SQI DIAGNOSTICS INC.

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

March 31, 2020

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, 2020 and 2019. The annual audited financial statements and MD&A for the year ended September 30, 2019 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 of May 27, 2020.

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 blood test, many results, all at once

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

The Company's products and services allow its customers and partners to perform very large numbers of blood-based tests for their clinical and research diagnostic testing needs – quickly, inexpensively and accurately. As we say: "One test, many results, all at once."

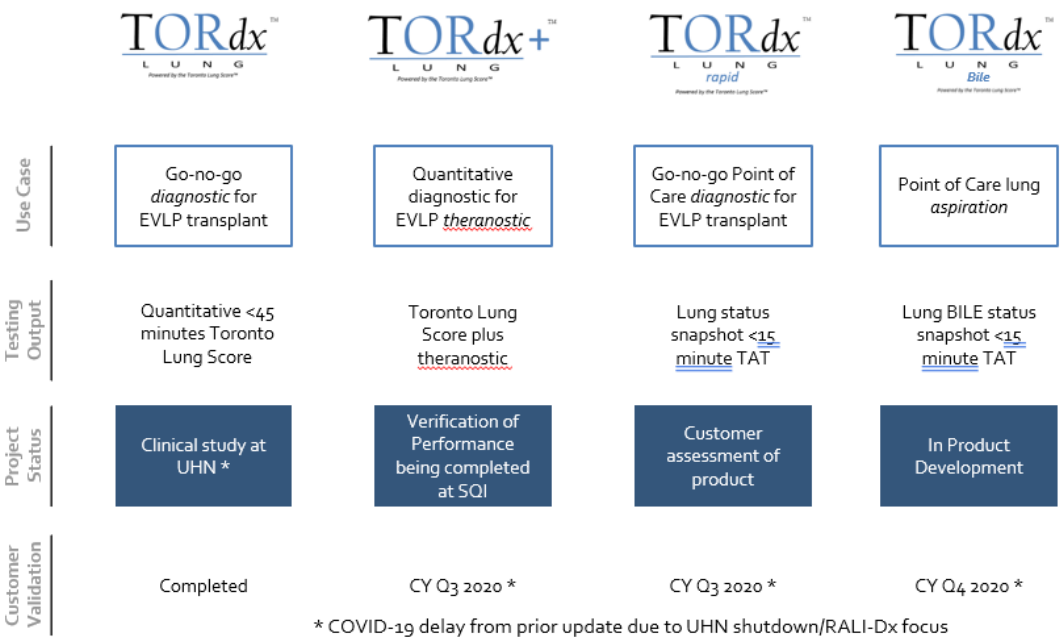
SQI Diagnostics Inc. was founded in 1999 to capitalize on two emerging opportunities. First, the large and growing number of blood tests performed to diagnose the state of a patient's disease. Second, the belief that reducing both the effort and associated costs of these tests would create a profitable business that, in turn, would significantly benefit the life sciences industry.

Since then, SQI 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, propelled by the growing demands of global diagnostic and pharmaceutical firms for faster and more accurate testing.

Although the Company has several products and service offerings, its core focus is on diagnostic tests to assess organ health; with applications ranging from organ transplantation to determining the respiratory severity of COVID-19 patients. In 2019, we began a partnership with the Toronto General Hospital / University Health Network (UHN) to commercialize its pioneering work in using multi-biomarker tests to increase the number of 'good' lungs available for transplant. Specifically, we are developing a suite of multi-biomarker tests to assess the health of a donor organ prior to transplant. Newsweek has recently ranked the Toronto General Hospital as the #4 global leader, a position due in part to the Toronto Lung Transplant Program, the largest lung transplant program in the world. UHN's Toronto Lung Score (TLS), which is provided by SQI's TOR*dx* LUNG test, has the potential to be adopted world-wide as the diagnostic tool to assess donor lungs for suitability of transplant into recipients while the donor lung is being treated on another UHN invention, Ex Vivo Lung Perfusion (EVLP).

