SQI DIAGNOSTICS INC.

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

March 31, 2019

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

This Management's Discussion and Analysis ("MD&A") covers the condensed interim financial statements for the three and six months ended March 31, 2019 and 2018. 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 May 14, 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 these companies 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 than with conventional testing systems.

A 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, estimated at $350 million, but they are growing quickly.

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

A third market for us is diagnostic companies that use LDT (Lab Developed Tests). These tests are developed working with our customers existing single tests. We then convert their existing single tests, using SQI's multiplexing technology and automated systems to deliver many clinical results from each single patient blood sample.

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 ever since the introduction of the first recombinant protein therapeutic (i.e. human insulin) some 25 years ago. Today, some 5,000 biologic drugs are undergoing extensive development in North America alone.

In fact, the market in the US and EU 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 previously licensed ones/

Our technology is commonly known 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 instantly reported to our customers' data management systems.

Our progress so far this year.

During the last year we have consistently grown our revenues from the sales of consumable kits. From the first quarter of 2018 to the current quarter we have achieved a 20% growth rate in sales of these kits each quarter as shown in Figure 1.

As we have reported, our ultimate success relies on the growth of recurring revenues from kit sales. We are confident that our steady transformation into a commercial company will not only continue, but will accelerate.

To that end, we have launched a number of customer products and during the last quarter we announced another major new customer – Toronto's University Health Network for two Lung Transplantation products and a point of care testing platform.

We expect further customer acquisitions to add to our recurring revenue funnel.

Commercial Highlights for the Quarter

Total revenues for the three months ending March 31, 2019 were $419,000 compared to $176,000 for the same period last year. Revenues from kit sales were $287,000 for the current quarter compared to kits sales of $88,000 for the same period last year.

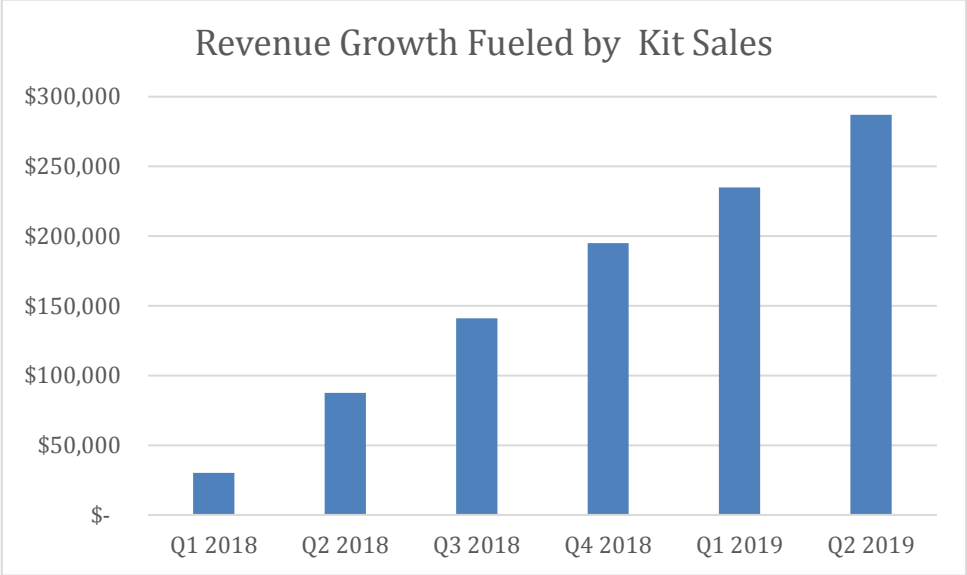

Figure 1: Kit sales in $CDN, by quarter since fiscal Q1, 2018.

Sales over the last six quarters confirmed our ability to drive strong growth in kits sales from our existing customers and speaks to the success of this strategy. The growth in kit revenues has been steady and consistent since the first fiscal quarter of 2018. This 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 degree of month-to-month variability in total revenues. This is related mainly 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.

The continuing shift in recurring kit sales is steady and we expect the rate of growth in kits sales will continue over the coming quarters and then to accelerate alongside expected growth in our customer's business.

