SQI DIAGNOSTICS INC.

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

December 31, 2018

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This Management's Discussion and Analysis ("MD&A") covers the condensed interim financial statements for the three months ended December 31, 2018 and 2017. The annual audited financial statements and MD&A for the year ended September 30, 2018 and the most recent Annual Information form ("AIF") can be found on SEDAR at www.sedar.com.

All amounts are expressed in Canadian dollars unless otherwise indicated.

This discussion and analysis was prepared by management using information available as at February 27, 2019.

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

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

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results

discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- *uncertain future capital needs and additional financing;*
- *history of losses;*
- *market competition;*
- *market acceptance of products;*
- *complex regulatory compliance requirements;*
- *rapidly changing technology and customer requirements;*
- *research and development activities;*
- *marketing and distribution;*
- *reliance on key suppliers;*
- *legislative or regulatory change;*
- *key personnel;*
- *development or manufacturing delays;*
- *unknown defects or errors;*
- *foreign exchange fluctuations;*
- *intellectual property protection; and*
- *volatility of share price and an active market for our shares.*
- *other risks detailed from time-to-time in our ongoing quarterly filings, annual information forms, annual reports and annual filings with applicable securities regulators, and those which are discussed under the heading "Risk Factors".*

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

COMPANY OVERVIEW

SQI: Science, Quality, Innovation – One test, many results, all at once

SQI Diagnostics uses advanced technologies to develop and sell testing kits, services and automated testing systems to pharmaceutical and diagnostic testing companies.

Our products and services allow them to perform very large numbers of blood-based tests for their clinical and research diagnostic testing needs – quickly, cheaply and accurately.

SQI was founded in 1999 and has advanced from being largely an R&D enterprise to a commercially-driven one. In 2007, the company began trading on the TSX Venture Exchange and today enjoys an expanding number of revenue streams, fuelled by the growing demands of global diagnostic and pharmaceutical firms for much faster and more accurate testing.

SQI Value Proposition: many more tests; 95% less blood

We produce and market only best-in-class platforms. All of them use our customized consumable kits to create multiple recurring revenue streams that are high in volume and high in margin.

Our value proposition is consistent across all our target markets. Using multiplexing and automation, we can significantly reduce both human labour and costs while delivering superior quality tests.

This, in turn, creates a widening circle of benefits:

It dramatically reduces the effort to validate many different tests, and reduces the consumption of limited and very valuable blood samples. The result is that our customers can run many different tests using 95% less blood.

Becoming the vendor of choice for the clinical and consumer diagnostic testing markets.

The clinical markets are very large. They are valued at over $11 billion per year for current tests that SQI could produce.

The direct-to-consumer testing markets may be small now, but they are growing quickly.

Taken together, the two markets present us with major opportunities for new and recurring revenue streams.

A third market is diagnostic companies that use LDT (Lab Developed Tests). These tests are developed with our customers' individual tests using SQI's multiplexing technology and automated systems to deliver many clinical results from our automated testing of a single patient blood sample. SQI is already present in all these markets.

Meeting the growing needs of big pharma and biotech.

The use of biologic drugs, which are proteins engineered in the laboratory for pharmaceutical use, has increased greatly in the past 25 years since the introduction of the first recombinant protein therapeutic (i.e. human insulin). Today, some 5,000 biologic drugs are undergoing extensive development in North America.

In fact, the market in the US and EU alone for custom and routine high-volume tests (called assays) in clinical drug development is valued at over $11 billion annually. Here, our services and products are used to test the immune response and safety of novel and biosimilar drugs which are designed to have active properties similar to ones previously licensed.

Our technology is commonly referred to as "multiplexing". It allows drug development companies to condense a large number of individual tests into a single SQI test. This, of course, saves them significant time and money over traditional, slower testing methods. What's more, we and our customers use our automated systems to run SQI tests "hands-free". This provides complete data analysis, which is seamlessly reported to our customers' data management systems.

Our progress so far this year.

During the last year we have consistently grown our revenues derived from the sales of consumable kits. From the first quarter of 2018 to the current quarter we have achieved a 60% quarter over quarter compounded growth rate in sales of these kits. We have launched major customer products. As we have reported, our ultimate success relies on the growth of recurring revenues from kit sales. We have, subsequent to the quarter end also announced closing two agreements for two new products that address unmet diagnostic needs in transplant medicine that will also result in recurring kit sales.

