SQI DIAGNOSTICS INC.

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

September 30, 2017

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This Management's Discussion and Analysis ("MD&A") covers the audited financial statements for the years ended September 30, 2017 and 2016. The annual audited financial statements and MD&A for the year ended September 30, 2017 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 November 16, 2017.

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 plans to market, sell and distribute our products in Canada and the United States;*
- *our ability to obtain a sufficient supply of the components needed for our products;*
- *our plans to retain and recruit personnel;*
- *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;*
- *unknown defects or errors;*
- *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 Diagnostics Inc. was founded in 1999 to capitalize on two emerging opportunities: the large and growing number of blood tests performed to diagnose the state of a patient's disease; and the need to reduce both the effort and costs of these tests. We believed that capitalizing on those trends would create a profitable business that could significantly benefit SQI and the life sciences industry. As a result, in 2007 SQI began trading on the TSX Venture exchange.

Today, this belief has driven the transition of our business from a largely R&D enterprise, to a predominantly commercial one.

This is how the transformation happened:

From 1999 to 2013, we invested in our research and development to transform our core intellectual property into commercial technologies. These are multiplexed testing kits and the automated platforms the tests are run on.

Until 2013, we focussed on developing tests for the regulated diagnostic testing market, that is to say for companies that perform large numbers of tests on individual patients' blood. While this market remains attractive to us, in 2013 we shifted our focus to selling our multiplexing technology and products directly to big pharma and to other diagnostic companies.

These are mainly global pharmaceutical companies as well as global biotechnology and diagnostic companies whose internal testing needs are large, rapidly growing and

continually shifting towards running multiple tests to achieve a better diagnostic and cost-effective result.

We shifted our focus for three reasons: to shorten the time to earning revenues; to reduce our exposure to lengthy and expensive regulatory processes; and to significantly reduce the effort needed to create commercial products.

This new strategy is clearly working and we strongly believe that delivering to this market is how SQI should continue to execute its commercial strategy. In the past year, the rising number of sales of multiplexed kits and platforms to our global customers offers the best possible proof of this strategy's validity.

Shifting focus does not mean abandoning one market for the other. We have simply postponed our entry into the consumer market which is large and growing but more competitive and has higher regulatory hurdles.

Catering to the growing needs of big pharma and biotech

The use of biologic drugs – proteins that are engineered in the laboratory for pharmaceutical use – has increased significantly since the introduction of the first recombinant protein therapeutic (i.e. human insulin) 25 years ago. Today, there are an estimated 5,000 biologic drugs undergoing extensive development in North America.

Today, the annual market for custom and routine high-volume tests (called assays) used in clinical drug development is over $11 billion in the US and EU alone. In this market, our services and products are currently used to test responses to and aspects of the safety of novel and biosimilar drugs. Biosimilar drugs are designed to have active properties similar to ones that have previously been licensed.

Our technology is commonly referred to as "multiplexing". It allows drug development companies to condense a large number of individual tests into a single SQI test, saving them significant time and money over traditional, slower testing methods.

No young company finds it quick or easy to establish its credentials with risk-averse global pharmaceutical companies, and our experience has been no different.

The customer acceptance process generally follows these four steps:

1. Potential customers monitor published assessments of our technology and presentations from others who have adopted our technology.

2. We then win and complete a product prototyping project to develop customized

tests that our customers find of value to them.

3. We validate the performance of the developed product and automated platform at SQI.

4. Our customers perform in-depth validation of the test kits and platform performance at their own laboratories.

In fiscal 2016, and during fiscal 2017, we proved our value propositions by completing all four of these steps with tests for a number of different companies. With these stamps of approval in hand, we have sold three sqid**lite**™ testing platforms to date and have delivered 1 sqid-**X** that will be recorded as sold upon completion of certain validation tests currently being run by the customer. These sales have brought us to an inflection point where we are beginning to have an installed base large enough to achieve significant and growing sales of multiplexed kits and more automated platforms.

We have now been through this customer acceptance process with multiple customers, not just with one product, but many of them, and not just with one sector, but in both big pharma and diagnostic companies who have novel and disruptive products. We are expanding our pipeline of customers and products through the stages of customer acceptance and, while not yet large, we are creating a diversified bundle of recurring revenue streams and future recurring revenues.

We believe this crucial ability to create recurring revenue from kits sales will happen for three reasons: once SQI products are embedded within our customer's testing programs, we expect their commitment will shift from short-term and one-off projects to long-term commercial contracts. There is also the 'stickiness' factor that can work to SQI's advantage: once testing programs and protocols are established by customers, changing them is expensive, complicated and risky. Finally, we have targeted and won contracts to commercialize multiplexed kits for two significant diagnostic customers where their testing volumes are recurring, large and predictable. In addition, we have recently secured a biopharma customer, IRX Therapeutics of New York City, for whom our kits are being used in their manufacturing processes every month.

We currently have five customers that are generating revenue; three target customers we are actively in the contracting stage with; one diagnostic customer we have a signed letter of intent with for a multi-product deal for existing SQI IVD products and new, to-be-developed products; and, five customers/partner opportunities in the pre-contracting, work-planning stage. All told, there are now 14 customers in our revenue pipeline - up from seven at this time last year.

In addition, over the past two years, we have repeatedly demonstrated that SQI's technology and automated platforms are uniquely positioned to assist pharmaceutical and biotechnology companies to comply with guidance published in 2014 by the US Federal Drug Administration.

Our competence has also been demonstrated through six public presentations by global pharmaceutical and biotechnology companies at important immunogenicity conferences that our customers use as bellwether events to learn about emerging technologies. Each of their presentations demonstrated how SQI's technology was used to detect a broad range of 'targets' in a single test, with equivalent or superior performance including the benefits of full test automation.

