SQI Diagnostics Inc.

Condensed Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian dollars)

For the Three and Nine Months Ended June 30, 2018 and 2017

Notice to Reader

The accompanying unaudited financial statements have been prepared by management and the Company's independent auditors have not performed a review of these financial statements.

SQI Diagnostics Inc.
Condensed Interim Consolidated Balance Sheets
(Unaudited)
(Amounts are in thousands of Canadian dollars)

		As at June 30, 2018		As at September 30, 2017
Assets				
Current				
Cash	**$**	**1,143**	$	1,466
Accounts receivable		**404**		132
Prepaids and other assets		**173**		330
Inventory (Note 4)		**429**		486
Leases receivable (Note 5)		**127**		-
		2,276		2,414
Leases receivable (Note 5)		**68**		-
Property and equipment (Note 6)		**1,262**		841
Patents and trademarks (Note 7)		**639**		721
	$	**4,245**	$	3,976
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**873**	$	495
Deferred revenue		**110**		-
Lease obligation (Note 8)		**141**		-
		1,124		495
Long Term				
Lease obligation (Note 8)		**107**		-
Secured debentures (Note 9)		**2,711**		2,517
		3,942		3,012
Shareholders' Equity				
Capital stock (Note 10)		**58,882**		56,369
Warrants (Note 11)		**11,153**		12,265
Contributed surplus		**15,115**		11,716
Deficit		**(84,847)**		(79,386)
		303		964
	$	**4,245**	$	3,976

Going concern (Note 2)
Contingencies (Note 17)

Approved by the Board

"Clive Beddoe"
Director **(Signed)**

"Andrew Morris"
Director **(Signed)**

SQI Diagnostics Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)
(Amounts are in thousands of Canadian dollars except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Revenue				
Services revenue	**$ 79**	$ 157	**$ 258**	$ 569
Product sales	**141**	19	**514**	273
	220	176	**772**	842
Expenses				
Cost of products sold	**77**	5	**382**	181
Corporate and general (Note 14)	**385**	342	**1,235**	1,059
Sales and marketing (Note 15)	**309**	292	**866**	819
Research and development (Note 16)	**1,342**	1,011	**3,325**	2,788
Interest and accretion expense (Note 9)	**149**	133	**425**	388
	2,262	1,783	**6,233**	5,235
Net loss and comprehensive loss	**(2,042)**	(1,607)	**(5,461)**	(4,393)
Loss per share				
Basic and diluted	**$ (0.02)**	$ (0.02)	**$ (0.04)**	$ (0.05)
Weighted average number of common shares outstanding (thousands of shares)	**134,936**	103,875	**125,834**	90,413
Weighted average number of shares				

See accompanying notes

SQI Diagnostics Inc.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)
(Amounts are in thousands of Canadian dollars)

	Issued Capital Stock										
	Number of Shares (thousands of shares)		**Amount**		**Warrants**		**Contributed Surplus**		**Deficit**		**Total Equity**
Balance as at September 30, 2016	80,905	$	54,380	$	11,915	$	10,170	$	(73,457)	$	3,008
Issued in connection with private placement (Note 10b)	22,970		3,675								3,675
Allocated to warrants – private placement (Note 10b)			(1,631)		1,631						-
Share issuance costs – private placement (Note 10b)			(55)								(55)
Revaluation of extended warrants (Note 11)					129		(129)				-
Warrants expired (Note 11)					(1,410)		1,410				-
Stock-based compensation (Note 13)							214				214
Net loss and comprehensive loss									(4,393)		(4,393)
Balance as at June 30, 2017	103,875	$	56,369	$	12,265	$	11,665	$	(77,850)	$	2,449
Balance as at September 30, 2017	**103,875**	**$**	**56,369**	**$**	**12,265**	**$**	**11,716**	**$**	**(79,386)**	**$**	**964**
Issued in connection with private placement (Note 10c)	**31,061**		**4,659**								**4,659**
Allocated to warrants – private placement (Note 10c)			**(2,048)**		**2,048**						**-**
Share issuance costs (Note 10c)			**(98)**		**(37)**						**(135)**
Warrants expired (Note 11)					**(3,123)**		**3,123**				**-**
Stock-based compensation (Note 13)							**276**				**276**
Net loss and comprehensive loss									**(5,461)**		**(5,461)**
Balance as at June 30, 2018	**134,936**	**$**	**58,882**	**$**	**11,153**	**$**	**15,115**	**$**	**(84,847)**	**$**	**303**

