SQI Diagnostics Inc.

Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended September 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SQI Diagnostics Inc.

Opinion

We have audited the consolidated financial statements of SQI Diagnostics Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that SQI Diagnostics Inc. has a history of net losses and negative cash flows from operations, which are expected to continue in the near term. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt regarding the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Danny Tomassini.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 25, 2022
Toronto, Ontario

SQI Diagnostics Inc.
Consolidated Statements of Financial Position
(Amounts are in thousands of Canadian dollars)

	As at September 30, 2021	As at September 30, 2020
Assets		
Current assets		
Cash	**$2,295**	$2,596
Accounts receivable	**204**	477
Prepaids and other assets	**241**	231
Inventory (Note 5)	**898**	364
	3,638	3,668
Non-current assets		
Property and equipment (Note 6)	**2,658**	1,180
Intangible Assets (Note 8)	**391**	384
Right-of-use assets (Note 7)	**2,377**	2,838
Total assets	**$9,064**	$8,070
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$2,474**	$1,041
Contract liabilities	**237**	196
Lease obligations (Note 7)	**241**	228
	2,952	1,465
Non-Current liabilities		
Lease obligations (Note 7)	**2,382**	2,731
Secured debentures (Note 10)	**2,204**	2,148
Total liabilities	**7,538**	6,344
Shareholders' Equity		
Capital stock (Note 11)	**85,908**	71,870
Warrants (Note 12)	**5,603**	10,371
Contributed surplus	**23,987**	22,900
Deficit	**(113,972)**	(103,415)
Total equity	**1,526**	1,726
Total liabilities and equity	**$9,064**	$8,070

Going concern (Note 2)
Subsequent events (Note 23)

Approved by the Board **"Clive Beddoe"** Director **(Signed)** **"Andrew Morris"** Director **(Signed)**

SQI Diagnostics Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Amounts are in thousands of Canadian dollars except per share amounts)

	Year Ended	
	September 30, 2021	September 30, 2020
Revenue		
Services revenue	**$455**	$357
Product sales	**462**	666
	917	1,023
Expenses		
Cost of products sold	**150**	232
Corporate and general (Note 15)	**2,483**	3,102
Sales and marketing (Note 16)	**742**	1,004
Research and development (Note 17)	**7,581**	4,577
Interest and accretion expense (Notes 7 and 10)	**518**	679
	11,474	9,594
Net loss and comprehensive loss	**$(10,557)**	$(8,571)
Loss per share		
Basic and diluted	**$(0.03)**	$(0.03)
Weighted average number of common shares outstanding (thousands of shares)	**338,454**	266,943

SQI Diagnostics Inc.

Consolidated Statements of Changes in Equity

(Amounts are in thousands of Canadian dollars)

	Issued Capital Stock					
	Number of Shares (thousands of shares)	**Amount**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance as at September 30, 2019	231,341	$64,729	$11,827	$19,817	$(94,844)	$1,529
Issued in connection with private placement (Note 11a, 11b, 11c)	45,444	4,100	-	-	-	4,100
Allocated to warrants – private placement (Note 11b, 11c)	-	(1,795)	1,795	-	-	-
Share issuance costs (Note 11b, 11c, 11e, 11g)	-	(78)	(21)	-	-	(99)
Options exercised (Note 11d, 11f)	266	77	-	(34)		43
Warrants exercised (Note 11e, 11g)	31,044	4,837	(1,314)	-	-	3,523
Warrants issued (Note 10)			345	-		345
Warrants expired (Note 12)	-	-	(2,261)	2,261	-	-
Stock-based compensation (Note 14)	-	-	-	856	-	856
Net loss and comprehensive loss	-	-	-	-	(8,571)	(8,571)
Balance as at September 30, 2020	308,095	$71,870	$10,371	$22,900	$(103,415)	$1,726
Share issuance costs (Note 11h, 11i, 11j, 11k, 11l)	**-**	**(737)**	**-**	**-**	**-**	**(737)**
Options exercised (Note 11k)	**1,523**	**816**	**-**	**(363)**	**-**	**453**
Warrants exercised (Note 11h, 11i, 11j, 11l)	**52,912**	**13,959**	**(3,497)**	**-**	**-**	**10,462**
Warrants expired (Note 12)	**-**	**-**	**(1,271)**	**1,271**	**-**	**-**
Stock-based compensation (Note 14)	**-**	**-**	**-**	**179**	**-**	**179**
Net loss and comprehensive loss	**-**	**-**	**-**	**-**	**(10,557)**	**(10,557)**
Balance as at September 30, 2021	**362,530**	**$85,908**	**$5,603**	**$23,987**	**$(113,972)**	**$1,526**

See accompanying notes

SQI Diagnostics Inc.
Consolidated Statements of Cash Flows
(Amounts are in Canadian dollars; tabular amounts in thousands)