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 the three months ended March 31, 2019, we achieved the following milestones:

1. Achieved another historic best quarter in terms of kits revenue.

Last year, we reached a major commercial milestone in our business model with recurring kits sales to significant customers whose volume of kits usage is growing.

As shown in Figure 1, the growth in kits sales has been linear and positive for 6 consecutive quarters.

2. Signed a significant new customer – University Health Network for a novel Lung Transplant test.

We believe with our recent agreements that there is a significant opportunity that is emerging from our partnership with UHN whose Toronto General Hospital was recently ranked the 7th best hospital in the world. One reason for Toronto General's extraordinarily high rating is the presence of the largest and most successful lung transplant program in the world. As the program's website says: "We are home to many world firsts, including the single and double lung transplants. Our results for recipients exceed other programs, worldwide." The program is headed by Dr. Shaf Kashavjee, an Order of Canada recipient for his pioneering work in the field of transplantation medicine and regenerative medicine.

Because of the difficulties in finding and harvesting healthy lungs for transplant, Dr. Kashavjee and his colleagues have created a method of not only keeping lungs healthy before transplant, but of returning injured and non-standard lungs to health for transplant. Critical to the success of this program is the ability to determine if a lung is suitable for transplant before the transplant procedure has begun.

For these reasons, SQI announced on February 4, 2019 two research and development agreements with University Health Network (UHN) in Toronto. The first agreement is to create and license rapid multiplexed protein assays and the second is to develop a point-of-care (POC) diagnostic device and test that will help transplant surgeons assess the suitability of lungs and other organs for transplantation. The biomarkers that SQI will be developing into finished multiplexed products were developed at UHN to more accurately assess the suitability of a lung for transplant providing new, quantitative information.

Subsequent to the quarter end, we completed our first milestone in this project on time and on budget. This will be a beta version that will form the basis of the validation model for an initial 4-plex test. The efficacy of using these biomarkers was presented on April 4, 2019 at the annual conference of the International Society for Heart and Lung Transplantation in Orlando.

We are also on track to achieving a significant turn around time milestone of providing the full panel of biomarkers in less than 50 minutes from the time of sample collection. This will enable the surgeon to get the test results while the donor lung is on Ex Vivo Lung Perfusion, or EVLP, being prepared for transplant. This rapid turnaround time was simply not possible before SQI's multiplexing and platform technologies were involved.

As we close out these first milestones, we will launch a second phase of the project. This will be to expand the number of biomarkers on the panel from 4 to up to 8. This can significantly enhance the precision and depth of information for surgeons using the test to help them analyse the suitability of a lung for transplantation.

The organ transplant market represents an especially high-value opportunity for SQI.

As with celiac and other disease tests, our tests determine if an organ is healthy enough to be harvested and transported to a transplant patient relieves a huge unmet need. Existing tests and procedures are limited in accurately predicting the viability of donor organs. They also 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. Only 20% of organs are usable. As a result, one in five patients waiting for a lung transplant will die before that transplant occurs. So, the need for suitable donor lungs is large.

Today, deciding whether a donor lung is "good" rests largely on the surgeon's assessment. This is based mostly on qualitative clinical factors available during the organ donation process.

Our work will not only solve a life-and-death issue for transplant patients it 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 patients.

For SQI, the market for a high-quality POC testing device for transplants is very large. That market is also growing very quickly. Because of our initial success in the research partnership with a world-renowned medical institution, we expect to create an even larger market opportunity: to expand the applicability of the device to other organs beyond lungs and possibly to other diagnostic market segments beyond transplantation including the RALI-DX application discussed below.

Over the next 12 months, the development agreements for the two projects are valued at over $1.1 million in revenue. This is primarily for services and also includes 1 sqidlite system. The funds for these projects have been paid by UHN and received by SQI and will be recorded into revenue as the project milestones are completed.

