SQI Diagnostics Inc.

Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended September 30, 2022, and 2021

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 statement of financial position as at September 30, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) 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, 2022 and 2021, 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 the Company incurred a net loss of $18,523,000 during the year ended September 30, 2022 and, as of that date, the Company's current liabilities exceeded its total assets by $7,428,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on 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 the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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 report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a 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 30, 2023
Toronto, Ontario

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

	As at September 30, 2022	As at September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	**$1,336**	$2,295
Accounts receivable	**372**	204
Prepaids and other assets	**326**	241
Inventory (Note 6)	**1,242**	898
	3,276	3,638
Non-current assets		
Property and equipment (Note 7)	**3,464**	2,658
Intangible assets (Note 9)	**384**	391
Assets held for sale (Note 11)	**145**	-
Right-of-use assets (Note 8)	**2,046**	2,377
Total assets	**$9,315**	$9,064
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$3,075**	$2,474
Loan payable (Note 12)	**7,336**	-
Contract liabilities	**34**	237
Lease obligations (Note 8)	**259**	241
	10,704	2,952
Non-Current liabilities		
Lease obligations – long-term (Note 8)	**2,122**	2,382
Secured debentures (Note 13)	**6,301**	2,204
Total liabilities	**19,127**	7,538
Shareholders' (Deficiency) Equity		
Capital stock (Note 14)	**89,373**	85,908
Warrants (Note 15)	**7,787**	5,603
Contributed surplus	**25,523**	23,987
Deficit	**(132,495)**	(113,972)
Total shareholders' (deficiency) equity	**(9,812)**	1,526
Total liabilities and equity	**$9,315**	$9,064

Going Concern (Note 2)
Subsequent Events (Note 26)

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, 2022	September 30, 2021
Revenue		
Product sales	**$7,767**	$462
Service revenue	**335**	455
	8,102	917
Expenses		
Cost of products sold	**4,999**	150
Corporate and general (Note 18)	**5,859**	2,483
Sales and marketing (Note 19)	**687**	742
Research and development (Note 20)	**7,280**	7,457
Amortization – intangible assets (Note 9)	**3,118**	124
Interest and accretion expense (Notes 8, 12, 13)	**2,600**	518
Bad debt provision (Note 23a)	**11**	-
Write down of website (Note 9)	**38**	-
Impairment loss (Note 9)	**2,873**	-
Unrealized currency translation loss	**197**	-
Total Expenses	**27,662**	11,474
Operating Loss	**$(19,560)**	$(10,557)
Other Income		
Gain on modification of loan payable (Note 12)	**1,037**	**-**
Net Loss and Comprehensive Loss	**(18,523)**	**(10,557)**
Loss per share		
Basic and diluted	**$(0.05)**	$(0.03)
Weighted average number of common shares outstanding (thousands of shares)	**389,720**	338,454

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, 2020	308,095	$71,870	$10,371	$22,900	$(103,415)	$1,726
Share issuance costs (Note 14b, 14c, 14d, 14e,14f)	-	(737)	-	-	-	(737)
Options exercised (Note 14e)	1,523	816	-	(363)	-	453
Warrants exercised (Note 14b, 14c, 14d,14f)	52,912	13,959	(3,497)	-	-	10,462
Warrants expired (Note 15a)	-	-	(1,271)	1,271	-	-
Stock-based compensation (Note 17)	-	-	-	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**
Issued in connection with private placement (Note 14g)	**26,933**	**5,103**	**-**	**-**	**-**	**5,103**
Issued in connection with PBI asset acquisition (Note 14h)	**4,172**	**680**	**-**	**-**	**-**	**680**
Allocated to warrants – private placement (Note 14g)		**(2,299)**	**2,299**	**-**	**-**	**-**
Share issuance costs (Note 14g)	**-**	**(34)**	**-**	**-**	**-**	**(34)**
Share issuance costs – allocated to warrants (Note 14g)		**15**	**(15)**	**-**	**-**	**-**
Warrants expired (Note 15b)	**-**	**-**	**(100)**	**100**	**-**	**-**
Stock-based compensation (Note 17)	**-**	**-**	**-**	**1,436**	**-**	**1,436**
Net loss and comprehensive loss	**-**	**-**	**-**	**-**	**(18,523)**	**(18,523)**
Balance as at September 30, 2022	**393,635**	**$89,373**	**$7,787**	**$25,523**	**$(132,495)**	**$(9,812)**

SQI Diagnostics Inc.
Consolidated Statements of Cash Flows
(Amounts are in thousands of Canadian dollars, except per share amounts)