Our strategy is similar to that of other successful, long-established diagnostic companies. We will work to win both the home-run opportunities but also to bring together as many "base hit" customers as possible. Home runs may produce hard-fought wins after a lot of due diligence and validation. But base hits are faster in creating revenue and will provide a solid economic foundation for the business to leverage into the large wins.

This strategy is working. Since July 6th, 2017, we have announced several new customers. One was IRX Therapeutics, where we are providing multiplexed biomarker kits to be used in their quality control processes for the manufacturing of their pharmaceutical products. We announced this agreement on July 6th and we delivered the sqid-X to this customer during the fourth quarter of 2017. This is an important, albeit smaller opportunity to produce regular revenue.

Similarly, on July 18th, we announced another agreement with a large Waltham, MA-based biotechnology customer to provide them with a multiplexed assay for their blood disorder drug programs for which SQI expects to run the customer's samples in our lab. This could be several hundred or several thousand samples. Since announcing this agreement, we have tested the customer's first small confirmatory sample set. We expect that our successful completion of this contract will result in either SQI running many samples in our lab, or, selling this customer a sqid-**X** system and kits on an on-going basis.

Our value proposition today is consistent across all our target markets. We can now say with confidence that SQI significantly reduces our customers' costs to develop, run and manage their testing needs while delivering superior quality tests via "multiplexing" and automation.

Commercial Highlights for the Last Year

SQI achieved a significant commercial milestone in fiscal 2017 with the signing of three new customers. Our first nine-month revenues grew compared to the same period last year as we continued to service this growing customer base. Revenues from the fourth quarter in fiscal 2017 were lower than those recorded in the fourth quarter of 2016 owing to the two platform sales made in the last quarter of 2016 and larger development revenues in 2016. Management does not believe the revenue drop in the last quarter of fiscal 2017 to be a meaningful trend but a temporary drop owing to the transitioning of customers from development through validation after which we expect to benefit from new platform sales and on-going kits sales.

The reality is, our noteworthy commercial milestones from fiscal 2017 have positioned us for growing revenue in fiscal 2018, which should have a major impact on our bottom line.

Management provided guidance regarding our commercial progress that would produce positive operating cash flow by the end of calendar 2017. The timing of this depended on our estimates of several customer-specific factors that we said could affect this. These factors include time for on-site customer validation studies, timing of customers providing the Company required patient samples and materials required for development of their products and finally, any complications concerning multiplexing of the customer's tests at SQI.

The occurrence of several of these factors delayed our projections of achieving positive cash flows. However, we are emphasizing that our targets have changed in timing only: our views on overall product development success remain unchanged and we have no reason to downgrade our expectations on revenues and product margins with respect to any factors except the timing of completion of development with our cardiac marker customer and time taken to complete customer validation studies for our DNA customer.

Concerning the former, we expect to complete SQI's development and internal final product testing in November, and we expect to deliver the first sqid**lite** platform to this customer in December. For our DNA customer, we expect them to continue their on-site validation of the two installed sqid**lite** systems for approximately 4 additional months based on a final product design that has been "locked down" by the customer from any further development.

Four key accomplishments helped us achieve our commercialization goals in fiscal 2017:

1. We progressed significantly in the technology transfer for our predictive diagnostic customer which was announced in March. In order to begin generating significant revenues, SQI needs to complete and validate the transfer of the 7-plex test currently

being run by this customer. We believe the technology risk for this process is low and we are advancing steadily towards a finished product that will lead to selling kits to this customer who is currently running tests for thousands of patients each month in its CLIA lab in California. [CLIA refers to federal regulatory standards called Clinical Laboratory Improvement Amendments.]

This customer's product is a revolutionary cardiac event prediction test that has been shown to predict the chances of a heart attack before it happens. In our agreement, SQI will transform this customer's multi-biomarker test into an SQI-based multiplex test, with kits to be manufactured at SQI's state-of-the-art facility in Toronto. The agreement also calls for automating the test on SQI's sqid**lite™** system which would then be sold to the customer to run the tests in its CLIA laboratory. In addition to running the test in their own laboratory, SQI's customer also plans to sell both the test kit and SQI automation systems to its expanding global customer base. These customers are renowned cardiologists, hospitals, and reference laboratories around the world.

This is the first blood test ever to detect risk factors for heart attack in patients. The test's predictive potential as presented and cited in leading scientific papers has been shown to predict the likelihood that patients will experience a heart attack (ACS event) up to five years in advance – allowing physicians to implement potentially life-saving prevention measures. We believe that this customer's product has been clinically proven and the big question that remains: how big is the market for a test that predicts your future likelihood of a heart attack in a time frame that would allow a patient to modify lifestyle or to be therapeutically treated.

2. The large comparative study we reported last quarter for our human diagnostic DNA customer was launched during the second half of 2017 and is well underway. We believe that this study and other final validation work is ongoing and could be completed in the next four months. Management believes this will lead to commercial production of this product and recurring sales of kits following successful validation.

3. We completed the development program for a new pharma customer reported last quarter and delivered a sqid-X instrument at the end of the fiscal year. This project advanced quickly from the development to the commercial-ready stage this year. This program is a modified version of one of SQI's "off the shelf" multiplex biomarker kits. We will begin selling the kits on a monthly basis for use in their manufacturing operations.

4. We have a total of five customers that are generating revenues, in addition to three in "contracting", plus one with an LOI and a near term pipeline of five additional opportunities and continue to advance additional customers along our sales pipeline.

Outlook

The following chart depicts our current customer pipeline.

