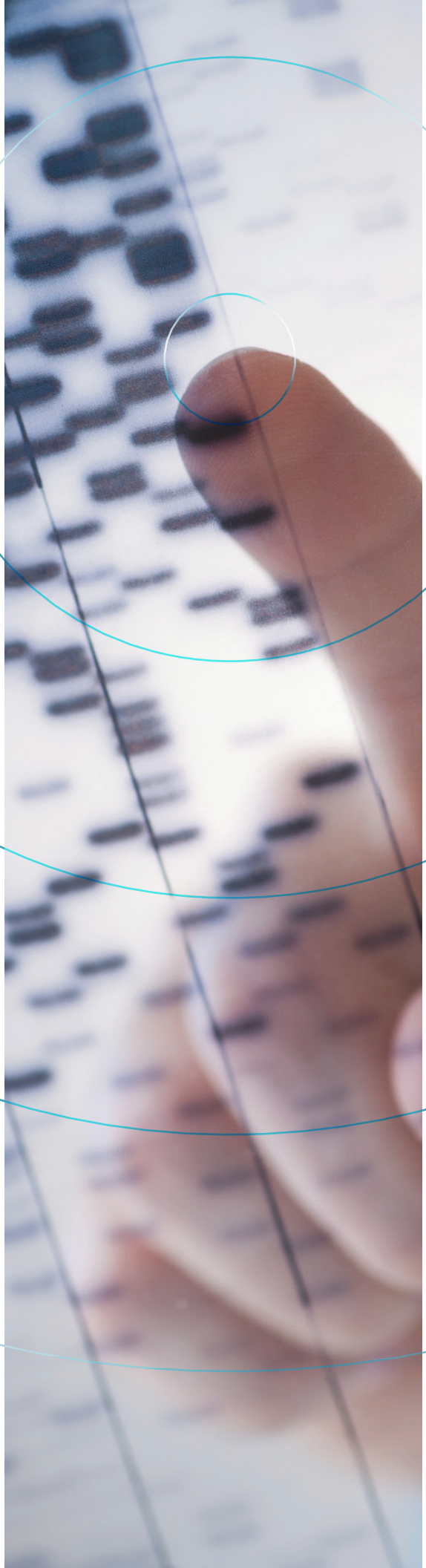
DiagnoCure



Empowering oncology decisions

Quarterly Report 2

Period ended April 30, 2015

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and related notes included herein, which are prepared in accordance with IAS 34, Interim Financial Reporting for International Financial Reporting Standards (IFRS), together with the audited consolidated financial statements for the year ended October 31, 2014 and related notes. Management's comments were prepared to explain the Corporation's operations, performance and financial position as at April 30, 2015. They compare this second quarter and six-month period of operating results and cash position with those of the second quarter and six-month period ended April 30, 2014. Amounts are in Canadian dollars unless otherwise noted. The information contained herein is up to date as of June 11, 2015.

This Management discussion and analysis (MD&A) contains forward-looking information. Additional information about the forward-looking information as well as the associated risks factors can be found on pages 13 and 14 of this report.

Overview

DiagnoCure, Inc. (hereafter called the "Corporation" or "DiagnoCure") is a life sciences corporation that develops and provides molecular and genomic tests to support effective clinical decisions enabling personalized medicine in oncology.

In 1998, the Corporation initiated the commercialization of its first diagnostic test, ImmunoCyt / uCyt+ for bladder cancer in Europe and, in 2000, obtained a 510(k) clearance from the Food and Drug Administration (FDA) for the commercialization of the test in the United States. In August 2008, DiagnoCure entered into a product divestment agreement for ImmunoCyt / uCyt+ with Scimedx Corporation, a U.S.-based company.

In May 2000, DiagnoCure obtained an exclusive worldwide license from the University of Nijmegen, the Netherlands, for all diagnostic and therapeutic applications of the PCA3 molecular biomarker in relation with prostate cancer. In 2003, DiagnoCure developed its second diagnostic test, uPM3, based on measuring the expression of the PCA3 molecular biomarker in urine. The uPM3 assay reagents were first sold in 2003 in the United States as Analyte Specific Reagents (ASR). That same year, DiagnoCure granted an exclusive worldwide license to Gen-Probe Incorporated (Gen-Probe) of San Diego, California, for PCA3 diagnostic applications in return of US$9 million to be paid over three years. Those revenues were recognized and amortized over a 42-month period ended in April 2007. The final payment was received in November 2006. In mid-2006, Gen-Probe made available to targeted reference laboratories in the U.S. market the ASR format of its first generation PCA3 assay on its APTIMA® technology platform. Since then, laboratories in the U.S. have added PCA3 on their product listings, among which are LabCorp and Quest, the two leading U.S. diagnostic testing providers. In November 2006, Gen-Probe received the European CE Mark for its PROGENSA® PCA3 test and subsequently introduced the test in Europe. On April 29, 2009, DiagnoCure and Gen-Probe executed an amendment to their 2003 license agreement, establishing new FDA submission milestones and key distribution arrangements to leverage the full market potential of the PCA3-based test for prostate cancer in the United States, Europe and around the world. Pursuant to the amendment, Gen-Probe acquired on May 7, 2009, 4.9 million DiagnoCure Series A Convertible Preferred Shares for US$5.0 million. In addition, Gen-Probe committed to make annual payments of US$500,000 to

DiagnoCure until specific milestones were met. On August 17, 2011, Gen-Probe obtained Canadian regulatory approval for the PROGENSA® PCA3 assay and on February 15, 2012 the US FDA approved the PROGENSA® PCA3 test, the first molecular test to help determine the need for repeat prostate biopsies in men who have had a previous negative biopsy. This FDA approval marked a significant milestone achievement for the Corporation. On August 1, 2012 the acquisition of Gen-Probe, the exclusive licensee for PCA3's diagnostic applications was completed by Hologic Inc. Under the terms of this transaction, Gen-Probe became a wholly-owned subsidiary of Hologic Inc. that now operates under the name Hologic Gen-Probe.

On April 30, 2007, DiagnoCure secured from Targeted Diagnostics & Therapeutics, Inc. (TDT) the exclusive worldwide diagnostic rights to the GCC biomarker and its potential use in two high-value molecular tests for colorectal cancer. In 2008, after completing the development of one of the GCC diagnostic applications, the Corporation launched its Previstage® GCC Colorectal Cancer Staging Test from its CLIA-certified laboratory in West Chester, Pennsylvania. On June 29, 2011, DiagnoCure announced collaboration with Signal Genetics, a U.S.-based company. Under the agreements underlying the collaboration, Signal Genetics was granted a worldwide exclusive license to the Previstage® GCC Colorectal Cancer Staging Test and acquired DiagnoCure's U.S. CLIA service laboratory. On January 11, 2013, the development and license agreements were terminated and DiagnoCure regained all commercial rights and complete control of all intellectual property on its GCC biomarker. On June 4, 2014, DiagnoCure granted an exclusive license to Shuwen Biotech Co., Ltd. for commercialization of the Previstage® GCC colorectal cancer staging test in the Greater China Region (China, Hong Kong, and Taiwan).

2015 First Six Months Highlights

New multimarker prostate cancer test

DiagnoCure's recently developed multimarker, urine-based diagnostic test (PCP) was prospectively validated in over 500 patients with an elevated prostate specific antigen (PSA) blood test. The analysis of this trial indicated that a subset of patients with a high PCP score had a 67% risk of having an aggressive prostate cancer. These positive results from the validation trial of the PCP test were presented at the 30th Annual Congress of the European Association of Urology (EAU) and the Annual Meeting of the American Urology Association (AUA).

DiagnoCure's presentation titled "*Validated Urine-based Multigene Signature for Detection of Aggressive Prostate Cancer*" had been chosen to be included in the 2015 AUA Press Program about the use of imaging and urine-based biomarkers as ways to improve prostate cancer detection. Following a rigorous selection process, including a review by a panel of Public Media Committee members and AUA Communications Department staff, DiagnoCure's presentation was one of fewer than 45 presentations, among more than 2,500 at this year's AUA annual meeting, selected for discussion with the media.