	Year Ended September 30, 2022	September 30, 2021
Cash flows from (used in) operating activities		
Net loss	**$(18,523)**	$(10,557)
Add items not affecting cash		
Amortization – intangible assets (Note 9)	**3,118**	124
- property and equipment (Note 7)	**357**	277
- right-of-use assets (Note 8)	**331**	352
Stock-based compensation (Note 17)	**1,436**	179
Write down of website (Note 9)	**38**	-
Bad debts	**11**	-
Accretion on debentures	**67**	56
Gain on disposal of property and equipment	**-**	(26)
Impairment loss (Note 9)	**2,873**	-
Gain on loan modification (Note 12)	**(1,037)**	-
Accretion on loan payable (Note 12)	**873**	-
	(10,456)	(9,595)
Changes in non-cash working capital items		
Accounts receivable & prepaids	**(179)**	263
Prepaids and other assets	**(85)**	-
Inventory	**505**	(589)
Accounts payable & accrued liabilities	**601**	1,433
Contract liabilities	**(203)**	(157)
Cash used in operating activities	**(9,816)**	(8,645)
Cash flows used in investing activities		
Purchase of property and equipment (Note 7)	**(1,163)**	(1,504)
Proceeds on disposal of property and equipment	**-**	26
Additions to intangible assets (Note 9)	**(47)**	(131)
Additions to right of use assets	**-**	-
Addition to assets held for sale (Note 10)	**(145)**	-
Business acquisition (Note 4)	**(6,145)**	-
Cash used in investing activities	**(7,500)**	(1,609)
Cash flows from (used in) financing activities		
Proceeds from issuance of shares net of share issuance costs	**2,786**	10,180
Proceeds from debt financing	**11,530**	-
Lease obligations	**(243)**	(227)
Warrants issued	**2,284**	-
Cash from financing activities	**16,357**	9,953
Net change in cash during the year	**(959)**	(301)
Cash at beginning of year	**2,295**	2,596
Cash at end of year	**$1,336**	$2,295
Non-cash investing activities		
Equipment transferred from inventory and segregated for use by the company	**-**	55
Reacquisition of instruments	**-**	198
Supplemental information		
Cash Interest paid	1,175	222

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 center is located at 36 Meteor Drive Toronto, Ontario. SQI Diagnostics is a leader in the science of lung health. The Company develops and manufactures respiratory health and precision medicine tests that run on SQI's fully automated systems. The Company is developing tests to simplify and improve COVID-19 antibody monitoring, Rapid Acute Lung Injury testing, donor organ transplant informatics, and immunological protein and antibody testing.

2. BASIS OF PRESENTATION AND GOING CONCERN

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 30, 2023

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.

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.

The Company incurred a net loss of $18,523,000 during the year ended September 30, 2022, and, as of that date, the Company's current liabilities exceeded its total assets by $7,428,000**.** Loan payable due subsequent to year-end of $7,500,000 is expected to be extended as per Note 26. 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 AND GOING CONCERN (CONTINUED)

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. and 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 include 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

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)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use (ROU) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets & Liabilities Held for Sale

The Company classifies long-lived assets be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the asset or disposal group; the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the asset beyond one year; the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measure a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. The Company assess the fair value of a long-lived asset less any costs to sell each reporting period it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

Upon determining that a long-lived asset meets the criteria to be classified as held for sale, the Company ceases depreciation and reports long-lived assets and/or the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale, respectively, in the consolidated balance sheet.

Debt Extinguishment

From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability recorded through profit or loss at the date of modification. If the modification is substantially different, then the transaction is accounted for as an extinguishment of the old debt instrument with an adjustment to the carrying amount of the liability being recorded in the consolidated statements of operations immediately.

Business Combination

Business combinations – IFRS 3, Business Combinations, is applied to account for all business acquisitions. Identifying the fair value of assets and liabilities acquired, identification of the acquiree, acquisition date, determination whether a transaction or other event constitute a business, intangible assets and residual goodwill requires significant judgement by management upon acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combination

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the acquirer assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date. The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any noncontrolling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognized as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognizes additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The Company determines whether a business is acquired when the integrated set of assets and activities includes at a minimum, an input and a substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

The Company also has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the concentration test is met, and the transaction is determined not to be a business combination. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived Assets

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.

Goodwill

Goodwill is initially recognized at cost, being the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date acquired and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Subsequently, goodwill and indefinite life intangible assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The Company considers the relationship between its market capitalization and its book value, as well as other factors, when reviewing for indicators of impairment. Goodwill is assessed for impairment based on the CGUs or group of CGUs to which the goodwill relates. Any potential goodwill impairment is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value which includes the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

The Company may need to test its goodwill for impairment between its annual test dates if market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment. In addition, changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value could cause them to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities or debt covenants.