Customer #	Project Name	Type	Commercial Status
1	Cardiac Dx Customer	CLIA Dx	PO for SqidLite pending
2	Large Biotech ADA	SQI as CRO	Generating revenue
3	DNA Sepsis Customer	LDT Dx	Generating revenue (2 sqidlite)
4	Big Pharma	RUO Dx	Generating revenue (1 sqidlite)
5	IRX Pharma	RUO Dx	**sqid-X Delivered** / PQ complete / kits PO
6	Big Pharma	SQI as CRO	Contracting
7	Large Biotech	SQI as CRO	Contracting
8	Large CRO	RUO Dx	Contracting
9	Direct to Consumer Dx	DTC / CLIA DX	Letter of Intent signed
10	Lupus Dx	CLIA Dx /Development Partner	Work Planning
11	Large Pharma Eval	SQI as CRO	Work Planning
	Animal Health Dx (same customer as #3)	RUO Dx	Work Planning
12	Lung Transplant Dx	CLIA Dx /Development Partner	Work Planning
	Large Pharma (same customer as 4)	RUO Dx	Work Planning
	MURG	Strategic Internal Project	Proof of concept

Legend:
ADA - pharma or biotech drug development product (immunogenicity) used during drug development testing in animals or clinical trials in humans.

Dx - a diagnostic test.

CRO - contract research organization a laboratory is paid to run tests on systems at their facility under contract to a pharma or biotech client.

CLIA - CLIA – refers to federal regulatory standards called Clinical Laboratory Improvement Amendments, a form of regulatory clearance where a CLIA-approved reference laboratory can validate an in vitro diagnostic test for its own use. CLIA tests are sold by a diagnostic company without FDA or other similar approvals to CLIA labs.

RUO Dx - a diagnostic test that is and can be sold without any regulatory approvals.

LDT Dx - a diagnostic test where the customer buys test components from a manufacturer and may outsource a material amount of the tests development but where the customer controls the development of the test, maintains development records and is responsible for the performance of the test. Similar to CLIA, the customer validates the test and FDA or similar approvals are not required.

Since our first days, we have invested significantly in our technologies and automated systems so that our customers can save considerable time and money using our products. We have also expanded the range of applications for our multiplexing technologies with two market groups in mind: pharmaceutical and biotechnology drug developers, and other diagnostic companies.

As our customers begin buying our products in commercial quantities, we plan to expand both our manufacturing facilities and our marketing capabilities. This scale-up is

currently being coordinated with our vendors and its completion will be timed to satisfy customer demand.

While we have been forecasting product revenues from our customers, we have taken longer than expected to get to the point of significant revenues, compared to our expectations. That said, the significant contributors of these forecasts remain customers and we are confident in their ability to execute on their business plans. We continue to build a stronger portfolio of customer opportunities to reduce the dependence on individual customers as shown in our current customer pipeline chart above.

As we work through commercialization and recurring kit sales to the customers at the top of this chart we expect to continue advancing active and target customers in the sales pipeline. These targets include a mix of large pharma, pharma, large biotech and diagnostic customers from a variety of sectors.

We further expect that we will see recurring kit sales in our pharmaceutical market. We plan to deliver on existing customer requirements and to complete the development of products for our new customers which will lead to the on-going sales of kits.

Our sales and business development work with target customers in our diagnostic segment continues to expand. We have been successful in advancing several of these opportunities. Specifically, we are targeting companies that have a mix of novel and routine single-plex biomarkers, all in panels in the range of 5 to 10 plexes, a mix of existing and known testing volumes with an internal (CLIA) testing capability as well as novel tests with very large market potential.

During the 2017 fiscal year, we announced a technology development partnership and licensing deal with the Multiphysics Research Group (MURG) within the Faculty of Engineering at McMaster University in Hamilton, Ontario. This technology would give SQI a new product to address new markets. Primarily this means the use of test kits run on small, easy-to-use devices at the point of testing. In this case, point of testing means, testing that is done at the point of care such as a doctor's office, in emergency room, surgery, or hospital clinics. However, SQI also believes that this technology could be a very cost-effective tool for research labs, and, more importantly, provide global opportunities where the cost of capital and test kits of existing diagnostic technologies is not practical in most of these markets. This would likely take the form of a small, portable reader, costing between $5,000 and $10,000 with single use, multi-result chips for applications – ranging from infectious disease tests to biomarker tests that include: Alzheimer's panels, cancer immunology markers, allergy panels and transplantation health status panels.

This technology is coming out of an academic engineering group and while it has shown exciting early-stage proof-of-principle performance, there is a lot of work to do before this product becomes commercially viable. SQI management is evaluating the technology and will determine the feasibility to commercialize, as well as the best applications and markets and the possible opportunities to out-license. We are off-setting our investment to get to a proof-of-concept and commercial viability having received an Ontario Centres of Excellence grant to assist in the early stage evaluation and development of the technology and have been actively assisting the MURG to win additional funding from organizations such as NSERC (Natural Science and Engineering Research Council of Canada).

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

We produce and market best-in-class platforms, which use our customized consumable kits to create multiple recurring revenue streams that will be both high in volume and high in margin.

This value proposition is consistent across all our target markets. We significantly reduce both human labour and cost while delivering superior quality tests via "multiplexing" and automation.

This, in turn, creates a widening circle of benefits: it significantly reduces the effort to validate many different tests, and reduces the consumption of limited and very valuable blood samples. This enables our customers to run many different tests using 95% less blood.

