors made this change in order assist where possible in the endeavours of the Company as it drives towards sustainability and profitability.

We are excited to see the emergence of four new and very large business opportunities that have resulted from the Company's strategic change over the last two years to focussing primarily on pharmaceutical companies in their drug development operations and other diagnostic companies in their clinical operations:

1. Testing for the drug development industry
2. Animal health testing
3. Human disease testing
4. DNA diagnostic testing

The products in these high value business lines are based on SQI's earlier technical accomplishments that resulted in FDA approved technology. This research and developmental work that was done during the early years has emerged from the discoveries of SQI's highly skilled group of scientists, engineers and other professionals. Business and product development work completed over the last 2 years has produced clients who are actively engaging the company in validation and development work which will be critical to the Company's commercial success.

Over the past two years, the Board has witnessed SQI's technology become validated and endorsed publicly by major Pharma, Biotech and Diagnostic companies and we have yet to see instances where our technology has failed to perform at or above their expectations.

As a result we have demonstrated our support and belief in the potential of SQI by investing capital on several occasions in the company prior to its most recent commercial wins, and again recently, and we are proud to be assisting a Canadian Biotech company achieve success which we are confident will produce sustainable and growing revenues.

We thank you all for your continuing support and commitment to the company.

Clive Beddoe
Chairman, SQI Diagnostics Inc.

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

This Management's Discussion and Analysis ("MD&A") covers the audited financial statements for the years ended September 30, 2015 and 2014. The annual audited financial statements and MD&A for the year ended September 30, 2015 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 December 15, 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. was founded in 1999 to capitalize on two rising opportunities: first, the large and growing number of blood tests performed to diagnose the state of a patient's disease; and second, that reducing both the effort and associated costs of these tests would create a profitable business that in turn would significantly benefit the life sciences industry.

Today, both of these value-propositions are coming true: SQI provides best-in-class platforms which use customized consumable kits to reduce the time and cost required for testing while ensuring those tests are of the highest quality. We achieve this through "multiplexing" which allows our clients to get many results from a single test.

In fact, we have built custom tests for customers in the drug development market that deliver as many as 21 unique results from a single SQI test. In other words, we entirely remove the work our customers would have needed to perform, validate and run 21 different tests.

As a result, SQI is now transitioning from an R&D company into a revenue-generating, commercial enterprise. This is borne out in our results: a year ago, our revenues were essentially zero, and at the end of fiscal 2015, they are $443,000.

These revenues are generated from development and validation services as opposed to revenues from platform and consumable kit sales.

This is not huge in anyone's books. But it does mark a major turning point in our history and our future prospects. Our customers include some of the largest pharmaceutical companies in the world, and they are engaging us on multiple projects. This is no surprise since we have succeeded in achieving every technical and performance milestone put in front of us.

We have invested in developing and patenting our technologies and automated systems so that our clients in the pharmaceutical, biotechnology and diagnostic markets can save considerable time and money. We have also expanded the range of applications for our multiplexing technology with two market groups: pharmaceutical and biotechnology drug developers and other diagnostic manufacturers.

In doing this, we have moved from being a new entrant in this market to securing contracts with pharmaceutical companies for our testing products and development services. This advance signals that there is a very large market demand and a long-term business for SQI's multiplexing products.

This adoption of new immunogenicity testing technologies is not a one-time thing. It represents a long-term commitment from drug development companies for a simple, compelling reason:

In general, clinical testing for drug development companies seeking to attain regulatory approval for a new drug requires approximately 7-10 years of R&D and costs in excess of $USD 1 billion per drug. The failure of any single element within the process can cause the loss of significant time and resources. As a result, new technologies are very carefully evaluated and tested for months or years, before drug companies will commit to adopt novel technologies of any kind. Indeed, adopting next-generation technologies can often take several years across the life sciences sector. One factor is the time and complexity involved in fully replacing older technologies. However, our repeated success to date with Big Pharma has positioned our new technologies and products for widespread adoption.

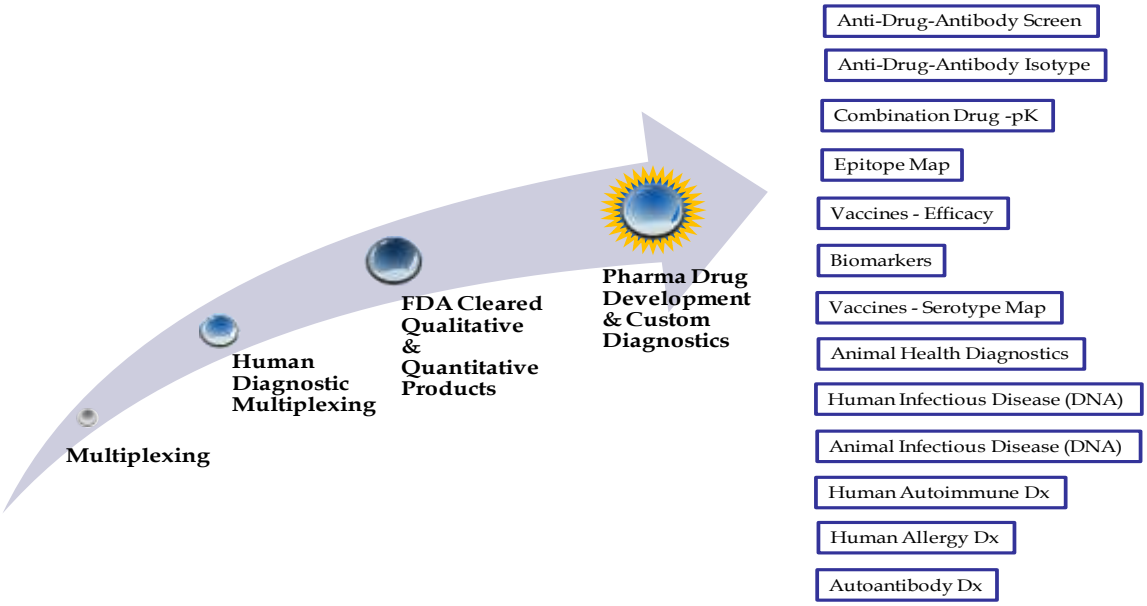
Many larger pharmaceutical companies generally don't allow their names to be published in the context of 'in-process' business development. So in this report, we will describe them as a "significant client" or "Big Pharma".

When we first entered this new market in 2013, like many companies we offered our technology for free in order to prove its value to key industry customers. However, as we established the value of our technology with Big Pharma, we have been able to charge our customers for our work. Being able to rapidly transition from promotional to paid work for the development of customized assays is a significant breakthrough.

While we continue to subsidize select development work as we grow in this market, our initial service-based revenues of $443,000 in fiscal 2015 not only demonstrates SQI's quality and consistency, but illustrates the confidence Big Pharma is placing in SQI. This confidence will potentially lead to SQI becoming an important anchor of their internal drug development testing programs.

While still small, this new revenue-stream validates the value of our technology to the pharmaceutical industry and diagnostic manufacturer clients. For Big Pharma, we offer the prospect of testing platforms they've simply never had before. Our diagnostic manufacturers currently have large existing markets involving high volumes of panels of single tests that are perfect candidates for multiplexing using SQI technology. This model applies equally well to the animal health market where we offer diagnostic customers an immediate way to save money and time, while maintaining high quality.