	Year Ended	
	September 30, 2021	September 30, 2020
Cash flows from (used in) operating activities		
Net loss	**$(10,557)**	$(8,571)
Add items not affecting cash		
Amortization – intangible assets	**124**	124
- property and equipment	**277**	299
- right-of-use assets	**352**	377
Stock-based compensation	**179**	856
Write down of inventory	**-**	250
Write down of patents	**-**	3
Bad debts	**-**	26
Accretion on debentures	**56**	161
Gain on disposal of property and equipment	**(26)**	-
	(9,595)	(6,475)
Changes in non-cash working capital items		
Accounts receivable, prepaids, and other assets	**263**	(433)
Inventory	**(589)**	(3)
Accounts payable and accrued liabilities	**1,433**	92
Contract liabilities	**(157)**	(142)
Cash used in operating activities	**(8,645)**	(6,961)
Cash flows used in investing activities		
Purchase of property and equipment	**(1,504)**	(151)
Proceeds on disposal of property and equipment	**26**	
Additions to intangible assets	**(131)**	(30)
Additions to right of use assets	**-**	(1)
Cash used in investing activities	**(1,609)**	(182)
Cash flows from (used in) financing activities		
Proceeds from issuance of shares net of share issuance costs	**10,180**	7,568
Repayment of debenture	**-**	(1,000)
Lease obligation	**(227)**	(273)
Cash from financing activities	**9,953**	6,295
Net change in cash during the year	**(301)**	(848)
Cash at beginning of year	**2,596**	3,444
Cash at end of year	**$2,295**	$2,596
Non-cash investing activities		
Equipment transferred from inventory and segregated for use by the company	**$55**	$100
Right-of-use assets acquired	**-**	11
Reacquisition of instruments	**198**	-
Supplemental information		
Cash interest paid	**222**	354

1. NATURE OF OPERATIONS

SQI Diagnostics Inc., (the "Company"), is incorporated under the *Canada Business Corporations Act*, is listed on the TSX Venture Exchange (the "TSXV") under the symbol SQD and trades on the OTCQB under the symbol SQIDF. The Company's head office and development centre is located at 36 Meteor Drive Toronto, Ontario. The Company is a life sciences company that develops and commercializes proprietary technologies and products for advanced multiplexing diagnostics. The Company's goal is to become a leader in the development and commercialization of multiplexed blood tests to enable simultaneous measurement of important molecules like proteins, antibodies and inflammatory biomarkers.

The Company is now expanding its business model into the rapid diagnostic testing market. Initially, we will be focusing on three business units targeting organ transplant, autoimmune disease and serological testing. Under serological testing, we have an immediate priority to commercialize our developmental EXACT COVID-19 Antibody Test Kit and the RALI-Dx™ and RALI-fast™ Point-of-Care (POC) Tests, to triage COVID-19 patients for respiratory distress.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). Our accounting policies have been applied consistently within our consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors on January 24, 2022.

Basis of Presentation and Going Concern

The consolidated financial statements have been prepared using the historical cost basis and have been prepared on a going concern basis that presumes the realization of assets and the discharge of liabilities in the normal course of business.

Since inception, the Company has focused on product research, development and more recently on commercialization activities. The Company has a history of net losses and negative cash flows from operations, which are expected to improve in calendar year 2022 based on Management's internal forecast.

The Company's ability to continue as a going concern and execute on its research, development and commercialization activities is dependent upon the Company's ability to successfully generate product or service revenues, or to finance its cash requirements through further equity and/or debt financings.

Based on the foregoing, the Company will continue to pursue commercial sales, strategic partnering activities and funding opportunities, however, no assurances can be given that it will be successful in generating revenues, or raising additional investment capital to generate sufficient cash flows to continue as a going concern. As a result, these material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

2. BASIS OF PRESENTATION (continued)

Impact of COVID-19 on Our Results:

During the year, the Company's kit sales related to lung transplant research were negatively impacted as the number of lung transplants performed at UHN declined due to COVID-19. .

During the year ended September 30, 2021, the Company participated in the Canada Employment Wage Subsidy program, where payments of $1,085,000 received under this program served to partially offset employee wages during the period. Additionally, management continued to implement other cost reduction initiatives to conserve cash, without impacting critical R&D and manufacturing programs.

Basis of Consolidation

The consolidated financial statements are expressed in Canadian dollars with all amounts being reported in thousands of dollars except for per share data.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, SQI Diagnostics Systems Inc. & SQI US Inc. The Company's functional and presentation currency is Canadian dollars. The functional currencies of its two subsidiaries, SQI Diagnostics Systems Inc and SQI US Inc., are the Canadian and U.S. dollars, respectively.

Inter-company balances and transactions are eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Inventory

Inventory is valued at lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Net realizable value is the estimated selling price less estimated cost of completion.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Property and equipment are initially recorded at cost. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Amortization is provided on the straight-line basis over the items' estimated useful lives as follows:

Computer hardware	-	3 years
Computer software	-	3 years
Laboratory fixtures and equipment	-	3 and 10 years
Office equipment	-	10 years
Leasehold improvements	-	10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The asset residual values, useful lives and amortization methods are reviewed and adjusted at each annual reporting date.

Leases

At the inception of a contract, the Company determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company recognizes a right-of-use ("ROU") asset and a lease obligation on the date the leased asset is available for use by the Company (at the commencement of the lease).

Right-of-use assets

ROU assets are initially measured at cost, which is comprised of the initial amount of the lease obligation, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset or site on which it is located. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, a recognized ROU asset is depreciated using the straight-line method over the shorter of its estimated useful life or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease obligations and impairment losses.