Our unique multiplexing capabilities not only serve the testing market, they help grow it. Pharmaceutical, biotechnology and diagnostic companies can now expand their testing in a major way by delivering more tests and creating more data at a lower cost. In addition, our automated systems are used to run SQI tests "hands-free", providing complete data analysis, which is seamlessly reported to our customers' data management systems. Our scientists are developing many different highly technical products within timeframes and at levels of performance that have repeatedly exceeded our customers' expectations. This, too, will accelerate the expansion of the testing market as a whole.

Once SQI's technology and products have been embedded within the drug development protocols of our customers, we fully expect that their commitment will be long term and our base revenue streams secure, since changing FDA-approved protocols is both expensive and complicated.

We also strongly believe that, as our customers become familiar with their installed SQI platforms and the many benefits that come from them, we will be able to aggressively leverage these relationships for new and enhanced market-development opportunities.

CORPORATE FINANCING TRANSACTIONS

On December 15, 2015 and December 21, 2015, the Company completed a non-brokered private placement of an aggregate of 7,630,945 units of the Company at $0.40 per unit for gross proceeds of $3,052,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.52 and entitles the holder thereof to acquire one common share for a period of three years from the date of issuance. The proceeds from the issuance of units are allocated between capital stock and warrant capital based on their relative fair values, with $1,183,000 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 $0.30; dividend yield 0%; risk free interest 0.54%; volatility 125%; and an expected life of 3 years. Expected volatility is based on historical volatility. The total share issuance costs were $32,000.

On August 16, 2016, the Company completed a Rights Offering (the "Offering") of 11,557,833 shares for gross proceeds of $3,121,000. Under the terms of the Offering one right was offered for every six common shares held as at July 21, 2016. Each right entitled the holder to acquire one common share at a price of $0.27 per share. The total share issuance costs were $68,000.

On March 10, 2017, the Company completed a non-brokered private placement of an aggregate of 22,970,000 units of the Company at $0.16 per unit for gross proceeds of $3,675,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.21 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances. The proceeds from the issuance of units are allocated between capital stock and warrant capital based on their relative fair values, with $1,631,000 being allocated to warrant capital. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.16; dividend yield 0%; risk free interest 1.15%; volatility 120%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $55,000.

On January 14, 2016, the Company extended the expiry of 2,965,000 warrants that were issued in connection with a private placement in January 2014 with an exercise price of $0.65. The warrants were amended to extend the term of such warrants until January 26, 2017. All other provisions of the warrants remain the same. Accordingly, $239,000 was recorded in warrant capital with a corresponding reduction in contributed surplus in fiscal 2016. In addition, 296,500 warrants with an expiry of January 26, 2016 expired unexercised and $95,000 was transferred to contributed surplus in fiscal 2016. On January 13, 2017, the Company further amended the warrants

to extend the expiry until January 26, 2019. All other provisions of the warrants remain the same. Accordingly, $129,000 was recorded in warrant capital with a corresponding reduction in contributed surplus in fiscal 2017.

On March 14, 2016, the Company extended the expiry of 8,400,000 warrants that were issued in connection with a public offering in April 2014 at an exercise price of $0.65. The warrants were amended to extend the term of such Warrants until April 10, 2019, subject to certain accelerated expiry conditions. All other provisions of the warrants remain the same. Accordingly, $1,484,000 was recorded in warrant capital with a corresponding reduction in contributed surplus in fiscal 2016. In addition, 588,000 warrants with an expiry of April 10, 2016 expired unexercised and $191,000 was transferred to contributed surplus in fiscal 2016.

On October 25, 2016, 2,276,000 warrants issued in October 2011 in connection with a private placement with an exercise price of $2.50, having reached the maximum term allowable under TSX Venture rules, expired unexercised. Accordingly, $1,410,000 was transferred from warrant capital to contributed surplus in fiscal 2017.

Pursuant to the terms of the warrant agreement and as a result of the rights offering the exercise price of 16,695,000 warrants (including those noted above) were adjusted from $0.65 to $0.64. After the adjustment each whole warrant is exchangeable into 1.015625 common shares.

Pursuant to the terms of the warrant agreement and as a result of the rights offering the exercise price of 3,560,000 warrants were adjusted from $0.60 to $0.59. After the adjustment each whole warrant is exchangeable into 1.015625 common shares.

SELECTED FINANCIAL INFORMATION

The table below summarizes annual financial information for the fiscal years ended September 30, 2017 and 2016.

	Year ended September 30, 2017 (000s)	Year ended September 30, 2016 (000s)
Revenue	$ 968	$ 1,421
Net Loss	$ 5,929	$ 5,039
Net Loss Per Share	$ (0.06)	$ (0.07)
Weighted Average Shares	93,806	69,233

Revenue for the year ended September 30, 2017 was $968,000 versus $1,421,000 for the year ended September 30, 2016. In fiscal 2017 we continued to make commercial progress with our customers, albeit at a slower rate than originally anticipated. There was a decrease in service revenue as our customer activities transitioned from development projects into product validation in advance of commercial purchases. Kit sales during validation studies have, as expected, been small but we expect will grow as the projects advance into commercial use. Revenue for fiscal 2016 included the sale of two sqid**lite** platforms and the sale of consumable test kits as well as service fees from our global pharmaceutical and diagnostic customers for development.

The net loss for the year ended September 30, 2017 was $5,929,000 ($0.06 net loss per share) as compared to $5,039,000 ($0.07 net loss per share) for the year ended September 30, 2016. The increase in net loss for the year ended September 30, 2017 compared with the loss for the year ended September 30, 2016 is a result of the decreased fourth quarter revenues, increased sales and marketing fees and increased research and development costs.