Previstage® GCC colorectal cancer staging test

On December 23, 2014, the journal Clinical Colorectal Cancer published results of a systematic pooled data analysis showing that the Previstage® GCC Colorectal Cancer Staging Test is predictive of disease recurrence in low-risk patients who have had curative resection of colon cancer. This study thus confirmed that quantitative assessment of GCC mRNA levels in lymph nodes can be used to detect the presence of occult metastases, allowing prediction of disease recurrence, which could not be achieved with traditional methods. Patients considered at high risk based on their GCC LNR status have significantly inferior outcomes compared to those with low GCC LNR values.

General Corporate Activities

On April 23, 2015 DiagnoCure has reported on its continuing efforts to improve corporate value for its shareholders and preserving operating funds to ensure all options for the Corporation. In accordance with a contingency plan established by the Corporation's Board of Directors, DiagnoCure has proceeded to a selective reduction of its staff by not recalling the employees that were laid off temporarily at the end of October 2014. These layoffs resulted in a restructuring charge of $188,964 in the second quarter of 2015. The restructuring charges include severance and indemnities.

Also on June 11, 2015, as part of the Corporation's continuing plan to improve efficiency and reduce expenses, DiagnoCure has reduced its Board of directors to three independent members. Mr. Andrew J. (Andy) Sheldon leaves the Board but will continue to provide advice on different matters. In addition, Dr. Yves Fradet, founder of the Corporation, has stepped down as Chairman and leaves the Board to concentrate on business and corporate development as President and Chief Medical Officer.

Dr. Jacques Simoneau has been elected Chairman of the Board. As a consequence of these changes, a lead director is no longer required. Dr. Vincent R. Zurawski will join the Audit and Risk Management committee, which will be chaired by Dr. Louise Proulx. Corporate governance, human resources and nominating matters will be addressed directly by the Board. Mr. Richard Bordeleau will continue to report to the Board and work closely with Dr. Fradet advancing important leads in business development and merger activities.

Operating Results

For the Three-Month Period Ended April 30, 2015

Total revenues for the second quarter of 2015 were $129,785 compared with $130,493 for the same period of 2014. Without taking into account the effect of the exchange rate variation, total revenues decrease by 10%, to US$107,092 for the second quarter of 2015 compared with US$119,096 for the same period of 2014. This decrease is mainly attributable to a decrease of 27% in PCA3 European royalty revenues as compared to the same period in 2014.

Operating expenses increased by $30,686, to $697,776 for the second quarter of 2015 from $667,090 for the same period of 2014. This increase is mostly attributable to the restructuring charges of $188,964 incurred in the second quarter of 2015. Without the restructuring charges, the operating expenses decreased by $158,278 to $508,812 for the second quarter of 2015 from $667,090 for the second quarter of 2014. This decrease is mostly attributable to the operating

expenses reduction implemented in the first quarter of 2015 and to the completion of the multicenter prospective study of the new multi-markers prostate cancer test. Total operating expenses increased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, before restructuring charges of $154,978, decreased by $104,153, to $156,764 for the second quarter of 2015 from $260,917 for the same period of 2014. This decrease in research and development expenses is attributable to the completion of the new multi marker prostate cancer test multicenter prospective study.
- General and administrative expenses, before restructuring charges of $33,986, decreased by $61,419, to $288,727 for the second quarter of 2015 from $350,146 for the same period of 2014. This decrease is attributable to the operating expenses reduction announced in October 2014 and to reduction in professional fees.
- Selling and business development expenses decreased by $7,515, to $49,799 for the second quarter of 2015 from $57,314 for the same period of 2014.
- Financial revenues decreased by $5,890, to $3,681 for the second quarter of 2015 compared with $9,571 for the same period of 2014.

Based on the above, for the second quarter of 2015, DiagnoCure recorded a net loss and comprehensive loss of $567,991 or $0.01 per share, compared with $536,597 or $0.01 per share for the same period of 2014. These results reflect the non recurring restructuring charges incurred in the second quarter of 2015, the operating expenses reduction implemented in the first quarter of 2015 and the completion of the multicenter prospective study of the new multi marker prostate cancer test.

Results for the Three-Month Periods Ended April 30 (Unaudited)

	2015	2014	2013
	$	$	$
License and royalty revenues	**129,785**	130,493	164,262
Total revenues	**129,785**	130,493	164,262
Operating expenses (before stock-based compensation, depreciation, amortization and restructuring charges)	**419,013**	562,199	774,042
Net loss (before stock-based compensation, depreciation, amortization and restructuring charges)	**(289,228)**	(431,706)	(609,780)
Stock-based compensation	**6,948**	20,527	22,094
Depreciation of property, plant and equipment	**13,606**	14,620	17,865
Amortization of intangible assets	**69,245**	69,744	199,605
Restructuring charges	**188,964**	—	—
Net loss and comprehensive loss	**(567,991)**	(536,597)	(849,344)
Basic and diluted loss per share	**(0.01)**	(0.01)	(0.02)
Weighted average number of common shares outstanding	**43,040,471**	43,040,471	43,040,471

The operating expenses and net loss before stock-based compensation, depreciation, amortization and restructuring charges, are non-GAAP measures, employed by the Corporation to monitor its performance. Therefore they are unlikely to be comparable to similar measures presented by other corporations. The Corporation calculates its operating expenses and net loss by subtracting from total expenses stock-based compensation, depreciation, amortization and restructuring charges.

Cash Position and Financing Sources

Cash flows required from operating activities for the second quarter of 2015 amounted to $212,266 compared with $576,230 for the same period of 2014. This decrease of $363,964 is attributable to the operating expenses reduction implemented in the first quarter of 2015, as announced in October 2014, and to the completion of the multicenter prospective study of the new multi marker prostate cancer test. Investment activities required cash flows of $361,111 for the second quarter of 2015, compared with $282,967 generated for the same period of 2014. This decrease of $644,078 is mostly attributable to the decrease in disposal and increase in acquisition of temporary investments. During the second quarter of 2015, acquisition of intangible assets amounted to $6,919 compared with $8,602 for the same period of 2014. Financing activities, primarily from the reimbursement of the long term debt required cash flows of $8,617 in the second quarter of 2015, compared to $7,837 for the same period of 2014.

Consolidated Statements of Cash Flows for the Second Quarters (Unaudited)

	2015	2014	2013
	$	$	$
Cash flows related to operating activities	**(212,266)**	(576,230)	(336,916)
Cash flows related to investing activities	**(361,111)**	282,967	663,718
Cash flows related to financing activities	**(8,617)**	(7,837)	(7,127)

For the Six-Month Period Ended April 30, 2015

Total revenues for the first six-month period of 2015 were $272,700 compared with $277,462 for the same period of 2014. Without taking into account the effect of the exchange rate variation, total revenues decreased by 13%, to US$219,473 for the six-month period of 2015 compared with US$251,274 for the same period of 2014. This decrease is mainly attributable to a decrease of 29% in PCA3 European royalty revenues as compared to the same period in 2014.

Operating expenses decreased by $170,836, to $1,172,962 for the first six-month period of 2015 from $1,343,798 for the same period of 2014. Without the restructuring charges of $188,964, the operating expenses decreased by $359,800 to $983,998 for the six-month period of 2015. This decrease is mostly attributable to the operating expenses reduction implemented in the first quarter of 2015 and to the completion of the multicenter prospective study of the new multi-markers prostate cancer test. Total operating expenses decreased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, before restructuring charges of $154,978, decreased by $170,824, to $329,896 for the first six-month period of 2015 from $500,720 for the same period of 2014. This decrease in research and development expenses is attributable to the completion of the new multi marker prostate cancer test multicenter prospective study.
- General and administrative expenses, before restructuring charges of $33,986, decreased by $193,161, to $559,986 for the first six-month period of 2015 from $753,147 for the same period of 2014. This decrease is attributable to the operating expenses reduction announced in October 2014 and to reduction in professional fees.
- Selling and business development expenses decreased by $8,989, to $108,007 for the first six-month period of 2015 from $116,996 for the same period of 2014.