An impairment loss of goodwill is not reversed. For other assets, an impairment loss may be reversed if the estimates used to determine the recoverable amount have changed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the consolidated statements of income.

Intangible Assets

Intangible assets include patents, trademarks, licenses, customer lists, Biomeme & Quidel license, Triplelock intellectual property 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and 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
Biomeme & Quidel License	-	18 months
Customer Lists	-	18 months
TripleLock (IP)	-	18 months

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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 pre-established 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(x) *Business Combination*

The Company uses judgement to identify the acquiree, acquisition date if different from closing date, determination whether a transaction constitutes a business as per IFRS 3. In determining the fair value of assets and liabilities acquired intangible assets and residual goodwill requires significant judgement by management upon acquisition.

4. ACQUISITION

On January 10, 2022, the Company signed an agreement to acquire and control substantially all the assets underlying Precision Biomonitoring Inc's ("PBI") human diagnostics COVID-19 PCR testing business and its TripleLock molecular diagnostic testing technology for aggregate cash and share consideration of $6,825,000. PBI's platform gives the Company a self-contained and mobile COVID-19 PCR human testing business line that is being used for on-site employee screening in the media, entertainment, mining, hospitality, and travel sector. By leveraging existing and new clients under the Company umbrella, the expanded company will complement its other product pipelines like EXACT COVID-19 Antibody.

The transaction closed in February 2022 and the Company accounted for this acquisition in accordance with IFRS 3, Business Combinations. Substantially all of the identifiable assets of PBI were recorded at their fair values on January 10, 2022, the date of the acquisition.

Two of the most significant areas of judgement and estimation was related to 1) the acquisition date of January 10, 2022, although the transaction closed on February 14, 2022, and 2) the determination of the fair values of these assets. The Company assessed whether or not it had control over PBI on January 10, 2022, which was the date of execution of the Asset Purchase Agreement (the "Effective Date") whereby the Company has the practical ability to direct the relevant activities of PBI unilaterally. In making their judgement, the Company considered the terms of the Asset Purchase Agreement, and the Transition Services Agreement, which was also dated January 10, 2022, to integrate into the Company's operations, veto power in all decision making over relevant activities, and duration of time spent in learning the business and due diligence prior to date of signed agreement. After assessment, the Company concluded that the Company had a sufficiently dominant interest to direct the relevant activities of PBI and therefore the Company had control over PBI as of the Effective Date. If the Company had concluded that it didn't control PBI until the transaction closed, PBI's net profit in that time period would have been used to reduce the consideration of assets acquired in PBI.

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

4. ACQUISTION (CONTINUED)

Intangible assets that were identified were valued internally by valuation experts using appropriate valuation techniques, which were generally based on a forecast of the total expected future net cash flows. These valuations were linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

In accordance with IFRS 3, Business Combinations, the assets acquired constitute a business for accounting purposes and was accounted for using the acquisition method of accounting. The Company incurred transaction costs of $275,000 associated with the acquisition which were expensed.

The useful life of all the assets acquired from PBI is assumed to be 18 months and the amortization is calculated on a straight-line basis over the useful life.

The allocation of the purchase consideration was as follows:

Allocation	
Inventory	$ 849
Biomeme & Quidel License & Distribution Agreement	4,636
Customer List	530
Triple Lock	810
Net Assets acquired	**$6,825**

Purchase consideration:	
Consideration in cash	$6,145
Consideration in shares	680
Purchase consideration:	**$6,825**

The Company recorded $7,564,000 of revenue and a $(4,602,000) net loss in the Consolidated Statement of Loss and Comprehensive Loss for the year ended September 30, 2022, from PBI as a result of the acquisition. If the acquisition occurred as of October 1, 2021, revenue for the year ended September 30, 2022, would have been $12,064,000 and the loss would have been $(4,406,000).

5. 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

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

5. ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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.