Research and development ("R&D") costs, excluding amortization and stock based compensation were $3,030,000 for the year ending September 30, 2017 compared to $2,786,000 for the year ending September 30, 2016. In fiscal 2017, R&D efforts were focused on development work for customer projects in our Pharma and diagnostic businesses. R&D costs were higher for fiscal 2017 as compared to fiscal 2016 due to additional personnel costs including specialized scientific professionals hired in 2016 to achieve customer goals. Research and development expenditures focused on two customer projects, the xPlex product development as well as an internal development

project that, if successful, will significantly reduce our overall consumable kit costs. Also, R&D expenditures were reduced in 2016 by SR&ED investment tax credits of $360,000 which represented tax credits claimed for the 2014 and 2015 tax years. R&D expenditures in 2017 were offset by SR&ED investment tax credits of $229,000 related to the 2016 tax year.

Corporate and general expenses include salaries and related expenses (including benefits and payroll taxes); general and administrative expenses; and professional consulting (legal, accounting, Board of Directors compensation, recruiting, administrative contractor, and investor relations) costs.

Corporate and general expenses excluding stock-based compensation totalled $1,332,000 for the year ended September 30, 2017 and $1,503,000 for the year ended September 30, 2016. Corporate and general expenses are lower over the comparable periods due to reduced administrative personnel costs and lower professional fees.

Sales and marketing expense was primarily related to sales and marketing staff compensation and to travel related to selling activities. Sales and marketing expenses, excluding stock based compensation, totalled $1,067,000 for the year ended September 30, 2017 compared to $685,000 for the year ended September 30, 2016. The increase in sales and marketing costs is a result of the addition of two sales contractors in fiscal 2017 as well as the payment of retention bonuses.

Fourth Quarter Commentary

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

	September 30, 2017 (000s)	June 30, 2017 (000s)	March 31, 2017 (000s)	December 31, 2016 (000s)
Revenue	$ 126	$ 176	$ 251	$ 415
Net Loss	$ 1,536	$ 1,607	$ 1,289	$ 1,497
Net Loss Per Share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)
Weighted Average Shares	103,875	103,875	86,520	80,905

	September 30, 2016 (000s)	June 30, 2016 (000s)	March 31, 2016 (000s)	December 31, 2015 (000s)
Revenue	$ 709	$ 235	$ 280	$ 197
Net Loss	$ 1,248	$ 1,446	$ 987	$ 1,358
Net Loss Per Share	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.02)
Weighted Average Shares	75,126	69,347	69,347	63,115

Revenue for the three months ended September 30, 2017 was $126,000 compared to $709,000 for the same period last year. The revenues for the three months ended September 30, 2016 included the sale of two sqid**lite**™ platforms. The sale of the platform announced in July of 2017 has not been recorded for accounting purposes as accounting rules require the completion of certain validation and training activities. The platform was delivered in the fourth quarter of 2017 and customer validation testing has pushed the recognition of platform revenue to the first quarter of fiscal 2018.

Service revenue was down significantly quarter-over-quarter as our large DNA customer has shifted to the validation stage and requires limited development work.

For the quarter, the Company recorded a net loss of $1,536,000 ($0.01 net loss per share) as compared to the net loss of $1,248,000 ($0.02 net loss per share) for the quarter-ended September 30, 2016. Per share values are based on the weighted average shares outstanding in the relevant period. For the quarter-ended September 30, 2017, there was an average of 103,875,000 shares outstanding.

The increase in net loss for the three months ended September 30, 2017 compared to same periods in the year prior is primarily a result of lower sales in the fourth quarter of fiscal 2016 vs fiscal 2017.

R&D expenditures, excluding amortization and stock based compensation, for the three months ended September 30, 2017 were $757,000 compared to $775,000 for the same period last year. The decrease in R&D expenditures in the three-month period ended September 30, 2017 is a result of lower personnel costs as the company searched for a new head of Research and Development. The search was successfully concluded in August and the Chief Scientific Officer started in October of 2017. These lower personnel costs partially offset increased costs in the completion and validation of two key customer projects.

Corporate and general expenses excluding stock-based compensation, totaled $383,000 for the three months ended September 30, 2017 as compared to $360,000 for the three months ended September 30, 2016. Corporate and general expenses are higher over the comparable periods due to a loss on sale of certain equipment. This increase in expenses was partially offset by lower administrative personnel costs and lower professional fees.

Sales and marketing expenses were primarily related to sales and marketing consultant fees and to travel in the quarter. Sales and marketing expenses, excluding stock based compensation, totaled $258,000 for the three months ended September 30, 2017 compared to $200,000 for the three months ended September 30, 2016. Sales and marketing expenses were higher for the three months ended September 30, 2017 compared to the same period in the previous year, primarily due the addition of sales and customer service personnel.

Non-cash stock based compensation charges totaled $51,000 for the three months ended September 30, 2017 (fiscal 2017 - $265,000) compared to $63,000 for the three months ended September 30, 2016 (fiscal 2016 - $165,000). The related stock option issuances are detailed later in this document.

Sources and Uses of Cash

Management expects investments to continue in product development and commercialization efforts for its pipeline of custom Ig_plex consumable kits, new xPlex products and platforms, and sales and marketing initiatives into 2018.

The Company has sufficient liquidity to meet its current obligations as they come due. The continuation of the Company's research, development and commercialization activities is dependent upon the Company's ability to generate product or service revenues or to finance its operations through further equity and or debt financings. 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 year ended September 30, 2017, were financed by cash on hand and from financing initiatives closed during the period. In March of 2017, the Company completed a non-brokered private placement of Units for gross proceeds of $3.7 million.

At September 30, 2017, current assets were $2,414,000 compared to $4,244,000 at September 30, 2016. As at September 30, 2017, the Company had working capital of $1,919,000 compared to working capital of $3,420,000 at September 30, 2016.