We have created many new applications of our technology at our customers' request as well as many new opportunities for expanding our core technology



We expect to add more customers in future quarters. We also expect to place and sell more platforms to build a solid foundation for growth from consumable kit sales. This includes Contract Research Organizations ("CRO"), which combine consumable kit sales and service revenues from running multiplexed tests and generating data for pre-clinical studies.

Over the past fiscal year, virtually 100% of our revenues were derived from service agreements with Big Pharma, Biotechs and diagnostic manufacturers. In the future, an increasing percentage of our revenues and growth is expected to come from the recurring sales of testing platforms and consumables to 'market-ready' clients. This is

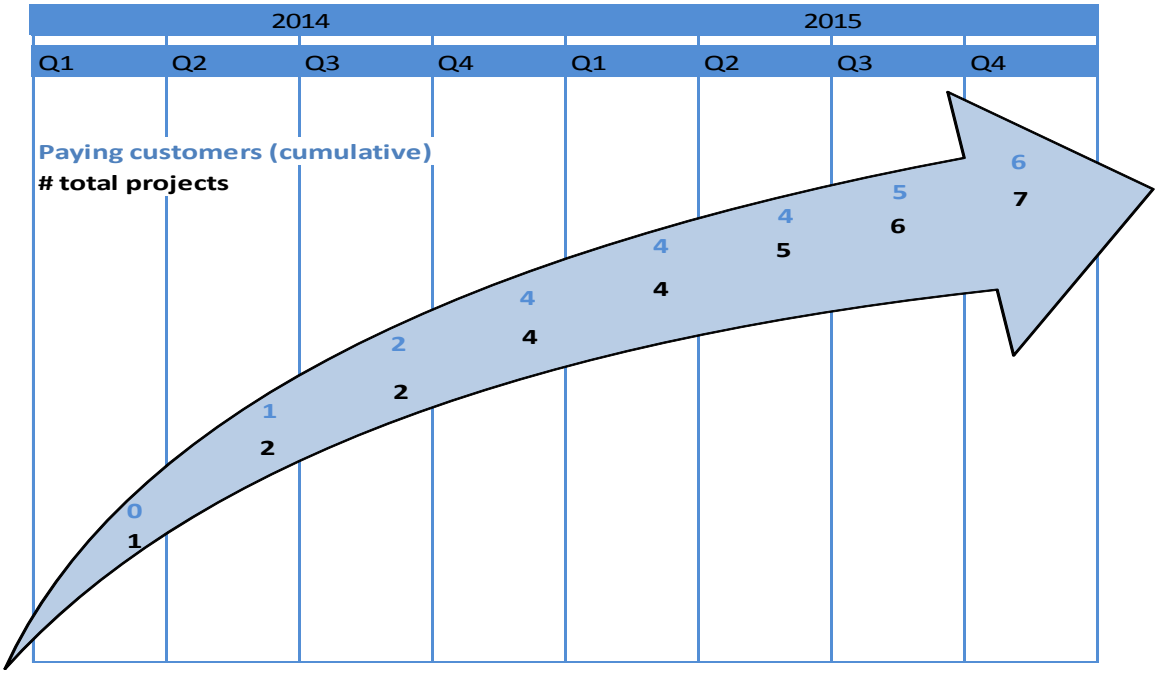
largely because in the testing industry successful development projects generally become recurring revenue streams.

In fact, as we transition to commercializing our multiplexing platforms and consumables, we are ramping up revenues from both streams. This rise in revenues requires an increasing investment. However, we believe our increased spending will be more than offset by increased revenues in upcoming quarters. The gross margins on product-based revenues are significant and are expected to rise as we become more efficient via manufacturing upgrades.

During the fiscal year, we installed our first sqid**lite™** platform in a global pharma's US-based facility for final evaluation. We expect to expand the number of installed systems to 6 during the 2016 calendar year.

In addition, we are intent on delivering two commercial milestones in the near-term: one, generating platform revenues from installed and evaluated systems and on-going consumable kit sales from the tests we have developed so far; and two, creating more service revenues from our existing customers for new projects.

More customers, more platforms and a growing base of cumulative products will create a solid foundation for revenue growth in the coming quarters.



In our drug development and diagnostic business segment, our ultimate goal is to gain prominence in the market for custom multiplex testing for the Big Pharma, biotech and diagnostic testing markets. We will leverage this leadership position to win additional high volume sales of routine biomarker tests.

We have cultivated close relationships with our Big Pharma and biotechnology customers. Our strategy is to expand our access to more and different products that will exploit our expertise in multiplexing. Our eventual goal is to expand our product application[s] even further in order to develop high volume companion diagnostic tests for approved drugs.

We have also been successful in our Diagnostic sector business with some highly positive outcomes for our customer in the animal health sector, which has a growing need for the multiplexing of infectious disease tests, among others. Our animal health client has asked us to develop a second multiplexed assay as it continues to evaluate our technology. We estimate that the first tests we are working to develop could result in sales of close to four million assays per year if they are fully deployed.

SQI Value Proposition

We produce and market best-in-class platforms, which use our precisely customized consumable kits exclusively, creating a revenue-stream that is both high in volume and high in margin.

This value proposition is consistent across all our target markets. We significantly reduce both human labour and cost while delivering superior quality tests via "multiplexing" and automation.

This, in turn, creates a widening circle of benefits: it significantly reduces the effort to validate many different tests; reduces the consumption of limited and very valuable blood samples; which allows our customers to run many different tests using 95% less blood. Currently, "many" means up to 30 different tests from a single SQI test. This removes the work needed to develop, run, and purchase materials for 30 separate single tests.

But the greatest benefit is that our unique multiplexing capabilities enable the testing market to expand in a major way by delivering more tests and creating more data at a lower cost. In addition, our automated systems are used to run the SQI tests "hands-free", providing complete data analysis, which is seamlessly reported to our customers' data management systems. Our scientists are successfully developing many different highly technical products in timelines and at levels of performance that have repeatedly exceeded our customers' expectations.

In 2013 SQI launched a new commercialization strategy focusing on two specific markets: drug development companies engaged in clinical research (Big Pharma and Biotech) and the CROs that provide a range of services to large pharmaceutical and biotech companies. The strategy of re-focussing our efforts on this $60 billion drug development industry has already started to generate results.

The company's change in focus coincided with the issuance of new U.S. Food and Drug Administration ("FDA") guidance in August 2014. This guidance has been accepted as the new standard that the industry adheres to on immunogenicity testing for drug development protocols. These tests have two purposes: to understand patients' immune response to being given a novel drug, and to monitor patients during drug trials. The tests may also be used after a drug's approval as a "companion diagnostic".

This new guidance from the FDA dictates more rigorous immunogenicity testing requirements for pharmaceutical companies that will, in our view, cause them to seek cost-competitive solutions to follow these new guidelines. SQI's expertise in multiplexed diagnostics has caught the attention of key opinion leaders in the industry. We have sustained that attention by successfully demonstrating the speed, accuracy and cost-efficiency of our immunogenicity testing to Big Pharma and CROs.

Our Big Pharma and major biotech customers have supported our technology platform's performance through their highly positive presentations of the results of using our products at many leading academic and international industry conferences. We can say with confidence that during the fiscal year SQI increased industry acceptance for our multiplexing diagnostic products from Big Pharma for our multiplexing diagnostic products. As a result, we are poised to complete the sale of many platforms in the coming quarters. The sale of platforms will provide a base which will generate recurring revenues from sales of both custom designed consumables and routine tests; both run exclusively on SQI platforms. Once SQI technology and products have been embedded within the drug development protocols of our drug development customers, their commitment is long term and our base revenue streams secure, since changing FDA-approved protocols is both expensive and complicated. As our customers become familiar with installed SQI platforms and the many benefits derived from them, these relationships can be leveraged for additional market-development opportunities.