- Financial revenues decreased by $13,086, to $8,431 for the first six-month period of 2015 compared with $21,517 for the same period of 2014.

Based on the above, for the first six-month period of 2015, DiagnoCure recorded a net loss and comprehensive loss of $900,262 or $0.02 per share, compared with $1,066,336 or $0.02 per share for the same period of 2014. These results reflect the restructuring charges incurred in the first six month period of 2015, the operating expenses reduction implemented in the first quarter of 2015 and the completion of the multicenter prospective study of the new multi marker prostate cancer test. At the end of the six-month period ended April 30, 2015, cash and short-term investments stood at $1,574,957, down from $2,227,326 as of October 31, 2014. This decrease of $652,369 is due to the use of liquidities to finance the operating activities of the six-month period ended April 30, 2015. With the operating expenses reduction announced at the end of October 2014, Management estimates the cash burn of fiscal 2015 to be between $1.2M and $1.3M and is satisfied that it has adequate cash resources to finance the Corporation's activities, and will continue to monitor its cash levels.

Results for the Six-Month Periods Ended April 30 (Unaudited)

	2015	2014	2013
	$	$	$
License and royalty revenues	**272,700**	277,462	332,178
Total revenues	**272,700**	277,462	332,178
Operating expenses (before stock-based compensation, depreciation, amortization and restructuring charges)	**805,219**	1,136,441	1,472,158
Net loss (before stock-based compensation, depreciation, amortization and restructuring charges)	**(532,519)**	(858,979)	(1,139,980)
Stock-based compensation	**12,930**	38,140	60,776
Depreciation of property, plant and equipment	**27,212**	29,551	37,699
Amortization of intangible assets	**138,637**	139,666	399,126
Restructuring charges	**188,964**	—	—
Net loss and comprehensive loss	**(900,262)**	(1,066,336)	(1,637,581)
Basic and diluted loss per share	**(0.02)**	(0.02)	(0.04)
Weighted average number of common shares outstanding	**43,040,471**	43,040,471	43,040,471

The operating expenses and net loss before stock-based compensation, depreciation, amortization and restructuring charges, are non-GAAP measures, employed by the Corporation to monitor its performance. Therefore they are unlikely to be comparable to similar measures presented by other corporations. The Corporation calculates its operating expenses and net loss by subtracting from total expenses stock-based compensation, depreciation, amortization and restructuring charges.

Cash Position and Financing Sources

Cash flows required from operating activities for the first six-month period of 2015 amounted to $620,589 compared with $1,210,693 for the same period of 2014. This decrease of $590,104 is attributable to the operating expenses reduction implemented in the first quarter of 2015, as announced in October 2014, and to the completion of the multicenter prospective study of the new multi marker prostate cancer test. Investment activities generated cash flows of $206,065 for the six-month period of 2015, compared with $685,267 for the same period of 2014. This decrease of $479,202 is mostly attributable to the decrease in disposal of temporary investments. During the six-month period of 2015, acquisition of intangible assets amounted to $14,747 compared with $13,753 for the same period of 2014. Financing activities, primarily from the reimbursement of the long term debt required cash flows of $17,033 in the six-month period of 2015, compared to $15,490 for the same period of 2014.

DiagnoCure will continue to invest its cash reserve in liquid, high-grade investments, guaranteed by the government.

DiagnoCure's funding needs may vary depending on a number of factors. The Corporation's funding requirements for the next years will depend on its ability to generate revenues from sales and royalties, and to conclude strategic alliances and development partnerships, as well as on the progress resulting from these agreements. The principal financing sources of the Corporation are its cash and temporary investment totaling $1,574,957 as at April 30, 2015. The Corporation does not have unused available financing sources as at April 30, 2015.

Consolidated Statements of Cash Flows for the Six-Month Periods Ended April 30 (Unaudited)

	2015	2014	2013
	$	$	$
Cash flows related to operating activities	**(620,589)**	(1,210,693)	(946,457)
Cash flows related to investing activities	**206,065**	685,267	1,209,905
Cash flows related to financing activities	**(17,033)**	(15,490)	(14,087)

Total Assets and Shareholders' Equity

Total assets amounted to $4,772,111 as at April 30, 2015, compared with $5,532,382 as at October 31, 2014. The book value per Common Share was $0.10 as at April 30, 2015, compared with $0.12 per Common Share as at October 31, 2014.

Statements of Financial Position (Unaudited)

	April 30, 2015	October 31, 2014	October 31, 2013
	$	$	$
Total assets	**4,772,111**	5,532,382	7,849,267
Shareholders' equity	**4,152,241**	5,039,573	7,009,261
Number of common shares outstanding	**43,040,471**	43,040,471	43,040,471

Issued and Outstanding Share Capital

As of June 11, 2015, the Corporation had 43,040,471 common shares issued and outstanding, 4,900,000 Series A Convertible Preferred Shares and 1,999,902 stock options granting the right to acquire an equal amount of common shares.

Long-Term Debt

	April 30, 2015	October 31, 2014	October 31, 2013
	$	$	$
Loan contracted with the landlord of the Corporation's premises in Quebec City to finance the acquisition of the leasehold improvements, bearing interest at 9.53%, repayable by monthly installments of $3,209 in capital and interest, maturing in April 2016.	**36,591**	53,624	85,357
Less current portion	**36,591**	34,894	31,733
	—	18,730	53,624

Off-Balance Sheet Arrangements and Other Commitments

During the year ended October 31, 2007, the Corporation entered into a license agreement with Targeted Diagnostics & Therapeutics, Inc. (TDT) regarding certain intellectual property rights. This agreement is for an initial term of 10 years. The Corporation agreed to pay royalties on all products sold derived from the underlying technologies and milestone payments after achievement of 1) favorable clinical study on a GCC colorectal blood test, 2) FDA approval of a GCC colorectal blood test and 3) FDA approval of a GCC lymph node test. To date, no progress towards completion of the above milestones has been made and no amount has been accrued in these consolidated financial statements. The total of the milestone payments that may have to be paid by the Corporation in future years is US$2,000,000.

In May 2000, the Corporation obtained an exclusive worldwide license from the University of Nijmegen, The Netherlands and in April 2007 from the Johns Hopkins University, on all diagnostic and therapeutic applications of the PCA3 molecular biomarker in relation with prostate cancer. The Corporation agreed to pay royalties on all products sold derived from the underlying technologies.

The Corporation owns or has exclusive licensed rights on the Shc proteins. The Corporation agreed to pay royalties on all products sold derived from rights licensed from the Roger Williams Medical Center.

The Corporation periodically enters into research agreements or strategic alliances with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Corporation to compensate the other party if certain damages arise from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is not limited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the intellectual property indemnification obligations prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay. To date, the Corporation has not made any indemnification payments under such agreements and no amount has been accrued in these unaudited condensed interim consolidated financial statements with respect to these indemnification obligations.

As at April 30, 2015, DiagnoCure had not entered into any off-balance sheet arrangement except for premises rental contracts described in the "Contractual Obligations" section of the present report.

Critical accounting policies and Estimates

The condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements.

In preparing its condensed interim consolidated financial statements, Management is required to make estimates and assumptions that affect the amounts reported in the unaudited condensed interim consolidated financial statements and accompanying notes. The Corporation periodically evaluates its estimates and assumptions based on its past experience and other pertaining factors. Actual results could differ from those estimates. In Management's opinion, the unaudited condensed interim consolidated financial statements have been prepared using careful judgment within the reasonable limits of materiality and within the framework of the IFRS accounting policies.

They have been no other significant changes in the Corporation accounting policies and estimates since October 31, 2014. Please refer to note 2 and 4 of the audited consolidated financial statements included in the fiscal 2014 annual filling which can be found at www.sedar.com, for a complete description of our accounting policies.