6. INVENTORY

Inventory consists of platform instruments, assay inventory and COVID-19 PCR and antigen testing products which were acquired as part of the acquisition in January 2022. 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, 2022	September 30, 2021
Platform Inventory	**525**	732
Assay Inventory	**395**	166
COVID-19 PCR & Antigen Testing Inventory	**322**	-
Total	**1,242**	898

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

7. PROPERTY AND EQUIPMENT

Cost	Computer Hardware	Computer Software	Laboratory Fixtures and Equipment[1]	Office Equipment	Leasehold Improvements	Total
September 30, 2020	$435	$273	$5,680	$188	$314	$6,890
Additions	45	12	1,504	1	139	1,701
Transfers from inventory	-	-	55	-	-	55
Dispositions	-	-	(162)	-	-	(162)
September 30, 2021	$480	$285	$7,077	$189	$453	$8,484
Additions	**56**	**5**	**949**	**6**	**6**	**1,022**
Transfers from inventory	**-**	**-**	**6**	**-**	**135**	**141**
September 30, 2022	**$536**	**$290**	**$8,032**	**$195**	**$594**	**$9,647**

Accumulated Amortization	Computer Hardware	Computer Software	Laboratory Fixtures and Equipment	Office Equipment	Leasehold Improvements	Total
September 30, 2020	$388	$254	$4,623	$179	$266	$5,710
Amortization expense	33	19	219	1	5	277
Dispositions	-	-	(162)	-	-	(162)
September 30, 2021	$421	$273	$4,680	$180	$272	$5,826
Amortization expense	**40**	**8**	**289**	**1**	**19**	**357**
September 30, 2022	**$461**	**$281**	**$4,969**	**$181**	**$291**	**$6,183**
Net Book Value						
September 30, 2021	$59	$12	$2,397	$9	$181	$2,658
September 30, 2022	**$75**	**$9**	**$3,063**	**$14**	**$303**	**$3,464**

[1]Included above, in Laboratory, Fixtures and Equipment are prepaid amounts of $1,428,000 related to fixed assets in progress that were not put into use as of September 30, 2022, where $591,000 were added in fiscal year 2022 and $837,000 were added in fiscal year 2021. No amortization has been taken on these amounts.

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

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Right of Use Assets

Cost	
September 30, 2020	$3,210
Lease modification[1]	(109)
September 30, 2021	$3,101
Additions	**-**
September 30, 2022	**$3,101**

Accumulated Amortization	
September 30, 2020	$372
Amortization expense	352
September 30, 2021	$724
Amortization expense	**331**
September 30, 2022	**$1,055**

Net Book Value	
September 30, 2021	$2,377
September 30, 2022	**$2,046**

Lease Obligations

Balance as at September 30, 2020	$2,959
Lease modification	(109)
Interest expense	223
Lease Payments	(450)
Balance as at September 30, 2021	$2,623
Interest expense	197
Lease payments	(439)
Balance as at September 30, 2022	**$2,381**
Less: current portion of lease obligations	(259)
Long-term lease obligations	**$2,122**

[1]In 2021, 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.

ROU assets, as of September 30, 2022, consisted of leases for the Company's building, information technology and office equipment.

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

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (CONTINUED)

The Company's lease obligations come due, as at September 30, 2022, as follows:

Less than 1 year	$258
1 - 3 years	965
4 - 5 years	935
More than 5 years	223
Total	**$2,381**

9. INTANGIBLE ASSETS

Cost	License/ Patents	Website	Biomeme & Quidel License	Customer List	Triple Lock	Total
September 30, 2020	$2,233	-	-	-	-	$2,233
Additions	7	124	-	-	-	131
September 30, 2021	$2,240	$124	-	-	-	$2,364
Additions[1]	**12**	**35**	**4,636**	**530**	**810**	**6,023**
Impairment/Writeoffs[2]	**-**	**(64)**	**(2,219)**	**(248)**	**(405)**	**(2,936)**
September 30, 2022	**$2,252**	**$95**	**$2,417**	**$282**	**$405**	**$5,451**

Accumulated Amortization	License/ Patents	Website	Biomeme & Quidel License	Customer List	Triple Lock	Total
September 30, 2020	$1,849	-	-	-	-	$1,849
Amortization expense	109	15	-	-	-	124
September 30, 2021	$1,958	$15	-	-	-	$1,973
Amortization expense	**91**	**39**	**2,318**	**265**	**405**	**3,118**
Adjustments[2]	**-**	**(26)**	**-**	**-**		**(26)**
September 30, 2022	**$2,049**	**$28**	**$2,318**	**$265**	**$405**	**$5,065**

Net Book Value						
September 30, 2021	$282	$109	-	-	-	$391
September 30, 2022	**$203**	**$66**	**$99**	**$16**	**$-**	**$384**

[1]The additions above include costs spent on developing the Company's website, acquiring licenses & patents and additions from the acquisition noted in Note 4.

[2]In fiscal year 2022, the Company wrote off $38,000 of website costs as it redeveloped its website. The website that was written off had a cost of $64,000 and accumulated amortization of $26,000.