Cash used in investing activities for the quarter-ended September 30, 2017 was $67,000 (Fiscal 2017 - $211,000) compared to $49,000 for the three months ended September 30, 2016 (Fiscal 2016 - $277,000). The Company continues to critically evaluate all capital asset purchases and is continually evaluating all patent and trademark expenditures. Investing activities were focused on maintaining the Company's patent and trademark portfolio, strategic laboratory equipment purchases and upgrading computer equipment.

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, 2017, 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 on, 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

Uncertain Future Capital Needs and Additional Financing

We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements for approximately the next two months. As such, we will need to raise additional capital to:

- maintain our current operations to address custom prototype projects and to deliver on contracts currently in place;
- expand the commercialization of our products;
- manufacture SQI platforms and products; and
- further our research and development.

Our future liquidity and funding requirements are uncertain and depend on many internal and external factors.

If we raise additional funds by issuing equity securities, our shareholders may experience dilution. Debt financing, if available, may involve further covenants, pledges and restrictions. Any debt or additional equity financing may contain terms that are not favourable to us or our shareholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favourable to us.

If we do not have, or if we are unable to obtain additional funds on acceptable terms on a timely basis, or at all, we may have to delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may have to liquidate some or all of our assets, reduce the scope of or eliminate some or all of our development programs, reduce marketing, customer support or other resources devoted to our products, or cease operations. Any of these factors could harm our business, financial condition and results of operations.

History of Losses

We have limited commercial history and have incurred significant losses in each fiscal year since inception. As of September 30, 2017, we had an accumulated deficit of $79.4 million. These losses have resulted principally from costs incurred in our research and development programs and from our sales, general and administrative expenses. Because of the numerous risks and uncertainties associated with our commercialization efforts and future product development, there is risk associated with the timing of achieving profitability, and we may never become profitable.

Market Competition

The markets for our products are characterized by rapidly changing technology, evolving industry standards, changes in customer needs, emerging competition, new product introductions and strong price competition. We compete with both established and development stage companies, universities, research institutions, governmental agencies and healthcare providers that design, manufacture and market similar diagnostic products, many of whom have significantly greater financial and human resources, research, development and marketing capabilities, intellectual property and name recognition than the Company.

We anticipate that we will face increased competition in the future as existing companies and competitors develop new or improved products and as new companies enter the market with new technologies, which is likely to result in pricing pressures, which could harm our sales, profitability or market share. Our failure to compete effectively could materially and adversely affect our business, financial condition and results of operations.

Market Acceptance of Products

Our success depends, in part, upon our ability to develop and market products that are recognized and accepted as reliable, accurate, timely and cost effective by physicians, lab technicians and administrators. Most of our potential customers already use expensive diagnostic products and systems in their laboratories and may be reluctant to replace those systems. Market acceptance of our products and technologies will depend upon many factors, including our ability to provide a broad menu of tests to potential customers, and our ability to convince potential customers that our systems are an attractive cost- and time-saving alternative to existing technologies. Compared to most competing technologies, our microarray assay technology is relatively new, and most potential customers have limited knowledge of, or experience with, our products. Prior to adopting our microarray assay technology, some potential customers may need to devote time and effort to testing and validating our systems. Any failure of our systems to meet these customer benchmarks could result in customers choosing to retain their existing systems or to purchase systems other than ours.

Complex Regulatory Compliance Requirements

We operate in a highly regulated industry and we are subject to the authority of certain regulatory agencies, including Health Canada, Centers for Medicare & Medicaid Services (CMS) and the FDA. As we enter new markets (e.g., Europe), we may become subject to additional regulatory requirements from applicable health authorities. These requirements encompass the design, development, testing, supply chain management, manufacturing, marketing and sale of our diagnostic products. Failure to maintain regulatory certification of our quality system or failure of our manufacturing facilities to

meet regulatory standards could materially affect our ability to manufacture or market our products successfully, and could therefore have a material adverse effect on our business.

Additionally, the authority of the regulatory agencies or the application of certain regulations may be expanded or otherwise changed in such a manner that would place additional regulatory burdens on us or our customers. Such a change in our industry could have a material adverse effect on our business.

Rapidly Changing Technology and Customer Requirements

The field of diagnostics is characterized by rapidly changing and developing technologies that include new products that could render our diagnostic processing equipment and consumable tests obsolete at any time, and thereby adversely affect our financial condition and future prospects. Our success depends upon our ability to anticipate changes in technology and customer requirements and develop new products with improved performance and cost effectiveness in existing and new markets.

Developing and marketing new products and services will require us to incur substantial development costs, and we may not have adequate resources available to be able to successfully introduce new versions of, or enhancements to, our products. While we plan to continue to make improvements to our diagnostic processing equipment and consumable tests, we may not be able to successfully implement these improvements. Even if we successfully implement some or all of these improvements, we cannot guarantee that potential customers will find our enhanced products to be an attractive alternative to existing technologies, including our current products.

Research and Development Activities

New diagnostic products, and improvements to existing diagnostic products, require significant research, development, testing and investment prior to any final commercialization. Our business depends on the continued development and improvement of our existing products, our development of new products to serve existing markets and our development of new products to create new markets and applications that were previously not practical with existing systems. We believe that the adoption of our platform by potential customers depends, in part, upon our ability to provide a broad menu of tests to potential customers.

We intend to devote significant personnel and financial resources to research and development activities designed to advance the capabilities of our diagnostic technology and, in the case of our IVD business, to obtain regulatory approval of additional tests. In the past, our product development projects have been delayed. We may have similar delays in the future, and we may not obtain any benefits from our

research and development activities. Any delay or failure by us to develop new products, to receive applicable regulatory clearances or approvals, produce the products in commercial quantities at reasonable costs, successfully market the products, or to enhance existing products would have a material adverse effect on our business and results of operations.

