SQI DIAGNOSTICS INC.

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

June 30, 2019

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This Management's Discussion and Analysis ("MD&A") covers the condensed interim financial statements for the three and nine months ended June 30, 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 August 27, 2019.

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

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

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

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

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

COMPANY OVERVIEW

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

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

Our products and services allow 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, propelled 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 human labour and costs while delivering superior quality tests all while improving time to results.

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 markets for clinical testing 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, these 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.

The market in the US and EU for custom and routine high-volume tests (called assays) in clinical drug development is valued at over $10 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 approved 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

Over the last year, the consistent growth in our revenues has been driven by the increased sales of our consumable kits.

In the first quarter of 2018 our kit revenues were $30,000. This quarter our kit revenues were $313,000. Over the last four quarters we have maintained an average of 22% revenue growth per quarter as shown in Figure 1. As we have reported, our ultimate success relies on the continued growth of recurring revenues from kit sales.

To that end, during the year we have launched a number of customer products. In addition, during the last quarter we announced another major milestone – the first research use, in real-time, of our TORdx™ LUNG test on a live donor lung, run on our sqidlite system in 45 minutes. This produced a 75% reduction in time-to-result and achieved all the critical test performance criteria.

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

Commercial Highlights for the Quarter

Total revenues for the three months ending June 30, 2019 were $540,000 compared to $220,000 for the same period last year. Revenues from kit sales were $313,000 for the current quarter compared to kit sales of $141,000 for the same period last year.

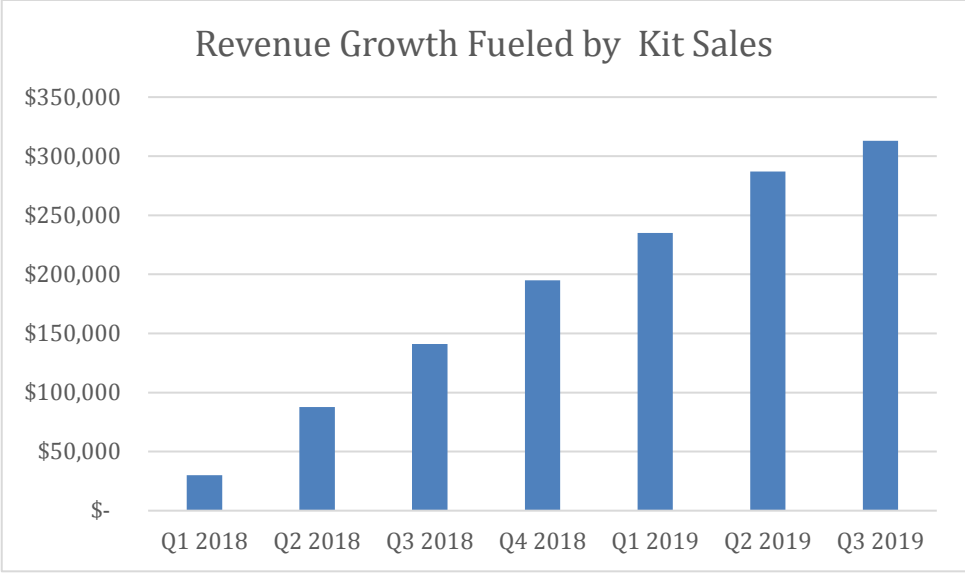

Figure 1: Kit sales in $CDN, by quarter since fiscal Q1, 2018.

Sales over the last seven quarters confirmed our ability to drive strong growth in kit sales from our existing customers and speaks to the success of this strategy. This growth in kit sales shown in Figure 1 supports our revenue model of capturing recurring sales from our customers whose own businesses are growing. Sustaining this growth progression is dependent on continued success by our existing clients and the addition of new customers.
Total sales will continue to show variability due to the lumpiness of equipment sales which is the first step in the commercialization process.

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

During the three months ended June 30, 2019, we achieved the following milestones:

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

Last year, we reached a major commercial milestone in our business model with recurring kit sales to significant customers whose volume of kit usage is growing. As shown in Figure 1, the growth in kit sales has achieved an average of 22% per quarter over the last 4 quarters.