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

9. INTANGIBLE ASSETS (CONTINUED)

During the fourth quarter of 2022, management concluded that as at September 30, 2022, conditions existed which indicated that intangible assets associated with the acquisitions of PBI were impaired as a result of the market volatility in demand of COVID-19 testing and governments lifting restrictions for testing. PBI acquisitions intangibles is assessed for impairment based on the COVID-19 PCR human testing business line CGU ("PBI CGU"). Any potential impairment is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

The PBI CGU's recoverable amount (level 3 fair value) was determined based on Fair Value Less Cost of Disposal (FVLCD) using a 9-month discounted cash flow model. Key assumptions used in the discounted cash flow model are as follows: (a) projected revenue used in the forecast was with an average of $171,000 per month and a $100,000 per month over 18 months for terminal value to reflect the other product pipelines in the Biomeme and Quidel license; and (b) projected general and administrative expenses used in the forecast were estimated using current and historical results as a percentage of revenue with consideration to variable costs, with fixed costs estimated to remain fairly constant, the gross margin averaging to 25.43% over the 9 month period. The post-tax discount rate applied in the discounted cash flow model was 26.5%.

Based on these assumptions, the recoverable amount of $115,000 as at September 30, 2022. The carrying amount of the CGU was $2,988,000 resulting in an impairment that had to be allocated to the assets within the CGU. The impairment loss was allocated based on the relative carrying amount of the assets, limited to their fair value less costs of disposal. The resulting impairment loss to the intangible assets of $2,873,000 was recorded within operating expense.

10. ASSETS HELD FOR SALE

September 30, 2021	-
Additions[1]	**145**
September 30, 2022	**$145**

[1]The Company purchased equipment originally intended for use at one of its research partners in July 2022 and subsequently determined that this equipment is no longer needed. Therefore, this equipment has been transferred to the Assets Held for Sale category as the Company plans to sell it instead. The cost of the equipment is approximately $170,000 with an estimated cost to sell of $25,000.

11. 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, 2022	September 30, 2021
Salaries and short-term employee benefits	**$1,498**	$1,213
Stock-based compensation[1]	**1,189**	(111)
	$2,687	$1,102

11. RELATED PARTY TRANSACTIONS (CONTINUED)

[1] The forfeiture of stock options upon the departure of 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 and $4,050,000 of debentures (principal amount) with 8% interest rate (please see note 10).

Certain board members participated in funding the loan with the Credit Facility for an aggregate amount of $3,750,000 which was used to purchase the intangible assets of PBI as per note 12.

12. LOAN PAYABLE

To assist the Company with the funding of the acquisition of PBI assets, the Company entered into a credit agreement with Pivot Financial, an arm's length third party, on February 11, 2022, with respect to the extension of a short-term senior secured demand credit facility in the aggregate amount of $7,500,000 (the "Credit Facility"). The Credit Facility bears interest at a rate of 15% per annum. Certain board members of the Company also participated in funding the Credit Facility pursuant to the terms of a participation agreements entered into between Pivot and the Insider Lenders.

The Credit Facility has been secured by a first charge general security interest over the Company, as borrower, and the Company's wholly owned subsidiary SQI Diagnostics Systems, as guarantor. The Credit Facility includes customary representations, warranties, events of default, and positive and negative interim covenants – including covenants that restrict the Company's ability to incur additional indebtedness, grant liens, make investments and acquisitions, pay dividends, repurchase equity interests in the Company, make distributions (other than 2 certain permitted distributions) and enter into related party transactions and asset sales. In connection with the granting of the Credit Facility, the Lenders were paid a facility fee in the amount of $320,000 and legal fees in the amount of $75,000.

On April 8, 2022, the Company amended its Credit Facility. Amendments include a revised maturity date of June 11, 2022, with all of the other terms of the agreement remaining unchanged. No commission or bonus was paid in connection with extension of the Credit Facility, and the Credit Facility is not convertible into any securities of the Company. Repayment of the facility is due on maturity. In connection with the amendment of the credit facility, the Lenders were paid a facility fee in the amount of $14,500.

On June 17, 2022, the Company amended its Credit Facility again. Amendments include a revised maturity date of October 28, 2022, with all of the other terms of the agreement remaining unchanged. No commission or bonus was paid in connection with extension of the Credit Facility, and the Credit Facility is not convertible into any securities of the Company. Repayment of the facility is due on maturity. In connection with the amendment of the credit facility, the Lenders were paid a facility fee in the amount of $31,500.