3. Testing for Acute Respiratory Distress

Another highly promising offshoot of our lung transplantation development program is the advancement of a joint application for a $6,000,000 project where we have advanced to the final round of consideration, after progressing through 8 rounds of written submissions and two formal presentations. If the application is successful, SQI could benefit from $4 million in grants and partner contributions to develop this product.

This application is to develop a Rapid Acute Lung Injury Diagnostic, or RALI-DX test. This test is targeted at providing early diagnosis and triage of Acute Respiratory Distress Syndrome (ARDS). The biomarkers used in this project are related to the biomarkers used in other areas of our development programs and the applications of this test are much

broader including use in the Emergency Department, Intensive Care Units and hospital wards.

Sepsis, severe pneumonia and respiratory viruses are key causes of ARDS**.** ARDS is a lung condition that results in more than 3 million ICU admissions each year[i] and can lead to organ failure and death[ii]. In Canada, ~18,000 patients with ARDS are admitted to hospital annually, and those requiring critical care place an immense burden on hospital resources and funding.

Detecting ARDS early is vital for effective treatment. But there is a major gap in the ability of precision diagnostics to recognize early acute lung injury leading to ARDS.

The early detection of injuries that are precursors to ARDS remains difficult and current standard criteria often diagnose ARDS at late stages of the disease.

This situation creates an urgent need to develop a new method for early, safe and accurate detection. That need also creates a major opportunity for SQI. We are targeting conservatively for a 10% market penetration of the 3 million ARDS ICU patients worldwide (including 18,000 in Canada and 200,000 in the US). We also foresee additional markets, including beyond North America. One of these markets is the military medical stockpiles, where point-of-care diagnostics are procured to ensure surge-capable response requiring medical operations.

4. **Expanding Sales Pipeline**

Our sales funnel continues to expand with promising new high value opportunities. These future customers are targeted to add to our recurring revenues and comprise a mix of biopharma customers, contract research organizations, and other diagnostic companies. Already in the pipeline is the validation and launching of our CLIA-lab (Clinical Laboratory Improvements Amendments) partnership to be based in Buffalo New York. We have installed the first sqidlite in this facility and are targeting an "in production" date of June, 2019. The actual date depends on a regulatory approval from CMS (Centers for Medicare & Medicaid Services) for the tests we will being running.

Outlook

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

As indicated, our revenues have continued to grow at more than 20% each quarter. These gains were largely driven by kit sales and recurring sales to existing diagnostic customers. We fully expect these revenues to continue to rise in 2019 and beyond.

We also continue to work towards the 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 revenue from the kits. 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.

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.

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 the quarter.

On March 1 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 $0.9; 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 $26,000 and $12,000 was allocated to warrant capital.

Subsequent to quarter end 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.

SELECTED FINANCIAL INFORMATION

Second Quarter Commentary

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

	March 31, 2019 (000s)	December 31, 2018 (000s)	September 30, 2018 (000s)	June 30, 2018 (000s)
Revenue	$ 419	$ 292	$ 563	$ 220
Net Loss	$ (1,568)	$ (1,758)	$ (1,976)	$ (2,042)
Net Loss Per Share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted Average Shares	167,932	158,407	146,225	134,936

	March 31, 2018 (000s)	December 31, 2017 (000s)	September 30, 2017 (000s)	June 30, 2017 (000s)
Revenue	$ 176	$ 376	$ 126	$ 176
Net Loss	$ (1,631)	$ (1,788)	$ (1,536)	$ (1,607)
Net Loss Per Share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)
Weighted Average Shares	134,936	107,926	103,875	103,875

Revenues

During the three and six months ended March 31, 2019, the Company recorded revenue from the sale of custom kits, as well as service revenue to our biopharma and diagnostic customers. The table below provides a breakout of revenue by category for the three- and six-month periods:

	Three months ended March 31, 2019 (000s)	Three months ended March 31, 2018 (000s)	Six months ended March 31, 2019 (000s)	Six months ended March 31, 2018 (000s)
Product sales - Kits	$ 287	$ 88	$ 533	$ 118
Product sales - Platforms	-		-	255
Service revenue	132	88	178	179
Total revenue	$ 419	$ 176	$ 711	$ 552

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 the three months ended March 31, 2019 the Company recorded a net loss of $1,568,000 ($0.01 net loss per share) as compared to the net loss of $1,631,000 ($0.01 net loss per share) for the three months ended March 31, 2018. For the six months ended March 31, 2019 the Company recorded a net loss of $3,326,000 ($0.02 net loss per share) as compared to the net loss of $3,419,000 ($0.03 net loss per share) for the six months ended March 31, 2018. Per share values are based on the weighted average shares outstanding in the relevant period. For the quarter-ended March 31, 2019, there was an average of 167,932,000 shares outstanding.