See accompanying notes

(Amounts are in Canadian dollars; tabular amounts in thousands)

	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Cash flows used in operating activities				
Net loss	**$ (2,042)**	$ (1,607)	**$ (5,461)**	$ (4,393)
Add items not affecting cash				
Amortization - patents and trademarks	**38**	39	**116**	120
- property and equipment	**72**	96	**214**	301
Stock-based compensation	**158**	76	**276**	214
Accretion on debenture	**71**	58	**194**	158
	(1,703)	(1,338)	**(4,661)**	(3,600)
Changes in non-cash working capital items				
Accounts receivable, Prepaids and other assets	**(7)**	182	**(115)**	386
Lease receivable	**30**	-	**(195)**	-
Investment tax credit recoverable	**209**	229	**-**	-
Inventory	**(130)**	(39)	**(40)**	(127)
Accounts payable and accrued liabilities	**444**	40	**378**	(205)
Lease Obligation	**(8)**	-	**(8)**	-
Deferred revenue	**74**	-	**110**	(55)
	(1,091)	(926)	**(4,531)**	(3,601)
Cash flows used in investing activities				
Purchase of property and equipment	**(29)**	(7)	**(282)**	(55)
Additions to patents and trademarks	**(10)**	(21)	**(34)**	(89)
	(39)	(28)	**(316)**	(144)
Cash flows from financing activities				
Proceeds from issuance of shares and exercise of warrants and options, net of share issuance costs	**-**	-	**4,524**	3,620
	-	-	**4,524**	3,620
Net change in cash during the period	**(1,130)**	(954)	**(323)**	(125)
Cash at beginning of period	**2,273**	3,750	**1,466**	2,921
Cash at end of period	**$ 1,143**	$ 2,796	**$ 1,143**	$ 2,796
Non-cash investing activities				
Equipment transferred from inventory and segregated for use by the company	**-**	**-**	**97**	-
Equipment acquired under capital lease	**-**	**-**	**256**	-

1. NATURE OF OPERATIONS

SQI Diagnostics Inc., (the "Company"), is incorporated under the *Canada Business Corporations Act*, is listed on the TSX Venture Exchange under the symbol SQD and trades on the OTCQB under the symbol SQIDF. The Company's head office and development centre is located at 36 Meteor Drive Toronto, Ontario. The Company is a life sciences company that develops and commercializes proprietary technologies and products for advanced multiplexing diagnostics. The Company's goal is to become a leader in the development and commercialization of multiplexed blood tests to enable simultaneous measurement of important molecules like proteins, antibodies and inflammatory biomarkers.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Our accounting policies have been applied consistently within our condensed interim consolidated financial statements using the same accounting policies and methods as were used for the Company's Consolidated Financial Statements and the notes thereto for the years ended September 30, 2017 and 2016, except for lease accounting which is described in Note 3. The financial statements should be read in conjunction with the Company's Audited Consolidated Financial Statements for the years ended September 30, 2017 and 2016.

Basis of Presentation and Going Concern

The condensed interim consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies.

These condensed interim consolidated financial statements have been prepared on a going concern basis that presumes the realization of assets and the discharge of liabilities in the normal course of business.

Since inception, the Company has focused on product research, development and more recently on commercialization activities. The Company has a history of net losses and negative cash flows from operations, which are expected to continue in the near term.

The Company's ability to continue as a going concern and execute on its research, development and commercialization activities is dependent upon the Company's ability to successfully generate product or service revenues, or to finance its cash requirements through further equity and/or debt financings.

Based on the foregoing, the Company will continue to pursue commercial sales, strategic partnering activities and funding opportunities, however, no assurances can be given that it will be successful in generating revenues, or raising additional investment capital to generate sufficient cash flows to continue as a going concern. As a result, these material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

2. BASIS OF PRESENTATION (continued)

The condensed interim consolidated financial statements are expressed in Canadian dollars which is the functional currency of the Company and its wholly owned subsidiary. All amounts are reported in thousands of dollars except for per share data.

These consolidated financial statements were authorized for issuance by the Board of Directors on August 15, 2018.

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, SQI Diagnostics Systems Inc.