During the last quarter, we launched our celiac product into the direct-to-consumer market with Microdrop LLC, one of our high-potential customers. As previously disclosed, our agreement with Microdrop lets us take part in an especially fast-growing market: the direct-to-consumer retail segment. Our partnership with Microdrop will help consumers obtain a quick, easy-to-understand, and predictable way to monitor their own health.

We see three phases to our Microdrop partnership: the initial launch in the first CLIA lab (two sqid**lites**, first three tests); product expansion to additional high-value tests; and high-volume processing and operational expansion to a second CLIA laboratory in 2019.

We were excited to launch this first phase at the end of fiscal Q1. Microdrop is anticipating significant demand for the first two products, particularly the celiac tests. This celiac test is being piloted with two programs that will reach half a million people interested in celiac disease and food intolerance. This pilot program alone is expected to kick-start the demand for more test kits, resulting in recurring and growing sales for SQI in fiscal 2019.

Commercial Highlights for the Quarter

Revenues from kit sales were up 8x year-over-year to $246,000 for the three months ending 31 December, 2018 compared to kits sales of $30,000 for the same period last year.

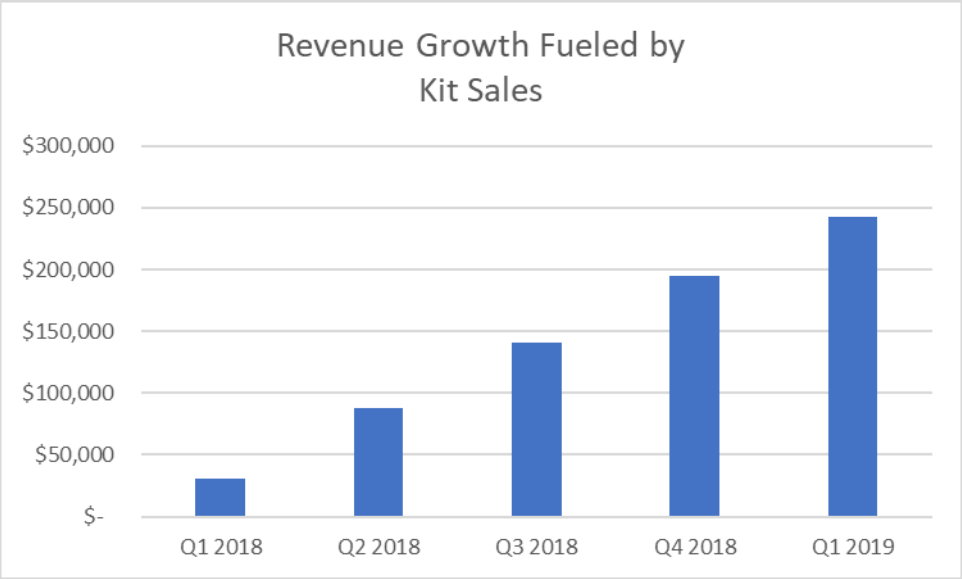

Figure 1: Kit sales in $CDN, by quarter since fiscal Q1, 2018.

Sales in our last fiscal year confirmed our ability to drive strong growth in kits sales from our existing customers. An 8 times increase in kits sales compared to fiscal Q1, 2018 speaks to the success of this strategy. The steady growth in kit sales shown in Figure 1 supports our revenue model of capturing recurring sales from customers whose businesses are growing.

As we progress along the route of commercialization, we continue to expect a high degree of month-to-month variability in revenues related primarily to the number of platform sales in a given quarter. Platform sales will be periodic while recurring kit sales will show more consistent growth and represent higher profitability.

Understanding the source of our income is extremely important in assessing our business, specifically the distinction between the number of sqid**lite** systems installed and the transition from development projects to kits sales. This transition is already showing strength in recurring kits sales and will continue to evolve over the coming quarters. We also enjoy continued growth in our customer base, most notably in the diagnostic segment of our business where we expect significant, growing and recurring kit sales in the coming

year. During Q4 2018, we delivered two sqid**lite** systems to Microdrop LLC on schedule. These systems have been validated for both SQI's celiac and rheumatoid arthritis kits in Microdrop's CLIA lab. Our diagnostic customers represent the best opportunities for near-term revenues and are also expected to provide a long-term base of recurring revenues.

