SQI Diagnostics Inc.

Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended September 30, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SQI Diagnostics Inc.

Opinion

We have audited the consolidated financial statements of SQI Diagnostics Inc., and its subsidiaries (the Company), which comprise the consolidated balance sheets as at September 30, 2019 and September 30, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018 and its consolidated financial performance and its consolidated cash flows for the years ended September 30, 2019 and September 30, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that SQI Diagnostics Inc. 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. 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen McCourt.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 11, 2019
Toronto, Ontario

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

		As at September 30, 2019		As at September 30, 2018
Assets				
Current				
Cash	**$**	**3,444**	$	2,401
Accounts receivable		**190**		865
Prepaids and other assets		**138**		170
Inventory (Note 5)		**711**		192
Lease receivable (Note 6)		**11**		130
		4,494		3,758
Lease receivable (Note 6)		**-**		36
Property and equipment (Note 7)		**1,297**		1,431
Patents and trademarks (Note 8)		**481**		610
	$	**6,272**	$	5,835
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**1,172**	$	896
Contract liabilities		**338**		18
Lease obligation (Note 10)		**93**		153
Secured debentures (Note 11)		**3,108**		-
		4,711		1,067
Lease obligation (Note 10)		**32**		71
Secured debentures (Note 11)		**-**		2,781
		4,743		3,919
Shareholders' Equity				
Capital stock (Note 12)		**64,729**		60,816
Warrants (Note 13)		**11,827**		12,861
Contributed surplus		**19,817**		15,062
Deficit		**(94,844)**		(86,823)
		1,529		1,916
	$	**6,272**	$	5,835

Going concern (Note 2)
Commitments (Note 20)
Subsequent events (Note 25)

Approved by the Board **"Clive Beddoe"** Director **(Signed)** **"Andrew Morris"** Director **(Signed)**

See accompanying notes

SQI Diagnostics Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Amounts are in thousands of Canadian dollars except per share amounts)

	Year Ended	
	September 30, 2019	September 30, 2018
Revenue		
Services revenue	**$ 746**	$ 275
Product sales (Note 6)	**1,145**	1,060
	1,891	1,335
Expenses		
Cost of products sold (note 6)	**608**	877
Corporate and general (Note 16)	**1,851**	1,740
Sales and marketing (Note 17)	**1,235**	1,166
Research and development (Note 18)	**5,028**	4,410
Provision for doubtful accounts (Note 22a)	**534**	-
Interest and accretion expense (Notes 10 and 11)	**656**	579
	9,912	8,772
Net loss and comprehensive loss	**$ (8,021)**	$ (7,437)
Loss per share		
Basic and diluted	**$ (0.04)**	$ (0.06)
Weighted average number of common shares outstanding (thousands of shares)		
Weighted average number of shares	**178,391**	130,974

See accompanying notes

SQI Diagnostics Inc.
Consolidated Statements of Changes in Equity
(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, 2017	103,875	$	56,369	$	12,265	$	11,716	$	(79,386)	$	964
Issued in connection with private placement (Note 12b, 12c)	54,532		8,180		-		-		-		8,180
Allocated to warrants – private placement (Note 12b. 12c)	-		(3,601)		3,601		-		-		-
Share issuance costs (Note 12b and 12c)	-		(132)		(64)		-		-		(196)
Warrants expired (Note 13)	-		-		(3,123)		3,123		-		-
Revaluation of extended warrants (Note 13)	-		-		182		(182)		-		-
Stock-based compensation (Note 15)	-		-		-		405		-		405
Net loss and comprehensive loss	-		-		-		-		(7,437)		(7,437)
Balance as at September 30, 2018	158,407	$	60,816	$	12,861	$	15,062	$	(86,823)	$	1,916
Issued in connection with private placement (Note 12d, 12e, 12f)	**72,929**		**7,132**		**-**		**-**		**-**		**7,132**
Allocated to warrants – private placement (Note 12d, 12e, 12f)	**-**		**(3,169)**		**3,169**		**-**		**-**		
Share issuance costs (Note 12d, 12e, 12f)	**-**		**(51)**		**(41)**		**-**		**-**		**(92)**
Warrants exercised (Note 13)	**5**		**1**				**-**		**-**		**1**
Warrants expired (Note 13)	**-**		**-**		**(4,250)**		**4,250**		**-**		**-**
Revaluation of extended warrants (Note 13)	**-**		**-**		**88**		**(88)**		**-**		**-**
Stock-based compensation (Note 15)	**-**		**-**		**-**		**593**		**-**		**593**
Net loss and comprehensive loss									**(8,021)**		**(8,021)**
Balance as at September 30, 2019	**231,341**	**$**	**64,729**	**$**	**11,827**	**$**	**19,817**	**$**	**(94,844)**	**$**	**1,529**

