



SQI Diagnostics Reports First Quarter 2020 Results

Toronto, Ontario, February 27, 2020 - SQI Diagnostics Inc. (“SQI” or the “Company”) (TSX-V: SQD; OTCQB: SQIDF), today reported its financial and operational results for the three months ended December 31, 2019.

SQI is a Toronto-based life sciences and diagnostics company that develops and commercializes proprietary technologies and products for advanced multiplexed diagnostics.

Highlights for the Quarter

- Achieved first commercial RUO (Research Use Only) sales of TORdx LUNG, our first clinical lung transplant test.
- Delivered the first TORdx LUNG *rapid* Point-of-Care consumable cartridges and instrument to the Toronto Lung Transplant Program for clinical evaluation.
- Expanded our relationship with University Health Network’s Toronto Lung Transplant Program to develop additional organ health diagnostic products.

Said Eric Brouwer, Interim Chief Executive Officer: “Today, 80% of all donor lungs are discarded. We believe that our TORdx LUNG tests will cut the number of discarded donor lungs in half, making available many more donor lungs for those on the lung transplant wait list. The core test enabling improved donor lung transplantation is being used to create other tests that are more broadly applicable to assessing lung health.”

Q1 2020 Financial Results Overview

For the quarter ended December 31, 2019, the Company recorded a net loss of \$2,014,000 (\$0.01 net loss per share), compared to the net loss of \$1,758,000 (\$0.01 net loss per share) for the quarter ended December 31, 2018.

For the three months ended December 31, 2019, total revenues were \$207,000 compared to \$292,000 for the same period last year. Revenues from kit sales were \$136,000 for the current quarter compared to kit sales of \$103,000 for the fourth quarter of fiscal 2019. Revenue from services in the first quarter were \$60,000 compared to \$346,000 in the fourth quarter of fiscal 2019. Service revenues were higher in 2019 owing to the large contract to develop multiple lung transplant products that are now transitioning to commercial sales. Our lead candidate in this portfolio is in the process of regulatory filing and review by both the FDA and Health Canada. We are selling our TORdx LUNG kits to UHN for research purposes until approved by Health Canada. Should we obtain FDA clearance we will immediately begin marketing and pursuing sales for these products in the US market.

R&D expenditures, excluding amortization and stock-based compensation, for the three months ended December 31, 2019 were \$1,006,000 compared to \$877,000 for the same period last year. The increase in R&D expenditures for fiscal 2020 arose from development work that our scientists completed in the quarter of a highly accurate multiplexed test to determine the health of lungs on EVLP in conjunction with our partnership with the Toronto Lung Transplant Program.

Corporate and general expenses, excluding stock-based compensation, totaled \$364,000 for the three months ended December 31, 2019 compared to \$324,000 for the three months ended December 31, 2018 due to increased staffing and professional fees.

Sales and marketing expenses, excluding stock-based compensation, declined to \$259,000 for the three months ended December 31, 2019 compared to \$325,000 for the three months ended December 31, 2018.

At December 31, 2019, current assets were \$2,493,000 compared to \$2,166,000 at December 31, 2018. As at December 31, 2019, the Company had a \$2,101,000 working capital deficit compared to a surplus of \$1,230,000 at December 31, 2018. The deficit is primarily due to the reclassification of debentures from a long-term liability to current in the period. As discussed below, the Company completed a private placement and several debenture amendments after quarter-end to take steps to address its working capital shortfall.

Detailed financial statements and the management's discussion and analysis (MD&A) will also be made available on the Company website at www.sqidiagnostics.com and at www.sedar.com.

Financial and Business Highlights for the Quarter and Year to Date:

In the first quarter of fiscal 2020 we have continued to advance the on-going evolution of SQI in the 2019 fiscal year.

SQI is developing a suite of multi-biomarker tests to assess the health of a donor organ prior to transplant and has partnered with the University Health Network (UHN) Toronto Lung Transplant Program, the largest lung transplant program in the world. UHN's Toronto Lung Score (TLS), which is provided by SQI's TORdx LUNG test, is expected to be adopted world-wide as the diagnostic tool to assess donor lungs for suitability for transplant into recipients while the donor lung is being treated on another UHN invention, Ex Vivo Lung Perfusion (EVLP). Follow the [link](#) to UHN's ex vivo perfusion information on the repair of donor organs for lungs, livers and kidneys.

Subsequent to the quarter end, we partnered with UHN to re-apply for an ARDS Genome Canada grant and for a rapid research response to contribute to the global efforts to contain the COVID-19 outbreak in a very recent Canadian Institutes of Health Research (CIHR) Canadian 2019-nCoV Rapid Research Funding call. This research response is aligned with the efforts of CIHR international partners, including the World Health Organization (WHO) and the Global Research Collaboration for Infectious Disease Preparedness (GloPID-R).

Finally, and also subsequent to the quarter end, we progressed our TORdx LUNG regulatory efforts by completing an FDA pre-submission meeting and subsequent filing of an FDA application for this test to be accepted into the Breakthrough Device Program. For more information from the FDA on this program, [click here](#).

SQI would like to recognize the contributions to the Company of Ms. Patricia Lie and Mr. Andrew Morris, as VP Finance and CEO respectively, and to thank them for their years of service and leadership.

Corporate Financing Transactions

Private Placements

On September 25, 2019 and October 22, 2019, the Company completed a non-brokered private placement of an aggregate of 32,300,000 units, at \$0.10 per unit, for gross proceeds of \$3,230,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of \$0.13 and entitles the holder to acquire one common share for a period of five years from the date of issuance.