Lease Obligations

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of the lease obligation and the interest portion. The finance cost is charged to interest and accretion expense in the consolidated statements of loss and comprehensive loss over the lease period. The Company has elected not to recognize a right-of-use asset and corresponding lease obligation for short-term leases with terms of 12 months or less and leases of low-value assets. Payments associated with short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of loss and comprehensive loss as permitted by IFRS 16.

Lease obligations are measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease obligation is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

As a practical expedient, IFRS 16 permits a lessee to not separate non-lease components, but instead account for any lease and associated non-lease components as a single arrangement. The Company has applied this practical expedient.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Determining the lease term of contracts with renewal or termination options

The lease term includes the non-cancellable term of the lease including extension and termination options if the Company is reasonably certain to exercise the option. The Company applies judgment in evaluating whether it is reasonably certain to exercise the options. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Intangible Assets

Intangible assets include patents, trademarks, licenses and costs for developing the Company's website.

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.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is provided on a straight-line basis over the items' estimated useful lives as follows:

Licenses & patents	-	10 years
Website	-	5 years

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.

Impairment of Long-lived Assets

Long-lived assets comprise property and equipment and intangible assets with finite lives (patents and trademarks). The Company reviews the carrying value of its long-lived assets with finite lives annually to determine whether there is any indication that those assets have suffered impairment. If any such indication exists the asset is tested for impairment. The recoverable amount of the asset is estimated in order to determine the extent of impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-lived Assets (continued)

Where an impairment loss subsequently reverses, the carrying value of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue Recognition

The Company generates revenue from the sale of goods, and by services rendered. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognized as performance obligations are satisfied and the Company transfers control over a product to a customer. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company's contracts are typically one year or less.

Product Sales

Product sales consist of contracts to provide customers with consumable test kits and diagnostic platforms. The Company generally considers these types of contracts to contain a single performance obligation satisfied at a point in time. The following factors are considered in determining when to recognize revenue:

- whether the Company has a present right to payment
- whether the buyer has legal title to the asset, if physical possession of the asset has transferred to the buyer and whether the buyer has the significant risks and rewards of ownership
- whether the buyer has accepted the asset

Generally, the buyer obtains control at the time goods have been delivered. However, platform contracts typically include installation and training services to be performed by the Company in addition to delivering the finished platform. Since these performance obligations are not considered distinct, revenue is recognized once all the associated services have been completed.

Services Rendered

Service contracts are either executed separately or bundled together with platform sale contracts. Where these contracts are bundled together, they are regarded as separate performance obligations, as each of the promises are capable of being distinct and are separately identifiable. Accordingly, a portion of the transaction price is allocated to each performance obligation relative to standalone selling prices.

A service contract can include research and development services, maintenance services, training, onsite support, field service, remote support, and consulting services. The Company generally considers service contracts to contain one performance obligation which is satisfied over time. However, for customer contracts that contain multiple performance obligations, each element is treated separately for revenue recognition purposes with the total transaction price allocated to each obligation based on its relative stand-alone selling price. Revenue is then recognized for each obligation based on the following methods:

- For research and development contracts, the stage of completion is measured through appraisals and evaluations of results achieved in relation to preestablished milestones.
- The stage of completion of fixed-price contracts to provide an indeterminable number of services over a specified period is measured based on contract term elapsed as a percentage of the full contract term.
- The stage of completion of time and material contracts is measured using the right to invoice practical expedient – revenue is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Related Assets and Liabilities

Trade Receivables:
A trade receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities:
Contract liabilities represents the obligation to transfer goods and services to a customer for which the Company has received consideration from the customer. Revenue is recognized when the Company performs under the contract.

Stock-Based Compensation and Other Stock-Based Payments

The Company offers a share option plan for its directors, officers, employees, and contractors. 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 thereof 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.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange in effect at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in the statement of loss and comprehensive loss.

The assets and liabilities of foreign operations are translated into Canadian dollars at period-end exchange rates, and their revenue and expense items are translated at exchange rates prevailing at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive loss.

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.

Investment Tax Credits

ITCs are recorded when qualifying expenditures are incurred and there is reasonable assurance that the credits will be realized. ITCs are recorded in the statement of loss and comprehensive loss as a reduction of research and development costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company's financial instruments are measured initially at fair value and thereafter based on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. At initial recognition financial instruments are classified in the following categories depending on the nature and purpose for which the instruments were acquired:

(i) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term are classified as FVTPL. For items classified as FVTPL, the Company initially recognizes such financial assets or liabilities on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated statements of operations. Transaction costs incurred are expensed in the consolidated statements of operations. The Company does not currently hold any assets or liabilities designated as FVTPL.

(ii) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

Equity investments that are held for trading are classified as FVTPL. For other equity investments, on the day of acquisition the Company can make an irrevocable election to designate them as FVTOCI. Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company does not currently hold any assets or liabilities designated as FVTOCI.

(iii) Amortized Cost

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including cash, and accounts receivable. The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

(iv) Other Financial Liabilities

This category represents financial liabilities that are not classified as FVTPL and includes accounts payable and accrued liabilities and secured debentures. These financial liabilities are recorded at amortized cost on the consolidated statement of financial position.