SQI Diagnostics Inc.
Consolidated Statements of Cash Flows
(Amounts are in Canadian dollars; tabular amounts in thousands)

	Year Ended	
	September 30, 2019	September 30, 2018
Cash flows used in operating activities		
Net loss	**$ (8,021)**	$ (7,437)
Add items not affecting cash		
Amortization - patents and trademarks	**141**	153
- property and equipment	**359**	307
Stock-based compensation	**593**	405
Loss on sale of equipment	**9**	-
Write off of patents	**19**	-
Provision for doubtful accounts	**534**	-
Accretion on debenture	**327**	264
	(6,039)	(6,308)
Changes in non-cash working capital items		
Accounts receivable, prepaids, and other assets	**148**	(573)
Lease receivable	**80**	(166)
Inventory	**(419)**	(24)
Accounts payable and accrued liabilities	**276**	401
Contract liabilities	**320**	18
	(5,634)	(6,652)
Cash flows used in investing activities		
Purchase of property and equipment	**(169)**	(255)
Additions to patents and trademarks	**(31)**	(42)
Sale of property and equipment		-
	(200)	(297)
Cash flows from financing activities		
Proceeds from issuance of shares net of share issuance costs	**7,041**	7,984
Lease obligation	**(164)**	(100)
	6,877	7,884
Net change in cash during the year	**1,043**	935
Cash at beginning of year	**2,401**	1,466
Cash at end of year	**$ 3,444**	$ 2,401
Non-cash investing activities		
Equipment transferred from inventory and segregated for use by the company	**-**	318
Equipment acquired under capital lease	**65**	324
Return of inventory on lease	**100**	
Supplemental information		
Cash interest paid	**324**	324

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). Our accounting policies have been applied consistently within our consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors on December 10, 2019.

Basis of Presentation and Going Concern

The 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 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 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.

The 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.

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

The 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

Inventory

Inventory is valued at lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Net realizable value is the estimated selling price less estimated cost of completion.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Property and equipment are initially recorded at cost. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Amortization is provided on the straight-line basis over the items' estimated useful lives as follows:

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

The asset residual values, useful lives and amortization methods are reviewed and adjusted at each annual reporting date.

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 the Statement of Loss and Comprehensive Loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases for which the Company does not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments are recorded as expense as they are incurred.

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 10 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 deferred if they meet the criteria for deferral under IFRS where; the product or process is clearly defined and the costs attributable thereto can be identified, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined, adequate resources are available, and recovery of development costs can reasonably be regarded as assured 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.

Impairment of Long-lived Assets

Long-lived assets comprise property and equipment and intangible assets with finite lives (patents and trademarks). The Company reviews the carrying value of its long-lived assets with finite lives annually to determine whether there is any indication that those assets have suffered impairment. If any such indication exists the asset is tested for impairment. The recoverable amount of the asset is estimated in order to determine the extent of impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying value of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company generates revenue from the sale of goods, and by services rendered. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognized as performance obligations are satisfied and the Company transfers control over a product to a customer. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company's contracts are typically one year or less.

Product Sales
Product sales consist of contracts to provide customers with consumable test kits and diagnostic platforms. The Company generally considers these types of contracts to contain a single performance obligation satisfied at a point in time. The following factors are considered in determining when to recognize revenue:

- whether the Company has a present right to payment
- whether the buyer has legal title to the asset, if physical possession of the asset has transferred to the buyer and whether the buyer has the significant risks and rewards of ownership
- whether the buyer has accepted the asset

Generally, the buyer obtains control at the time goods have been delivered. However, platform contracts typically include installation and training services to be performed by the Company in addition to delivering the finished platform. Since these performance obligations are not considered distinct, revenue is recognized once all the associated services have been completed.