In addition, on January 31, 2020, the Company announced that it intends to complete a non-brokered private placement (the "Private Placement") of up to units ("Units"), at a price of \$0.09 per Unit, for gross proceeds of up to \$4,000,000, subject to regulatory and stock exchange approval. Each Unit will consist of one common share and one common share purchase warrant. Each common share purchase warrant will entitle the holder to purchase one common share at

a price of \$0.12 for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances.

On February 18, 2020, the Company announced that it had completed the first tranche of a non-brokered private placement (the "Private Placement") of 29,629,630 units ("Units") of the Company at a price of \$0.09 per Unit for gross proceeds of approximately \$2.67 million. Each Unit consists of one common share and one common share purchase warrant. Each of these warrants entitles the holder to purchase one common share at a price of \$0.12 for a period of five years from the date of issuance, subject to accelerated expiry in certain circumstances.

The Company intends to complete the second tranche of the Private Placement on or about March 6, 2020 by issuing up to an additional 14,814,814 Units at a price of \$0.09 per Unit, for additional gross proceeds of up to approximately \$1.33 million.

SQI intends to use the net proceeds of the Private Placement to repay approximately \$1,000,000 of the principal amount of certain 10% secured non-convertible debentures of the Company, plus accrued and unpaid interest, maturing on February 20, 2020, and to fund the Company's product commercialization and manufacturing programs, sales and marketing and for general working capital purposes.

Debenture Extension

Subsequent to quarter-end, on January 30, 2020, the Company announced the extension of \$1,950,000 principal amount of 10% secured non-convertible debentures of the Company maturing on January 30, 2020 (the "Debentures") for a period of five years (the "Extension"). Interest in the amount of \$195,000 payable by the Company to the holders of the Debentures on the original maturity date was re-advanced to the Company on this date, and this amount increased the principal amount of the Debentures being extended from \$1,950,000 to \$2,145,000 (the "Advance"). Of this amount, an aggregate of \$1,900,000 of principal amount of Debentures held by certain insiders, who are also control persons of the Company, was extended, and interest in the amount of \$190,000, was re-advanced to the Company by such insiders.

The maturity dates of the Debentures were extended from January 30, 2020 to January 30, 2025. The Debentures, as amended, continue to be secured by a general security agreement over all of the present and future assets of the Company, including intangibles. They continue to bear interest at a rate of 10% per annum on the principal amount outstanding.

In consideration for the Extension and the Advance, the Company issued 4,116,667 common share purchase warrants ("Warrants"), of which an aggregate of 4,011,111 Warrants were issued to the insiders described above. Each Warrant entitles the holder to purchase one common share at a price of \$0.09 for a period of five years from the date of issuance.

On February 20, 2020, the Company announced that holders of \$286,000 principal amount of 10% secured non-convertible debentures of the Company maturing on February 20, 2020 (the "Debentures") have agreed to extend the maturity date of the Debentures for a period of five

years (the “Extension”). Holders of the Debentures have agreed that interest in the amount of \$28,600 payable by the Company to them on the original maturity date will be re-advanced to the Company on such date, and such amount shall increase the principal amount of the Debentures being extended from \$286,000 to \$314,600 (the “Advance”).

The Debentures were issued pursuant to a private placement of the Company completed in two tranches on January 30, 2015 and February 20, 2015. The maturity dates of the Debentures will be extended from February 20, 2020 to February 20, 2025. The Debentures, as amended, continue to be secured by a general security agreement over all of the present and future assets of the company, including intangibles, and continue to bear interest at a rate of 10% per annum on the principal amount outstanding.

In consideration for the Extension and the Advance, the Company has agreed to issue 622,471 common share purchase warrants (“Warrants”). Each Warrant will entitle the holder to purchase one common share at a price of \$0.08 for a period of five years from the date of issuance.

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About SQI Diagnostics

SQI Diagnostics is a life sciences and diagnostics company that develops clinical-grade multiplexed microarray and molecular assays run on its automated instrumentation for the pharmaceutical research, animal health, and clinical diagnostics markets. SQI develops custom research and diagnostic assays that are “multiplexed”; which means many individual tests can now be simplified, consolidated and automated into a single test. This significantly increases sample throughput, reduces time, cost and chance for human error, and provides excellent data quality. For more information, please visit sqidiagnostics.com.

Forward-looking Statements

This press release contains certain statements including, without limitation, the words “may”, “plan”, “will”, “estimate”, “continue”, “anticipate”, “intend”, “expect”, “believe”, “in the process”, “benefits”, “leading to”, “position” “possible”, “is subject to” and other similar expressions which

may constitute “forward-looking statements” within the meaning of applicable securities laws. Forward-looking statements reflect the Company's current expectations and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements involve risks and uncertainties including, but not limited to: our ability to market and sell our products including our novel multiplexing technologies and detection platforms; our ability to maintain any technical or product advantages; the success of our Diagnostic Tools and Services business and our intent to build near-term revenue streams from this business; the successful regulatory filing and receipt of regulatory approvals for our later stage quantitative diagnostic consumable kits; adverse changes in general economic conditions; international risk and currency exchange fluctuations; competitor activity; technology changes; regulatory approvals and the impact of healthcare reform legislation; and, SQI's ability to raise additional funds in the future.

Such statements, risks and uncertainties are detailed in the Company's ongoing filings with the securities regulatory authorities, and are available to the public at www.sedar.com. The Company undertakes no obligation to publicly update or revise any forward-looking statements either as a result of new information, future events or otherwise, except as required by applicable securities laws.

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