TARGET MARKETS

SQI Diagnostics Inc. is now recognized by our customers as a leading innovator in the market for multiplexed diagnostics and life sciences tools. Our multiplex tests and automated platforms together form a powerful tool for the design, development and running of tests in three key market segments:

1. Drug Development Testing

Sources of revenue in this market segment include Big Pharma, biotechnology companies and the CRO's that service them. SQI provides technology and equipment for blood testing in clinical trials and pre-clinical research for these companies in developing novel drugs. Tests created for our customers in this segment generally have lower regulatory requirements than in our Human Diagnostics Testing segment. In 2014 the market for global bio/pharmaceutical R&D spending totalled over $USD125 billion. That same year the industry spent $USD21.4 billion on new plants and equipment. While this is a very large figure, Big Pharma spending on safety testing including biomarker and immunogenicity testing represents just 4 per cent of their R&D costs.

2. Animal Health Diagnostic Testing

We have recently applied our multiplexing technology to diagnostic tests used for customers in the animal health segment. This includes companion and production animal tests for infectious diseases, food safety and other routine immunology tests. Tests in this market generally have lower regulatory requirements than human testing and are generally performed in very high volumes creating an additional large market for SQI's technology. We continue to focus on markets where multiple tests are currently being run at the same time and in applications where test volumes are large enough to benefit from our automated multiplex systems. The animal health sector is certainly one of these: our existing client in this sector performs over 4 million test panels a year that are not fully automated for the tests we are working on.

3. Human Diagnostic Testing

This market is made up of diagnostic tests for humans developed for our strategic customers.

It includes two groups: DNA-based tests for infectious disease; and tests developed by SQI for testing that has been cleared by the FDA for *in vitro* diagnostic ("IVD") immunology tests performed in reference laboratories for diagnosing and monitoring autoimmune diseases.

In this market segment we include customers who have multiple human diagnostic test panels that they currently sell as single tests and who would benefit from increased

speed and efficiency as well as lower overall cost achieved by SQI multiplexing these tests.

Technology Validation

SQI achieved technology validation within the pharmaceutical industry by developing FDA-approved IVD tests and maintaining GMP standards in our operations. The characteristics of the IVD market include a high degree of regulation, standardized test performance and the need to develop a menu of many tests to penetrate the laboratory market for human diagnostic testing.

This year, our IVD test development reached the threshold for technical validation of the utility of our next-generation multiplexing technologies. The regulatory thresholds are quite high and therefore the capital requirements for developing IVD tests are challenging for a company of SQI's size. This reality has led us to focus on opportunities that can generate nearer-term revenue streams in non-IVD markets. At the same time, we continue to complete the commercialization of further IVD tests and continue to build value in our pipeline of IVD products.

SQI achieved the following key milestones in fiscal 2015:

In summarizing the major milestones of 2015, one thing is clear: most of our customer-related opportunities will result in sustainable revenue streams once our technology is evaluated.

- SQI generated $443,000 in service based revenue in fiscal 2015, largely on a cost-recovery basis in validating our science. This represents the achievement of numerous milestones and the establishment of relationships supported by multi-year agreements with some of the largest drug companies in the world.

- We installed a fully automated sqid**lite™** system at one of our Global Pharma customer's US-based facilities. Under the terms of the agreement, the customer will use our equipment mainly to validate the performance of a 21-plex test developed for them to run on SQI's sqid**lite**™ system. Successful, final evaluation is expected to result in their purchase of the sqid**lite**™ system and the on-going sales of customized consumable kits for use in the customer's clinical programs.

- We entered into a three year, multiproduct Laboratory Services Agreement with the same leading Global Pharma customer which details the general terms associated with the many projects coming within the scope of this Agreement over the next three years. At the time of execution of the Agreement, four new product development projects have been started including a 30-plex immunogenicity assay and a multiplexed pharmacokinetic assay.

- We announced that our immunogenicity testing technology was highlighted by Bristol-Myers Squibb ("BMS") in both a presentation and a case study at the 9th Workshop on Recent Issues in Bioanalysis in Miami, Florida ("9th WRIB"). The presentation was given by Renuka Pillutla, PhD, Director, Bioanalytical Sciences – Biologics for Bristol-Myers Squibb. The title of the talk was "Application of SQI Multiplex Platform in Immunogenicity Testing – Epitope Mapping and Isotyping."

- We continued to deliver highly positive results for another Global Pharma company on the testing of its pre-clinical (monkey) blood samples as a service in our lab. Samples tested over the second and third quarter of fiscal 2015 generated exceptional results in terms of compliance with the customer's prior testing method. These used the SQI-developed multiplexed test that delivers all of the required results in a far more cost efficient manner than the existing tests.

- During the fiscal year we completed work for a customer in the animal health market to convert three existing veterinary infectious disease tests to the SQI platform as part of a technology evaluation. When supplied with blinded samples, SQI's multiplexed tests achieved remarkable concordance with their individual predicate infectious disease tests. The success of these results is expected to lead to a broader commercial agreement with this customer for multiplexing a series of their tests as well as the sale of our automated systems to run the tests that have been developed. This project is significant as it represents the opportunity to convert existing single-plex tests in the animal health market to SQI's multiplex technology.

- We continued development work with our DNA customer to automate and scale up the manufacturing for their infectious disease test panels. The first test for this customer is a 31-plex DNA-based test used to detect infections in human blood. Management expects that a second test targeted at detecting infections in dairy cattle will likely be developed in 2016. DNA, or "molecular" testing for infectious disease represents a new and exciting business segment for SQI. It also represents an important diversification into DNA-Infectious disease testing and a very large market segment for high volume multiplexed tests we are developing with this customer. Over 60 million such tests are estimated to be processed in North America every year.

- We continue to secure repeat business from Big Pharma and biotech companies. We have many ongoing business development initiatives including sample analysis, work contracts regarding drug tolerance optimization and epitope mapping assays.

Marketing efforts that supplement direct selling in fiscal 2015 include:

- SQI attended a Protein Engineering Summit (PEGS) in May 2015.
- SQI attended the AAPS National Biotech Conference in September 2015.
- SQI was a sponsor and attended the Annual Immunogenicity Conference in June 2015.

Industry collaborations

- SQI participates on a steering committee for emerging technologies at the American Association of Pharmaceutical Scientists (AAPS) - Emerging Technologies Action Program –"Next Generation Technologies Delivering Enhanced Throughput and Multiplexing Capabilities".
- SQI is a task force participant on the AAPS Emerging Technologies "Matrix Interference in PK Assays" Task Force; a task force paper is due in 2015. SQI's inclusion on this task force is quite notable as the participants are generally significantly larger Big Pharma companies.

Corporate Finance

On July 16, 2015 SQI raised gross proceeds of approximately $2.7 million through a non-brokered private placement (the "Private Placement") of 5,330,000 units ("Units") priced at $0.50 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.65 for a period of three years from the date of issuance, subject to accelerated expiry in certain circumstances.

On March 31, 2015 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.

Subsequent to the fiscal year end, On December 15, 2015 the Company completed a private placement of 7,480,945 units of the Company at $0.40 per unit for gross proceeds of $2,992,000.

Each Unit will consist of one common share and one common share purchase warrant. Each common share purchase warrant will entitle the holder to purchase one common share at a price of $0.52 for a period of three years from the date of issuance.