Stock-Based Compensation Plan

The Corporation determines the fair value of direct awards of stock options made to its employees, management, directors on the date of grants using the Black-Scholes option pricing model and is generally expensed over the vesting period of three years of the granted options. Awards with graded vesting are considered multiple awards for fair value measurement and stock-based compensation calculation. In determining the expenses at the time of grant, the Corporation deducts the number of options that are expected to be forfeited at the time of grant and revises the estimate, if necessary, in subsequent years if actual forfeitures differ from those estimated. These expenses are recognized in net loss and credited to contributed surplus. When options are exercised, the proceeds received by the Corporation, together with the fair value amount recorded in contributed surplus, are credited to share capital.

The Corporation issues stock options to service providers from time to time. The fair value of these options is determined based on the fair value of services or goods received if determinable; otherwise, the options are valued using an option evaluation technique at the date the services are received rather than the date of grant. If services are received over a certain period of time, the options are valued at the reporting date and the expense portion for services received prior to the reporting date is recorded. When the services are completely received an adjustment is made to the total expenses to become the amount of the fair value of services received at the measurement date.

Estimating the fair value of stock-based compensation transactions requires the use of a valuation model, which in turns depends on the terms and conditions of the grant. The use of a valuation model requires the use of appropriate inputs including, but not limited to, the expected life of the stock option, the risk free interest rate and the expected volatility of the Corporation's common stock over the period.

Revenue Recognition

Revenue arising from royalties is recognized when reasonable assurance exists regarding measurement and collectability. Royalties are calculated as a percentage of net sales realized by the Corporation's licensees on their products. The licensee's net sales consist of revenues from product sales based on the Corporation's licensed intellectual property less estimates for chargebacks, rebates, sales incentives and allowances, distribution service fees, returns and losses. The Corporation recognizes royalties on its licensee's net sales when title and risk of loss has passed to the licensee's customer which is typically upon delivery to the licensee's customer, when estimated provisions for chargebacks, rebates, sales incentives and allowances, distribution service fees, returns and losses are reasonably determinable, and when collectability is reasonably assured.

The Corporation recognizes revenue from licensing and royalties agreements, which may include multiple elements. Revenue arrangements with multiple elements are reviewed in order to determine whether the multiple elements can be divided into separate units of accounting. If separable, the consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units. Otherwise, the applicable revenue recognition criteria are applied to combined elements as a single unit of accounting.

Revenues from research collaboration agreements recognized as separate units are recognized as the contracted services are performed or when milestones are achieved, in accordance with the terms of the specific agreements and when collection is reasonably assured. Combined elements, including up-front payments for the use of technology where further services are to be provided or fees received on the signing of a license and research and development agreement, are recognized over the period of performance of the related activities. As such, up-front licensing revenue is deferred and recognized over the term during which the Corporation maintains substantive contractual obligations and amounts received in advance of recognition of revenue and reported as deferred revenues. In the event that the period of substantive obligation changes, the appropriate adjustment will be made to the amortization of deferred revenues.

Financial Risk Management

Our financial risk management remains the same as reported in our MD&A as at October 31, 2014 and which is included in our October 31, 2014 annual filling which can be found at www.sedar.com.

Financial Instruments

DiagnoCure is not party to hedging arrangements with regard to foreign exchange risk or any other similar risks.

Contractual Obligations

The Corporation has incurred contract agreements for the following amounts:

	Required payments			
	Total	**Year 1**	**Years 2 and 3**	**Years 4 and 5**
Contractual obligations	**$**	**$**	**$**	**$**
Trade payable and accrued liabilities	578,465	578,465	—	—
Long-term debt	36,591	36,591	—	—
Lease agreements	81,830	81,830	—	—

The long-term debt is contracted with the landlord of the Corporation's premises in Quebec City to finance the acquisition of the leasehold improvements, bearing interest at 9.53%, repayable by monthly installments of $3,209 in capital and interest, maturing in April 2016.

On January 14, 2011, DiagnoCure signed a lease for 9,627 sq. ft., for a building where its head office and research and development laboratories have been relocated under a lease beginning on March 4, 2011 and expiring in 2016. The lease includes a renewal option for an additional 5 years. The annual payment for the current year under this lease agreement amounts to $81,830.

During the year ended October 31, 2007, the Corporation entered into license agreements with third parties regarding certain intellectual property rights. Those agreements were for an initial term of 10 years. The Corporation agreed to pay royalties on all products sold derived from the underlying technologies and milestone payments after achievement of the respective milestones, if applicable.

Recent Accounting Pronouncements

Classification and measurement of financial assets and financial liabilities

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 "Financial Instruments". This new standard replaces the various rules of IAS 39 "Financial Instruments: Recognition and Measurement" with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statements users to better understand an entity's risk exposure and its risk management activities.

In July 2014, the IASB issued the mandatory effective date of IFRS 9 to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which is a replacement of IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1, 2017; however at the April 2015 board meeting the IASB decided to publish an exposure draft proposing a one-year deferral of the effective date to January 1, 2018. The IASB will consult on the proposed deferral of the effective date by one year before it is confirmed. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

Procedures and Controls Regarding Disclosure

The President and Chief Medical Officer (Chief Executive Officer) and the Senior Director, Finances and Administration (Interim Chief Financial Officer) of the Corporation are responsible for the implementation and maintenance of disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee, which is comprised of members of the Corporation's management. The disclosure Committee requires that it be fully appraised of any material information affecting the Corporation so that it may evaluate and discuss this information and determine the appropriateness and timing of a public release.

The President and Chief Medical Officer (Chief Executive Officer) and the Senior Director, Finances and Administration (Interim Chief Financial Officer), after evaluating the effectiveness of the Company's disclosure controls and procedures as at April 30, 2015, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFRs") are designed to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and compliance with IFRS in its financial statements. The Corporation's President and Chief Medical Officer (Chief Executive Officer) and the Senior Director, Finances and Administration (Interim Chief Financial Officer), assisted by the Disclosure Committee have designed and evaluated the ICFRs to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This design evaluation included documentation, activities, management inquiries and other reviews as deemed appropriate by management in consideration of the size and the nature of the Corporation's

business. As at April 30, 2015, management assessed the effectiveness of the Corporation's ICFRs and based on that assessment, concluded that the Corporation's ICFRs was effective and there were no material weaknesses in our ICFRs.

Risk Factors

The Corporation's activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Corporation will depend on its ability to successfully develop its products and technologies, to preserve its intellectual property rights, to maintain its highly qualified personnel, to conclude strategic alliances, research and development partnerships, strategic out-licensing agreements, to obtain satisfactory results as regards clinical studies and to obtain regulatory approvals required to commercialize its products. These activities require important financial investments. Therefore, the Corporation's ability to obtain necessary liquidities to finance its activities is essential to ensure future success and is as such a risk factor. The reader is referred to the applicable general risk and uncertainties described in DiagnoCure's most recent Annual Information Form under the heading "Risk Factors".

Forward-Looking Statements

Management's comments and analysis are intended to facilitate understanding of the audited consolidated financial statements and accompanying notes and should therefore be read in conjunction with that information. The comments and analysis may contain forward-looking statements that involve known and unknown risks, uncertainties and assumptions that may cause actual results to differ materially from those expected. Forward-looking statements can be identified by the use of the conditional or forward-looking terminology such as "anticipates", "assumes", "believes", "estimates", "expects", "intend", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. All such forward-looking statements are made pursuant to the "safe-harbour" provisions of applicable Canadian securities laws. By their very nature, forward-looking statements are based on expectations and assumptions and also involve risks and uncertainties, known and unknown, many of which are beyond DiagnoCure's control. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Corporation's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Corporation's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes and that they should not place undue reliance on these forward-looking statements. For instance, any forward-looking statements regarding the outcome of research and development projects, clinical studies and future revenues, including those related to PROGENSA® PCA3 and Previstage® GCC, are based on management expectations and such outcome may vary materially depending on global political and economic conditions, dependence on collaboration partners, uncertainty of healthcare reimbursement, and marketing and distribution challenges. The forward-looking statements are based on Management's expectations and there was, to the knowledge of Management, no event or circumstance in the fiscal year 2014 likely to cause actual results to differ materially from these forward looking-statements. In addition, the reader is referred to the applicable general risks and uncertainties described in DiagnoCure's most recent Annual Information Form under the heading "Risk Factors". DiagnoCure undertakes no obligation to publicly update or revise any forward-looking statements contained herein unless required by the applicable securities laws and regulations.