Services Rendered
Service contracts are either executed separately or bundled together with platform sale contracts. Where these contracts are bundled together, they are regarded as separate performance obligations, as each of the promises are capable of being distinct and are separately identifiable. Accordingly, a portion of the transaction price is allocated to each performance obligation relative to standalone selling prices.

A service contract can include research and development services, maintenance services, training, onsite support, field service, remote support, and consulting services. The Company generally considers service contracts to contain one performance obligation which is satisfied over time. However, for customer contracts that contain multiple performance obligations, each element is treated separately for revenue recognition purposes with the total transaction price allocated to each obligation based on its relative stand-alone selling price. Revenue is then recognized for each obligation based on the following methods:

- For research and development contracts, the stage of completion is measured through appraisals and evaluations of results achieved in relation to preestablished milestones.
- The stage of completion of fixed-price contracts to provide an indeterminable number of services over a specified period is measured based on contract term elapsed as a percentage of the full contract term.
- The stage of completion of time and material contracts is measured using the right to invoice practical expedient – revenue is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Revenue Related Assets and Liabilities
Trade Receivables:
A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities:
Contract liabilities represents the obligation to transfer goods and services to a customer for which the Company has received consideration from the customer. Revenue is recognized when the Company performs under the contract.

Stock-Based Compensation and Other Stock-Based Payments

The Company offers a share option plan for its directors, officers, and employees. 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.

Foreign Currency Translation

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Tax Credits

ITCs are recorded when qualifying expenditures are incurred and there is reasonable assurance that the credits will be realized. ITCs are recorded in the statement of loss and comprehensive loss as a reduction of research and development costs.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company's financial instruments are measured initially at fair value and thereafter based on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. At initial recognition financial instruments are classified in the following categories depending on the nature and purpose for which the instruments were acquired:

(i) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term are classified as FVTPL. For items classified as FVTPL, the Company initially recognizes such financial assets or liabilities on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated statements of operations. Transaction costs incurred are expensed in the consolidated statements of operations. The Company does not currently hold any assets or liabilities designated as FVTPL.

(ii) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

Equity investments that are held for trading are classified as FVTPL. For other equity investments, on the day of acquisition the Company can make an irrevocable election to designate them as FVTOCI. Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company does not currently hold any assets or liabilities designated as FVTOCI.

(iii) Amortized Cost

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including cash, and accounts receivable. The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

(iv) Other Financial Liabilities

This category is for financial liabilities that are not classified as FVTPL and includes accounts payables and accrued liabilities, and secured debentures. These financial liabilities are recorded at amortized cost on the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company shall recognize in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial Assets:
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial Liabilities:
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potential common shares outstanding during the period. The dilutive effect of outstanding stock options and warrants on earnings per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company. The outstanding share options and warrants are not included in the diluted net loss per share as they are anti-dilutive for all years presented.

Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated on a pro-rata basis as determined by the fair value of each element. The fair value of the warrants is estimated using the Black-Scholes option pricing model. In circumstances where finder's warrants are issued coincidentally with a unit offering, the finder's warrants are valued using the Black-Scholes option pricing model. The Company's policy is to value warrant modifications and record an adjustment to the change in fair value as a result of revisions made to warrant terms with a corresponding reduction in contributed surplus.

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) Inventory

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

(ii) Revenue

Some of the Company's service contracts are complex and include promises to transfer multiple products and services. For these complex arrangements, each good or service is evaluated to determine whether it represents a distinct performance obligation. Measurement and recognition of revenue requires the Company to make estimates of transaction price, stand-alone selling prices and progress towards complete satisfaction of performance obligations.

(iii) 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.

(iv) Impairment of non-financial assets

Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset, or an asset of a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and Judgments (continued)

(v) 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.

(vi) Deferred tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future deductible 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.

(vii) 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.