Inter-company balances and transactions are eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases, and the Company is the lessee. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

Leases for which the Company transfers substantially all the risks and rewards of ownership are classified as finance leases, and the Company is a lessor. Upon initial recognition, a receivable is recorded for the leased asset, at an amount equal to the net investment in the lease. The net investment in the lease is the minimum lease payments receivable by the Company and any unguaranteed residual value accruing to the Company, all discounted at the interest rate implicit in the lease. Subsequent to initial recognition, the lease payments received are apportioned between reduction of the receivable and finance income based on the effective interest rate method using the rate implicit in the lease. The sales revenue recognized at the commencement of the lease term is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest. The cost of sale recognized at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the present value of the unguaranteed residual value.

4. INVENTORY

Inventory consists of finished goods and component parts that are to be used in the future production of SQI's diagnostics platforms and Ig_plex consumable assays.

(Amounts are in Canadian dollars; tabular amounts in thousands)

5. LEASES RECEIVABLE

The Company has entered into two lease agreements acting as the lessor with certain customers relating to its diagnostics platforms. In both these arrangements, the lessee has an option to purchase the platform at a price that is expected to be significantly lower than the fair value at the date the option becomes exercisable, making it reasonably certain at the inception of the lease, that the option will be exercised. In addition, at the inception of the lease the present value of the minimum lease payments amount to substantially all of the fair value of the leased asset, and risks and rewards incidental to legal ownership are transferred, although title is not transferred until the option is exercised. These leases are recognized as finance type leases and recorded as leases receivable at an amount equal to the net investment in the lease.

(i) Lease receivable #1

The lease term is 24 months, with monthly payments of $2,600 USD commencing January 8th 2018. The implicit interest rate is 8% with a buyout option of $1 at the end of the lease term.

June 30, 2018:		
Sum of minimum lease payments (CAD)	$	61
Unearned finance income (CAD)		4
Present value of lease payments (CAD)	$	57

June 30, 2019:		
Sum of minimum lease payments (CAD)	$	21
Unearned finance income (CAD)		1
Present value of lease payments (CAD)	$	20

(ii) Lease receivable #2

The lease term is 24 months, with monthly payments of $6,300 USD commencing January 22nd 2018. The implicit interest rate is 8% with a buyout option of $1 at the end of the lease term.

June 30, 2018:		
Sum of minimum lease payments (CAD)	$	145
Unearned finance income (CAD)		7
Present value of lease payments (CAD)	$	138

June 30, 2019:		
Sum of minimum lease payments (CAD)	$	49
Unearned finance income (CAD)		1
Present value of lease payments (CAD)	$	48

(Amounts are in Canadian dollars; tabular amounts in thousands)

6. PROPERTY AND EQUIPMENT

Cost	**Computer Hardware**	**Computer Software**	**Laboratory Fixtures and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Total**
September 30, 2016	$ 345	$ 212	$ 4,771	$ 176	$ 265	$ 5,769
Additions	14	4	79	-	-	97
Dispositions	-	-	(239)	-	-	(239)
Transfers to inventory	-	-	(13)	-	-	(13)
September 30, 2017	$ 359	$ 216	$ 4,598	$ 176	$ 265	$ 5,614
Additions	**20**	**6**	**507**	**5**	**-**	**538**
Transfers from inventory	**-**	**-**	**97**	**-**	**-**	**97**
June 30, 2018	**$ 379**	**$ 222**	**$ 5,202**	**$ 181**	**$ 265**	**$ 6,249**

Accumulated Amortization	**Computer Hardware**	**Computer Software**	**Laboratory Fixtures and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Total**
September 30, 2016	$ 302	$ 192	$ 3,721	$ 166	$ 245	$ 4,626
Amortization expense	25	12	287	5	11	340
Dispositions	-	-	(189)	-	-	(189)
Transfers to inventory	-	-	(4)	-	-	(4)
September 30, 2017	$ 327	$ 204	$ 3,815	$ 171	$ 256	$ 4,773
Amortization expense	**18**	**8**	**183**	**2**	**3**	**214**
June 30, 2018	**$ 345**	**$ 212**	**$ 3,998**	**$ 173**	**$ 259**	**$ 4,987**

Net Book Value						
September 30, 2017	$ 32	$ 12	$ 783	$ 5	$ 9	$ 841
June 30, 2018	**$ 34**	**$ 10**	**$ 1,204**	**$ 8**	**$ 6**	**$ 1,262**

During the nine months ended June 30, 2018 the Company acquired manufacturing equipment to scale up the production of its microarrays. The equipment was acquired under a finance type lease. The equipment has a cost of $472,000 and will be amortized over its useful life of 10 years (net book value at June 30, 2018 - $448,000). Legal title to the asset does not transfer to the Company until all lease payments are made.