Further information about DiagnoCure may be obtained on the Corporation's web site at www.diagnocure.com. Additional information, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

Québec City, Canada

June 11, 2015

(Signed)

Yves Fradet
President and Chief Medical Officer
(Chief Executive Officer)

(Signed)

Frédéric Boivin
Senior Director, Finances and Administration
(Interim Chief Financial Officer)

Notice of Disclosure of Non-Auditor Review of the condensed interim consolidated financial statements for the six-month period ended April 30, 2015 and 2014

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that they have not been reviewed by the auditor.

The accompanying condensed interim consolidated financial statements of the Corporation for the interim periods ended April 30, 2015 and 2014, have been prepared in accordance with IFRS and are the responsibility of the Corporation's management.

The Corporation's independent auditors, Ernst & Young LLP, have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 11 day of June 2015

Consolidated Statements of Financial Position

(Unaudited)

	April 30, 2015	October 31, 2014
	$	$
ASSETS		
Current assets		
Cash	**839,834**	1,271,391
Temporary investments *(note 4)*	**735,123**	955,935
Trade and other receivables *(note 5)*	**141,269**	157,063
Investment tax credits receivable	**75,045**	72,621
Prepaid expenses	**84,522**	27,952
Total current assets	**1,875,793**	2,484,962
Property and equipment net *(note 6)*	**265,442**	292,654
Intangibles assets net *(note 7)*	**2,630,876**	2,754,766
Total Assets	**4,772,111**	5,532,382
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade payables and accrued liabilities *(note 8)*	**578,465**	431,965
Deferred revenues	**4,814**	7,220
Current portion of long-term debt (*note 9*)	**36,591**	34,894
Total current liabilities	**619,870**	474,079
Long-term debt (*note 9*)	**—**	18,730
Total Liabilities	**619,870**	492,809
Shareholders' equity		
Share capital *(note 10)*		
Common shares	**92,098,934**	92,098,934
Preferred shares	**5,857,000**	5,857,000
Contributed surplus	**8,573,883**	8,560,953
Deficit	**(102,377,576)**	(101,477,314)
Total shareholders' equity	**4,152,241**	5,039,573
Total Liabilities and Shareholders' Equity	**4,772,111**	5,532,382

Commitments and guarantees (note 19)

See accompanying notes to the consolidated financial statements

On behalf of the Board:

(Signed)

Jacques Simoneau
Director

(Signed)

Yves Fradet
Director

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Common Share Capital $	Preferred Share Capital $	Contributed Surplus $	Deficit $	Total Shareholders' Equity $
Balance as at October 31, 2013	**92,098,934**	**5,857,000**	**8,498,490**	**(99,445,163)**	**7,009,261**
Net and comprehensive loss for the period	**—**	**—**	**—**	**(1,066,336)**	**(1,066,336)**
Stock option compensation expense	**—**	**—**	**38,140**	**—**	**38,140**
Balance as at April 30, 2014	**92,098,934**	**5,857,000**	**8,536,630**	**(100,511,499)**	**5,981,065**
Balance as at October 31, 2014	**92,098,934**	**5,857,000**	**8,560,953**	**(101,477,314)**	**5,039,573**
Net and comprehensive loss for the period	**—**	**—**	**—**	**(900,262)**	**(900,262)**
Stock option compensation expense	**—**	**—**	**12,930**	**—**	**12,930**
Balance as at April 30, 2015	**92,098,934**	**5,857,000**	**8,573,883**	**(102,377,576)**	**4,152,241**

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the periods ended April 30

	Three-month periods		Six-month periods	
	2015	2014	**2015**	2014
	$	$	**$**	$
Revenues				
License and royalties revenues	**129,785**	130,493	**272,700**	277,462
Total revenues	**129,785**	130,493	**272,700**	277,462
Expenses (*note 12*)				
Research and development, net of investment tax credits (note 13)	**311,742**	260,917	**484,874**	500,720
General and administrative (note 13)	**322,713**	350,146	**593,972**	753,147
Selling and business development	**49,799**	57,314	**108,007**	116,996
Financial revenues (*note 11*)	**(3,681)**	(9,571)	**(8,431)**	(21,517)
Financial expenses (*note 11*)	**17,203**	8,284	**(5,460)**	(5,548)
Total Expenses	**697,776**	667,090	**1,172,962**	1,343,798
Net loss and comprehensive loss for the period	**(567,991)**	(536,597)	**(900,262)**	(1,066,336)
Basic and diluted net loss per share	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Weighted average number of common shares outstanding	**43,040,471**	43,040,471	**43,040,471**	43,040,471

See accompanying notes

Consolidated Statements of Cash Flows

(Unaudited)

For the periods ended April 30

	Three-month periods		Six-month periods	
	2015	2014	**2015**	2014
	$	$	**$**	$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**(567,991)**	(536,597)	**(900,262)**	(1,066,336)
Adjustments for:				
Stock-based compensation	**6,948**	20,527	**12,930**	38,140
Depreciation of Property and Equipment	**13,606**	14,620	**27,212**	29,551
Amortization of intangible assets	**69,245**	69,744	**138,637**	139,666
	(478,192)	(431,706)	**(721,483)**	(858,979)
Net change in non-cash working capital items *(note 14)*	**265,926**	(144,524)	**100,894**	(351,714)
Cash flows related to operating activities	**(212,266)**	(576,230)	**(620,589)**	(1,210,693)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of temporary investments	**(354,192)**	—	**(735,123)**	(949,050)
Disposal of temporary investments	**—**	291,569	**955,935**	1,648,070
Acquisition of intangible assets	**(6,919)**	(8,602)	**(14,747)**	(13,753)
Cash flows related to investing activities	**(361,111)**	282,967	**206,065**	685,267
CASH FLOWS FROM FINANCING ACTIVITIES				
Reimbursement of long-term debt	**(8,617)**	(7,837)	**(17,033)**	(15,490)
Cash flows related to financing activities	**(8,617)**	(7,837)	**(17,033)**	(15,490)
Net change in cash and cash equivalents for the period	**(581,994)**	(301,100)	**(431,557)**	(540,916)
Cash and cash equivalents, beginning of period	**1,421,828**	1,233,803	**1,271,391**	1,473,619
Cash and cash equivalents, end of period	**839,834**	932,703	**839,834**	932,703

See accompanying notes

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As at April 30, 2015

1. INCORPORATION AND NATURE OF BUSINESS

DiagnoCure Inc. (the "Corporation") is a biotechnology corporation which specializes in the development and commercialization of products relating to the diagnosis of cancer. The Corporation was incorporated on December 8, 1994 under the *Companies Act (Québec)* and exists under the *Business Corporations Act (Québec)*.

The Corporation intends to continue its research and development and focus business development efforts on the out-licensing of both the PCP prostate cancer test and the Previstage® GCC colon cancer test. The Corporation's operations are subject to all the inherent risks related to setting up and running an emerging biotechnology Corporation, such as successfully completing its research and development activities, marketing its products and obtaining the required financing.

DiagnoCure's common shares are listed on the Toronto Stock Exchange under the ticker symbol "CUR" and on the OTCQX under the ticker symbol **"**DGCRF"**.** The head office is located at 4535, Wilfrid-Hamel Blvd, Suite 250, Québec, Québec, G1P 2J7 *(Canada)*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These condensed interim consolidated financial statements have been prepared under IFRS as issued by the International Accounting Standards Board (IASB) and in accordance with IAS 34, "Interim Financial Reporting", and using the same accounting policies and methods of computation as our most recent annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended October 31, 2014, which have been prepared in accordance with IFRS standards and IFRIC interpretations as issued by the IASB. They also had been prepared on an historical basis and in accordance with IAS 1, presentation of financial statements.

Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 11, 2015. These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation, and have been authorized by the Board of Directors on June 11, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Consolidation

Subsidiaries

These unaudited condensed interim consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at April 30, 2015. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Corporation controls an investee if and only if the Corporation has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Corporation's subsidiaries are as follows:

Subsidiaries	Location	% of Ownership
Catalyst Oncology LP	USA	99.9%
9184-6766 Québec Inc	Canada	100%
9161-6722 Québec inc	Canada	100%

All significant inter-corporation transactions and balances have been eliminated upon consolidation.

Critical accounting policies and Estimates

In preparing its condensed interim consolidated financial statements, Management is required to make estimates and assumptions that affect the amounts reported in the unaudited condensed interim consolidated financial statements and accompanying notes. The Corporation periodically evaluates its estimates and assumptions based on its past experience and other pertaining factors. Actual results could differ from those estimates. In Management's opinion, the unaudited condensed interim consolidated financial statements have been prepared using careful judgment within the reasonable limits of materiality and within the framework of the IFRS accounting policies.

There has been no significant change in the Corporation accounting policies and estimates since October 31, 2014. Please refer to note 2 and 4 of the audited consolidated financial statements included in the fiscal 2014 annual filling which can be found at www.sedar.com, for a complete description of our accounting policies.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Classification and measurement of financial assets and financial liabilities

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 "Financial Instruments". This new standard replaces the various rules of IAS 39 "Financial Instruments: Recognition and Measurement" with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statements users to better understand an entity's risk exposure and its risk management activities.

In July 2014, the IASB issued the mandatory effective date of IFRS 9 to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which is a replacement of IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1, 2017; however at the April 2015 board meeting the IASB decided to publish an exposure draft proposing a one-year deferral of the effective date to January 1, 2018. The IASB will consult on the proposed deferral of the effective date by one year before it is confirmed. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

4. TEMPORARY INVESTMENTS

	April 30, 2015		October 31, 2014	
	Amortized cost	**Weighted average effective interest rate**	Amortized Cost	Weighted average effective interest rate
	$	**%**	$	%
Bonds	**735,123**	**1.27**	955,935	1.62
	735,123	**1.27**	955,935	1.62

The bonds are maturing from May to December 2015.

5. TRADE AND OTHER RECEIVABLES

	April 30, 2015	October 31, 2014
	$	$
Receivables from research and license agreements	**129,785**	146,743
Sales taxes	**11,484**	10,320
	141,269	157,063

Trade receivables are non-interest bearing and are generally aged from 30 to 90 days.

6. PROPERTY AND EQUIPMENT

	Leasehold Improvements	**Office furniture and equipment**	**Laboratory Equipment**	**Computer Hardware**	**Total**
	$	**$**	**$**	**$**	**$**
Cost as at October 31, 2014	439,169	225,891	1,928,766	268,350	2,862,176
Additions	**—**	**—**	**—**	**—**	**—**
Disposals	**—**	**—**	**—**	**—**	**—**
Write-offs	**—**	**—**	**—**	**—**	**—**
Cost as at April 30, 2015	**439,169**	**225,891**	**1,928,766**	**268,350**	**2,862,176**
Accumulated depreciation as at October 31, 2014	158,225	222,503	1,925,727	263,067	2,569,522
Depreciation charge	**21,609**	**1,045**	**711**	**3,847**	**27,212**
Disposals	**—**	**—**	**—**	**—**	**—**
Write-offs	**—**	**—**	**—**	**—**	**—**
Accumulated depreciation as at April 30, 2015	**179,834**	**223,548**	**1,926,438**	**266,914**	**2,596,734**
Net book value as at October 31, 2014	280,944	3,388	3,039	5,283	292,654
Net book value as at April 30, 2015	**259,335**	**2,343**	**2,328**	**1,436**	**265,442**

Depreciation charge of $26,501 and $711 (2014 - $28,840 and $711) were included in general and administrative expenses and research and development expenses respectively in the consolidated statements of operations and comprehensive loss.

7. INTANGIBLE ASSETS

	Licenses and Patents PCA3/GCC	Licenses and Patents Shc	Licenses and Patents Total
	$	$	$
Cost as at October 31, 2014	7,788,410	1,477,103	9,265,513
Additions	**14,747**	**—**	**14,747**
Impairment	**—**	**—**	**—**
Disposals	**—**	**—**	**—**
Cost as at April 30, 2015	**7,803,157**	**1,477,103**	**9,280,260**
Accumulated amortization and impairment as at October 31, 2014	5,033,644	1,477,103	6,510,747
Amortization charge	**138,637**	**—**	**138,637**
Disposals	**—**	**—**	**—**
Accumulated amortization and impairment as at April 30, 2015	**5,172,281**	**1,477,103**	**6,649,384**
Net book value as at October 31, 2014	2,754,766	**—**	2,754,766
Net book value as at April 30, 2015	**2,630,876**	**—**	**2,630,876**

The amortization charge of $138,637 (2014 - $139,666) was included in research and development expenses in the consolidated statements of operations and comprehensive loss.

8. TRADE PAYABLE AND ACCRUED LIABILITIES

	April 30, 2015	October 31, 2014
	$	$
Trade payable	**201,196**	189,348
Salaries, severance and other benefits	**316,292**	146,192
Accrued liabilities	**60,977**	96,425
	578,465	431,965

9. LONG-TERM DEBT

	April 30, 2015	October 31, 2014
	$	$
Loan contracted with the landlord of the Corporation's premises in Quebec City to finance the acquisition of the leasehold improvements, bearing interest at 9.53%, repayable by monthly installments of $3,209 in capital and interest, maturing in April 2016.	**36,591**	53,624
Less current portion	**36,591**	34,894
	—	18,730

10. SHARE CAPITAL

Authorized

An unlimited number of shares of the following classes, without par value:

Common, voting and participating shares.

Preferred shares, issuable in series, non-voting, of which the rights, privileges, restrictions and conditions attached to each series will be determined by the directors upon the issuance of each series. The Serie A preferred shares have a fixed, preferential and non-cumulative dividend of 6% per annum, and may be exchanged at the option of the holder for common shares on a one-for-one basis. DiagnoCure has the option to redeem the preferred shares or to require their conversion into common shares in certain circumstances.

Common shares

	April 30, 2015	October 31, 2014
	$	$
Issued and fully paid		
43,040,471 common shares (43,040,471 as of October 31, 2014)	**92,098,934**	92,098,934

	April 30, 2015		October 31, 2014	
	Number of shares	**Amount $**	Number of shares	Amount $
Balance, beginning of periods	**43,040,471**	**92,098,934**	43,040,471	92,098,934
Issuance of common shares on exercise of stock options	**—**	**—**	—	—
Portion previously recognized to contributed surplus as part of stock-based compensation	**—**	**—**	—	—
Balance, end of periods	**43,040,471**	**92,098,934**	43,040,471	92,098,934

Preferred shares

	April 30, 2015	October 31, 2014
	$	$
4,900,000 Serie A Convertible Preferred Shares	**5,857,000**	5,857,000

Shareholders Rights Plan

On January 19, 2011, the Board of Directors adopted a Shareholders Rights Plan ("Rights Plan"). Under the Rights Plan, holders of common shares are entitled to one share purchase right ("Right") per each common share held, if any person on group makes a take-over bid or acquires 20% or more of the Corporation's outstanding voting shares, other than by acquisition pursuant to a permitted bid or a competing permitted bid. Each Right entitles the registered holder, other than the acquiring person and parties related to the acquirer, to purchase a common share from treasury at a 50% discount to the market price at that time, subject to adjustment in certain events. The Rights Plan will expire at the date of the annual meeting of the Corporation, in 2020, subject to the Rights Plan being reconfirmed by the Corporation's shareholders at the annual meeting of the Corporation in 2017.