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company shall recognize in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition

Financial Assets:
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial Liabilities:
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potential common shares outstanding during the period. The dilutive effect of outstanding stock options and warrants on earnings per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company. The outstanding share options and warrants are not included in the diluted net loss per share as they are anti-dilutive for all years presented.

Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated on a pro-rata basis as determined by the fair value of each element. The fair value of the warrants is estimated using the Black-Scholes option pricing model. In circumstances where finder's warrants are issued coincidentally with a unit offering, the finder's warrants are valued using the Black-Scholes option pricing model. The Company's policy is to value warrant modifications and record an adjustment to the change in fair value as a result of revisions made to warrant terms with a corresponding reduction in contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Revenue

Some of the Company's service contracts are complex and include promises to transfer multiple products and services. For these complex arrangements, each good or service is evaluated to determine whether it represents a distinct performance obligation. Measurement and recognition of revenue requires the Company to make estimates of transaction price, stand-alone selling prices and progress towards complete satisfaction of performance obligations.

(iii) 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.

(iv) 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.

(v) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and Judgments (continued)

(vi) 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.

(vii) 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.

Debt restructurings also require the Company to assess qualitative and quantitative factors in order to determine whether the restructuring constitutes a debt modification or debt extinguishment.

(viii) Impairment of financial instruments

The Company uses assumptions to determine its best estimate of the impairment in accounts receivable.

(ix) ROU Assets and Lease Obligations

The Company uses assumptions about extension and termination options to determine the appropriate lease terms used in valuing its ROU assets and lease obligations. In determining the discount rate to apply to its leases, the Company also exercises significant judgement regarding inputs such as risk-free rates of return, financing spread adjustments and lease-specific adjustments.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting standards have been issued but are not yet effective. They are expected to impact the Company’s results for periods ending September 30, 2023, and beyond.

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management’s intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date.

The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 3 – Business Combinations

The IASB has issued an amendment to IFRS 3, Business Combinations adding an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. This exception specifies that for some assets and liabilities, an entity applying IFRS 3 should instead refer to IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 9 – Financial Instruments

The IASB has issued an amendment to IFRS 9, Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other’s behalf are included.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

(Amounts are in Canadian dollars; tabular amounts in thousands)

5. INVENTORY

Inventory consists of platform instruments and assay inventory. Assay inventory includes finished goods and component parts that are to be used in the future production of SQI's diagnostics platforms and Ig_plex consumable assays.

	Year Ended	
	September 30, 2021	September 30, 2020
Platform Inventory	**732**	163
Assay Inventory	**166**	201
Total	**898**	364

6. PROPERTY AND EQUIPMENT

Cost	**Computer Hardware**	**Computer Software**	**Laboratory Fixtures and Equipment**[1]	**Office Equipment**	**Leasehold Improvements**[1]	**Total**
September 30, 2019	$459	$267	$5,529	$183	$265	$6,703
Transfers to ROU Assets	(65)	-	-	-	-	(65)
Transfers from inventory		-	100	-	-	100
Additions	41	6	51	5	49	152
September 30, 2020	$435	$273	$5,680	$188	$314	$6,890
Transfers from inventory	**-**	**-**	**55**	**-**	**-**	**55**
Additions	**45**	**12**	**1,504**	**1**	**139**	**1,701**
Disposals	**-**	**-**	**(162)**	**-**	**-**	**(162)**
September 30, 2021	**$480**	**$285**	**$7,077**	**$189**	**$453**	**$8,484**

Accumulated Amortization	**Computer Hardware**	**Computer Software**	**Laboratory Fixtures and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Total**
September 30, 2019	$382	$235	$4,349	$177	$263	$5,406
Transfers to ROU Assets	(15)	-	20	-	-	5
Amortization expense	21	19	254	2	3	299
September 30, 2020	$388	$254	$4,623	$179	$266	$5,710
Amortization	**33**	**19**	**219**	**1**	**5**	**277**
Dispositions			**(162)**			**(162)**
September 30, 2021	**$421**	**$273**	**$4,680**	**$180**	**$272**	**$5,825**

Net Book Value						
September 30, 2020	$47	$19	$1,057	$9	$48	$1,180
September 30, 2021	**$59**	**$12**	**$2,397**	**$9**	**$181**	**$2,658**

1Included above, in Laboratory, Fixtures and Equipment are prepaid amounts of $703,000 and in Leasehold Improvements prepaid amounts of $135,000, related to fixed asset in progress that were not put into use as of Sept 30, 2021, therefore, no amortization has been taken on these amounts.

(Amounts are in Canadian dollars; tabular amounts in thousands)

7. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Right-of-use-assets	**Lease obligations**
Balance as at Sept 30, 2019	$-	$125
Additions upon adoption of IFRS 16	3,096	3,096
Additions during the fiscal year	11	11
Transfers from prepaid expenses	38	-
Transfers from property & equipment	70	-
Amortization	(377)	-
Interest expense	-	247
Lease payments	-	(525)
Balance as at September 30, 2020	**$2,838**	**$2,959**
Amortization	(352)	-
Lease modification	(109)	(109)
Interest expense	-	223
Lease payments	-	(450)
Balance as at September 30, 2021	**$2,377**	**$2,623**
Less: current portion of lease obligations		**(241)**
Long-term lease obligations		**$2,382**

ROU assets, as of September 30, 2021, consisted of leases for the Company's building, information technology and office equipment.