2. We signed a major new customer in the previous quarter, the University Health Network for a novel Lung Transplant test. During this quarter we announced that we have made significant progress with the development of their product and tested the first living donor lung samples taken during transplantation procedures. These donor lung samples were collected at Toronto General Hospital and transported back to SQI labs for sample testing.

When the samples were processed and the Toronto Lung Scores were generated for five sets of lungs, the answers came in 45 mins compared to the four hours required using the previous test technology. As our client, Dr. Shaf Keshavjee, Director of Toronto Lung Transplant Program said: "Integrating rapid diagnostics gives transplant teams the means to more accurately assess the health of donor lungs. Time-to-result is key because it can provide critical information on donor lung health to a surgeon before transplant begins — and I must say, we are very encouraged by the results so far."

Our partners at UHN are the world-leaders in lung transplant medicine. They created the Toronto Lung Score (TLS) which was showcased at this year's The International Society for Heart and Lung Transplantation (ISHLT) 2019 Annual Meeting and Scientific Sessions. The UHN Lung Transplant Team also invented –EVLP- EX VIVO LUNG PERFUSION – the lung life-support used to maintain and improve the health of a donor lung after harvest.

Toronto General Hospital, a part of UHN, performs the most lung transplants each year in Canada. The Toronto Lung Transplant team, led by Dr. Shaf Keshavjee, is the global leader and innovators on all aspects of lung transplantation. Through our partnership with them, we will leverage their network and thought leadership to market the SQI TORdx™ LUNG test in Canada, throughout the US and then globally.

The TORdx LUNG is a proprietary test, currently for research-use, co-developed by the Toronto Lung Transplant Program at UHN and SQI Diagnostics. Using biomarker results obtained from the donor lung, a Toronto Lung Score is generated based on an algorithm developed by UHN.

There are four new and important advantages the SQI-based TLS test brings to lung transplantation, with potential for the whole field of organ transplantation:

1) To provide a TLS test result for a donor lung during surgery in 45 minutes – a timeframe that allows real-time information to a surgeon about the health status of the donor lung. More subjective assessments can be replaced with quantitative data and in many cases donor lungs that were rejected subjectively could be transplanted. This is expected to significantly expand the number of recipients who can benefit from a new lung, in many cases saving their lives, and broadly reducing the long-term cost of care.

2) To more accurately determine when not to transplant a lung that will ultimately fail in the recipient – thus saving a life and very expensive postsurgical care.

3) To extend the amount of time transplantable lungs could be maintained and treated on EVLP while waiting for a suitable donor, thus expanding the transplant market and the number of transplants performed.

4) To create greater certainty about the level of postsurgical care for each transplant patient. This preparation and knowledge will lead to better health outcomes, and save money.

In Canada today, it can cost from $250,000 for a "good outcome", up to $750,000 in a difficult case, to perform a lung transplant and to care for the patient after their surgery. The cost in the USA can be much greater than this. The SQI TORdx-LUNG used to deliver the TLS score is a major factor in reducing these costs.

SQI first took the biomarkers used for the TLS panel of tests and multiplexed them. We then automated the test and **reduced the turn-around time from hours, to about 45 minutes**. SQI's current and near-term work will take the TLS from a body of ground-breaking research by UHN to a product that can be practically implemented. We are installing our first sqidlite this summer in the Toronto General Lung Transplant Centre adjacent to transplant operating rooms where the Toronto transplant team will be running the SQI-TLS test.

As we close out these first milestones, we will launch a second phase of the project, to expand the number of biomarkers on the panel from 4 to up to 8. This will significantly enhance the precision and depth of information for surgeons 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, the SQI TORdx-LUNG test addresses a huge unmet need.

The final phase of the project will be the development of a point-of-care (POC) test. For SQI, the market for a high-quality POC testing device for lung transplants would significantly expand its transplant market because a POC test could be used to screen at any hospital that performs lung transplants and could be used for post surgical monitoring.