10. SHARE CAPITAL (Cont'd)

A) Issuance of shares

Common shares issuance

No common share was issued in the six-month periods ended April 30, 2015 and 2014.

B) Stock options

The Corporation adopted a stock option plan for its directors, senior executives, employees and sub-contractors under which a total of 7% of the Corporation's outstanding common shares were reserved for issuance. No stock options are granted for a period exceeding ten years and the exercise price of each stock option cannot be below the average market price of the five days preceding the grant. The stock options generally vest over a three-year period following the date of the grant.

The Corporation's outstanding stock options as of April 30, 2015 and 2014 and the changes that occurred during the periods then ended are as follows:

	2015		2014	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Options outstanding, beginning of period	**2,087,000**	**0.89**	2,496,306	0.97
Granted	**148,402**	**0.11**	203,000	0.20
	2,235,402		2,699,306	
Exercised	**—**	**—**	—	—
Cancelled or forfeited	**(148,000)**	**2.43**	(522,306)	1.05
Options outstanding, end of period	**2,087,402**	**0.73**	2,177,000	0.88
Options exercisable, end of period	**1,142,825**	**1.13**	1,086,990	1.48

The following table summarizes information relating to the stock options outstanding as of April 30, 2015:

	Options outstanding			**Options exercisable**	
Range of exercise prices $	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
4.21	**42,500**	**0.50**	**4.21**	**42,500**	**4.21**
3.83 to 3.96	**60,000**	**1.71**	**3.84**	**60,000**	**3.84**
1.80	**85,000**	**2.50**	**1.80**	**85,000**	**1.80**
0.99 to 1.23	**420,000**	**5.03**	**1.18**	**420,000**	**1.18**
0.62 to 0.82	**165,000**	**5.33**	**0.74**	**165,000**	**0.74**
0.11 to 0.44	**1,314,902**	**8.45**	**0.25**	**370,325**	**0.31**
	2,087,402	**6.92**	**0.73**	**1,142,825**	**1.13**

During the six-month period ended April 30, 2015 the Corporation granted 148,402 options to employees and directors compared to 203,000 for the period ended April 30, 2014.

10. SHARE CAPITAL (Cont'd)

B) Stock options (Cont'd)

The fair value of each option granted to employees and directors during the six-month periods ended April 30, 2015 and 2014 was determined using the Black-Scholes option pricing model and the following weighted average assumptions were used:

	January 31, 2015	January 31, 2014	**April 30, 2015**	April 30, 2014
	$	$	**$**	$
Risk-free interest rate	**—**	1.98%	**0.91%**	—
Expected life	**—**	6 years	**6 years**	—
Expected volatility factor	**—**	68%	**50%**	—
Expected dividend yield	**—**	—	**—**	—

The estimated fair value of the options is amortized to expense over the option's vesting period. The weighted average fair value of stock options granted during the six-month period ended April 30, 2015 and 2014 under the Black-Scholes option pricing model and the above assumptions amounted to $0.05 and to $0.11. The expected life of the options is based on historical data and current expectation and is not necessarily indicative of exercise patterns that may occur. Volatility is determined based on historical share price history, over a period similar to the expected life of the options, which may also not be necessarily indicative of the actual outcome. In the six-month period ended April 30, 2015, the compensation expense for stock options was $12,930 ($38,140 in the same period of 2014).

11. FINANCIAL REVENUES AND EXPENSES

Financial revenues for the periods ended

	Three-month periods		**Six-month periods**	
	April 30, 2015	April 30, 2014	**April 30, 2015**	April 30, 2014
	$	$	**$**	$
Interest income	**3,681**	9,571	**8,431**	21,517
Total financial revenues	**3,681**	9,571	**8,431**	21,517

Financial expenses for the periods ended

	Three-month periods		**Six-month periods**	
	April 30, 2015	April 30, 2014	**April 30, 2015**	April 30, 2014
	$	$	**$**	$
Interest on long term debt	**1,009**	1,790	**2,221**	3,764
Foreign Exchange (gain) Loss	**15,141**	5,261	**(9,600)**	(11,633)
Bank Charges	**1,053**	1,233	**1,919**	2,321
Total financial expenses	**17,203**	8,284	**(5,460)**	(5,548)

12. EXPENSES BY NATURE

	Three-month periods		Six-month periods	
	April 30, 2015	April 30, 2014	**April 30, 2015**	April 30, 2014
Research and development costs and intellectual property	**67,307**	73,397	**145,283**	110,380
Research and development tax credits	**(310)**	(12,515)	**(2,424)**	(27,806)
Employee benefit expenses	**340,256**	284,704	**497,280**	596,405
Legal, Professional fees and Public Corporation expenses	**104,548**	125,820	**197,652**	302,680
Royalties	**25,957**	26,098	**54,540**	55,492
Lease and Office expenses	**56,697**	65,982	**115,743**	126,355
Depreciation of property and equipment	**13,606**	14,620	**27,212**	29,551
Amortization of intangible	**69,245**	69,744	**138,637**	139,666
Stock-based compensation	**6,948**	20,527	**12,930**	38,140
Interest income	**(3,681)**	(9,571)	**(8,431)**	(21,517)
Interest on long term debt	**1,009**	1,790	**2,221**	3,764
Foreign exchange gain	**15,141**	5,261	**(9,600)**	(11,633)
Bank charges	**1,053**	1,233	**1,919**	2,321
	697,776	667,090	**1,172,962**	1,343,798

13. RESTRUCTURING CHARGES

On April 23, 2015 DiagnoCure has reported on its continuing efforts to improve corporate value for its shareholders and preserving operating funds to ensure all options for the Corporation. In accordance with a contingency plan established by the Corporation's Board of Directors, DiagnoCure has proceeded to a selective reduction of its staff by not recalling the employees that were laid off temporarily at the end of October 2014. These layoffs resulted in a restructuring charge of $188,964 in the second quarter of 2015. The restructuring charges include severance and indemnities that will be completely paid in the third quarter of F2015.

	Charges incurred in Q2 2015	**Items paid during the period**	**Closing balance as at April 30, 2015**
	$	**$**	**$**
Provision for severance indemnities	**188,964**	**—**	**188,964**
	188,964	**—**	**188,964**

Restructuring charges of $33,986 and $154,978 (2014 -none) were included in general and administrative expenses and research and development expenses respectively in the consolidated statements of operations and comprehensive loss.

No additional charges related to the restructuring are expected.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash working capital balances related to operations is as follows:

	Three-month periods		Six-month periods	
	April 30, 2015	April 30, 2014	**April 30, 2015**	April 30, 2014
Decrease (Increase) in:				
Trade receivables	**26,015**	14,023	**15,794**	30,757
Investment tax credits receivable	**(310)**	(28,164)	**(2,424)**	(49,477)
Prepaid expenses	**16,032**	13,147	**(56,570)**	(53,217)
Increase (Decrease) in:				
Trade payables and accrued liabilities	**225,393**	(142,327)	**146,500**	(277,370)
Deferred revenues	**(1,204)**	(1,203)	**(2,406)**	(2,407)
Net change in non-cash working capital	**265,926**	(144,524)	**100,894**	(351,714)

15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured at fair value or amortized cost. The classification of the financial instruments as well as their carrying values and fair values are shown in the table below:

	April 30, 2015					
	Held-to-maturity	**Fair value through profit or loss**	**Loans and receivables**	**Other financial liabilities**	**Carrying value total**	**Fair value total**
	$		**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	**—**	**839,834**	**—**	**—**	**839,834**	**839,834**
Temporary investments	**735,123**	**—**	**—**	**—**	**735,123**	**735,130**
Trade receivables [1]	**—**	**—**	**141,269**	**—**	**141,269**	**141,269**
	735,123	**839,834**	**141,269**	**—**	**1,716,226**	**1,716,233**
Financial liabilities						
Trade payables and accrued liabilities [2]	**—**	**—**	**—**	**578,465**	**578,465**	**578,465**
Long-term debt	**—**	**—**	**—**	**36,591**	**36,591**	**34,295**
	—	**—**	**—**	**615,056**	**615,056**	**612,760**

1) Excluding investment tax credits and sales taxes as these amounts are not contractual rights to receive cash.
2) Excluding certain reserves if the amounts are not contractual obligations to deliver cash.