(Amounts are in Canadian dollars; tabular amounts in thousands)

7. PATENTS AND TRADEMARKS

Cost		
September 30, 2016	$	2,046
Additions		133
September 30, 2017	$	2,179
Additions		**34**
June 30, 2018	**$**	**2,213**
Accumulated Amortization		
September 30, 2016	$	1,299
Amortization expense		159
September 30, 2017	$	1,458
Amortization expense		**116**
June 30, 2018	**$**	**1,574**
Net Book Value		
September 30, 2017	$	721
June 30, 2018	**$**	**639**

8. Lease Obligation

The finance lease is for manufacturing equipment, the initial amount of the lease is $300,200 USD. Repayable with a lump sum payment of $60,000 USD on January 24, 2018 and subsequent monthly payments of $11,400 USD commencing in June, 2018 and ending in February, 2020. Monthly lease payments include principal and interest amounts, with the implicit rate of the lease being 16%.

Total future minimum lease payments, in CAD:

as at June 30, 2018	$	285
as at June 30, 2019	$	121

Present value of future minimum lease payments, in CAD:

as at June 30, 2018	$	248
as at June 30, 2019	$	107

(Amounts are in Canadian dollars; tabular amounts in thousands)

9. SECURED DEBENTURES

On January 30, 2015 and February 20, 2015 the Company issued secured debentures (the “Debentures”) with a principal amount of $1,950,000 and $1,286,000, respectively. The debentures bear interest at a rate of 10% and are redeemable 60 months from the date of issuance. Approximately 60% of the Debentures were subscribed to by individuals who subsequently became board members and are thus considered related parties. The Debentures are secured by a general security agreement over all the present and future assets of the Company including intangibles. The Company also issued an aggregate of 3,236,000 common share purchase warrants. Each warrant is exercisable at a price of $0.60 and entitles the holder thereof to acquire one common share for 60 months from the date of issuance.

The Debentures may be redeemed in whole or in part, at face value and 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 debentures, and prior to the maturity date of such debentures, 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 (20) consecutive trading days.

The Debentures were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming an 18.6% effective interest rate, which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issue as the difference between the face value of the debentures and the fair value of the liability component.

In connection with financing, the Company paid a finder’s fee of $194,000 and issued 323,600 compensation warrants. Each compensation warrant is exercisable at a price of $0.60 and entitles the holder thereof to acquire one common share for 60 months from the date of issuance. The fair value of the compensation warrants was estimated at $120,000 using the Black-Scholes pricing model with the following assumptions: share price $0.50; dividend yield 0%; risk free interest 0.53%; volatility 107%; and an expected life of 5 years. Expected volatility is based on historical volatility. Compensation warrants and related financings were not measured at the fair value of the services received as the fair value of such services was not reliably measurable. The total issuance costs including compensation warrants were $345,000.

The carrying value of the Debentures are accreted to their face value of $3,236,000 using the effective interest rate of 23.4%

	June 30, 2018	September 30, 2017
Secured debentures	**$ 3,236**	$ 3,236
Equity component of secured debenture	**(858)**	(858)
Issuance costs	**(345)**	(345)
	2,033	2,033
Accretion in carrying amount of notes	**678**	484
Balance end of period	**$ 2,711**	$ 2,517

10. CAPITAL STOCK

(a) The Company has authorized an unlimited number of common shares.

(b) On March 10, 2017, the Company completed a non-brokered private placement of an aggregate of 22,970,000 units of the Company at $0.16 per unit for gross proceeds of $3,675,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.21 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances. The proceeds from the issuance of units are allocated between capital stock and warrant capital based on their relative fair values, with $1,631,000 being allocated to warrant capital. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.16; dividend yield 0%; risk free interest 1.15%; volatility 120%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $55,000.

(c) On December 20, 2017, the Company completed a non-brokered private placement of an aggregate of 31,061,300 units of the Company at $0.15 per unit for gross proceeds of $4,659,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.20 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances. The proceeds from the issuance of units are allocated between capital stock and warrant capital based on their relative fair values, with $2,048,000 being allocated to warrant capital. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.14; dividend yield 0%; risk free interest 1.75%; volatility 117%; and an expected life of 5 years. Expected volatility is based on historical volatility.