Lease Modification

During the year, the building lease was modified by the landlord and a 1-year rent freeze was implemented which modified the rental payments due under the original lease agreement. This qualified as a lease modification under IFRS 16 and an adjustment was made to the carrying value of the right of use asset and the corresponding lease liability for approximately $109,000.

The Company's lease obligations come due, as at September 30, 2021, as follows:

Less than 1 year	$241
1 - 3 years	842
4 - 5 years	817
More than 5 years	723
Total	**$2,623**

(Amounts are in Canadian dollars; tabular amounts in thousands)

8. INTANGIBLE ASSETS

Cost	
September 30, 2019	$2,212
Additions	30
Write off of patents	(9)
September 30, 2020	$2,233
Additions	**131**
Write off of patents	**-**
September 30, 2021	**$2,364**

Accumulated Amortization	
September 30, 2019	$1,731
Amortization expense	124
Write off of patents	(6)
September 30, 2020	$1,849
Amortization expense	**124**
Write off of patents	**-**
September 30, 2021	**$1,973**

Net Book Value	
September 30, 2020	$384
September 30, 2021	**$391**

9. RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes the Company's Officers and Directors. Compensation of key management includes:

	Year Ended	
	September 30, 2021	September 30, 2020
Salaries and short-term employee benefits	**$1,213**	$874
Stock-based compensation[1]	**(111)**	556
	$1,102	$1,430

[1]The forfeiture of stock options upon the departure of the former CEO resulted in a net recovery to stock-based compensation for key management.

Certain board members also hold $2,145,000 of debentures (principal amount) with 10% interest rate (please see note 10).

(Amounts are in Canadian dollars; tabular amounts in thousands)

10. SECURED DEBENTURES

The Company issued debentures resulting in principal amounts of $2,145,000 and $314,600 as of January 30, 2020 and February 20, 2020, respectively. Approximately 85% of the existing Debentures were originally subscribed to by individuals who subsequently became board members and are thus considered related parties. The Debentures are secured by a general security agreement over all the present and future assets of the Company including intangible assets. Additionally, a total of 3,559,600 warrants originally issued in connection with the secured debentures expired unexercised upon maturity. The Company issued an aggregate of 4,739,139 new common share purchase warrants in connection with the amended Debentures. The warrants issued in connection with the January and February tranches are exercisable at prices of $0.09 and $0.085, respectively. Each common share purchase warrant entitles the holder thereof to acquire one common share of the Company for a period of 60 months from the date of issuance.

The Debentures may be redeemed in whole or in part, at face value and without premium or penalty, at the option of the Company if at any time following the first anniversary of the date of issuance of the debentures, and prior to the maturity date of such debentures, the volume weighted average closing price of the Company's shares on the TSXV (or any other stock exchange on which such shares are then traded) is equal to or greater than $1.00 per share for twenty (20) consecutive trading days.

The new Debentures were separated into their liability and equity components with the fair value of the liability calculated using a market rate of interest without warrants with the residual value allocated to the warrants. The amount allocated to the warrants was estimated at $345,000.

The carrying value of the Debentures are accreted to their face value of $2,459,600 using an effective interest rate of 13.9%.

	Year Ended	
	September 30, 2021	September 30, 2020
Secured debentures	**$2,460**	$2,460
Equity component of secured debenture	**(345)**	(345)
	2,115	2,115
Accretion in carrying amount of debentures	**89**	33
Balance end of year	**$2,204**	$2,148

11. CAPITAL STOCK

(a) The Company has authorized an unlimited number of common shares.

(b) On October 22, 2019, the Company closed the second tranche of a non-brokered private placement of an aggregate 1,000,000 units of the Company at $0.10 per unit for gross proceeds of $100,000. Each such unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.13 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance. The proceeds from the issuance of units were allocated between capital stock and warrant capital based on their relative fair values, with $45,000 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 $0.09 dividend yield 0%; risk free interest 1.53%; volatility 122%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $2,700 and $1,200 was allocated to Warrant Capital.

11. CAPITAL STOCK (continued)

(c) On February 14 and March 5, 2020, the Company completed a non-brokered private placement of an aggregate of 44,444,444 units of the Company at $0.09 per unit for gross proceeds of $4,000,000. Each such unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.12 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances. The proceeds from the issuance of units are allocated between capital stock and warrant capital based on their relative fair values, with $1,750,000 being allocated to warrant capital. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions for each of the respective tranches: share prices of $0.08 and $0.075; dividend yield 0%; risk free interest rates of 1.41% and 0.75%; volatility 118%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $46,000 and $20,000 was allocated to Warrant Capital.

(d) On June 10, 2020, a total of 195,000 options were exercised at prices of $0.15 and $0.16 per share for total gross proceeds of $30,000. The original value of the options was calculated using the Black-Scholes option pricing model. Accordingly, $24,000 was deducted from the Contributed Surplus account and transferred to Share Capital upon exercise.