OUTLOOK - STRATEGY for 2016

We have three strategic objectives that drive our growth and achieve our vision:

1. ACCELERATE OUR SUSTAINABLE REVENUE.

Since launching our drug development commercialization plan we have gained many Big Pharma and biotech customers, and have installed one sqid**lite**™ analyzer into a global pharmaceutical customer's lab to evaluate products completed for them in 2015. Our main goal is to maintain the success achieved to date and to sell sqid**lite**™ analyzers to our customers' labs and drive revenue growth across the existing customer base selling custom and routine consumable kits. Simply put – we aim to accelerate our sustainable revenue by having multiple large customers each with many installed systems using large volumes of consumables for different kinds of projects.

In fiscal 2015 we made real progress toward this objective by:

- Completing development work with our large pharma customers and establishing delivery timeframes for multiple sqid**lite**™ systems in the coming quarters. In all cases, our clients were not only delighted, they asked us to help them solve their other testing challenges.
- Winning additional, repeat business from our DNA customer and working to develop and deliver a fully-automated pathogen detection system for the testing of human blood samples.
- Dedicating resources to expanding our outreach and revenue base into the large animal health diagnostics market.

2. EXPAND OUR PRODUCT REACH

Our current pharma and biotech customers have a total of 130 drugs in development. It's estimated they are adding 10 new products into their drug development pipeline each year. Our goal is to expand our customers' use of SQI technology. We expect to have pharmaceutical clients with multiple projects generating multiple revenue streams at once. Our entry point with these customers is custom-developed tests, and our goal is to grow beyond these high value tests and sell other, high volume routine tests that can be run on sqid**lite**™ platforms.

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

We are creating tests for drug developers' clinical programs and automating DNA tests for customers in the infectious disease markets. Our products are focussed on high-throughput solutions in markets that aren't currently served by existing multiplexing

and automation technology. As a result, we have evolved the business over the past two years to diversify our revenues.

Along these lines, we bring SQI technology to market through two principal and integrated lines of business applied in the three target markets just mentioned.

1. Drug Development Tools and Services (DDTS)

The Drug Development Tools and Services market is focussed primarily on pharmaceutical, biotechnology, and vaccine companies along with the CROs that serve them. These companies need to understand and report on many biological responses to their drugs in research and development. These responses involve 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 a drug and the course of its development. Common types of testing to measure responses are categorized as follows: immunogenicity; anti-drug antibody ("ADA"); inflammatory; biomarker and epitope mapping. Over the last decade, the growing use of these common tests has been enabled by testing innovation and the rise of data management and informatics. More recently, FDA guidance to drug developers issued in 2014 provides more direct and stringent guidance for testing within drug development programs, which is expected to boost this market. Over the last 18 months, SQI has used the guidance from the FDA to build products that specifically address the newly-defined expected needs of the industry.

SQI's business model for drug development customers involves selling comprehensive "turnkey" services including the initial rapid design, development and validation of custom multiplex consumable kits. The customer then brings SQI in on contract to make custom tests to buy and use in their pre-clinical and clinical drug trials, with testing done either with the customer or its CRO. In some cases, SQI can also provide in-house sample analysis.

Customers are choosing multiplex tests from SQI because they combine multiple tests for a particular application into a single test providing all of their required results, while maintaining or exceeding any previous technical performance they have experienced.

Furthermore, we automatically process these tests on our systems so that with as little as fifteen minutes of operator time, the system can run numerous samples, achieving high throughput, and efficient results. Our technology meets or exceeds all FDA and European Medicines Agency ("EMA") immunogenicity and biosimilar test guidelines issued to date.

2. In Vitro Diagnostics (IVD)

SQI is also working on a pipeline of multiplexed IVD products. These products target 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 they are cleared by regulators such as the FDA and EMA.

Our target customers need diagnostic processing equipment and consumable tests that can process large numbers of patient samples to detect and quantify multiple and varied types of human antibodies, isotypes, and sub-classes of antibodies. Many tests can be completed in a single well of one of our consumable kits at low cost and with minimal labour, using our semi- or fully-automated high-throughput systems and multiplexing tests. Our systems can also increase a laboratory's throughput with less labour, fewer consumables and fewer other costs.

Although most of our time and resources were devoted to the immediate opportunities in the pharmaceutical and biotech development markets in fiscal 2014 and the first three quarters of fiscal 2015, SQI also worked on its pipeline of IVD tests. Our lead IVD test is its multiplexed Ig_plex® Celiac DGP Panel. This tool provides clinicians with a fast method to measure the levels of multiple key biomarkers associated with celiac disease. SQI was cleared by the FDA to market our proprietary Celiac Panel in the United States in the first fiscal quarter of 2015. According to an article in the New England Journal of Medicine, it is estimated that 1 in 100 people in the United States is affected by celiac disease, making our product an invaluable diagnostic resource.

The Company continues to develop IVD tests related to the diagnosis of Vasculitis and Lupus.

SQI's IVD tests have the potential to save time and money for large volume reference labs and can improve the data collected in each test. Successfully entering the IVD testing market is difficult to accomplish based on a single test, particularly when that test requires a lab to invest in a hardware platform. By adding further qualitative tests to the SQI menu of regulatory cleared tests, we strengthen the reason to switch to the SQI platform. We plan to continue investing to develop and achieve clearance for the tests listed above. In light of the SQI's limited resources, this investment ranks behind investing in our tools and services business as those projects can deliver revenue and cash flow more quickly.

CORPORATE FINANCING TRANSACTIONS

On July 16, 2015 the Company raised gross proceeds of approximately $2.7 million through the first tranche of a non-brokered private placement of 5,330,000 units ("Units") priced at $0.50 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.65 for a period of three years from the date of issuance, subject to accelerated expiry in certain circumstances.

The Company completed a secured debenture offering (the "Offering") in the second quarter of fiscal 2015. 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. Each warrant entitles the holder to purchase one common share of the Company 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.

On December 4, 2011 the Company extended the expiry of 1,199,052 warrants with an exercise price of $4.00 by 12 months to December 4, 2012. The warrants were issued in December 2009 in connection with a private placement. 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 year. 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.

On May 1, 2015, the Company extended the expiry of 5,126,000 warrants by 36 months to May 1, 2018. In addition, at any time prior to the expiry date, as amended, should the 20-day trailing average price exceed $1.43, warrant holders shall have 30 days to exercise this series of warrants and any unexercised warrants shall expire thereafter. All other provisions of the warrants will remain the same. The warrants were issued in May 2013 in connection with a private placement. The fair value of the extension was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.53; dividend yield 0%; risk free interest 0.7%; volatility 129%; and an expected life of 3 year. Expected volatility is based on historical volatility. As a result of the extension $1,960,000 was recorded in warrant capital with a corresponding reduction in contributed surplus. In addition, 512,604 warrants with an expiry of May 1, 2015 expired unexercised and $331,000 was transferred to contributed surplus upon expiry.