Our long-term success must be considered in light of the expenses, difficulties and delays frequently encountered in connection with the development of new technology and the competitive and highly regulated environment in which we operate.

Marketing and Distribution

As we are in the early stages of commercializing and marketing our products, we have limited experience in marketing, selling and distributing our products. We intend to market, sell and distribute our products directly through our own sales force in North America, Europe and elsewhere. Our future sales will depend in large part on our ability to develop and substantially expand our direct sales force and to increase the scope of our marketing efforts.

Our products are technically complex and used for specialized applications. As a result, we believe it is necessary to develop a direct sales force that includes people with specific scientific backgrounds and expertise and a marketing group with technical sophistication. Competition for such employees is intense. We may not be able to attract and retain personnel, or be able to build an efficient and effective sales and marketing force, which could negatively impact sales of our products, and reduce any future revenues and profitability.

If our sales, marketing and distribution efforts are not successful, our technologies and products may not gain market acceptance, which would materially impact our business operations.

Reliance on Key Suppliers

We rely on key suppliers for certain components and materials used in our platform technologies, including our sqidworks, sqid**lite** and sqid-X diagnostic platforms and our microarrays. We do not have agreements with these key suppliers to supply us with components in the future. The loss of any of these key suppliers would require significant time and effort to locate and qualify an alternative source of supply. There are a limited number of suppliers who can manufacture the highly specialized equipment that forms a part of our systems. In addition, any change in any component that forms a part of our systems will require additional testing to ensure that it performs in a substantially similar manner to the existing component. Any interruption or delay in the supply of components or materials, or our inability to obtain components or materials from alternate sources at acceptable prices in a timely

manner, could impair our ability to meet the demand of our strategic partners and future customers.

Legislative or Regulatory Change

The healthcare regulatory environments in the jurisdictions in which we operate and plan to operate may change in a way that restricts our ability to market our diagnostic testing products. In some situations, sales of our diagnostic systems will depend, in part, upon the extent to which the costs to patients of such tests are paid by health maintenance, managed care, and similar healthcare management organizations, or reimbursed by government health payor administration authorities, private health coverage insurers and other third party payors.

Key Personnel

Our performance depends substantially upon the performance of our senior management and key scientific and technical personnel, including our Chief Executive Officer, Andrew Morris, and our Chief Scientific Officer, Dr. Eric Brouwer. If we are unable to attract and retain skilled and experienced personnel, or if we lose the services of any member of our senior management or our key scientific or technical staff, it could have a material adverse effect on our business, financial condition and results of operations.

Development or Manufacturing Delays

We have been developing our core technologies in our facilities in Toronto, Canada, which we believe has adequate space to expand the manufacturing capacity to our expected needs for the foreseeable future. However, we may encounter unforeseen situations at this facility that may result in delays or shortfalls in our development and production. In addition, our development and production processes and assembly methods may have to change to accommodate any significant future expansion of our manufacturing capacity. If we are unable to keep up with development of or demand for our products, our revenue could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors' products. Our inability to successfully manufacture our products would have a material adverse effect on our business, financial condition and results of operations.

Unknown Defects or Errors

Our products utilize complex technology applied on a small scale, and our systems may develop or contain undetected defects or errors. As our production levels increase, material performance problems, defects or errors could arise. The costs incurred in correcting any defects or errors may be substantial and could adversely affect our operating margins.

In manufacturing our products, we depend upon third parties for the supply of various components. Many of these components require a significant degree of technical expertise to produce. If our suppliers fail to produce components to specification, or if defective materials or workmanship are used in the manufacturing process, the reliability and performance of our products will be compromised. The occurrence of any one or more of the foregoing could negatively affect our business, financial condition and results of operations.

Foreign Exchange Fluctuations

We expect that a significant portion of our future revenues will be denominated in U.S. and European currencies, and, therefore, we will be subject to fluctuations in exchange rates. There is a risk that significant fluctuations in exchange rates would negatively affect our operating margins and would therefore have an adverse effect on our future results of operations.

Risks Related to Intellectual Property

Intellectual Property Protection

Our commercial success depends, in part, upon our ability to protect our intellectual property and proprietary technologies. We rely on patent protection, where appropriate and available, as well as a combination of copyright, trade secret and trademark laws, and nondisclosure, confidentiality and other contractual restrictions to protect our proprietary technology. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Our pending Canadian, U.S. and foreign patent applications may not issue as patents or may not issue in a form that will be sufficient to protect our proprietary technology and gain or keep our competitive advantage.

We may be involved in litigation or other proceedings to protect or enforce our patents and proprietary rights, to determine the scope, coverage and validity of others' proprietary rights, or to defend against third party claims of intellectual property infringement, and the cost to the Company of any litigation or other proceedings, even if resolved in our favour, could be substantial.

Risks Related to *Our* Common Shares

Volatility of Share Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or

prospects of such companies. As a result, the market price of our common shares at any given point in time may not accurately reflect the long-term value of the Company.

Active Market

There can be no assurance that an active market for the common shares will develop or be sustained. If an active public market for the common shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Dividends

To date, we have not paid any dividends and do not expect to do so in the foreseeable future. We currently intend to retain all future earnings for the operation and expansion of our business.

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.

We are exposed to market risks related to changes in interest rates and foreign currency exchange rates, which could affect the value of our current assets and liabilities. We do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our cash investment, due to the prime-interest-rate-based nature of the investment.