Lung transplantation is a lifesaving procedure for patients with end-stage lung disease. The surgical technique for transplantation was pioneered in Toronto in the 1980s. The worldwide field of lung transplantation has grown to approximately 4,500 transplants every year.

The partnership with UHN has expanded significantly over the past year to include the following products:



As previously announced in February of 2019, SQI formed a partnership with UHN's Toronto Lung Transplant Program to develop a multiplexed test to determine the suitability for transplant of donor lungs on EVLP. The biomarkers that formed the basis for this test had been the subject of ground-breaking research by UHN scientists for the last five years. However, the biomarkers took too long to run to be useful to surgeons during transplant surgeries. By October 2019, SQI's scientists had developed a highly accurate test that runs in under 45 minutes instead of the best previous times of 2-3 hours. Surgeons began using our first product, the TOR*dx* LUNG test, in the operating room as a research use only tool pending regulatory approvals in Canada and the US.

Such a dramatic shortening in testing time enables surgeons to make go-no-go decisions on a lung's viability for transplant *during surgery*. This breakthrough is increasing the number of available lung transplants from 3,000 to 5,000 in Canada and the US and offers the same benefits to transplant groups across the globe.

While the TOR*dx* LUNG test is the main product being jointly developed by SQI and the Toronto Lung Transplant Program, the Company also has other lung transplant products in the pipeline.

These products are targeted as follows:

1. A quantitative test expanded from the core TOR*dx* LUNG test to monitor and guide therapeutic treatments of the lung while on EVLP;
2. A Point of Care test to provide a snapshot of lung health, like the TOR*dx* LUNG test but very rapid (<10 minutes) and semi-quantitatively;

3. Screening recovered donor lungs for serious indications of acidic injury from aspiration which can be treated while on EVLP.

The key clinical unmet need being addressed with the additional pipeline tests is to improve the treatment of donor lungs while on EVLP, increase the population of transplantable lungs that can be used, focus EVLP treatment on lungs identified as being exposed to aspiration then clearing them for transplant; and, ultimately save lives.

Our partners at UHN have partnered to lead a further paradigm shift in procuring, transporting, stabilizing and transferring lungs to transplant recipients. Lung transplant (perfusion) centers are being set-up across North America with the first established in Toronto and additional centers currently active in Maryland and Florida. Implementation of EVLP procedures (cleared by FDA in 2019) has enabled lung transplant centers to increase the availability of donor lungs for transplant, by nearly 2-fold at some centers.

There are currently about 100 key lung transplant centers in the US and 4 in Canada and these centers perform about 45% of the total world-wide lung transplants.

The broader organ transplant market represents an especially high-value opportunity for SQI. The SQI TOR*dx* LUNG test addresses a large unmet clinical need and a clear opportunity to save lives and improve outcomes for transplant patients and their families. As we progress through the commercialization of SQI's Lung Transplant product pipeline, we anticipate developing additional tests that utilize the same biomarkers and that will be used in a similar fashion to assess other organs. Specifically, liver and kidney donor organs that are also perfused outside of the donor prior to transplant represent other attractive opportunities available to SQI. The following table shows the number of organs transplanted in Canada and the US as a proxy of the Company's total addressable patient market size.

Table 1: Total Lung, Liver and Kidney Transplants US and Canada.

	US			Canada			Total
	2017(a)	2018(a)	2019(e)	2017(a)	2018(a)	2019(e)	2019(e)
Lung	2,070	2,530	2,840	341	357	400	3,240
Liver	6,200	8,250	10,100	430	527	650	10,750
Kidney	16,800	21,200	20,530	3253	3,150	3,050	23,580
Total	25,070	31,980	33,470	4,024	4,034	4,100	37,570

Table 1 shows the number of transplants completed for lungs, kidney and livers in Canada and the US from 2017 through 2019. These figures represent an estimate and do not include all of the organs that do not make it to a recipient. Approximately 80% of all donor lungs are currently discarded. Working with UHN, we believe that the number of usable lungs would more than double from its current level of 20% because of the TOR*dx*-LUNG

test, which better equips surgeons to assess lung quality, ultimately leading to an increase in the number of transplantable lungs and a corresponding increase in lives saved (approximately 970 to 1,300 incrementally).