Management has assessed and determined that these amendments constitute modifications to long-term debt, which has resulted in the debt being valued at present values of future cash flows. As a result, the Company has recorded total gains on debt modification of $1,037,000 for the year ended September 30, 2022. The gains were recorded as reduction to the carrying value of the loan payable, which was then accreted to its face value $7,500,000 using an effective interest rate of 42.27%.

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

12. LOAN PAYABLE (CONTINUED)

Subsequent to year end, the Company amended its Credit Facility as per Note 26. The total cash outlay of interest expense on the loan principal for the fiscal year 2022 is $563,000 (2021 - $0).

Additionally, the Company has recorded $873,000 in the loan accretion expense.

The following table summarizes the change in the Company's loan payable debt arising from financing activities for the year ended September 30, 2022:

	Loan Payable
Balance - Beginning of year	-
Drawings	7,500
Repayments	-
Accretion of interest expense	873
Amortization of gain on modification of debt	(1,037)
Balance - End of year	**$ 7,336**

13. 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 amended 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%.

On June 17, 2022, the Company issued secured debenture (the "2022 Debenture") with a principal amount of $4,050,000. The 2022 Debenture bears interest at a rate of 8% and will mature in 2 years from the date of issuance. The 2022 Debenture is secured by a general security agreement over all the present and future assets of the Company including intangible assets. The 2022 Debenture was purchased by three insiders of the Company, who are control persons of the Company, and are thus

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

13. SECURED DEBENTURES (CONTINUED)

considered related parties. At any time prior to the first anniversary of the 2022 Debenture, the Company may redeem the 2022 Debenture, in whole or in part, at a price equal to 105% of the aggregate amount of indebtedness under the 2022 Debenture that the Company elects to redeem and at any time following the first anniversary of the 2022 Debenture, the Company may redeem the 2022 Debenture, in whole or in part, at a price equal to 110% of the aggregate amount of indebtedness under the 2022 Debenture that the Company elects to redeem.

The carrying value of the 2022 Debenture is accreted to the face value of $4,050,000 using an effective interest rate of 8.3%.

The total interest accrued on the secured debentures for the fiscal year 2022 is $525,000.

	Year Ended	
	September 30, 2022	September 30, 2021
Secured debentures	**$6,510**	$2,460
Equity component of secured debenture	**(345)**	(345)
Issuance Costs	**(20)**	
	6,145	2,115
Accretion in carrying amount of debentures	**156**	89
Balance end of year	**$6,301**	$2,204

14. CAPITAL STOCK

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

(b) During the first quarter of fiscal 2021, a total of 2,248,260 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 $0.20 while 1,498,260 warrants issued in connection with a December 2017 private placement, were exercised at a price of $0.21. 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.

(c) During the first quarter of fiscal 2021, 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.

(d) During the second quarter of fiscal 2021, a total of 11,900,972 common 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

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

14. CAPITAL STOCK (CONTINUED)

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. The original value of the warrants was calculated using the Black-Scholes option pricing model. 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.

(e) 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, $329,000 was deducted from the Contributed Surplus account and transferred to Share Capital upon exercise. Total share issuance costs were approximately $45,000.

(f) 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.

(g) During the first quarter of fiscal 2022 the Company completed a non-brokered private placement of an aggregate of 26,932,895 units of the Company at $0.19 per unit for gross proceeds of $5,117,000. Each unit comprises one common share of the Company and one common 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, 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 $2,299,000 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 $0.18; dividend yield 0%; risk free interest 1.36%; volatility 125.13%; and an expected life of 5 years. Expected volatility is based on historical volatility. The total share issuance costs were $34,000 and $15,000 was allocated to warrant capital.

(h) On January 10, 2022, the Company acquired certain assets of Precision Biomonitoring Inc's (PBI) human diagnostics COVID-19 PCR testing business and its TripleLock molecular diagnostics testing business. The transaction closed in February 2022. As part of the acquisition, the Company issued 4,171,779 common shares with an aggregate fair value of $680,000.

15. WARRANTS

The Company had the following warrants outstanding as at September 30, 2022:

Number of Warrants	Exercise Price	Maturity
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
26,933	$0.25	November 1, 2026 to November 8, 2026
142,661		

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

15. WARRANTS (CONTINUED)

a) 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.

b) During the second quarter of fiscal 2022 a total of 1,387,500 warrants issued in connection with a private placement in March of 2017 with an exercise price of $0.21 expired unexercised. Accordingly, $100,000 was transferred from warrant capital to contributed surplus in the quarter.