During the three months ended December 31, 2018, we achieved the following milestones:

1. Achieved best quarter ever in terms of kits revenue.

Last year, we reached a major commercial milestone in our business model with recurring kits sales to a significant customer whose volume of kits usage is growing. This success continued into the first fiscal quarter of 2019 with increases in kits sales of the Cardiac PULS test and also from our direct to consumer customer. As shown in Figure 1, the growth in kits sales has been linear and positive for 5 consecutive quarters since fiscal Q1 2018.

2. Launched Celiac test with MicroDrop LLC in the direct-to-consumer market.

On December 10, 2018, we announced the launch by Microdrop of their imaware™ direct-to-consumer test for celiac disease.

The imaware™ at-home test is a partnership between SQI and Microdrop, a health testing company based in California. Run on SQI's automated systems, the imaware™ at-home test for celiac disease addresses a huge unmet need in the market today.

Celiac disease currently affects over 3 million Americans, yet over 60% of those affected remain undiagnosed. It currently takes the average patient more than 4 years from recognizing initial symptoms to receive a celiac disease diagnosis, and that makes it difficult to make the necessary lifestyle changes to reduce potential damage. The effectiveness of imaware™ has been validated by top opinion leaders and celiac disease medical doctors. imaware™ has also partnered with Beyond Celiac, a leading national celiac disease advocacy group, to help reduce the number of undiagnosed patients and raise awareness of this new test and creating more sales.

The number of kits delivered to consumers has grown steadily since the December launch and sales are within the expected range determined by Microdrop before the launch.

Subsequent to the quarter, Microdrop committed to a major advertising campaign to the celiac community to drive the growth in sales further.

Early in calendar 2019, we announced the launch of two additional tests. One for rheumatoid arthritis, and a test to monitor already-diagnosed celiac disease patients, a complement to the previously announced celiac screening test. The monitoring test allows someone to purchase a subscription to be continuously monitored, all at-home, to determine if their diet and treatment is effective and sustaining. These tests will be run using SQI's proprietary test kits and automated analysis systems. We have begun detailed

planning with Microdrop to launch a third direct-to-consumer product targeted to a specific disease later in the year.

Microdrop is anticipating significant demand for the first two products, particularly the celiac tests. This celiac test is being piloted with two programs that will reach half a million people interested in celiac disease and food intolerance. This pilot program alone is expected to kick-start the demand for more test kits, resulting in recurring and growing sales for SQI in fiscal 2019.

3. We signed a term sheet with our lung transplant partner. A press release announcing signing of definitive agreements, project launch and first revenues was issued February 4, 2019.

The organ transplant market represents a high-value opportunity for SQI. As with celiac and other disease tests, our tests to determine if an organ is healthy enough to be harvested and transported to a transplant patient also relieves a huge unmet need. Existing tests and procedures are limited in their ability to accurately predict the viability of donor organs, and miss many potentially useful organs.

For example, this past year only about 6,000 lung transplants were performed globally due to the shortage of donor organs. Compared to other solid organ transplants, donor lungs have one of the lowest usage rates of all organ transplantation procedures at about 20%. As a result, one in five patients waiting for a lung transplant will die before that transplant occurs. The need for suitable donor lungs is massive.

Today, the decision whether a donor lung is "good" rests largely on an assessment by the surgeon based mostly on qualitative clinical factors available during the organ donation process.

For these reasons, SQI announced on February 4, 2019 two research and development agreements with University Health Network (UHN) in Toronto to create and license rapid multiplexed protein assays and a point-of-care (POC) diagnostic device that will help transplant surgeons to assess the suitability of lungs and other organs for transplantation.

SQI scientists will work with Dr. Shaf Keshavjee who heads the world-renowned Toronto Lung Transplant Program at UHN and the University of Toronto. Dr. Keshavjee is a pioneer in improving the health of donor organs so that they can be transplanted to critically ill patients with end-stage lung disease, including: Pulmonary Fibrosis, Cystic Fibrosis, Pulmonary Hypertension & Chronic Obstructive Pulmonary Disease (COPD).