Economically, it costs about $40,000 to prepare a patient prior to surgery, and about $100,000 to "procure" the lung from the donor and transport it to the recipient. Using the low end of the estimate above, 970 times the $140,000 ($40,000 + $100,000) represents a sunk cost – spent whether the transplant goes forward or not. Procurement and pre-surgical preparation costs saved by using these lungs equates up to approximately $136 million per year, which does not include the value to the recipients who may not otherwise get a lung transplant in time.

Business Highlights During the Quarter:

Impact of COVID-19 on our results:

During the quarter, the Company's sales were mildly impacted by COVID-19 as customers and partners reacted to the changing landscape. It is anticipated that revenues from kit sales to the University Health Network ("UHN") will be adversely impacted in the third quarter and possibly in the fourth quarter as lung transplants have been significantly curtailed in the short term.

The Company also experienced a slow-down in sales of its direct-to-consumer kits for Celiac and Rheumatoid Arthritis and believes this softness could potentially extend into the third and fourth quarters of fiscal 2020.

Notwithstanding the effects of COVID-19 as highlighted above, in the second quarter of fiscal 2020 the Company made progress on several ongoing initiatives, deepened relationships with existing partners and are in the process of signing agreements with new partners. The following are some of the noteworthy activities that took place during the quarter:

University Health Network ("UHN") successfully validated the TORdx LUNG assay in the operating room at the Toronto General Hospital:

University Health Network successfully validated the TORdx LUNG assay in February 2020. By validating the TORdx LUNG assay within the operating room, our partners at UHN have established the accuracy as well as the use model of the test to assist transplant surgeons in assessing the health of donor lungs during the transplant process. All tests need to go through validation before samples can be run and the information given by that test can be used to aid in clinical decision-making. With validation completed, UHN is currently collecting clinical data in support of US FDA and Health Canada regulatory submissions.

Canadian Institutes of Health Research ("CIHR") grant leads to initiation of various COVID-19 and respiratory infection studies with UHN utilizing RALI-Dx and RALI-fast products:

SQI partner UHN was awarded a $970,000 prestigious rapid research grant from CIHR of which $278,000 is expected to be paid directly to SQI for assay development, validation services and kit purchases.

As a consequence of this grant, the Company was able to leverage its existing research and developmental work in the area of organ transplant health in conjunction with UHN and apply it to COVID-19 related work. Consequently, in the second quarter, the Company initiated a landmark clinical trial of its RALI-Dx product to determine if it can be used as a triaging test for COVID-19 patients and be performed in about 50 minutes. Recent clinical research indicates that a COVID-19 patient's over-responsive immune system – the so-called "cytokine storm" – is correlated to subsequent hospitalization and ventilation. The ability to detect this over reaction of the immune system may help triage patients in the Emergency Department, and guide anti-inflammatory therapeutic management. RALI-*fast*, the test run on the sqid-*Xpress*, is a line extension of RALI-Dx that would give clinicians the result for one of the biomarkers in the full RALI-Dx panel in approximately 20 minutes in a point-of-care testing format as mentioned above. The goal of the clinical study is to determine if elevation of the various biomarkers contained within the tests are related to the prognosis of those people with a respiratory infection, such as COVID-19, and more broadly, to include any patient presented to the Emergency Department with respiratory distress. If the data from our current clinical trial meets expectations, the Company plans to submit to the FDA and Health Canada for both Emergency Use Authorization ("EUA") in the United States and Special Access Designation in Canada.

SQI delivered its first point-of-care device and consumables to UHN to begin clinical evaluation:

SQI's point-of-care device, branded the sqid-*Xpress*™, presents a completely new market for SQI that leverages our core competencies of offering high quality diagnostic assays while reducing labor costs and turn-around-time. Since the cost of entry for point-of-care devices is lower than the cost for traditional diagnostic systems, the sales cycle is expected to be shorter and the device can be sold to more locations within the healthcare continuum.

All diagnostic products need to go through clinical validation to ensure the data being generated by the device accurately correlates clinically with real patients.