(viii) Impairment of financial instruments

The Company uses assumptions to determine their best estimate of the impairment in accounts receivable.

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Adoption of new accounting standards

On October 1, 2018, the Company adopted IFRS 9 "Financial Instruments" which replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The adoption of IFRS 9 did not have a material impact on the consolidated financial statements.

	Original classification (measurement) IAS 39	**New Classification and measurement IFRS 9**
Cash	Loans and receivable (amortized cost)	Amortized cost
Accounts receivable	Loans and receivable (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

On October 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers, which superseded existing standards and interpretations including IAS 18, Revenue, and IFRIC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The Company adopted IFRS 15 using the modified retrospective transition method, with the cumulative effect of initially applying the standard recognized as an adjustment to opening retained earnings at date of initial adoption. The adoption of IFRS 15 did not have a material impact on the consolidated financial statements.

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

4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

(b) New Accounting Standards and Interpretations not yet adopted

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other nonfinancial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

The Company has not yet completed its evaluations of the effect of adopting the above standard and amendment and the impact it may have on its consolidated financial statements.

5 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.

6. LEASES RECEIVABLE

In 2018, the Company entered into two lease agreements acting as the lessor with certain customers relating to its diagnostics platforms with a sales value of $255,000 and related cost of product sold of $216,000. 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.

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

September 30, 2019:

Sum of minimum lease payments	$	11
Unearned finance income		0
Present value of lease payments	$	11

The second lease term has a term of 24 months, with monthly payments of $6,300 USD commencing January 22, 2018. The implicit interest rate is 8% with a buyout option of $1 at the end of the lease term. In 2019, the balance of the lease was written off and the platform was placed back into inventory for potential future resale. Accordingly, $100,000 was transferred from lease receivable to inventory.

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

7. PROPERTY AND EQUIPMENT

Cost	**Computer Hardware**	**Computer Software**	**Laboratory Fixtures and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Total**
September 30, 2017	$ 359	$ 216	$ 4,598	$ 176	$ 265	$ 5,614
Additions	26	30	518	5	-	579
Transfers to inventory	-	-	318	-	-	318
September 30, 2018	$ 385	$ 246	$ 5,434	$ 181	$ 265	$ 6,511
Additions	**74**	**21**	**137**	**2**	**-**	**234**
Dispositions	**-**	**-**	**(42)**	**-**	**-**	**(42)**
September 30, 2019	**$ 459**	**$ 267**	**$ 5,529**	**$ 183**	**$ 265**	**$ 6,703**

Accumulated Amortization	**Computer Hardware**	**Computer Software**	**Laboratory Fixtures and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Total**
September 30, 2017	$ 327	$ 204	$ 3,815	$ 171	$ 256	$ 4,773
Amortization expense	25	13	262	3	4	307
September 30, 2018	$ 352	$ 217	$ 4,077	$ 174	$ 260	$ 5,080
Amortization expense	**30**	**18**	**305**	**3**	**3**	**359**
Dispositions	**-**	**-**	**(33)**	**-**	**-**	**(33)**
September 30, 2019	**$ 382**	**$ 235**	**$ 4,349**	**$ 177**	**$ 263**	**$ 5,406**
Net Book Value						
September 30, 2018	$ 33	$ 29	$ 1,357	$ 7	$ 5	$ 1,431
September 30, 2019	**$ 77**	**$ 32**	**$ 1,180**	**$ 6**	**$ 2**	**$ 1,297**

During the year ended September 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. The net book value at September 30, 2019 was $389,000 (2018 - $436,000). $324,000 of this asset was leased and legal title does not transfer to the Company until all lease payments are made.

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

8. PATENTS AND TRADEMARKS

Cost		
September 30, 2017	$	2,179
Additions		42
September 30, 2018	$	2,221
Additions		**31**
Write off of patents		**(40)**
September 30, 2019	**$**	**2,212**
Accumulated Amortization		
September 30, 2017	$	1,458
Amortization expense		153
September 30, 2018	$	1,611
Amortization expense		**141**
Write off of patents		**(21)**
September 30, 2019	**$**	**1,731**
Net Book Value		
September 30, 2018	$	610
September 30, 2019	**$**	**481**

During the year the Company reviewed its patent portfolio and decided to allow certain patents in non-critical jurisdictions to lapse. Accordingly, patents with a net book value of $19,000 were written off as at September 30, 2019 (September 30, 2018 - NIL).

9. RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes the Company's Officers and Directors. Compensation of key management includes:

	Year Ended			
	September 30, 2019		September 30, 2018	
Salaries and short-term employee benefits	**$**	**927**	$	899
Stock-based compensation		**325**		233
	$	**1,252**	$	1,132

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

10. LEASE OBLIGATIONS

In 2018, the Company entered into a lease is for manufacturing equipment, the initial amount of the lease is $260,000 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%.

In 2019, the Company entered into a second lease for server equipment, the initial amount of the lease is $65,000. The lease is repayable with monthly lease payments of $2,100 commencing March 1, 2019 for 36 months. Monthly lease payments include principal and interest amounts, with the implicit rate of the lease being 11.5% with a buyout option of $20 at the end of the lease term.

September 30, 2019:	
Sum of minimum lease payments	$ 136
Interest expense	11
Present value of lease payments	$ 125

September 30, 2020:	
Sum of minimum lease payments	$ 35
Interest expense	3
Present value of lease payments	$ 32

11. 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.

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

11. SECURED DEBENTURES (continued)

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%

	September 30, 2019	**September 30, 2018**
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	**1,075**	748
Balance end of year	**$ 3,108**	$ 2,781

12. CAPITAL STOCK

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

(b) 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.

12. CAPITAL STOCK (continued)

(c) On August 17, 2018 and August 24, 2018, the Company completed a non-brokered private placement of an aggregate of 23,471,101 units of the Company at $0.15 per unit for gross proceeds of $3,521,000. 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 $1,553,000 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 $0.15; dividend yield 0%; risk free interest 2.17%; volatility 117%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $61,000 and $27,000 was allocated to warrant capital.

(d) On March 1, 2019 and March 8, 2019, the Company completed a non-brokered private placement of an aggregate of 28,200,005 units of the Company at $0.08 per unit for gross proceeds of $2,256,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.11 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 $997,000 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 $0.08; dividend yield 0%; risk free interest 1.58%; volatility 116%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $25,000 and $11,000 was allocated to warrant capital.

(e) On July 12, 2019, the Company completed a non-brokered private placement of an aggregate of 13,428,849 units of the Company at $0.13 per unit for gross proceeds of $1,746,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.17 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 $776,000 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 1.49%; volatility 115%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $27,000 and $13,000 was allocated to warrant capital.

(f) On September 25, 2019, the Company completed a non-brokered private placement of an aggregate of 31,300,000 units of the Company at $0.10 per unit for gross proceeds of $3,130,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.13 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance. The proceeds from the issuance of units are allocated between capital stock and warrant capital based on their relative fair values, with $1,396,000 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 $0.10; dividend yield 0%; risk free interest 1.42%; volatility 120%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $40,000 and $17,000 was allocated to warrant capital.

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

13. WARRANTS

The Company had the following warrants outstanding at September 30, 2019:

Number of Warrants	Exercise Price	Maturity
5,330	$0.64	July 16, 2020
3,560	$0.59	January 30, 2020 and February 20, 2020
7,631	$0.52	December 15 and 21, 2020
22,970	$0.21	March 10, 2022
463	$0.20	December 20, 2020
54,527	$0.20	December 20, 2022 – August 24, 2023
28,200	$0.11	March 1 and 8, 2024
13,429	$0.17	July 12, 2024
31,300	$0.13	September 25, 2024
167,410		

On May 1, 2018, 5,126,044 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.

On July 10, 2018 Company received approval to extend the expiry of 5,330,000 warrants 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. Accordingly, $182,000 was recorded in warrant capital with a corresponding reduction in contributed surplus in fiscal 2018.