In connection with the private placement, the Company paid a finder’s fee of $75,000 and issued 463,260 compensation warrants exercisable for 36 months from the closing of the private placement. Each compensation warrant is exercisable into one common share at a price of $0.20. The fair value of the compensation warrants was estimated at $40,000 using the Black-Scholes pricing model with the following assumptions: share price $0.14; dividend yield 0%; risk free interest 1.75%; volatility 112%; and an expected life of 3 years. Expected volatility is based on historical volatility. Broker warrants and related financings were not measured at the fair value of the services received as the fair value of such services was not reliably measurable. The total share issuance costs were $175,000 and $77,000 was allocated to warrant capital.

(Amounts are in Canadian dollars; tabular amounts in thousands)

11. WARRANTS

The Company had the following warrants outstanding at June 30, 2018:

Number of Warrants	Exercise Price	Maturity
16,695	$0.64	July 16, 2018 – April 10, 2019
3,560	$0.59	January 30, 2020 and February 20, 2020
7,631	$0.52	December 15 and 21, 2018
22,970	$0.21	March 10, 2022
31,061	$0.20	December 20, 2022
463	$0.20	December 20, 2020
82,380		

On October 25, 2016, 2,276,000 warrants issued in October 2011 in connection with a private placement with an exercise price of $2.50 expired unexercised. Accordingly, $1,410,000 was transferred from warrant capital to contributed surplus in fiscal 2017.

On January 13, 2017, the Company extended the expiry of 2,965,000 warrants that were issued in connection with a private placement in January 2014. The warrants were amended on January 14, 2016 to extend the term of such Warrants until January 26, 2017. The warrants were further amended, to extend the term of such Warrants until January 26, 2019. All other provisions of the warrants remain the same. Accordingly, $129,000 was recorded in warrant capital with a corresponding reduction in contributed surplus in fiscal 2017.

On May 1, 2018, 5,126,000 warrants issued in May 2013 in connection with a private placement with an exercise price of $1.10 expired unexercised. Accordingly, $3,123,000 was transferred from warrant capital to contributed surplus in fiscal 2018.

Pursuant to the terms of the warrant agreement and as a result of the August 2016 rights offering the exercise price of 16,695,000 warrants were adjusted from $0.65 to $0.64. After the adjustment each whole warrant is exchangeable into 1.015625 common shares.

Pursuant to the terms of the warrant agreement and as a result of the August 2016 rights offering the exercise price of 3,560,000 warrants were adjusted from $0.60 to $0.59. After the adjustment each whole warrant is exchangeable into 1.015625 common shares.

Subsequent to quarter end the Company received approval to extend the expiry of 5,330,000 from July 16, 2018 to July 16, 2020. The warrants were issued in connection with a private placement in July of 2015. All other terms of the warrants remain unchanged.

(Amounts are in Canadian dollars; tabular amounts in thousands)

12. STOCK OPTIONS

The Company maintains a Stock Option Plan (the "Plan") for the benefit of employees, officers and directors. The maximum number of common shares reserved for issuance under the Plan, together with any other employee stock option plans, options for services and employee share purchase plans, will not exceed 10% of the issued and outstanding shares at the time of the option grant. Options granted pursuant to the Plan will have terms not to exceed five years, and are granted at an option price which will not be less than the fair market price at the time the options are granted. All options granted to individual optionees, other than consultants, generally vest in three equal installments over a period of 12 to 36 months.

The following summarizes the stock option activities under the Plan:

	Nine Months Ended			
	June 30, 2018		June 30, 2017	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning Balance	**4,545**	**$ 0.33**	3,731	$ 0.52
Granted	**5,613**	**$ 0.19**	1,175	$ 0.16
Cancelled/Expired	**(703)**	**$ 0.55**	(305)	$ 1.88
Forfeited	**(71)**	**$ 0.20**	-	-
Ending Balance	**9,384**	**$ 0.23**	4,601	$ 0.34
Exercisable	**3,283**	**$ 0.30**	2,315	$ 0.43

The Company had the following stock options outstanding under the Plan June 30, 2018:

Number of Options	**Range of Exercise Prices**	**Weighted average time to maturity**
8,802	$ 0.16 - 0.39	3.64 years
532	$ 0.40 – 0.69	1.56 years
50	$ 0.70 – 0.75	0.01 years
9,384		

(Amounts are in Canadian dollars; tabular amounts in thousands)

13. STOCK-BASED COMPENSATION

The fair value of the options granted during the nine months ended June 30, 2018 was $899,000 (nine months ended June 30, 2017 - $152,000), which will be recognized over vesting periods of 18 to 36 months. The total compensation expense credited to contributed surplus for the nine months ended June 30, 2018 was $276,000 (nine months ended June 30, 2017- $214,000).