New York State Department of Health ("NYSDOH") approval of rheumatoid arthritis direct-to-consumer ("DTC") test:

The New York State Department of Health issued its final approval of SQI's rheumatoid arthritis direct-to-consumer test which is being run at SQI's CLIA lab partner in Buffalo,

NY, Trinity Biotech. The State of New York has one of the most stringent clinical diagnostic approval processes on the continent, and gaining its approval is required to market and sell a test to those who live in New York and several other states in the U.S. This approval greatly increases the potential market size for this product.

Commenced development cycle for a second point-of-care ("POC") test:

A second POC test, the TOR*dx* LUNG *bile* test, will be a rapid test used to determine if aspiration of stomach fluids (bile acid) into the donor lung has occurred prior to the lung being put on EVLP. The market for this POC test can be expanded well beyond transplantation. We have started the development cycle and will continue further testing.

Event(s) subsequent to March 31, 2020

The Company is undergoing a search for a new CEO.

Financial Highlights for the Quarter and Six-month Period

Three months:

Total revenues for the three months ended March 31, 2020 were $269,000 compared to $419,000 for the same period last year. Product revenue, which includes revenue from kit sales were $115,000 for the current quarter compared to $287,000 for the same period last quarter. The decrease in product revenue is due to the loss of one customer, which accounted for a material percentage of revenue in the same prior year period. If we exclude the effect of the lost customer, our kits sales were up by 211% year over year.

Revenue from services in the second quarter increased to $154,000 compared to $132,000 in the same period last year. Service revenues were higher in the second quarter of 2020 compared to the same period prior year due to recognition of the remaining portion of a large contract to develop multiple lung transplant products that are now transitioning to commercial sales.

Six months:

Total revenues for the six months ended March 31, 2020 were $476,000 compared to $711,000 for the same period last year. Product revenue was $262,000 for the current period compared to $533,000 for the same period last quarter. The decrease in product revenue is due to the absence of revenue from one customer, which was responsible for a sizable percentage of product revenue in the same prior year period.

Revenue from services in the current six-month period was $214,000 compared to $178,000 in the same period last year. Service revenues were primarily higher in the current period due to a larger portion of revenues being recognized from a specific contract, where all revenues pertaining to that contract, have now been fully recognized.

Expanding Sales Pipeline

The Company's sales funnel continues to expand with many promising new high-value opportunities. These potential customers could likely augment our recurring revenues and comprise a mix of biopharma customers, contract research organizations, and other diagnostic companies.

Outlook

We achieved significant product development milestones in our TOR*dx* LUNG product and are in varying stages of several other initiatives as described earlier in the Quarterly Highlights. Our technology is bringing a significant, practical advantage to lung transplant surgeons and we are optimistic that we will return to revenue growth following the softness experienced as a result of COVID-19. While COVID-19 has affected our current three and six-month revenues, we believe this trend is likely to reverse as we address the needs of the COVID market, seek to gain regulatory approvals and work with our partner to determine how to increase sales of our DTC products.

During the latter half of fiscal 2020, we are looking to gain regulatory approvals in Canada and the US for our main lung transplant product, the TOR*dx* LUNG test. Until a decision regarding approval has been rendered, we look forward to selling the TOR*dx* LUNG test as a research-use-only product to UHN to further on-going research for new advances in the field.

There are approximately 100 lung transplant centers in the US and 4 in Canada. We will initially target the 20 highest volume transplant centers and then move out to the remaining centers. The use model we have developed with our partners involves the use of several TOR*dx* tests per patient: one or more TOR*dx rapid* tests including one just after recovery of the donor lung, and one TOR*dx* test during EVLP. As transplant surgeons and Lung Bioengineering centers shift to longer EVLP times we could see additional TOR*dx* tests being consumed.

We are optimistic that our research partnership with the world-renowned Toronto Lung Transplant Program at UHN will enable us to create a point of care 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. We are equally optimistic that this relationship will result in organic growth of additional products in the organ transplant segment and other lung related areas.