(e) On July 2, 2020, a total of 29,011,117 warrants were exercised by certain insiders of the Company for total gross proceeds of $3,111,000. A total of 25,000,005 of the warrants issued in connection with a March 2019 private placement were exercised at a price $0.11 per share while 4,011,112 warrants issued in connection with the debt refinancing conducted in January 2020 were exercised at a price $0.09 per share. The original value of the warrants was calculated using the Black-Scholes option pricing model. Accordingly, $1,178,000 was deducted from the Warrant Capital account and transferred to Share Capital upon exercise. The total share issuance costs were $9,000.

(f) On September 17, 2020, a total of 70,778 options were exercised at prices $0.16 and $0.20 per share for total gross proceeds of $12,000. The original value of the options was calculated using the Black-Scholes option pricing model. Accordingly, $10,000 was deducted from the Contributed Surplus account and transferred to Share Capital upon exercise.

(g) During September 2020, a total of 2,033,333 warrants were exercised for gross proceeds of $411,000. 1,533,333 of the warrants issued in connection with a December 2017 private placement were exercised at a price of $0.20 per share while 500,000 warrants issued in connection with a March 2017 private placement were exercised at a price of $0.21 per share. The original value of the warrants was calculated using the Black-Scholes option pricing model. Accordingly, $136,000 was deducted from the warrant capital account and transferred to Share Capital upon exercise. Total share issuance costs were $41,000.

(h) During the first quarter of fiscal 2021, a total of 2,248,260 common share purchase warrants were exercised for total gross proceeds of $457,000. Of this total, 750,000 of the warrants, issued in connection with a March 2017 private placement, were exercised at a price of $0.21 while 1,498,260 warrants issued in connection with a December 2017 private placement, were exercised at a price of $0.20. The original value of the warrants was calculated using the Black-Scholes option pricing model. Accordingly, $161,000 was deducted from the Warrant Capital account and transferred to Share Capital upon exercise. Total share issuance costs were approximately $46,000.

(Amounts are in Canadian dollars; tabular amounts in thousands)

11. CAPITAL STOCK (continued)

(i) On December 31, 2020, a total of 19,074,997 warrants were exercised by certain insiders of the Company for total gross proceeds of $4,000,000. A total of 18,500,000 of the warrants issued in connection with a March 2017 private placement were exercised at a price $0.21 per share while 574,997 warrants issued in connection with a December 2017 private placement were exercised at a price $0.20 per share. The original value of the warrants was calculated using the Black-Scholes option pricing model. Accordingly, $1,351,000 was deducted from the Warrant Capital account and transferred to Share Capital upon exercise. The total share issuance costs were approximately $428,000.

(j) During the second quarter of fiscal 2021, a total of 11,900,972 common share purchase warrants were exercised for total gross proceeds of approximately $2,066,000. Of this total, 11,795,416 warrants were issued in connection with private placements conducted between March 2017 and July 2019, with exercise prices ranging from $0.11-$0.21. The remaining 105,556 warrants exercised were issued in connection with a debt refinancing in January 2020 with an exercise price of $0.09.Accordingly, $687,000 was deducted from the Warrant Capital account and transferred to Share Capital upon exercise. Total share issuance costs were approximately $212,000.

(k) During the second quarter of fiscal 2021, a total of 1,522,743 stock options were exercised at prices of $0.15 and $0.30 for total gross proceeds of approximately $453,000. The original value of the options was calculated using the Black-Scholes option pricing model. Accordingly, $363,000 was deducted from the Contributed Surplus account and transferred to Share Capital upon exercise. Total share issuance costs were approximately $45,000.

(l) During the third quarter of fiscal 2021, a total of 19,687,504 common share purchase warrants were exercised by certain insiders who are control persons, for total gross proceeds of approximately $3,938,000. Of the insider warrants exercised, 19,687,504 insider warrants were exercised at a price of $0.20 per share. Accordingly, $1,298,000 was deducted from Warrant Capital account and transferred to Share Capital upon exercise. Total share issuance costs were approximately $6,000.

12. WARRANTS

The Company had the following warrants outstanding as at September 30, 2021:

Number of Warrants	Exercise Price	Maturity
1,388	$0.21	March 10, 2022
26,018	$0.20	December 20, 2022 – August 24, 2023
12,344	$0.17	July 12, 2024
32,300	$0.13	September 25, 2024 and October 22, 2024
622	$0.085	February 20,2025
44,444	$0.12	February 14, 2025 and March 5, 2025
117,116		

On January 30, 2020 and February 20, 2020, 3,559,600 warrants issued in connection with secured debentures in January and February 2015 expired unexercised. Accordingly, $978,000 was transferred from warrant capital to contributed surplus in fiscal 2020. Additionally, a total of 4,739,139 warrants were issued in connection with the refinancing associated with these debentures. Please see note 10 for further details on the terms of these warrants.

On July 16, 2020, 5,330,000 warrants issued in connection with a private placement in July of 2015 with an exercise price of $0.64 expired unexercised. Accordingly, $1,282,000 was transferred from warrant capital to contributed surplus in the quarter.