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

Management will continue to review the Company's financial needs and to seek additional capital as required from sources that may include equity financing, debt financing, collaborative projects and licensing arrangements; however, there can be no

assurance that such additional funding will be available or if available, whether acceptable terms can be obtained. To date, we have mitigated our financing risks through the on-going financial support of three key insider shareholders who have invested in the success of the Company.

Outstanding Capital Stock

As at November 16, 2017, there were 103,874,836 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 November 16, 2017:

Number of Warrants (in thousands)	Exercise Price	Maturity
5,126	$1.10	May 2018
16,695	$0.64	July 2018 - April 2019
3,560	$0.59	January and February 2020
7,631	$0.52	December 2018
22,970	$0.21	March 2020
55,982		

The Company had the following stock options outstanding under the Plan at November 16, 2017:

Number of Options (in thousands)	Range of Exercise Prices
3,820	$0.16 – 0.39
710	$0.40 – 0.69
365	$0.70 – 0.75
4,895	

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 include the following:

Revenue Recognition

Revenue from services rendered is recognized by reference to the stage of completion.

Revenue from the sale of goods is recognized when persuasive evidence of an agreement exists, significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the sale of products with a one year warranty, is recognized when the terms and conditions of sale are agreed upon and when shipping, training and installations services are complete. Sales are recorded net of discounts and sales returns.

Deposits from customers on the purchase of SQI platforms which have not yet been delivered to the customer are recognized as deferred revenue.

Intangible Assets

Patents and trademarks comprise costs, including professional fees, incurred in connection with the creation and filing of patents and registration of trademarks related to the Company's core technology and trademarks. The costs relating to initial patent and trademark fees are deferred and amortized over 10 years on a straight-line basis. Patents and trademarks are recorded net of impairment losses, if any.

Research costs are charged to operations in the period in which they are incurred. Development costs are deferred if they meet the criteria for deferral under IFRS where; the product or process is clearly defined and the costs attributable thereto can be identified, the technical feasibility has been established, management has indicated its intention to produce and market the product, the future market is clearly defined, adequate resources are available, and recovery of development costs can reasonably be regarded as assured and are expected to provide future benefits with reasonable certainty. Deferral criteria have not been met, and accordingly, all development costs have been expensed in the year.

Stock-Based Compensation and Other Stock-Based Payments

The Company offers a share option plan for its directors, officers, and employees. The fair value of stock-based payment awards granted is recognized as an expense with a corresponding increase in contributed surplus. The Company grants stock options with multiple vesting periods, with each vesting period being treated as a separate tranche and considered a separate grant for the calculation of fair value. Fair value is calculated using the Black-Scholes option pricing model and the resulting fair value is amortized over the vesting period of the respective tranches. In addition, stock-based compensation expense recognized reflects estimates of award forfeitures with any change in estimate there of reflected in the period of the change. Consideration received upon the exercise of stock options is credited to capital stock at which time the related contributed surplus is transferred to capital stock.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets for unused tax losses, investment tax credits ("ITCs") and deductible temporary differences are recorded in the financial statements to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates. The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements

(i) Inventory

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

(ii) Property and Equipment and Patents and Trademarks

Measurement of property and equipment and patents and trademarks involves the use of estimates for determining the useful lives for amortization of property and equipment and patents and trademarks. Among other factors, these judgments are based on industry standards, manufacturer's guidelines and company-specific history and experience.

(iii) Impairment of non-financial assets

Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset, or an asset of a CGU, is impaired. The assessment of these factors, as well as the determination of a CGU, is based on management's judgment. Management has assessed SQI Diagnostics Inc as one CGU and considers factors such as whether an active market exists for the output produced by the assets as well as other market factors to determine if an asset is impaired.

(iv) Stock-based compensation and warrants

The Company uses an option pricing model to determine the fair value of stock-based compensation and warrants. Inputs to the model are subject to various estimates relating to volatility, interest rate and expected life of the instrument. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of stock-based compensation.

(v) Deferred tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future deductible temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on deferred tax assets and liabilities. Currently, the Company has deductible temporary differences which would create a deferred tax asset. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. To date, the Company has determined that none of its deferred tax assets should be recognized. The generation of future taxable income could result in the recognition of some or a portion or all of the remaining benefits, which could result in an improvement in the Company's results of operations through the recovery of future income taxes.

(vi) Secured debentures

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the value of the secured debentures and the related warrants.

RECENT ACCOUNTING PRONOUNCEMENTS

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

IFRS 9 "Financial Instruments" was issued in final form in July 2014 by the IASB and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

IFRS 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the

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

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

Disclosure Controls and Procedures, and Internal Control Over Financial Reporting

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

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

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

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

(b) designed such ICFRs, or caused them to be designed under supervision, to provide reasonable assurance regarding the

reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;

(c) evaluated the design and effectiveness of the Company's DC&Ps as of September 30, 2017;

(d) have concluded that a material design weakness in the ICFRs may exist in terms of the inadequate segregation of certain duties, which is typical of development stage companies; mitigating factors, including dual-payment authorization policies and transparent internal financial transaction reporting processes, serve to minimize the risk that such design weakness could result in a material misstatement of results for the year-ended September 30, 2017; 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:

ADA: Anti-drug antibodies, an immune response to administered therapeutics which are an interest for both drug efficacy and safety

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

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

DDTS: Drug Development Tools and Services

EMA: European Medicines Agency

Epitope mapping: Testing used to identify specific immunogenic regions in a drug candidate

FDA: U.S. Food and Drug Administration

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

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

PK: Pharmacokinetics – the rate at which a drug is metabolized in a patient; used to better design dosing regimens, among other things

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