Our existing customers in the Direct to Consumer ("DTC") market in our CLIA business have remained steady, with a slight decline due to COVID-19 and consumers' attention being directed toward the pandemic versus self-testing for celiac disease.

Finally, as we continue to grow and enjoy the stability of recurring revenue, we remain focused on creating the efficiencies of scale and lower costs that size conveys to any business.

MANAGEMENT CHANGES

Ms. Patricia Lie, the Company's Vice President of Finance, resigned effective December 31, 2019 and was subsequently replaced by Ms. Leslie Auld on an interim basis, effective January 15, 2020. On March 31, Mr. Morlan Reddock replaced Ms. Leslie Auld as the Company's Chief Financial Officer and VP Administration, effective February 14, 2020, Mr. Andrew Morris resigned as Chief Executive Officer but remains as a member of the Board of Directors. Also, on February 14, 2020, Dr. Eric Brouwer became Interim Chief Executive Officer while retaining his role as Chief Scientific Officer.

CORPORATE FINANCING TRANSACTIONS IN FISCAL 2020

Private Placements

On September 25, 2019 and October 22, 2019, the Company completed a non-brokered private placement of an aggregate of 32,300,000 units of the Company at $0.10 per unit for gross proceeds of $3,230,000. 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.

On February 14, 2020 and March 5, 2020, the Company completed a non-brokered private placement of an aggregate of 44,444,444 units of the Company at $0.09 per unit for gross proceeds of $4,000,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.12 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 Company used a portion of the net proceeds of the Private Placement to repay $1,000,000 of the principal amount of certain 10% secured non-convertible debentures of the Company, plus accrued interest of $100,000. The remaining funds are expected to be used for the Company's product commercialization and manufacturing programs, sales and marketing and for general working capital purposes.

Debenture Extension

On January 30, 2015 and February 20, 2015, the Company issued secured debentures (the "Debentures") with principal amounts of $1,950,000 and $1,286,000, respectively. The Debentures bore interest at a rate of 10% and were redeemable 60 months from the date of issuance. The Debentures matured during the quarter ended March 31, 2020 with $1,000,000 of the February 2020 tranche and $100,000 of accrued interest related to this amount being repaid by the Company. The maturity dates of the existing $2,236,000 Debentures were extended for an additional five years in agreement with the holders of these financial instruments. In addition, $223,600 of accrued interest was added to the principal amount of the existing debentures resulting in new principal amounts of

$2,145,000 and $314,600 as of January 30, 2020 and February 20, 2020, respectively. Please see the accompanying financial statements for additional details on the amendment.

SELECTED FINANCIAL INFORMATION

Second Quarter and Year-to-date Commentary

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

	Three months ended March 31, 2020 (000s)	Three months ended March 31, 2019 (000s)	Six months ended March 31, 2020 (000s)	Six months ended March 31, 2019 (000s)
Revenue	$ 269	$ 419	$ 476	$ 711
Net Loss	$ (2,269)	$ (1,568)	$ (4,283)	$ (3,326)
Net Loss Per Share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted Average Shares	252,040	167,932	242,022	163,117

Revenues

Three months:

During the three and six-month periods ended March 31, 2020, the Company recorded revenue from the sale of custom kits, platform components as well as service revenue to our biopharma and diagnostic customers. The table below summarizes revenue by category.

	Three months ended March 31, 2020 (000s)	Three months ended March 31, 2019 (000s)	Six months ended March 31, 2020 (000s)	Six months ended March 31, 2019 (000s)
Product sales - Kits	$ 115	$ 287	$ 251	$ 533
Product sales - Platforms	-	-	11	-
Service revenue	154	132	214	178
Total revenue	**$ 269**	**$ 419**	**$ 476**	**$ 711**

The reduction in revenue compared to the prior year's quarter is principally due to the loss of a single customer, which the Company ceased shipments to in 2019 due to non-payment. The Company believes that revenue may fluctuate over the next few quarters as customers and partners react to the impact of COVID-19.

Six months:

The reduction in revenue compared to the prior year's period is principally due to the loss of a single customer which the Company ceased shipments to in 2019 due to non-payment.