On May 8, 2014 the Company received approval from the TSX Venture exchange to extend the expiry of 3,508,171 warrants with an exercise price of $2.50 issued in connection with a private placement which was completed on June 20, 2012. The warrants which had expiry dates of May 10, 2014, May 16, 2014, June 13, 2014 and June 19, 2014 were extended to May 10, 2015, May 16, 2015, June 13, 2015 and June 19, 2015. All other provisions of the warrants remain unchanged. The fair value of the extension was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.37; dividend yield 0%; risk free interest 1.04%; volatility 120%; and an expected life of 1 year. Expected volatility is based on historical volatility. As a result of the extension $147,000 was recorded in warrant capital with a corresponding reduction in contributed surplus. In addition, 210,491 warrants with an expiry dates of May 10, 2014, May 16, 2014, June 13, 2014 and $108,000 was transferred to contributed surplus on expiry. On May 10, 2015, May 16, 2015, June 13, 2015 and June 19, 2015 these warrants expired unexercised and $1,211,000 was transferred to contributed surplus upon expiry.

SELECTED FINANCIAL INFORMATION

The table below summarizes annual financial information for the fiscal years ended September 30, 2015 and 2014.

	Year ended September 30, 2015 (000s)	Year ended September 30, 2014 (000s)
Revenue	$ 443	$ 119
Net Loss	$ 6,097	$ 5,460
Net Loss Per Share	$ (0.11)	$ (0.11)
Weighted Average Shares	57,484	50,982

Revenue for the year ended September 30, 2015 was $443,000 versus $119,000 for the year ended September 30, 2014. Revenue for fiscal 2015, while modest in dollar terms, is significant in that it represents recurring development services revenue from multiple customers across multiple applications of our technology. This includes services for our global pharmaceutical customers, our UK-based DNA customer as well as a new customer in the veterinary health sector. Revenue in fiscal 2015 also includes revenue earned from laboratory services for running tests for customers in our facility on the multiplexed tests developed under contract.

The net loss for the year ended September 30, 2015 was $6,097,000 ($0.11 net loss per share) as compared to $5,460,000 ($0.11 net loss per share) for the year ended September 30, 2014. The increase in net loss for the year ended September 30, 2015 compared with the loss for the year ended September 30, 2014 is a result of interest and accretion charges on the secured debentures, and increases in professional fees, investor relations and marketing expenditures.

Research and development ("R&D") costs, excluding amortization, stock based compensation and the SR&ED Investment Tax Credit ("SR&ED ITC") were $2,941,000 for the year ending September 30, 2015 compared to $3,014,000 for the year ending September 30, 2014. In fiscal 2015 R&D efforts were focused on development work for customer projects in our DDTS business.

The Company also focused some limited development efforts on two IVD tests. R&D costs were lower for fiscal 2015 as compared to fiscal 2014 due to cost incurred in the first quarter of fiscal 2014 for the validation and regulatory filing of the Celiac DGP test. The Company had no tests in the validation stage in fiscal 2015.

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 $554,000 for the year ended September 30, 2015 and for the year ended September 30, 2014.

Corporate and general expenses also include general and administrative costs. General and administrative expenses were $527,000 fiscal 2015 as compared to $458,000 in fiscal 2014. The increase in corporate and general expenses is a result of increased professional fees, travel, stock exchange filing fees and the effects of the US dollar exchange rate.

Professional and consulting fees were $693,000 in the year ended September 30, 2015 as compared to costs of $447,000 in the year ended September 30, 2014. The increase in professional and consulting fees was primarily related to increased legal costs and investor relations costs as the Company focused on increasing investor and customer awareness.

Sales and marketing expense was primarily related to sales and marketing staff compensation and to travel related to selling activities. Sales and marketing expenses, excluding stock based compensation, totalled $743,000 for the year ended September 30, 2015 compared to $467,000 for the year ended September 30, 2014. The increase in sales and marketing costs is a result of expenditures to advance sales and marketing initiatives including the hiring of additional sales consultants in 2015. Sales and marketing costs also increased as a result of the increase in the US dollar exchange rate.

Fourth Quarter Commentary

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

	September 30, 2015 (000s)	June 30, 2015 (000s)	March 31, 2015 (000s)	December 31, 2014 (000s)
Revenue	$ 178	$ 180	$ 70	$ 15
Net Loss	$ 1,548	$ 1,571	$ 1,613	$ 1,365
Net Loss Per Share	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.02)
Weighted Average Shares	60,847	56,381	56,336	56,336

	September 30, 2014 (000s)	June 30, 2014 (000s)	March 31, 2014 (000s)	December 31, 2013 (000s)
Revenue	$ 67	$ 32	$ 18	$ 2
Net Loss	$ 1,546	$ 1,449	$ 964	$ 1,501
Net Loss Per Share	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.03)
Weighted Average Shares	56,336	55,505	47,080	44,970

During the fourth quarter of fiscal 2015 the Company continued to record revenue resulting from product and services sales in our DDTS business. Revenue for the three months ended September 30, 2015 were $178,000 compared to $67,000 for the same period last year. The revenue in the fourth quarter of fiscal 2015 includes work for our UK based customer to commercialize a DNA-based pathogen detection test as well as for additional work contracted by one of our Global Pharma customers.

For the quarter-ended September 30, 2015, the Company recorded a net loss of $1,548,000 ($0.03 net loss per share) which is consistent with the net loss of $1,546,000 ($0.03 net loss per share) for the quarter-ended September 30, 2014. Per share values are based on the weighted average shares outstanding in the relevant period. For the quarter-ended September 30, 2015 there was an average of 60,847,000 shares outstanding.

The net loss for the three months ended September 30, 2015 is consistent with the loss for the three months ended September 30, 2014. The increase in interest and accretion costs was offset by increases in revenues over the relevant period.

R&D expenditures, excluding amortization and stock based compensation, for the three months ended September 30, 2015 were $779,000 compared to $757,000 for the same period last year. The costs are consistent as the Company continued to focus on the development work for customers in its DDTS business.

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 $147,000 for the quarter-ended September 30, 2015 compared to $165,000 for the quarter-ended September 30, 2014. The small decrease is attributable to staffing changes.

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 $134,000 for the three months ended September 30, 2015 compared to $119,000 for the three months ended September 30, 2014. General and administrative costs were higher due to increased travel and the effects of the US dollar exchange rate.

Professional consulting (legal, accounting, Board of Directors compensation, recruiting, administrative contractor, and investor relations) costs in the three months ended September 30, 2015 were $134,000 compared to $177,000 for the three months ended September 30, 2014. The decrease in professional and consulting costs for the quarter ended September 30, 2015 compared to the same period last year is a result of Board of Directors fees waived since April of 2015.

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 $177,000 for the three months ended September 30, 2015 compared to $112,000 for the three months ended September 30, 2014. Sales and marketing expenses were higher for the three months ended September 30, 2015 compared to the same period in the previous year, primarily due the hiring of additional sales staff and the effects of the US dollar exchange rate.

Non-cash stock based compensation charges totalled $24,000 for the three months ended September 30, 2015 (fiscal 2015 – $133,000) compared to $26,000 for the three months ended September 30, 2014 (fiscal 2014 - $201,000). The related stock option issuances are detailed later in this document.

Interest income earned on short-term investments equalled $3,000 for the three months ended September 30, 2015 (fiscal 2014 –$11,000) compared to $7,000 for three months ended September 30, 2014 (fiscal 2014 – $20,000). 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 2016 as investment continues in product development and commercialization efforts for its pipeline of custom Ig_plex consumable kits and platforms, IVD tests and invests in sales and marketing initiatives. Management expects to reduce losses later in fiscal 2016 as it generates revenues from a variety of Diagnostic Tools and Services' customers.

The Company has funds sufficient to meet our anticipated cash requirements for approximately the next six months. The Company is actively reviewing its forecast expenditures, capital needs and financing options.

Operating activities for the year ended September 30, 2015 were financed by cash on hand generated from financing initiatives closed during the fiscal year.