(Amounts are in Canadian dollars; tabular amounts in thousands)

12. WARRANTS (continued)

During the first quarter of fiscal 2021, a total of 7,630,945 warrants issued in connection with a private placement in December of 2015 with an exercise price of $0.52 expired unexercised. Accordingly, $1,271,000 was transferred from warrant capital to contributed surplus in the quarter.

13. STOCK OPTIONS

The Company maintains a Stock Option Plan (the "Plan") for the benefit of employees, officers and directors. The maximum number of common shares reserved for issuance under the Plan, together with any other employee stock option plans, options for services and employee share purchase plans, will not exceed 15% of the issued and outstanding shares at the time of the option grant. Options granted pursuant to the Plan are granted at an option price which will not be less than the fair market price at the time the options are granted. In fiscal 2020, the Company received conditional approval from the TSXV to amend its existing Plan increasing the maximum term for options granted from 5 to 10 years. All time-based options granted to individual optionees generally vest in three equal installments over a period of 12 to 36 months. Performance based options are tied to specific milestones.

The following summarizes the stock option activities under the Plan:

	Year Ended			
	September 30, 2021		September 30, 2020	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning Balance	**42,400**	**$ 0.20**	11,767	$ 0.16
Granted	**17,794**	**$ 0.20**	33,015	$ 0.19
Exercised	**(1,523)**	**$ 0.30**	(265)	$ 0.16
Cancelled/Expired	**(1,277)**	**$ 0.20**	(1,205)	$ 0.28
Forfeited[1]	**(30,119)**	**$ 0.20**	(912)	$ 0.16
Ending Balance	**27,275**	**$ 0.19**	42,400	$ 0.20
Exercisable	**8,152**	**$ 0.17**	10,089	$ 0.20

[1.] On May 21, 2021, the former CEO, Mr. Rob Chioini left the Company. The stock options granted to him (29,835,062) as part of his original employment contract, had a vesting period of 3 years. As he left the Company before the end of the first year, all options were unvested and therefore forfeited.

The Company had the following stock options outstanding under the Plan at September 30, 2021:

Number of Options	Range of Exercise Prices	Weighted average time to maturity
1,372	$ 0.07 – 0.14	3.41 years
24,341	$ 0.15 – 0.22	4.06 years
1,562	$ 0.23 – 0.30	8.91 years
27,275		

(Amounts are in Canadian dollars; tabular amounts in thousands)

14. STOCK-BASED COMPENSATION

The fair value of the options granted during the year ended September 30, 2021 was $2,638,000 (2020 $6,172,000), which will be recognized over vesting periods from 6 to 36 months, for both service based and performance based options. The total compensation expense credited to contributed surplus for the year ended September 30, 2021 was $179,000 (2020 $856,000).

The fair value of each option granted has been estimated at the date of grant or the date when it became measurable using the Black-Scholes or other option pricing models with the following weighted average inputs and assumptions at the measurement date:

	Year Ended	
	September 30, 2021	September 30, 2020
Dividend Yield	**0%**	0%
Expected Volatility (historical data basis)	**113%**	131%
Risk-free Interest Rate	**0.77%**	0.33%
Share price and exercise price	**$0.20**	$0.19
Expected Life (years)	**5.00**	9.79
Weighted average grant date fair value	**$0.17**	$0.19

The Company estimates forfeiture rates based on historic experience with any change in estimate thereof reflected in the year they occur. The Company assumes a forfeiture rate of 10% to 40% (2020 - 10% to 40%) based on the vesting period of the option.

15. CORPORATE AND GENERAL EXPENSE

	Year Ended	
	September 30, 2021	September 30, 2020
Salaries and wages	**$1,589**	$531
Subsidies (CEWS)	**(94)**	(50)
General and administrative[1]	**9**	638
Professional and consulting	**1,139**	1,325
Stock-based compensation	**(160)**	658
Total corporate and general expense by nature	**$2,483**	$3,102

[1] General & administrative expenses were offset by recovery of a previously written off customer balance ($407,000).

16. SALES AND MARKETING EXPENSE

	Year Ended	
	September 30, 2021	September 30, 2020
Contractor fees	**$708**	$868
Travel and marketing	**25**	98
Stock-based compensation	**9**	38
Total sales and marketing expense by nature	**$742**	$1,004

(Amounts are in Canadian dollars; tabular amounts in thousands)

17. RESEARCH AND DEVELOPMENT COSTS

	Year Ended	
	September 30, 2021	September 30, 2020
Salaries and wages	**$4,044**	$3,348
Subsidies (CEWS and Biotalent)	**(1,063)**	(698)
Laboratory costs and supplies	**3,693**	1,107
Professional fees	**10**	-
Investment tax credits	**(187)**	(140)
Amortization – intangible assets (Note 8)	**124**	124
Amortization – right of use assets (Note 7)	**352**	377
Amortization – property and equipment (Note 6)	**277**	299
Stock-based compensation	**331**	160
Total research and development expense by nature	**$7,581**	$4,577

18. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the financial statements:

	Year Ended	
	September 30, 2021	September 30, 2020
Loss before income taxes	**$(10,557)**	$(8,568)
Statutory Rate	**26.5%**	26.5%
Expected income tax recovery	**(2,798)**	(2,271)
Change in deferred taxes not recognized	**2,782**	2,227
Non-deductible expenses and other items	**16**	44
Income tax expense	**$-**	$-