Net Loss

Three months:

For the quarter ended March 31, 2020, the Company recorded a net loss of $2,269,000 ($0.01 net loss per share) as compared to a net loss of $1,568,000 ($0.01 net loss per share) for the quarter ended March 31, 2019. The net loss in the current period is higher than the net loss in the corresponding period prior year due to lower revenue and higher expenses in the Research & Development ("R&D") area. Per share values are based on the weighted average shares outstanding in the relevant period.

Six months:

For the six months ended March 31, 2020, the Company recorded a net loss of $4,283,000 ($0.02 net loss per share) as compared to a net loss of $3,326,000 ($0.02 net loss per share) for the quarter ended March 31, 2019. The net loss in the current period is higher than the net loss in the corresponding period prior year due to lower revenue and higher expenses in the Research & Development ("R&D") area.

Operating Expenses

Three months:

Research and development expenditures, excluding amortization and stock-based compensation, for the three months ended March 31, 2020 were $1,196,000 compared to $695,000 for the same period last year. Expenses were higher due to several factors; the absence of a SRED tax credit in the current period while included in the comparative period, higher salaries and wages, higher expenses to support regulatory filings and to higher laboratory costs and supplies. Laboratory costs and supplies increased during the quarter when compared with the corresponding quarter as one of our main research and development projects with the UHN is currently in full design phase while it had just been initiated last year.

Corporate and general expenses, excluding stock-based compensation, totaled $443,000 for the three months ended March 31, 2020 as compared to $366,000 for the three months ended March 31, 2019 due to increased professional fees. Professional fees include legal, investor relations and consulting fees. Professional fees were higher in the current quarter compared to the same period prior year due to higher recruiting costs and legal fees.

Sales and marketing expenses, excluding stock-based compensation, increased to $385,000 for the three months ended March 31, 2020 compared to $323,000 for the three months ended March 31, 2019 due to a one-time payment incurred in the quarter.

Non-cash, stock-based compensation charges decreased to $108,000 for the three months ended March 31, 2020 compared to $169,000 for the three months ended March 31, 2019.

The reduction is a result of forfeitures of stock options associated with the departure of certain employees.

Six months:

Research and development expenditures, excluding amortization and stock-based compensation, for the six months ended March 31, 2020 were $2,202,000 compared to $1,572,000 for the same period last year. Expenses were higher due to several factors; the absence of a SRED tax credit in the current period while included in the comparative period, higher salaries and wages and higher laboratory costs and supplies. Laboratory costs and supplies increased during the quarter when compared with the corresponding prior year quarter as one of our main research and development projects with the UHN is currently in full design phase while it had just been initiated last year.

Corporate and general expenses, excluding stock-based compensation, totaled $807,000 for the six months ended March 31, 2020 as compared to $690,000 for the six months ended March 31, 2019 due to increased professional fees. Professional fees include legal, investor relations and consulting fees. Professional fees were higher in the current quarter compared to the same period prior year due to higher recruiting costs and legal fees.

Sales and marketing expenses, excluding stock-based compensation, were essentially flat at $644,000 for the six months ended March 31, 2020 compared to $648,000 for the six months ended March 31, 2019.

Non-cash, stock-based compensation charges decreased to $235,000 for the six months ended March 31, 2020 compared to $299,000 for the six months ended March 31, 2019. The reduction is a result of forfeitures of stock options associated with the departure of certain employees.

Liquidity and Balance Sheet

Management expects further investments in product development and commercialization efforts for its pipeline of custom consumable kits, new products and platforms, and sales and marketing initiatives throughout the remainder of fiscal 2020 and into fiscal 2021.

The Company believes it 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. The Company has no material short-term capital expenditure requirements but capital expenditure to increase manufacturing capacity in anticipation of customer demand will impact the Company's cash resources.

Operating activities for the quarter ended March 31, 2020, were financed by cash on hand and from financing initiatives during the quarter.