At September 30, 2015, current assets were $2,555,000 compared to $2,058,000 at September 30, 2014. As at September 30, 2015 the Company has a $1,787,000 working capital surplus compared to a surplus of $1,625,000 at September 30, 2014.

Cash used in investing activities for the year ended September 30, 2015 was $292,000 compared to $210,000 for the year ended September 30, 2014. The Company continues to critically evaluate all capital asset purchases and is continually evaluating all patent and trademark expenditures. Investing activities focused on maintaining the Company's patent and trademark portfolio, strategic laboratory equipment purchases and upgrading computer equipment.

On March 31, 2015 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.

On July 16, 2015 SQI raised gross proceeds of approximately $2.7 million through a non-brokered private placement (the "Private Placement") of 5,330,000 units ("Units") priced at $0.50 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.65 for a period of three years from the date of issuance, subject to accelerated expiry in certain circumstances.

Subsequent to the fiscal year end, On December 15, 2015 the Company completed a private placement of 7,480,945 units of the Company at $0.40 per unit for gross proceeds of $2,992,000.

Each Unit will consist of one common share and one common share purchase warrant. Each common share purchase warrant will entitle the holder to purchase one common share at a price of $0.52 for a period of three years from the date of issuance.

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, investors 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 believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements for approximately the next six months. As such, we will need to raise additional capital to:

- maintain our current operations to address custom prototype projects and to deliver on contracts currently in place;
- expand the commercialization of our products;
- manufacture SQI platforms and products;
- further our research and development.;

Our future funding requirements will depend upon many factors, including:

- development of new and existing products;
- market acceptance of our products;

- the cost of our research and development activities;
- the cost of potential licensing of technologies patented by others;
- the cost of filing and prosecuting patent applications;
- the cost and timing of regulatory clearances or approvals;
- the cost and timing of establishing additional sales, marketing and distribution capabilities;
- the cost and timing of establishing additional technical support capabilities;
- the effect of competing technological and market developments;
- the cost of defending, in litigation or otherwise, any claims that we infringe third party patents or violate other intellectual property rights;
- the extent to which we acquire or invest in businesses, products and technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

If we raise additional funds by issuing equity securities, our shareholders may experience dilution. Debt financing, if available, may involve further covenants, pledges and restrictions. Any debt or additional equity financing may contain terms that are not favourable to us or our shareholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favourable to us.

If we do not have, or if we are unable to obtain additional funds on acceptable terms on a timely basis, or at all, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to liquidate some or all of our assets, reduce the scope of or eliminate some or all of our development programs, reduce marketing, customer support or other resources devoted to our products, or cease operations. Any of these factors could harm our business, financial condition and results of operations.

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

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

We have a limited operating history and have incurred significant losses in each fiscal year since our inception, including net losses of $3.8 million, $5.9 million, $8.1 million, $10.7 million $6.3 million, $6.2 million, $5.5 million and $6.1 million during fiscal 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 respectively. As of September 30, 2015,

we had an accumulated deficit of $68.4 million. These losses have resulted principally from costs incurred in our research and development programs and from our selling, general and administrative expenses. We expect to continue to incur operating and net losses and negative cash flow from operations, which may increase, for the near term future due in part to anticipated increases in expenses for research and product development and expansion of our sales and marketing capabilities. We anticipate that our business will generate operating losses until we successfully implement our commercial development strategy and generate significant additional revenues to support our level of operating expenses. Because of the numerous risks and uncertainties associated with our commercialization efforts and future product development, we are unable to predict when we will become profitable, and we may never become profitable. Even if we do achieve profitability, we may not be able to sustain or increase our profitability.

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

The markets for our products are characterized by rapidly changing technology, evolving industry standards, changes in customer needs, emerging competition, new product introductions and strong price competition. We compete with both established and development stage companies, universities, research institutions, governmental agencies and healthcare providers that design, manufacture and market similar diagnostic products. Many of our current competitors have significantly greater name recognition, greater financial and human resources, broader product lines and product packages, larger sales forces, larger existing installed bases, larger intellectual property portfolios and greater experience and capabilities in researching, developing and testing products, in obtaining FDA and other regulatory approvals or clearances, and in manufacturing, marketing and distribution, than we have. There exists numerous other companies that compete in certain segments of the market in which we sell our products, including immunoassays and other companies and academic groups are in the process of developing novel products and technologies for diagnostics markets that may compete with SQI technologies.

Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In light of these advantages, even if our technology is more effective than the product or service offerings of our competitors, current or potential customers might accept competitive products and services in lieu of purchasing our technology. We anticipate that we will face increased competition in the future as existing companies and competitors develop new or improved products and as new companies enter the market with new technologies. We may not be able to compete effectively against these organizations. Increased competition is likely to result in pricing pressures, which could harm our sales, profitability or market share. Our failure to compete effectively

could materially and adversely affect our business, financial condition and results of operations.

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

Our success depends, in part, upon our ability to develop and market products that are recognized and accepted as reliable, accurate, timely and cost effective by physicians, lab technicians and administrators. Most of our potential customers already use expensive diagnostic products and systems in their laboratories and may be reluctant to replace those systems. Market acceptance of our products and technologies will depend upon many factors, including our ability to provide a broad test menu of tests to potential customers, and our ability to convince potential customers that our systems are an attractive cost- and time-saving alternative to existing technologies. Compared to most competing technologies, our microarray assay technology is relatively new, and most potential customers have limited knowledge of, or experience with, our products. Prior to adopting our microarray assay technology, some potential customers may need to devote time and effort to testing and validating our systems. Any failure of our systems to meet these customer benchmarks could result in customers choosing to retain their existing systems or to purchase systems other than ours.

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 operate in a highly regulated industry and we are subject to the authority of certain regulatory agencies, including Health Canada, the FDA, European Conformity (CE) and applicable health authorities in other countries, with regard to the development, testing, manufacturing, marketing and sale of our diagnostic products. The process of obtaining such clearances or approvals can be costly and time-consuming. If we are unable to obtain, on a timely basis, or to maintain regulatory clearances or approvals, it would have a material adverse effect on our business.

Clearance by regulatory authorities can be suspended or revoked, or we could be fined, based on a failure to continue to comply with applicable standards. Any failure to obtain (or significant delay in obtaining) or maintain applicable regulatory clearances or approvals (or, to a lesser extent, approval of applicable health authorities in other countries) for our new or existing products could materially affect our ability to market our products successfully and could therefore have a material adverse effect on our business. Additionally, the authority of the regulatory agencies or the application of certain regulations may be expanded or otherwise changed in such a manner that

would place additional regulatory burdens on us or our customers. Such a change in our industry could have a material adverse effect on our business.

We must manufacture products in compliance with regulatory requirements, in sufficient quantities and on a timely basis, while maintaining product quality and acceptable manufacturing costs. If we or our suppliers are unable to manufacture or contract for such capabilities on acceptable terms, our plans for commercialization could be materially adversely affected.

Our manufacturing facilities are subject to periodic regulatory inspections by the regulatory agencies and these facilities are subject to quality standards requirements of the applicable regulatory authorities. We, or our contractors, may not satisfy such regulatory or standards requirements, and any failure to do so may have a material adverse effect on our business, financial condition and results of operations.

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.