On December 6, 2018, the Company received approval to extend the expiry of 7,630,945 warrants that were issued in connection with a private placement in December of 2015. 7,480,945 warrants that were to expire on December 15, 2018 have been extended to December 15, 2020, and 150,000 warrants that were to expire on December 22, 2018 have been extended to December 22, 2020. All other terms of the warrants remain unchanged. Accordingly, $88,000 was recorded in warrant capital with a corresponding reduction in contributed surplus in fiscal 2019.

On January 26, 2019 2,965,000 warrants issued in connection with a private placement in January of 2014 with an exercise price of $0.64 and an expiry date of January 26, 2019 expired unexercised. Accordingly, $1,338,000 was transferred from warrant capital to contributed surplus in fiscal 2019.

On April 10, 2019, 8,400,000 warrants issued in connection with a public offering in April of 2014 with an exercise price of $0.64 and an expiry date of April 10, 2019 expired unexercised. Accordingly, $2,912,000 was transferred from warrant capital to contributed surplus in fiscal 2019.

On June 6, 2019, 5,000 warrants were exercised for gross proceeds of $1,000. The warrants were issued in connection with a private placement in August of 2018 with an exercise price of $0.20.

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

14. 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 generally vest in three equal installments over a period of 12 to 36 months.

The following summarizes the stock option activities under the Plan:

	Year Ended			
	September 30, 2019		September 30, 2018	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning Balance	**9,287**	**$ 0.23**	4,545	$ 0.33
Granted	**3,252**	**$ 0.15**	5,651	$ 0.19
Exercised	**-**	**$ -**	-	$ -
Cancelled/Expired	**(354)**	**$ 0.41**	(828)	$ 0.57
Forfeited	**(418)**	**$ 0.20**	(81)	$ 0.20
Ending Balance	**11,767**	**$ 0.16**	9,287	$ 0.23
Exercisable	**6,576**	**$ 0.23**	3,892	$ 0.27

The Company had the following stock options outstanding under the Plan at September 30, 2019:

Number of Options	**Range of Exercise Prices**	**Weighted average time to maturity**
9,478	$ 0.09 - 0.25	3.75 years
1,957	$ 0.26 – 0.39	1.45 years
332	$ 0.40 – 0.60	0.93 years
11,767		

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

15. STOCK-BASED COMPENSATION

The fair value of the options granted during the year ended September 30, 2019 was $382,000 (2018 - $904,000), which will be recognized over vesting periods of 18 to 36 months. The total compensation expense credited to contributed surplus for the year ended September 30, 2019 was $593,000 (2018 - $405,000).

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:

	Year Ended	
	September 30, 2019	September 30, 2018
Dividend Yield	**0%**	0%
Expected Volatility (historical data basis)	**114%**	120%
Risk-free Interest Rate	**1.63%**	1.96%
Share price and exercise price	**$ 0.16**	$ 0.16
Expected Life (years)	**5.00**	5.00
Weighted average grant date fair value	**$ 0.12**	$ 0.16

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 20% to 40% (2018 - 20% to 40%) based on the vesting period of the option.

16. CORPORATE AND GENERAL EXPENSE

	Year Ended	
	September 30, 2019	September 30, 2018
Salaries and wages	**$ 538**	$ 493
General and administrative	**646**	552
Professional and consulting	**451**	544
Stock-based compensation	**216**	151
Total corporate and general expense by nature	**$ 1,851**	$ 1,740

17. SALES AND MARKETING EXPENSE

	Year Ended	
	September 30, 2019	September 30, 2018
Contractor fees	**$ 946**	$ 931
Travel and marketing	**228**	214
Stock-based compensation	**61**	21
Total sales and marking expense by nature	**$ 1,235**	$ 1,166

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

18. RESEARCH AND DEVELOPMENT COSTS

	Year Ended			
	September 30, 2019		September 30, 2018	
Salaries and wages	**$**	**3,134**	$	2,760
Laboratory costs and supplies		**1,293**		1,057
Professional fees		**30**		110
Investment tax credits		**(245)**		(210)
Amortization – patents and trademarks (Note 7)		**141**		153
Amortization – property and equipment (Note 8)		**359**		307
Stock-based compensation		**316**		233
Total research and development expense by nature	**$**	**5,028**	$	4,410