SQI will work with UHN to create a rapid multi-plex test and POC device that leverages predictive biomarkers developed at UHN to more accurately assess the suitability of a lung for transplant providing new, quantitative information. This will bring precision medicine to the bedside in transplantation, providing unprecedented and critical data to surgeons. This in turn will better inform their decision to transplant and ultimately improve post-transplant outcomes for the patient.

For SQI, the market for a high-quality POC testing device for transplants is very large and growing fast. This research partnership with a world-renowned medical institution aims to expand the applicability of the device to other organs beyond lungs.

Over the next 12 months, the development agreements for the two projects are valued at over $1.1 million in revenue primarily for services and also includes 1 sqidlite system.

4. During the first quarter of 2019, we shipped a sqid-X system to a Contract Research Organization (CRO) for a trial that was expected to run to the end of calendar 2018. In early January we were advised that the trial was successful and negotiations are in progress for the sale of the sqid-X system and kits.

5. At the end of fiscal 2018 we had eight customers that were generating revenue, as well as four target customers we were actively engaged with in the contracting stage. We also have many customers and partner opportunities in the pre-contracting or work-planning stage of our revenue pipeline. Among them is a major opportunity with a company we have agreed to work with to develop products that we expect to announce during the second quarter of 2019.

Outlook

Our revenues are many times larger than last year, our revenue funnel is fuller, our product shipments growing faster.

Specifically, our revenues in the last quarter were largely driven by kit sales and recurring sales to existing diagnostic customers. These customers, including global R&D giants, are satisfied that we can deliver high-quality testing products and systems consistently in greater and greater volumes. We fully expect these revenues to rise in 2019 and beyond.

We also expect to launch our SQI-based CLIA testing service model in the first half of calendar 2019. The impact of this business will boost the revenue we can charge for each test kit. With a CLIA lab, SQI can generate service revenues to provide the test result to our customers, on top of the cost of the kit. Like our customers who use our automated systems, we can benefit from the efficiency and low cost of operating our systems. Ultimately, we can generate more profit from each test kit sold.

We began as a research-driven company and we have not forgotten what got us here.

Our strategy of creating consumer-focussed tests for specific diseases such as celiac disease is already beginning to generate new revenues in a new and important market of consumer healthcare, that is huge and where competition is small. Working with our direct-to-consumer partner Microdrop, we are optimistic that in creating new markets for consumer testing, we will enjoy the same first-mover advantage we do with celiac disease.

We are also optimistic that our research partnership with the world-renowned Toronto Lung Transplant Program at the University Health Network will enable us to create a POC test for surgeons to more accurately assess the suitability of lungs for transplant – and similar tests for different organs, each performing essentially the same life-saving function.

Again, as with other kinds of SQI tests, the market potential is large because the need is largely unmet.

Finally, as we continue to grow and enjoy the stability that recurring and more predictable sales brings us, we can turn our attention to creating the efficiencies of scale and lower costs that size conveys to any business. This search for economies will ultimately benefit the bottom line in 2019, enabling us to contain our manufacturing costs.

CORPORATE FINANCING TRANSACTIONS

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 at an exercise price of $0.52. 7,480,945 warrants that were to expire on December 15, 2018 have been extended to December 15, 2020, and the remaining 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 the quarter.

Subsequent to quarter end 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.

SELECTED FINANCIAL INFORMATION

First Quarter Commentary

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

	December 31, 2018 (000s)	September 30, 2018 (000s)	June 30, 2018 (000s)	March 31, 2018 (000s)
Revenue	$ 292	$ 563	$ 220	$ 176
Net Loss	$ (1,758)	$ (1,976)	$ (2,042)	$ (1,631)
Net Loss Per Share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted Average Shares	158,407	146,225	134,936	134,936

	December 31, 2017 (000s)	September 30, 2017 (000s)	June 30, 2017 (000s)	March 31, 2017 (000s)
Revenue	$ 376	$ 126	$ 176	$ 251
Net Loss	$ (1,788)	$ (1,536)	$ (1,607)	$ (1,289)
Net Loss Per Share	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted Average Shares	107,926	103,875	103,875	86,520

Revenues

During the three months ended December 31, 2018, the Company recorded revenue from the sale of custom kits, as well as service revenue to our Pharma and diagnostic customers. The table below provides a breakout of revenue by category:

	Quarter ended December 31, 2018 (000s)	Quarter ended December 31, 2017 (000s)
Product sales - Kits	$ 246	$ 30
Product sales - Platforms	-	255
Service revenue	46	91
Total revenue	$ 292	$ 376

The table shows that quarter over quarter recurring kit sales are growing, and as mentioned earlier have grown over the past five quarters. These recurring kit sales are the result of two commercial product launches in fiscal 2018. A third product was validated and delivered to our direct to consumer customer in the first quarter of fiscal 2019.