16. 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, 2022		September 30, 2021	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning Balance	**27,275**	**$ 0.19**	42,400	$ 0.20
Granted	**4,080**	**$ 0.15**	17,794	$ 0.20
Exercised	**-**	**$-**	(1,523)	$ 0.30
Cancelled/Expired	**(1,192)**	**$ 0.18**	(1,277)	$ 0.20
Forfeited[1]	**(748)**	**$0.20**	(30,119)	$ 0.20
Ending Balance	**29,415**	**$ 0.19**	27,275	$ 0.19
Exercisable	**13,060**	**$ 0.19**	8,152	$ 0.17

[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.

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

16. STOCK OPTIONS (CONTINUED)

The Company had the following stock options outstanding under the Plan at September 30, 2022:

Number of Options	Range of Exercise Prices	Weighted average time to maturity
4,223	$ 0.07 – 0.14	4.12 years
23,927	$ 0.15 – 0.22	3.23 years
1,265	$ 0.23 – 0.30	7.91 years
29,415		

Performance – based options account for 8,500 of the total 29,415 stock options outstanding under the Plan**.**

17. STOCK-BASED COMPENSATION

The fair value of the options granted during the year ended September 30, 2022, was $499,000 (2021 $2,638,000), which will be recognized over a vesting period of 36 months, for the service-based options). The total compensation expense credited to contributed surplus for the year ended September 30, 2022, was $1,437,000 (2021 $179,000).

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, 2022	September 30, 2021
Dividend Yield	**0%**	0%
Expected Volatility (historical data basis)	**111%**	113%
Risk-free Interest Rate	**2.89%**	0.77%
Share price and exercise price	**$0.15**	$0.20
Expected Life (years)	**5**	5
Weighted average grant date fair value	**$0.12**	$0.17

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% (2021 - 10% to 40%) based on the vesting period of the option.

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

18. CORPORATE AND GENERAL EXPENSE

	Year Ended	
	September 30, 2022	September 30, 2021
Salaries and wages	**$1,857**	$1,589
Subsidies (CEWS)[1]	**(16)**	(94)
General and administrative	**1,011**	9
Professional and consulting	**2,001**	1,139
Stock-based compensation	**1,006**	(160)
Total corporate and general expense by nature	**$5,859**	$2,483

[1]Salaries and wages are offset by government assistance in the form of the Canada Emergency Wage Subsidy (CEWS). Due to increase in revenues in Fiscal Year 2022, the Company no longer qualifies for the CEWS and does not expect to receive the subsidy moving forward.

19. SALES AND MARKETING EXPENSE

	Year Ended	
	September 30, 2022	September 30, 2021
Contractor fees	**$599**	$708
Travel and marketing	**81**	25
Stock-based compensation	**7**	9
Total sales and marketing expense by nature	**$687**	$742

20. RESEARCH AND DEVELOPMENT COSTS

	Year Ended	
	September 30, 2022	September 30, 2021
Salaries and wages	**$4,370**	$4,044
Subsidies (CEWS and Biotalent)[1]	**(220)**	(1,063)
Laboratory costs and supplies	**2,174**	3,693
Professional fees	**-**	10
Investment tax credits	**(157)**	(187)
Amortization – right of use assets (Note 7)	**332**	352
Amortization – property and equipment (Note 6)	**357**	277
Stock-based compensation	**424**	331
Total research and development expense by nature	**$7,280**	$7,457

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

20. RESEARCH AND DEVELOPMENT COSTS (CONTINUED)

[1]Salaries and wages are offset by government assistance in the form of the Canada Emergency Wage Subsidy (CEWS) and Biotalent subsidies for the Co-op students. Due to increase in revenues in Fiscal Year 2022, the Company no longer qualified for the CEWS. The Company will continue to work with Biotalent in hiring and supporting new talent.

The Company has decided to exclude the amortization for the intangible assets as part of the R&D expense and present it separately in the income statement in 2022. For meaningful prior period comparison, this has required the revision of the Note for Research and Development in 2021 excluding the amortization for intangible assets for comparative purposes.

21. 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, 2022	September 30, 2021
Loss before income taxes	**$(18,523)**	$(10,557)
Statutory Rate	**26.5%**	26.5%
Expected income tax recovery	**(4,909)**	(2,798)
Change in deferred taxes not recognized	**4,882**	2,782
Non-deductible expenses and other items	**27**	16
Income tax expense	**$-**	$-

(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, 2022	September 30, 2021
Amounts related to tax loss and un-deducted SRED costs	**$106,510**	$96,006
Property and equipment and intangibles	**8,117**	3,331
Share issue costs	**953**	666
Deferred tax asset not recognized	**$115,579**	$100,003

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

21. INCOME TAXES (CONTINUED)

(c) Loss and Tax Credit Carryforwards

As at September 30, 2022, the Company has non-capital losses of approximately $78,380,000 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
2042		9,154
	$	78,380

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.