The field of diagnostics is characterized by rapidly changing and developing technologies that include new products that could render our diagnostic processing equipment and consumable tests obsolete at any time and thereby adversely affect our financial condition and future prospects. Our success depends upon our ability to develop new products with improved performance and cost effectiveness in existing and new markets. New technologies, techniques or products could emerge that might offer better combinations of price and performance than our current or future product lines. It is critical to our success for us to anticipate changes in technology and customer requirements and to successfully introduce new, enhanced and competitive technology to meet our prospective customers' needs on a timely basis.

Developing and marketing new products and services will require us to incur substantial development costs and we may not have adequate resources available to be able to successfully introduce new versions of, or enhancements to, our products. We cannot guarantee that we will be able to maintain technological advantages over emerging technologies in the future. While we plan to continue to make improvements to our current and future cleared or approved and marketed diagnostic processing equipment and consumable tests, we may not be able to successfully implement these improvements. If we fail to keep pace with emerging technologies, demand for our products will not grow, and our business, revenue, financial condition and operating results could suffer materially. Even if we successfully implement some or all of these planned improvements, we cannot guarantee that potential customers will find our enhanced products to be an attractive alternative to existing technologies, including our current products.

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.

New diagnostic products, and improvements to existing diagnostic products, require significant research, development, testing and investment prior to any final commercialization. Our business depends upon the continued development and improvement of our existing products, our development of new products to serve existing markets and our development of new products to create new markets and applications that were previously not practical with existing systems. We believe that the adoption of our platform by potential customers depends, in part, upon our ability to provide a test menu of tests to potential customers. To date, we have obtained regulatory approval for only a few diagnostic tests.

We intend to devote significant personnel and financial resources to research and development activities designed to advance the capabilities of our diagnostic technology and, in the case of our IVD business, to obtain regulatory approval of additional tests. In the past, our product development projects have been delayed. We may have similar delays in the future, and we may not obtain any benefits from our research and development activities. Any delay or failure by us to develop new products or enhance existing products would have a material adverse effect on our business and results of operations. If we are unable to successfully develop these products, accomplish such improvements, receive applicable regulatory clearances or approvals, produce the products in commercial quantities at reasonable costs, or successfully market the products, it would have a material adverse effect on our business and results of operations. Our long-term success must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology and the competitive and highly regulated environment in which we operate.

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

Our success will depend upon our ability to gain acceptance, and then increase our market share among our customers, attract additional customers outside of our initial target markets, and bring to market new products and services. Attracting new customers and introducing new products and services requires substantial time and expense. For example, it may be difficult to identify, engage and market to customers who are unfamiliar with the benefits of our products and services. Any failure to establish and expand our existing customer base or launch new products or services would adversely affect our ability to increase our revenues.

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.

As we are in the early stages of commercializing and marketing our products, we have limited experience in marketing, selling and distributing our products. We may not be able to market, sell and distribute our products effectively enough to support our planned growth. We intend to market, sell and distribute our products directly through our own sales force in North America, Europe and elsewhere. Our future sales will depend in large part upon our ability to develop and substantially expand our direct sales force and to increase the scope of our marketing efforts.

Our products are technically complex and used for specialized applications. Our ability to market our products effectively will depend, in part, upon our ability to convince laboratories that our products will deliver accurate patient results in less time and with significantly reduced labour, consumables and other costs. As a result, we believe it is necessary to develop a direct sales force that includes people with specific scientific backgrounds and expertise and a marketing group with technical sophistication. Competition for such employees is intense. We may not be able to attract and retain personnel, or be able to build an efficient and effective sales and marketing force, which could negatively impact sales of our products, and reduce any future revenues and profitability.

If our sales, marketing and distribution efforts are not successful, our technologies and products may not gain market acceptance, which would materially impact our business operations.

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

We have entered into and may continue to enter into strategic partnerships with a number of medical institutions. For example, we have entered into strategic agreements with The University of North Carolina at Chapel Hill, the Cleveland Clinic, and Beth Israel Deaconess Medical Center,. If our strategic partners were to change their business strategies or development priorities, they may no longer be willing or able to participate in such strategic partnerships which could have an adverse effect on the timing of our future development efforts. In addition, we may not control the strategic partnerships in which we participate. We may also have certain obligations with regard to our strategic partnerships, in addition to the obligation to pay money, such as an obligation to publish the results of research.

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.

We rely on key suppliers for certain components and materials used in our platform technologies, including our sqidworks, sqidlite and sqid-X diagnostic platforms and our microarrays. We do not have agreements with these key suppliers to supply us with components in the future. The loss of any of these key suppliers would require significant time and effort to locate and qualify an alternative source of supply. There is a limited number of suppliers who can manufacture the highly specialized equipment that forms a part of our systems.

Our first set of tests being commercialized requires a highly specific mono-layer coating on the glass surface which is used to bond each of the microarray spots. We have worked closely with these manufacturers to extend the capabilities of their standard products to support the unique needs of our platform technologies and microarray devices. Any change in any component that forms a part of our systems will require additional testing to ensure that it performs in a substantially similar manner to the existing component.

Our reliance on these suppliers also subjects us to other risks that could harm our business, including the following:

- we may be subject to increased component costs;
- we may not be able to ensure that any component that we change performs in a substantially similar manner to the existing component;
- we may not be able to obtain adequate supply in a timely manner or on commercially reasonable terms;
- our suppliers may make errors in manufacturing components that could negatively affect the efficacy of our systems or cause delays in shipment of our systems;
- our suppliers may encounter financial hardships unrelated to our demand for components, which could inhibit their ability to fulfill our orders and meet our requirements.

We may not be able to quickly establish additional or replacement suppliers, particularly for our single source components. Any interruption or delay in the supply of components or materials, or our inability to obtain components or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our strategic partners and future customers.

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

The healthcare regulatory environments in the jurisdictions in which we operate and plan to operate may change in a way that restricts our ability to market our diagnostic testing products due to medical coverage or reimbursement limits. Sales of our diagnostic systems will depend, in part, upon the extent to which the costs to patients of such tests are paid by health maintenance, managed care, and similar healthcare management organizations, or reimbursed by government health payor administration authorities, private health coverage insurers and other third party payors. These healthcare management organizations and third party payors are increasingly challenging the prices charged for medical products and services. The containment of healthcare costs has become a priority of governments. Accordingly, our potential products may not be considered cost effective, and reimbursement to the ultimate patient may not be available or sufficient to allow us to sell our products on a competitive basis.

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

Our performance depends substantially upon the performance of our senior management and key scientific and technical personnel, including our Chief Executive Officer, Andrew Morris, and our Vice President of Research and Development, Dr. Jaymie Sawyer. Retaining these key personnel and recruiting additional qualified personnel in the future will be critical to our success. We believe there are only a limited number of individuals with the requisite skills to serve in many of our key positions. Competition for qualified personnel in the diagnostics industry is intense and recruiting and retaining qualified personnel with experience in our industry is very difficult.

We compete for key personnel with other medical equipment and software manufacturers and technology companies, as well as universities and research institutions.

If we are unable to attract and retain skilled and experienced personnel, or if we lose the services of any member of our senior management or our scientific or technical staff, we could experience significant delays in, or we could be unable to, complete the development and commercialization of our products or achieve our other business objectives, and such a development could require our management to divert its attention to transition matters and identification of suitable replacements, if any. Such a development could have a material adverse effect on our business, financial condition and results of operations.

We do not maintain, and do not intend to obtain, key employee life insurance on any of our personnel.

A portion of our compensation to our key employees is in the form of stock option grants. A prolonged decline in our share price could make it difficult for us to retain our employees or recruit additional qualified personnel.