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

	Nine Months Ended	
	June 30, 2018	June 30, 2017
Dividend Yield	**0%**	0%
Expected Volatility (historical data basis)	**120%**	120%
Risk-free Interest Rate	**1.96%**	1.18%
Share price and exercise price	**$ 0.19**	$ 0.16
Expected Life (years)	**5.00**	5.00
Weighted average grant date fair value	**$ 0.16**	$ 0.13

The Company estimates forfeiture rates based on historic experience with any change in estimate thereof reflected in the year they occur. The Company assumes a forfeiture rate of 10% to 30% based on the vesting period of the option.

14. CORPORATE AND GENERAL EXPENSE

	Three Months Ended		**Nine Months Ended**	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Salaries and wages	**$ 119**	$ 112	**$ 382**	$ 349
General and administrative	**119**	99	**367**	342
Professional and consulting	**103**	88	**379**	258
Stock-based compensation	**44**	43	**107**	110
Corporate and general expense by nature	**$ 385**	$ 342	**$ 1,235**	$ 1,059

15. SALES AND MARKETING EXPENSE

	Three Months Ended		**Nine Months Ended**	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Contractor fees	**$ 227**	$ 212	**$ 682**	$ 613
Travel and marketing	**70**	74	**163**	196
Stock-based compensation	**12**	6	**21**	10
Sales and marketing expense by nature	**$ 309**	$ 292	**$ 866**	$ 819

(Amounts are in Canadian dollars; tabular amounts in thousands)

16. RESEARCH AND DEVELOPMENT COSTS

	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Salaries and wages	**$ 708**	$ 673	**$ 2,029**	$ 2,060
Laboratory costs and supplies	**389**	173	**918**	409
Investment tax credit recoverable	**(10)**	-	**(210)**	(229)
Professional fees	**43**	2	**110**	33
Amortization – patents and trademarks	**38**	39	**116**	120
Amortization – property and equipment	**72**	96	**214**	301
Stock-based compensation	**102**	28	**148**	94
Research and development expense by nature	**$ 1,342**	$ 1,011	**$ 3,325**	$ 2,788

17. CONTINGENCIES

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

18. CAPITAL RISK MANAGEMENT

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

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

19. FINANCIAL RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and accounts receivable are exposed to credit risk. The credit risk on cash is mitigated because the counterparties are Schedule 1 Canadian banks. The credit risk on accounts receivable is due to the concentration of accounts as a result of the few large customers that comprise the Company's international customer base. The Company is also exposed to counterparty risk on accounts receivable. The maximum credit risk exposure is limited to the reported amounts of these financial assets. Credit risk on accounts receivable is managed by ongoing review of the amount and aging of accounts receivable balances.

Allowance for doubtful accounts and past due receivables are reviewed by management at each balance sheet date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of receivable balances from each customer taking into account historic collection trends of past due accounts. Receivables are written off once determined not to be collectible.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-rate instruments subject the Company to a fair value risk while the variable-rate instruments subject it to a risk of changes in cash flow. The Company's cash is exposed to cash flow interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments. Fluctuations in interest rates would not significantly impact interest income due to the short term nature of the Company's investments. The Company's Debentures are subject to a fixed interest rate.

(c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant currency risk.

(d) Fair Value Risk

The carrying amount of accounts receivables, and accounts payable and accrued liabilities and secured debentures approximate their fair values.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At June 30, 2018, the Company had a working capital surplus of $1,152,000 (September 30, 2017 - $1,919,000). The Company's liabilities consist of accounts payables and accrued liabilities which are due within one year of the balance sheet date and secured debentures which require annual interest payments of $324,000 on the anniversary date and the principal amount of $3,236,000 is due five years from the date of issuance. The Company has sufficient liquidity to meet its current obligations as they come due. The continuation of the Company's research, development and commercialization activities is dependent upon the Company's ability to generate product or service revenues or to finance its operations through further equity and or debt financings.