22. 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)

23. 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 customer base. In fiscal 2021 six customers accounted for 97% of the revenues while in Fiscal 2022 four customers accounted for 70% of the revenues. In Fiscal 2022, the company acquired the customer list of Precision Biomonitoring Inc as part of its acquisition of certain intangible assets. This transaction drove higher sales thus increasing the credit risk associated with receivables. 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 on a monthly basis. 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, 2022**
Current	$109
1-30 days	172
31-60 days	**43**
61-90 days	**13**
Over 90 days	45
Total	**$382**

The following table presents net trade receivables and the bad debt provision as at September 30, 2022:

Trade Receivables – net	**September 30, 2022**
Gross trade receivables	$382
Bad debt provision	(10)
Net trade receivables	**$372**

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 does not make use of derivative financial instruments to mitigate interest rate risk.

(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 functional currency of the company is Canadian dollar, however, certain cash and cash equivalents, payables are denominated in US dollars. As a result, the Company is exposed to currency risk to these financial instruments. As at September 30, 2022, a 5% change in the exchange rate would result in approximately $41,000 change in earnings. The impact of exchange rate changes is based the magnitude of the change as well as the amount to be paid, which changes based on business activities.

(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. On September 30, 2022, the Company had a working capital deficit of $7,428,000 (September 30, 2021 - working capital surplus of $686,000). This deficit is due to the $7,500,000 credit facility due on January 31, 2023. The Company anticipates converting this short-term credit facility into a longer-term financial instrument. The Company's liabilities consist of accounts payable, accrued liabilities, loan payable, contract liabilities, lease obligations and the principal portion of debentures which require annual interest payments of $245,960 on the anniversary date and the principal amount of $2,459,600 which is due five years from the date of issuance. The 2022 Debenture issued on June 17, 2022, for the principal amount of $4,050,000 are due two years from the date of issuance. 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.

(f) Regulatory risk

The Company is subject to government regulations and oversight with respect to its business activities. Failure to comply with applicable regulations, obtain applicable regulatory approvals or maintain those approvals may subject the Company to civil penalties, suspension or withdrawal of any regulatory approval obtained, injunctions, operating restrictions and criminal prosecutions and

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

penalties, which could, individually or in the aggregate, have a material adverse effect on the Company' consolidated financial position.

(g) Economic Dependence

During the year, approximately 70% of sales (2021 – 80%) were made to four customers. Should these customers substantially change its dealings with the Company it can have a material adverse effect on the Company' consolidated financial position.

24. 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.

25. 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. In accordance with IFRS 16, right of use assets are now included as non-current assets.

	Revenues		Non-current Assets	
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
United States	**$239**	$753	**$-**	$-
Canada	**7,863**	147	**6,039**	5,426
Europe	**-**	17	**-**	-
Total	**$8,102**	$917	**$6,039**	$5,426

26. SUBSEQUENT EVENTS

Extension of Pivot Credit Facility & Deferral of Certain Interest Payments

On October 19, 2022, the Pivot Credit Facility was extended to January 31, 2023, from October 28, 2022. The Board members who are parties to the Pivot Credit Facility also agreed to temporarily defer their portion (50% of the total) of the interest payment. The Company paid an amendment fee of $37,500 plus HST and the Lender's counsel's legal fees for $5,171. The Credit Facility is not convertible into any securities of the Company. Additionally, the holders of the $4,050,000 principal debenture dated June 17, 2022, which are controlled by Board members of the Company who are also control persons of the Company, have agreed to the temporary deferral of interest payments under the Debentures together with the Pivot Interest Deferral. All other terms of the Credit Agreement and Debenture remain unchanged.

26. SUBSEQUENT EVENTS (CONTINUED)

On January 30th, 2023, Pivot Financial extended the Maturity date to February 3rd, 2023, with the intent of having discussions with management about a potential further extension**.**

FedDev Ontario Funding

On November 10, 2022, the Company entered into a funding agreement with the Federal Economic Development Agency of Southern Ontario ("FedDev Ontario"). Under the terms of the Contribution agreement, the Company will be able to draw down up to $2,000,000 of funding in the form of an interest-free repayable over 5 years once repayment commences in 2024.

Private Placement

On December 2 and December 16, 2022, the Company completed a non-brokered private placement of an aggregate 12,611,112 units of the Company's shares at $0.09 per unit for gross proceeds of approximately $1,135,000. 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.