The net loss was lower for the three and six months ended March 31, 2019 as compared to the three months ended March 31, 2018. Increases in revenue were offset by increase in sales and marketing expenses. 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 March 31, 2019 were $695,000 compared to $782,000 for the same period last year. R&D expenditures, excluding amortization and stock-based compensation, for the six months ended March 31, 2019 were $1,572,000 compared to $1,717,000 for the same period last year. The decrease in R&D expenditures for the three- and six-month periods is a result of reduced laboratory costs. In the first half 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 half of fiscal 2019, activities were focused on delivery of product to customers.

Corporate and general expenses, excluding stock-based compensation, totaled $366,000 for the three months ended March 31, 2019 as compared to $382,000 for the three months ended March 31, 2018. Corporate and general expenses totaled $690,000 for the six months ended March 31, 2019 as compared to $787,000 for the six months ended March 31, 2018. Corporate and general expenses are lower for the three and six months ended March 31, 2019 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 $323,000 for the three months ended March 31, 2019 compared to $273,000 for the three months ended March 31, 2018. Sales and marketing expenses totaled $648,000 for the six months ended March 31, 2019 compared to $548,000 for the six months ended March 31, 2018. Sales and marketing expenses were

higher for the three and six months ended March 31, 2019 compared to the same periods 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 $169,000 for the three months ended March 31, 2019 (six months - $299,000) compared to $69,000 for the three months ended March 31, 2018 (six months - $118,000). 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 through 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 three and six months ended March 31, 2019, were financed by cash on hand and from financing initiatives closed during the quarter.

At March 31, 2019, current assets were $3,830,000 compared to $3,758,000 at September 30, 2018. As at March 31, 2019, the Company had a $2,108,000 working capital surplus compared to a surplus of $2,691,000 at September 30, 2018.

Cash used in investment activities for the three months ended March 31, 2019 was $102,000 (six months - $135,000) compared to $244,000 for the three months ended March 31, 2018 (six months - $277,000). The Company is making strategic laboratory equipment purchases and upgrading existing computer infrastructure in order to meet customer capacity requirements.

Outstanding Capital Stock

As at May 14, 2019, there were 184,182,242 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 May 14, 2019:

Number of Warrants	Exercise Price	Maturity
13,730	$0.64	January 26, 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
28,227	$0.11	March 1 and 8, 2024
131,113		

The Company had the following stock options outstanding under the Plan at May 14, 2019:

Number of Options	Range of Exercise Prices
6,324	$ 0.14 - 0.25
1,972	$ 0.26 – 0.39
333	$ 0.40 – 0.60
8,629	

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.

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.

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 March 31, 2019;

(d) have concluded that a material design weakness in the ICFRs may exist in terms of the inadequate segregation of certain duties, which is typical of development stage companies; mitigating factors, including dual-payment authorization policies and transparent internal financial transaction reporting processes, serve to minimize the risk that such design weakness could result in a material misstatement of results for the quarter-ended March 31, 2019; 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

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[i] Fan E, Brodie D, Slutsky AS. Acute Respiratory Distress Syndrome: Advances in Diagnosis and Treatment. JAMA. 2018 Feb 20;319(7):698-710.

[ii] ARDS Definition Task Force, Ranieri VM, Rubenfeld GD, Thompson BT, Ferguson ND, Caldwell E, Fan E, Camporota L, Slutsky AS. Acute respiratory distress syndrome: the Berlin Definition. JAMA. 2012 Jun 20;307(23):2526-33.