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

The placement of our products and the introduction of our technology into our customers' existing operations and on-going customer support can be complex. Accordingly, we need highly trained technical support personnel. To effectively support new customers, we will need to substantially expand our technical support staff. If we are unable to attract, train or retain the number of highly qualified technical services personnel that our business will require, our business, financial condition and results of operations will suffer.

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

We have been developing our core technologies in our facilities in Toronto, Canada, which we believe has adequate space to expand the manufacturing capacity to our expected needs for the foreseeable future. However, we may encounter unforeseen situations at this facility that would result in delays or shortfalls in our development and production. In addition, our development and production processes and assembly methods may have to change to accommodate any significant future expansion of our manufacturing capacity. If we are unable to keep up with development of or demand for our products, our revenue could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors' products. Our inability to successfully manufacture our products would have a material adverse effect on our business, financial condition and results of operations.

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 products utilize complex technology applied on a small scale, and our systems may develop or contain undetected defects or errors. As our production levels increase, material performance problems, defects or errors could arise. We may determine to correct any defects or errors in response to customer concerns, in order to preserve customer relationships, and to help foster continued adoption and use of our systems. The costs incurred in correcting any defects or errors may be substantial and could adversely affect our operating margins.

In manufacturing our products, we depend upon third parties for the supply of various components. Many of these components require a significant degree of technical expertise to produce. If our suppliers fail to produce components to specification, or if the suppliers, or we, use defective materials or workmanship in the manufacturing process, the reliability and performance of our products will be compromised.

If our products contain defects, we may experience:

- a failure to achieve market acceptance or expansion of our product sales;
- loss of customer orders and delay in order fulfillment;
- damage to our brand reputation;
- increased cost of our warranty program due to product repair or replacement;
- product recalls or replacements;
- inability to attract new customers;
- diversion of resources from our manufacturing and research and development departments into our service department;
- legal claims against us, including product liability claims, which could be costly and time consuming to defend and result in substantial damages.

The occurrence of any one or more of the foregoing could negatively affect our business, financial condition and results of operations.

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

We expect that a significant portion of our future revenues will be denominated in U.S. and European currencies, and, therefore, we will be subject to fluctuations in exchange rates. There is a risk that significant fluctuations in exchange rates would negatively affect our operating margins and would therefore have an adverse effect on our future results of operations.

Risks Related to Intellectual Property

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

Our commercial success depends in part upon our ability to protect our intellectual property and proprietary technologies. We rely on patent protection, where appropriate and available, as well as a combination of copyright, trade secret and trademark laws, and nondisclosure, confidentiality and other contractual restrictions to protect our proprietary technology. However, these legal means afford only limited

protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Our pending Canadian, U.S. and foreign patent applications may not issue as patents or may not issue in a form that will be sufficient to protect our proprietary technology and gain or keep our competitive advantage. To the extent our intellectual property, including licensed intellectual property, offers inadequate protection, or is found to be invalid or unenforceable, we are exposed to a greater risk of direct competition. If our intellectual property does not provide adequate protection against our competitors' products, our competitive position could be adversely affected, as could our business, financial condition and results of operations.

We may be involved in lawsuits to protect or enforce our patents and proprietary rights, to determine the scope, coverage and validity of others' proprietary rights, or to defend against third party claims of intellectual property infringement that could require us to spend significant time and money and could prevent us from selling our products or services or impact our share price.

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.

Our common shares are listed for trading on the TSX Venture Exchange ("TSXV"). We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the TSXV, or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common shares that you buy. The market price of our common shares on the TSXV, like the share prices of many publicly traded life sciences companies, has been highly volatile, and the trading price of our common shares may remain volatile in response to various factors, some of which are beyond our control.

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

To date, we have not paid any dividends and do not expect to do so in the foreseeable future. We currently intend to retain all future earnings for the operation and expansion of our business. Dividends on our common shares are declared at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements and other factors that our board determines is relevant.

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 consumable kits or its diagnostic platforms. Management believes that it may generate revenues from a variety of Diagnostic Tools and Services customers in fiscal 2016; 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 December 15, 2015 there were 69,197,000 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 December 15, 2015:

Number of Warrants	Purchase Price
2,276	$2.50
5,126	$1.10
16,695	$0.65
3,560	$0.60
885	$0.50
7,481	$0.52
36,023	

The Company had the following stock options outstanding under the Plan at December 15, 2015:

Number of Options	Range of Exercise Prices
1,600	$0.31 - 1.16
332	$1.17 - 2.03
20	$2.04 – 2.90
1,952	

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. Deferral criteria have not been met, and accordingly, all development costs have been expensed in the year.

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.

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. The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements

(i) Inventories

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

(ii) Property and equipment and patents and trademarks

Measurement of property and equipment and patents and trademarks involves the use of estimates for determining the useful lives for amortization of property and equipment and patents and trademarks. Among other factors, these judgments are based on industry standards, manufacturer's guidelines and company-specific history and experience.

(iii) Impairment

Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset of a cash generating unit (CGU) is impaired. The assessment of these factors as well as the determination of a CGU is based on management's judgment. Management has assessed SQI Diagnostics Inc as one CGU and considers factors such as whether an active market exists for the output produced by the assets as well as other market factors to determine if an asset is impaired.

(iv) Stock-based compensation and warrants

The Company uses an option pricing model to determine the fair value of stock-based compensation and warrants. Inputs to the model are subject to various estimates relating to volatility, interest rate and expected life of the instrument. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of

fair value at the date of grant.

Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of stock-based compensation.

(v) Deferred tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on deferred tax assets and liabilities. Currently, the Company has deductible temporary differences which would create a deferred tax asset. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. To date, the Company has determined that none of its deferred tax assets should be recognized. The generation of future taxable income could result in the recognition of some or a portion or all of the remaining benefits, which could result in an improvement in the Company's results of operations through the recovery of future income taxes.

(vi) Secured debentures

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the value of the secured debentures and the related warrants.

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. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss caused by changes to the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting, which will allow entities to better reflect their risk management activities in financial statements. The most significant improvements apply to those that hedge non-financial risk, so these

improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. 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.

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.

IAS 1 Presentation of Financial Statements

Amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

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 September 30, 2015;

(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 September 30, 2015; 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.

Glossary of Terms:

Multiplex(ing): to obtain multiple results from one single biological sample to save time, cost and development of multiple tests

IVD: In vitro diagnostics; specifically assays which meet the rigorous standards of regulated bodies (FDA HC)

CRO: Contract Research Organization; organizations who typically conduct testing for large pharmaceutical companies and development laboratories.

Biomarker: Biological molecules, the presence or absence of which can be used to detect or monitor a state of disease or can be used to test the efficacy or safety of a drug in development

ADA: Anti drug antibodies, an immune response to administered therapeutics which are an interest for both drug efficacy and safety

Epitope mapping: Testing used to identify specific immunogenic regions in a drug candidate

PK: Pharmacokinetics – the rate at which a drug is metabolized in a patient; used to better design dosing regimens, among other things

FDA: U.S. Food and Drug Administration

EMA: European Medicines Agency

sqidlite: Our bench-top diagnostic system – fully automated bench top microarray processing system

sqidworks: Our diagnostic platform is a high-throughput fully automated microarray processing and analytical instrument

sqid-X: sqid-**X**™ System – semi-automated bench-top platform that incorporates all of SQI's technology with the exception of automated fluidics handling

DDTS: Drug Development Tools and Services

R&D: Research and development