

5186287-2
\$ 5,000
June 29, 2007

FORM 45-106F1
REPORT OF EXEMPT DISTRIBUTION

This is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution.

Issuer Information

Item 1: State the full name of the issuer of the security distributed and the address and telephone number of its head office. If the issuer of the security distributed is an investment fund, state the name of the fund as the issuer, and provide the full name of the manager of the investment fund and the address and telephone number of the head office of the manager. Include the former name of the issuer if its name has changed since last report.

SQI Diagnostics Inc
36 Meteor Drive, Toronto, Ontario M9W 1A4

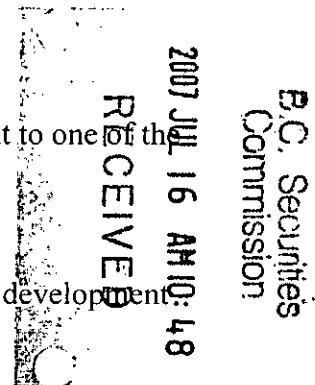
Item 2: State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting.

The issuer is a reporting issuer in the country of Canada

Item 3: Indicate the industry of the issuer by checking the appropriate box next to one of the industries listed below.

- ☒ Bio-tech
- Financial Services
- ☐ investment companies and funds
- ☐ mortgage investment companies
- ☐ Forestry
- ☐ Hi-tech
- ☐ Industrial

- Mining
- ☐ exploration / development
- ☐ production
- ☐ Oil and gas
- ☐ Real estate
- ☐ Utilities
- ☐ Other (describe)



Details of distribution

Item 4: Complete Schedule I to this report. Schedule I is designed to assist in completing the remainder of this report.

Item 5: State the distribution date. If the report is being filed for securities distributed on more than one distribution date, state all distribution dates.

June 29, 2007
July 3, 2007

Item 6: For each security distributed:

- (a) describe the type of security,

Units comprised of one (1) common share and one-half of one (1/2) common share purchase warrant.

- (b) state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date; and

3,192,551 Units at a price of \$1.60 per Unit. Each Unit is comprised of one (1) common share and one-half of one (1/2) common share purchase warrant (the "Warrant"). Each whole Warrant entitles the holder thereof to purchase one (1) common share at an exercise price of \$2.40 per common share at any time until close of business June 29, 2009.

- (c) state the exemption(s) relied on.

Section 2.3 of National Instrument 45-106 – Prospectus and Registration Exemptions.

Item 7: Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table, securities issued as payment for commissions or finder's fees disclosed under item 8, below.

Each jurisdiction where purchasers reside	Number of purchasers	Price per security (CDN \$) ⁽¹⁾	Total dollar value raised from purchasers in the jurisdiction (CDN \$)
British Columbia	1	\$1.60	\$5,000
Ontario	68	\$1.60	\$5,703,081.60
Total number of Purchasers	69		
Total dollar value of distribution in all jurisdictions (CDN \$)			\$5,708,081.60

Note 1: If securities are issued at different prices list the highest and lowest price the securities were sold for.

Commissions and finder's fees

Item 8: Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include payments for services incidental to the distribution, such as clerical, printing, legal or accounting services. If the securities being issued as compensation are or include convertible securities, such as warrants or options, please add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

If the securities being issued as compensation are or include convertible securities, such as warrants or options, please add a footnote describing the terms of the convertible securities,

including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

Full name and address of the person being compensated	Compensation paid or to be paid (cash and/or securities)				Total dollar value of compensation (CDN \$)
	Cash (CDN \$)	Number and type of securities issued	Securities Price per security ⁽¹⁾	Exemption relied on and date of distribution	
Research Capital Corporation 199 Bay Street, Suite 4500 Commerce Court West Box 368 Toronto, ON M5L 1G2	\$228,323.26	142,702 warrants ⁽¹⁾		Section 2.3	\$228,323.26
Kingsdale Capital Corporation Exchange Tower 130 King Street West Suite 2950, Box 156 Toronto, ON M5X 1C7	\$228,323.26	142,702 warrants ⁽¹⁾		Section 2.3	\$228,323.26

- Each warrant entitles the holder thereof to purchase one (1) unit consisting of one common share and one-half of one (1/2) warrant at an exercise price of \$1.60 per unit at any time until close of business June 29, 2009.

Item 9: If a distribution is made in Ontario, please include the attached “Authorization of Indirect Collection of Personal Information for Distributions in Ontario”. The “Authorization of Indirect Collection of Personal Information for Distributions in Ontario” is only required to be filed with the Ontario Securities Commission.


Certificate

On behalf of the issuer, I certify that the statements made in this report are true.

Date: July 9, 2007

SQI Diagnostics Inc.
Name of Issuer

Claude Ricks, President & Chief Executive Officer, (416) 674-9500 ext. 225
Print name, title and telephone number of person signing


Signature

Item 10: State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

Jay Vieira, counsel, 416.941.8829

IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.