Because of our initial success in the research partnership with a world-renowned medical institution, we expect to create an even larger market opportunity. We expect to expand the applicability of the device to other organs beyond lungs and possibly to other diagnostic market segments beyond transplantation. This would include 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. CLIA Lab Buffalo ready for samples.

During the quarter we were notified by our CLIA lab partner that the New York State Department of Health has given us the green light so patient testing can begin for our imaware™ partner's Celiac test. We are working to implement our operating and training plan so that our customer can transfer all existing celiac testing to SQI's CLIA lab. At the

same time, we are working through the requirements to obtain the same approval for the imaware™ rheumatoid arthritis test. Running our customers' tests in our CLIA facility will deliver incremental revenue and gross margin per test in addition to the kit revenue we were previously generating.

4. Expanding Sales Pipeline

Our sales funnel continues to expand with many 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.

We had also reported that we were seeking a $2 million grant from Genome Canada to supplement a three-year project with UHN and other partners to develop the RALI-DX panel to aid in the rapid diagnosis of Acute Lung Injury. Under the terms of our collaboration, SQI and UHN were to each invest, in-kind, $2 million over three years.

We did not win this grant from Genome Canada, primarily because of the funding agency's desire to see more preliminary data of the efficacy of the biomarkers. We are exploring other funding options with our partners and remain confident that the development of this product would meet a significant unmet need. SQI had not yet included any financial impact of winning this grant in any forecasts.

Outlook

We achieved a significant product development milestone with our TOR-dx LUNG product. Our technology is driving a significant, practical advantage to lung surgeons and our revenue growth is on pace.

As indicated, our recurring revenues have continued to grow at an average of more than 20% each quarter over the last year. These gains were largely driven by kit sales and sales to existing diagnostic customers. We now have three customers that are generating recurring revenue, one of which is adopting a higher standard of efficiency which will require further development work on our part and may result in a transition in their sales cycle. As volumes grow, we expect that manufacturing efficiencies would be achieved resulting in higher product gross margin and ultimately improve operating results.

We also achieved a significant milestone by obtaining our clearance to operate our CLIA testing services for imaware™ celiac – the first, direct-to-consumer test from a fingerstick blood collection method. The impact of this business will boost the revenue we can charge for each test kit. With a CLIA lab, SQI will 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 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. 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.

Again, as with other kinds of SQI tests, the market potential is significant 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.

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

Subsequent to the quarter end the Company completed a non-brokered private placement of an aggregate of 13,428,849 units of the Company at $0.13 per unit for gross proceeds of $1,746,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.17 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances.

SELECTED FINANCIAL INFORMATION

Third Quarter Commentary

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

	June 30, 2019 (000s)	March 31, 2019 (000s)	December 31, 2018 (000s)	September 30, 2018 (000s)
Revenue	$ 540	$ 419	$ 292	$ 563
Net Loss	$ (1,888)	$ (1,568)	$ (1,758)	$ (1,976)
Net Loss Per Share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted Average Shares	186,609	167,932	158,407	146,225

	June 30, 2018 (000s)	March 31, 2018 (000s)	December 31, 2017 (000s)	September 30, 2017 (000s)
Revenue	$ 220	$ 176	$ 376	$ 126
Net Loss	$ (2,042)	$ (1,631)	$ (1,788)	$ (1,536)
Net Loss Per Share	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted Average Shares	134,936	134,936	107,926	103,875

Revenues

During the three and nine months ended June 30, 2019, the Company recorded revenue from the sale of custom kits, as well as service revenue from our biopharma and diagnostic customers. The table below provides a breakout of revenue by category for the three- and nine-month periods:

	Three months ended June 30, 2019 (000s)	Three months ended June 30, 2018 (000s)	Nine months ended June 30, 2019 (000s)	Nine months ended June 30, 2018 (000s)
Product sales - Kits	$ 313	$ 141	$ 846	$ 259
Product sales - Platforms	-		-	255
Service revenue	227	79	405	258
Total revenue	$ 540	$ 220	$ 1,251	$ 772