19. INCOME TAXES

(a) Income Tax Expense

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

	Year Ended			
	September 30, 2019		September 30, 2018	
Loss before income taxes	**$**	**(8,021)**	$	(7,437)
Statutory rate		**26.5%**		26.5%
Expected income tax recovery	**$**	**(2,125)**	$	(1,971)
Effect on income taxes of unrecognized deferred income tax assets relating to deductible temporary differences on:				
Change in deferred taxes not recognized		**1,815**		1,834
Impact of ITCs		**65**		86
Non-deductible expenses and other items		**245**		51
Income tax expense	**$**	**-**	$	-

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

19. INCOME TAXES (continued)

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets which are not recognized are presented below:

	Year Ended			
		September 30, 2019		September 30, 2018
Amounts related to tax loss and undeducted SRED costs	**$**	**80,197**	$	74,391
Property and equipment and patents and trademarks		**3,333**		2,924
Share issue costs		**719**		766
Deferred tax asset not recognized	**$**	**84,249**	$	78,081

(c) Loss and Tax Credit Carryforwards

As at September 30, 2019, the Company has non-capital losses of approximately $55,548,000 expiring as follows:

2025	$	119
2026		1,542
2027		1,154
2028		2,815
2029		3,619
2030		5,211
2031		6,613
2032		3,897
2033		3,707
2034		4,704
2035		3,626
2036		3,462
2037		3,776
2038		4,213
2039		7,090
	$	55,548

In addition, the Company has undeducted scientific research and experimental development (“SRED”) costs of approximately $24,937,000 available to apply against future taxable income, as well as, federal investment tax credits relating to scientific research and development costs of approximately $5,909,000 and provincial investment tax credits relating to scientific research and development costs of approximately $1,097,000 available to reduce future taxes payable.

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

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

20. COMMITMENTS

The Company has entered into a five year premises lease agreement. The table below reflects the commitments the Company has at September 30, 2019:

Due in 2020	$	**311**
Due in 2021		**319**
Due in 2022		**328**
Due in 2023		**343**
Due in 2024		**146**
Total operating lease commitment	**$**	**1,447**

21. 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.

22. 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, accounts receivable and lease receivables are exposed to credit risk. The maximum credit risk exposure is the carrying amount. 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. In fiscal 2019 and 2018, four customers accounted for 96% of the revenue. The Company is also exposed to counterparty risk on accounts receivable and lease receivable. Credit risk on accounts receivable is managed by ongoing review of the amount and aging of accounts receivable and lease 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. As at September 30, 2019 $543,000 of trade receivables was in excess of 30 days past invoice date. Management has made a provision of $534,000 (2018 - nil) against one customer receivable. The Company has engaged US legal counsel and is actively pursuing collection.

22. FINANCIAL RISK MANAGEMENT (continued)

(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, lease receivable and accounts payable and accrued liabilities, lease obligations 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 September 30, 2019, the Company had a working capital deficit of $217,000 (2018 - working capital surplus of $2,691,000). The Company's liabilities consist of accounts payables and accrued liabilities which are due within one year of the balance sheet date, lease obligation and secured debentures which require annual interest payments of $324,000 on the anniversary date and the principal amount of $3,236,000 due in 2020. 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.

23. SEGMENT INFORMATION

The Company has one operating segment. The chief operating decision maker evaluates the Company's performance, makes operating decisions, and allocates resources based on financial data consistent with the presentation in these financial statements.

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

24. GEOGRAPHIC INFORMATION

The Company operates in three principle geographic areas United States, Canada and Europe. The Company's revenues and non-current assets by location are detailed below.

	Revenues		Non-current Assets	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
United States	**$ 1,133**	$ 1,187	**$ -**	$ -
Canada	**743**	-	**1,778**	2,077
Europe	**-**	148	**-**	-
Rest of World	**15**	-	**-**	-
Total	**$ 1,891**	$ 1,335	**$ 1,778**	$ 2,077

25. SUBSEQUENT EVENTS

Subsequent to year end, on October 22, 2019, the Company closed a second tranche of the non-brokered private placement of an aggregate of 1,000,000 units for gross proceeds of $100,000.