15. FINANCIAL INSTRUMENTS (Cont'd)

	October 31, 2014					
	Held-to-maturity	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Carrying value total	Fair value total
	$		$	$	$	$
Financial assets						
Cash	—	1,271,391	—	—	1,271,391	1,271,391
Temporary investments	955,935	—	—	—	955,935	955,888
Trade receivables [1]	—	—	146,743	—	146,743	146,743
	955,935	1,271,391	146,743	—	2,374,069	2,374,022
Financial liabilities						
Trade payables and accrued liabilities [2]	—	—	—	431,965	431,965	431,965
Long-term debt	—	—	—	53,624	53,624	50,436
	—	—	—	485,589	485,589	482,401

1) Excluding investment tax credits and sales taxes as these amounts are not contractual rights to receive cash.
2) Excluding certain reserves if the amounts are not contractual obligations to deliver cash.

Quantitative disclosures fair value measurement hierarchy for assets as at April 30, 2015

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$	$	$	$
Assets for which fair values are disclosed					
Temporary investments	**April 30, 2015**	**735,130**	**—**	**735,130**	**—**
		735,130	**—**	**735,130**	**—**
Liabilities for which fair values are disclosed					
Long-term debt	**April 30, 2015**	**34,295**	**—**	**34,295**	**—**
		34,295	**—**	**34,295**	**—**

There have been no transfers between level 1 and level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for assets as at October 31, 2014

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$	$	$	$
Assets for which fair values are disclosed					
Temporary investments	October 31, 2014	955,888	—	955,888	—
		955,888	—	955,888	—
Liabilities for which fair values are disclosed					
Long-term debt	October 31, 2014	50,436	—	50,436	—
		50,436	—	50,436	—

There have been no transfers between level 1 and level 2 during the year.

15. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Corporation is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Corporation's growth is financed on an annual basis through a combination of cash on hand and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of assets and liabilities as well as cash flows.

The following tables provide the maturities of financial liabilities:

	April 30, 2015				
	Due in 1 year or less $	**Due in 1 to 3 years $**	**Due in 4 to 5 years $**	**Due in over 5 years $**	**Total $**
Trade payables and accrued liabilities	**578,465**	**—**	**—**	**—**	**578,465**
Long term debt	**36,591**	**—**	**—**	**—**	**36,591**
Total	**615,056**	**—**	**—**	**—**	**615,056**

	October 31, 2014				
	Due in 1 year or less $	Due in 1 to 3 years $	Due in 4 to 5 years $	Due in over 5 years $	Total $
Trade payables and accrued liabilities	431,965	—	—	—	431,965
Long term debt	34,894	18,730	—	—	53,624
Total	466,859	18,730	—	—	485,589

Management assesses the Corporation's liquidity risk to be low.

Foreign currency risk

The Corporation operates internationally and a portion of its revenues and expenses are incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollars relative to the US dollar could have a material effect on its consolidated results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations.

The Corporation maintains cash, trade receivables, trade payables and accrued liabilities in US dollars and is therefore exposed to foreign exchange risk on these balances.

The significant balances in foreign currencies are as follow:

	April 30, 2015	October 31, 2014
	US dollars $	US dollars $
Cash	**133,597**	256,997
Trade receivables	**107,092**	118,756
Trade payables and accrued liabilities	**(104,569)**	(103,096)
Net exposure	**136,120**	272,657

15. FINANCIAL INSTRUMENTS (Cont'd)

Foreign currency risk (Cont'd)

Based on the aforementioned net exposure as at April 30, 2015 and October 31, 2014, and assuming that all other variable remain constant, a 5% rise or fall in the Canadian dollar against the US dollar would have resulted in a decrease (increase) in the net loss as follows:

	2015		2014	
	Canadian dollars		Canadian dollars	
	Appreciates 5%	**Depreciates 5%**	Appreciates 5%	Depreciates 5%
	$	**$**	$	$
Against US dollar				
Net loss	**(6,806)**	**6,806**	(13,633)	13,633

Interest rate risk

Financial assets and financial liabilities that bear interest at fixed rates are subject to interest rate risk. The Corporation's cash, cash equivalents and investments are the only financial assets bearing fixed interest rates. The Corporation does not believe that the results of its operations or its cash flows would be affected to any significant degree by a sudden change in market interest rates relative to fixed interest rates on cash, cash equivalents and investments.

16. SEGMENTED INFORMATION

The Corporation operates in a single business segment being the biotechnologies. Almost all its assets are located in Canada.

For the first six-month period of 2015, one American client represented 100% (100% in the six-month period of 2014) of the revenues from external sales.

For the first six-month periods of 2015 and 2014, the total external sales, were mainly derived from revenue under royalties and license agreement and were attributable to the United States. The Corporation determines the revenues by country based on where the product or service is delivered. For the first six-month periods of 2015 and 2014, all revenue under royalties and license agreement was derived from the United States.

17. LOSS PER SHARE

The convertible preferred shares and the stock options were not included in the diluted loss per share calculation because the Corporation is in a loss position and the inclusion of these instruments would be anti-dilutive.

No adjustments were required to the net loss for purposes of calculating basic and diluted loss per share and to the weighted average number of shares outstanding for the purpose of calculating diluted loss per share, because it would be anti-dilutive.

18. MANAGEMENT OF CAPITAL

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern, to provide returns for shareholders and to minimize its cost of capital.

In the management of capital, the Corporation includes shareholders' equity which amounted to $4,152,241 as at April 30, 2015 ($5,039,573 as at October 31, 2014).

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its research and development and to maintain its ongoing operations. To secure additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of debt or equity, through merger and acquisitions transactions, by securing additional partnerships or research collaboration or by disposing of assets.

The Corporation is satisfied that it has adequate cash resources to carry out its ongoing operations.

19. COMMITMENTS AND GUARANTEES

As at April 30, 2015, the Corporation has obligations under leases maturing in 2016. The minimum payments in relation with these leases for the next two fiscal years are as follows: 2015 - $40,915 and 2016 - $40,915.

During the year ended October 31, 2007, the Corporation entered into a license agreement with Targeted Diagnostics & Therapeutics, Inc. (TDT) regarding certain intellectual property rights. This agreement is for an initial term of 10 years. The Corporation agreed to pay royalties on all products sold derived from the underlying technologies and milestone payments after achievement of 1) favorable clinical study on a GCC colorectal blood test, 2) FDA approval of a GCC colorectal blood test and 3) FDA approval of a GCC lymph node test. To date, no progress towards completion of the above milestones has been made and no amount has been accrued in these consolidated financial statements. The total of the milestone payments that may have to be paid by the Corporation in future years is US$2,000,000.

In May 2000, The Corporation obtained an exclusive worldwide license from the University of Nijmegen, The Netherlands and in April 2007 from the Johns Hopkins University, on all diagnostic and therapeutic applications of the PCA3 molecular biomarker in relation with prostate cancer. The Corporation agreed to pay royalties on all products sold derived from the underlying technologies.

The Corporation owns or has exclusive licensed rights on the Shc proteins. The Corporation agreed to pay royalties on all products sold derived from rights licensed from the Roger Williams Medical Center.

19. COMMITMENTS AND GUARANTEES (Cont'd)

The Corporation periodically enters into research agreements or strategic alliances with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Corporation to compensate the other party for certain damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is not limited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the intellectual property indemnification obligations prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay. To date, the Corporation has not made any indemnification payments under such agreements and no amount has been accrued in these unaudited condensed interim consolidated financial statements with respect to these indemnification obligations.