At March 31, 2020, current assets were $3,636,000 including $2,551,000 of cash compared to $4,494,000 including $3,444,000 of cash at September 30, 2019. As at March 31, 2020, the Company had a $2,252,000 working capital surplus compared to a deficit of $217,000 at September 30, 2019. The higher surplus is due to a change in classification of the debentures which matured and were subsequently extended; this extension changed the classification from a current liability to a long-term liability in the period. See page 11 for the discussion of the private placement and debenture amendments completed during quarter.

Cash used in investing activities for the three months ended March 31, 2020 was $54,000 as compared to $102,000 for the three months ended March 31, 2019. Cash used in investing activities were predominantly for computers and leasehold improvements while cash used in the same quarter the prior year were in respect of laboratory equipment and computer infrastructure.

The Company has approximately $2.5 million in long-term debt with a maturity of slightly less than five years.

Outstanding Capital Stock

As at May 27, 2020, there were 276,785,535 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 27, 2020:

Number of Warrants (000's)	Exercise Price	Maturity
5,330	$0.64	July 16, 2020
7,631	$0.52	December 15 and 21, 2020
463	$0.20	December 20, 2020
22,970	$0.21	March 10, 2022
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
32,300	$0.13	September 25 and October 22, 2024
4,117	$0.09	January 30, 2025
622	$0.09	February 20, 2025
44,444	$0.12	February 14, 2025 and March 5, 2025
214,033		

The Company had the following stock options outstanding under the Plan at May 27, 2020:

Number of Options (000's)	Range of Exercise Prices	Weighted average time to maturity
9,806	$ 0.07 - 0.25	3.34 years
1,786	$ 0.30	0.80 years
178	$ 0.40 – 0.60	0.31 years
11,770		

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, 2019. Refer to the audited consolidated financial statements for the year ended September 30, 2019 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

(a) Adoption of New Accounting Standard

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 adopted this standard on October 1, 2019. Please see the accompanying consolidated financial statements for full disclosure and analysis of the impact this adoption had on the Company's reported results for the quarter and year-to-date.

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, 2020;

(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 three-month period ended March 31, 2020; 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 not involved in the daily operations of the Company and one of whom is independent. 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.

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, 2019, 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.

Partner grants may not be available in the future. This may delay progress in product development.

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 Pandemics, Epidemics or outbreak of infectious diseases

The economic effects of a pandemic, epidemic or outbreak of an infectious disease could adversely affect our operations or the market price of our Common Shares.

Public health crises such as pandemics, epidemics or similar outbreaks could adversely impact our operations or the market price of our Common Shares. In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in Wuhan, China

and has reached multiple other countries, resulting in government-imposed quarantines, travel restrictions, school closures and other significant restrictions on business operations imposed by governmental authorities in North America, Europe and worldwide. On January 30, 2020, the World Health Organization declared the outbreak of the COVID-19 a "Public Health Emergency of International Concern." On January 31, 2020, U.S. Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the U.S. to aid the U.S. healthcare community in responding to COVID-19, and on March 11, 2020, the World Health Organization characterized the outbreak as a "pandemic". The extent to which the COVID-19 impacts our operations or market price of our Common Shares will depend on future developments, which are highly uncertain and cannot be predicted with confidence, either internationally or within the U.S. or Canada, including the duration of the outbreak, new information that may emerge concerning the severity of the COVID-19 and the actions to contain the virus or treat its impact, among others. COVID-19, however, has already resulted in significant volatility in the world and the national trading markets.

The spread of COVID-19 may impact our operations, including a sustained delay in returning to the number of lung transplants performed pre-COVID-19. Our existing and potential customers such as Biopharma companies may redirect resources away from current research and or product development priorities to COVID-19. The spread of an infectious disease, including COVID-19, may also result in the inability of our suppliers to deliver components or raw materials on a timely basis or at all. The significant spread of COVID-19 within the U.S. and Canada resulted in a widespread health crisis and has had adverse effect on the national economies generally, the markets that we serve, our operations and the market price of our Common Shares.

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, which could limit investors ability to exit positions.

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 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.

The Company is exposed to market risks related to changes in interest rates and foreign currency exchange rates, which could adversely 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 significantly in the success of the Company.