Net Loss

For this quarter, the Company recorded a net loss of $1,758,000 ($0.01 net loss per share) as compared to the net loss of $1,788,000 ($0.02 net loss per share) for the quarter ended December 31, 2017. Per share values are based on the weighted average shares outstanding in the relevant period. For the quarter-ended December 31, 2018, there was an average of 158,407,000 shares outstanding.

The net loss was consistent for the three months ended December 31, 2018 as compared to the three months ended December 31, 2017. The Company continues to develop new products and focus on product commercialization and product delivery.

Operating Expenses

R&D expenditures, excluding amortization and stock-based compensation, for the three months ended December 31, 2018 were $877,000 compared to $935,000 for the same period last year. The decrease in R&D expenditures for the three-month period is a result of reduced laboratory costs in the first quarter of fiscal 2019 as compared to the first quarter of fiscal 2018. In the first quarter of 2018, lab consumables were purchased at higher than normal rates to ensure completion of two critical projects to meet internal deadlines and to deliver finished products to our customers for their validation and commercial kit sales. During the first quarter of fiscal 2019, activities were focused on delivery of product to customers.

Corporate and general expenses, excluding stock-based compensation, totaled $324,000 for the three months ended December 31, 2018 as compared to $405,000 for the three months ended December 31, 2017. Corporate and general expenses are lower for the three months ended December 31, 2018 compared to the same period in the prior year due to lower professional fees for recruiting and legal fees.

Sales and marketing expenses were primarily related to sales and marketing consultant fees and to travel related to selling activities in the quarter. Sales and marketing expenses, excluding stock-based compensation, totaled $325,000 for the three months ended December 31, 2018 compared to $275,000 for the three months ended December 31, 2017. Sales and marketing expenses were higher for the three months ended December 31, 2018 compared to the same period in the previous year, primarily due to the payment of commissions on product sales and additional travel for customer system installations and training.

Non-cash, stock-based compensation charges, totaled $130,000 for the three months ended December 31, 2018 compared to $49,000 for the three months ended December 31, 2017. The related stock option issuances are detailed later in this document.

Sources and Uses of Cash

Management expects further investments in product development and commercialization efforts for its pipeline of custom Ig_plex consumable kits, new products and platforms, and sales and marketing initiatives into 2019.

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 its ability to generate product or service revenues or to finance its operations through further equity and / or debt financings. Capital expenditures to increase manufacturing capacity and the purchase of platforms in anticipation of customer demand will impact the Company's cash resources.

Operating activities for the quarter ended December 31, 2018, were financed by cash on hand and from financing initiatives closed during the year.

At December 31, 2018, current assets were $2,166,000 compared to $3,758,000 at September 30, 2018. As at December 31, 2018, the Company had a $1,230,000 working capital surplus compared to a surplus of $2,691,000 at September 30, 2018.

Cash used in investment activities for the quarter-ended December 31, 2018 was $33,000 compared to $33,000 for the three months ended December 31, 2017. The Company is making strategic laboratory equipment purchases and upgrading existing equipment in order to meet customer capacity requirements. During the year, the Company leased equipment that will effectively triple its array printing capacity.

RISK FACTORS

An investment in our common shares involves a number of risks. In addition to the other information contained in this Management Discussion and Analysis, including our consolidated financial statements and related notes for the year ended September 30, 2018, investors should give careful consideration to the following risk factors. Any of the matters highlighted in these risk factors could have a material adverse effect on our business, results of operations and financial condition, causing an investor to lose all, or part of their investment.

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

Risks Related to Our Business and Strategy

Our future capital needs are uncertain and additional financing may be required.

We have a limited commercial history and a history of losses.

The competitive market for our products is changing and evolving.

Our success depends, in part, on gaining market acceptance of our products.

Our market has complex regulatory compliance requirements.