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets which are not recognized are presented below:

	Year Ended	
	September 30, 2021	September 30, 2020
Amounts related to tax loss and un-deducted SRED costs	**$96,006**	$86,728
Property and equipment and intangibles	**3,331**	3,682
Share issue costs	**666**	751
Deferred tax asset not recognized	**$100,004**	$91,161

(Amounts are in Canadian dollars; tabular amounts in thousands)

18. INCOME TAXES (continued)

(c) Loss and Tax Credit Carryforwards

As at September 30, 2021, the Company has non-capital losses of approximately $69,226,000 expiring as follows:

2025	$	119
2026		1,542
2027		1,154
2028		2,815
2029		3,619
2030		5,211
2031		6,613
2032		3,897
2033		3,707
2034		4,704
2035		3,626
2036		3,462
2037		3,776
2038		4,213
2039		5,480
2040		5,204
2041		10,084
	$	69,226

In addition, the Company has un-deducted scientific research and experimental development ("SRED") costs of approximately $26,780,000 available to apply against future taxable income, as well as federal investment tax credits relating to scientific research and development costs of approximately $5,983,000 and provincial investment tax credits relating to scientific research and development costs of approximately $1,202,000 available to reduce future taxes payable.

The potential tax benefit relating to the non-capital losses and tax credit carryforwards has not been reflected in these financial statements.

19. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can complete its commercialization efforts and receive the required regulatory approvals to sell and market its products and provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Company consists of shareholders' equity and secured debentures. The Company is not subject to externally imposed capital requirements.

(Amounts are in Canadian dollars; tabular amounts in thousands)

20. FINANCIAL RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and accounts receivable are exposed to credit risk. The maximum credit risk exposure is the carrying amount. The credit risk on cash is mitigated because the counterparties are Schedule 1 Canadian banks. The credit risk on accounts receivable is due to the concentration of accounts as a result of the few large customers that comprise the Company's international customer base. In fiscal 2021 and 2020, six customers accounted for 97% of the revenue. The Company is also exposed to counterparty risk on accounts receivable. Credit risk on accounts receivable is managed by ongoing review of the amount and aging of accounts receivable balances.

Allowance for doubtful accounts and past due receivables are reviewed by Management at each balance sheet date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of receivable balances from each customer taking into account historic collection trends of past due accounts. Receivables are written off once determined not to be collectible.

The below table presents the Company's aged receivable listing:

Trade Receivables – aged by due date as at:	**September 30, 2021**
Current	$179
1-30 days	25
Total	**$204**

Subsequent to year-end, the Company collected all outstanding amounts owing.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-rate instruments subject the Company to a fair value risk while the variable-rate instruments subject it to a risk of changes in cash flow. The Company's cash is exposed to cash flow interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments. Fluctuations in interest rates would not significantly impact interest income due to the short-term nature of the Company's investments. The Company's Debentures are subject to a fixed interest rate.

(c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to a higher currency risk due to its expanded US operations; however this risk does not present a material concern for the Company at this time.

(Amounts are in Canadian dollars; tabular amounts in thousands)

20. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair Value Risk

The carrying amount of accounts receivable, accounts payable and accrued liabilities, lease obligations and secured debentures approximate their fair values.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At September 30, 2021, the Company had a working capital surplus of $686,000 (2020 - $2,203,000). The Company's liabilities consist of accounts payables and accrued liabilities, and the short-term portion of its outstanding lease obligations which are due within one year of the statement of financial position date. The Company's remaining liabilities consist of the long-term portion of its outstanding lease obligations and secured debentures which require annual interest payments of $245,960 on the anniversary dates and the principal amount of $2,459,600 due in 2025. 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.

21. SEGMENT INFORMATION

The Company has one operating segment. The executive management team regularly evaluates the Company's performance, makes operating decisions, and allocates resources based on financial data consistent with the presentation in these financial statements.

22. GEOGRAPHIC INFORMATION

The Company operates in three principle geographic areas: the United States, Canada and Europe. The Company's revenues and non-current assets by location are detailed below. Due to the IFRS 16 changes, right of use assets are now included as non-current assets.

	Revenues		**Non-current Assets**	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
United States	**$753**	$583	**$-**	$-
Canada	**147**	407	**5,426**	4,409
Europe	**17**	33	**-**	-
Total	**$917**	$1,023	**$5,426**	$4,409

23. SUBSEQUENT EVENTS

Private Placement

On November 1 and November 8, 2021, the Company completed a non-brokered private placement of an aggregate of 26,932,895 units of the Company's shares at $0.19 per unit for gross proceeds of approximately $5,100,000. Each such unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of $0.25 and entitles the holder thereof to acquire one common share for a period of five years from the date of issuance.

Acquisition of assets from Precision Biomonitoring Inc.

On January 10, 2022, the Company signed a definitive agreement to acquire, through its wholly owned subsidiary, SQI Diagnostics Systems Inc., substantially all the assets underlying Precision Biomonitoring Inc.'s human diagnostics COVID-19 PCR testing business and its TripleLock molecular diagnostic testing technology for aggregate cash and share consideration of $6,825,000.

The transaction is expected to close on or before February 14, 2022.