The table shows that quarter over quarter recurring kit sales are growing, and as mentioned earlier have increased over the past seven consecutive 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 June 30, 2019 the Company recorded a net loss of $1,888,000 ($0.01 net loss per share) as compared to the net loss of $2,042,000 ($0.02 net loss per share) for the three months ended June 30, 2018. For the nine months ended June 30, 2019 the Company recorded a net loss of $5,214,000 ($0.03 net loss per share) as compared to the net loss of $5,461,000 ($0.04 net loss per share) for the nine months ended June 30, 2018. Per share values are based on the weighted average shares outstanding in the relevant period. For the quarter ended June 30, 2019, there was an average of 186,609,000 shares outstanding.

The net loss was lower for the three and nine months ended June 30, 2019 as compared to the three and nine months ended June 30, 2018. Increases in revenue were partially offset by an increase in general and administrative and 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 June 30, 2019 were $1,145,000 consistent with $1,130,000 for the same period last year. R&D expenditures, excluding amortization and stock-based compensation, for the nine months ended June 30, 2019 were $2,717,000 compared to $2,847,000 for the same period last year. The decrease in R&D expenditures for the nine-month periods is a result of reduced laboratory costs. During the nine months ended June 30, 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 nine months ended June 30, 2019, activities were focused on delivery of product to customers with development work continuing on two projects.

Corporate and general expenses, excluding stock-based compensation, totaled $397,000 for the three months ended June 30, 2019. This compares to $341,000 for the three months ended June 30, 2018. For the nine months ended June 30, 2019 these expenses totaled $1,087,000 compared to $1,128,000 for the same nine months in the prior year. The increase in the third quarter was the result of higher rent at the Company`s head office location. However, corporate and general expenses over the comparable nine-month periods are lower because of lower investor relations 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 $316,000 for the three months ended June

30, 2019 compared to $297,000 for the three months ended June 30, 2018. Sales and marketing expenses totaled $964,000 for the nine months ended June 30, 2019 compared to $845,000 for the nine months ended June 30, 2018. Sales and marketing expenses were higher for the three and nine months ended June 30, 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 $130,000 for the three months ended June 30, 2019 (nine months - $429,000) compared to $158,000 for the three months ended June 30, 2018 (nine months - $276,000). 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 nine months ended June 30, 2019, were financed by cash on hand and from financing initiatives closed during the quarter.

At June 30, 2019, current assets were $2,945,000 compared to $3,758,000 at September 30, 2018. As at June 30, 2019, the Company had a $530,000 working capital surplus compared to a surplus of $2,691,000 at September 30, 2018. Subsequent to the quarter-end the Company completed a non-brokered private placement for gross proceeds of $1,746,000.

Cash used in investment activities for the three months ended June 30, 2019 was $36,000 (nine months - $171,000) compared to $39,000 for the three months ended June 30, 2018 (nine months - $316,000). 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 August 27, 2019, there were 200,041,091 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 August 27, 2019:

Number of Warrants	Exercise Price	Maturity
5,330	$0.64	July 16, 2020
3,560	$0.59	January 30, 2020 and February 20, 2020
7,631	$0.52	December 15 and 21, 2020
22,970	$0.21	March 10, 2022
463	$0.20	December 20, 2020
54,527	$0.20	December 20, 2022 – August 24, 2023
28,227	$0.11	March 1 and 8, 2024
122,708		

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

Number of Options	Range of Exercise Prices	Weighted average time to maturity
9,477	$ 0.14 - 0.25	4.00 years
1,972	$ 0.26 – 0.39	1.69 years
333	$ 0.40 – 0.60	1.18 years
11,782		

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. The Company implemented IFRS 9 on October 1, 2018 and determined these was no material impact on the measurement or classification of the Company's financial instruments.

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 Company has adopted IFRS 15 as of October 1, 2018. The effect of initially applying this standard as of the date of initial application has no impact on the comparative information presented.

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 June 30, 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 June 30, 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

FDA: U.S. Food and Drug Administration

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