We may experience rapidly changing technology and customer requirements.

New diagnostic products, and improvements to existing diagnostic products, require significant research, development, testing and investment prior to any final commercialization.

We have limited experience in the marketing and distribution of our products.

We rely on key suppliers.

We may be subject to legislative or regulatory change.

We rely on key personnel.

We may experience development or manufacturing delays.

Our products may be subject to unknown defects or errors.

We may experience foreign exchange fluctuations.

Risks Related to Intellectual Property

Our commercial success depends, in part, upon our ability to protect our intellectual property and proprietary technologies.

Risks Related to *Our* Common Shares

There may be volatility of our share price that does not reflect the long-term value of the Company.

There may not be an active market for our shares.

We have not paid dividends.

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

During the current reporting period, the Company earned service revenues and revenues from the sale of its diagnostic kits and platforms and we believe that a great deal of progress has been achieved in proving our value to several large global pharmaceutical and diagnostic customers. We continue to advance our relationships with these and other customers to the stage where we expect recurring sales of testing platforms and consumables to ‘market-ready’ customers. However, additional platform placements and commercial sales are required to reach a position of cash flow break-even. The continuation of the Company's research, development and commercialization activities along with investment in marketing and sales depends on the Company's ability to successfully manage its growth, investment in continued pipeline development and its cash requirements.

We are exposed to market risks related to changes in interest rates and foreign currency exchange rates, which could affect the value of our current assets and liabilities. We do

not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our cash investment, due to the prime-interest-rate-based nature of the investment.

We have not entered into any forward currency contracts or other financial derivatives to hedge foreign exchange risk. We are subject to foreign exchange rate changes that could have a material effect on future operating results or cash flows.

Management will continue to review the Company's financial needs and to seek additional capital as required from sources that may include equity financing, debt financing, collaborative projects and licensing arrangements; however, there can be no assurance that such additional funding will be available or if available, whether acceptable terms can be obtained. To date, we have mitigated our financing risks through the on-going financial support of three key insider shareholders who have invested in the success of the Company.

Outstanding Capital Stock

As at February 27, 2019, there were 158,407,237 common shares issued and outstanding.

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

The Company had the following warrants outstanding at February 27, 2019:

Number of Warrants	Exercise Price	Maturity
13,730	$0.64	April 10, 2019 - 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
54,532	$0.20	December 20, 2022 – August 24, 2023
102,886		

The Company had the following stock options outstanding under the Plan at February 27, 2019:

Number of Options	Range of Exercise Prices
6,508	$ 0.14 - 0.25
2,063	$ 0.26 – 0.39
343	$ 0.40 – 0.60
8,914	

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

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

The significant accounting policies that management believes are the most critical in fully understanding and evaluating the reported financial results are included in the financial statements for the year ended September 30, 2018. Refer to the audited consolidated financial statements for the year ended September 30, 2018 for discussion on accounting policies and estimates that are most important in assessing, understanding and evaluating the Company's consolidated financial statements. Changes in these estimates and assumptions could have a material impact on the Company's consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2016, the IASB issued the disclosure initiative amendments to IAS 7, Statement of Cash Flow. The amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes.

IFRS 9 "Financial Instruments" was issued in final form in July 2014 by the IASB and will replace 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 most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

IFRS 15, Revenue from Contracts with Customers, was issued by the IASB in May 2016 and supersedes 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 standard is effective for annual periods beginning on or after January 1, 2018.

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 standards and amendment and the impact it may have on its consolidated financial statements.

Disclosure Controls and Procedures, and Internal Control Over Financial Reporting

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

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

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

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

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

(c) evaluated the design and effectiveness of the Company's DC&Ps as of December 31, 2018;

(d) have concluded that a material design weakness in the ICFRs may exist in terms of the inadequate segregation of certain duties, which is typical of development stage companies; mitigating factors, including dual-payment authorization policies and transparent internal financial transaction reporting processes, serve to minimize the risk that such design weakness could result in a material misstatement of results for the year-ended December 31, 2018; and

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

The financial statements include amounts that are based on the best estimates and judgments of management. The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The

Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors, all of whom are independent and not involved in the daily operations of the Company. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval.

Glossary of Terms:

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

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

FDA: U.S. Food and Drug Administration

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

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

R&D: Research and development

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

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

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