DiagnoCure



2015 ANNUAL REPORT

MESSAGE TO SHAREHOLDERS

Dear Shareholders:

The management proxy circular in connection with the special meeting of shareholders that will be held on February 12, 2016 to approve the transaction related to the PCA3 asset sale and the repurchase by DiagnoCure of the preferred shares held by Gen-Probe Incorporated has now been mailed to DiagnoCure shareholders and is available under DiagnoCure's profile at www.sedar.com. The Board of directors unanimously recommends to vote in favor of the PCA3 asset sale resolution and in favor of the resolution for reduction of stated capital. Assuming shareholder approval and the completion of the transaction, the Corporation will distribute approximately 95% of the cash proceeds received in the transaction ($5,200,000) to its shareholders in a tax-efficient manner.

Besides, the redemption of the preferred shares will remove a potential barrier to additional third-party business arrangements that DiagnoCure intends to pursue in relation to additional assets held by the Corporation, including the Previstage® GCC colorectal cancer staging test, a well-documented and ready-to-market test, and the PCP multi-marker prostate cancer test. Change in the expression pattern of the markers used in the PCP test was associated with a high probability of detecting cancer before the first biopsy. A validation study performed in 2014 showed that the PCP appears to be more suited for risk stratification of high-grade prostate cancers or cancers with a Gleason score equal to or higher than 7.

Since the execution of the Asset Purchase Agreement in December 2015, Management is pursuing a thorough business development effort aimed at developing additional agreements with previous and new prospective partners interested by the above tests, cumulated tax losses which exceed $75 million, or other assets of the Corporation. Discussions are underway with some and management hopes to be able to report more details shortly.

The Corporation is confident that the remaining assets held by the Corporation and the available net loss carry forward provide an exciting business opportunity for the right partner, allowing the Corporation to maximize return to shareholders.

(Signed)

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

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

The following information should be read in conjunction with the Corporation's audited consolidated financial statements and related notes included herein, which are prepared in accordance with International Financial Reporting Standards (IFRS). Management's comments were prepared to explain the Corporation's operations, performance and financial position as at October 31, 2015. They compare this fiscal year of operating results and cash position with those of the fiscal year ended October 31, 2014. Amounts are in Canadian dollars unless otherwise noted. The information contained herein is up to date as at January 21, 2016.

This Management discussion and analysis (MD&A) contains forward-looking information. Additional information about the forward-looking statements as well as the associated risk factors can be found on pages 15 and 16 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 People's Republic of China.

2015 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 2015 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 the 2015 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 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 proceeded to a selective reduction of its staff by not recalling the employees who had been 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.

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

Dr. Jacques Simoneau was elected Chairman of the Board. As a consequence of this change, a lead director was no longer required. Dr. Vincent R. Zurawski joined the Audit and Risk Management committee, chaired by Dr. Louise Proulx. Corporate governance, human resources and nominating matters will be addressed directly by the Board. Mr. Richard Bordeleau continues to report to the Board and works closely with Dr. Fradet advancing important leads in business development and merger activities.

In September 2015, considering staff reduction, lower cash level to finance research and development projects and in order to ensure the Corporation will have sufficient cash resources to maintain its ongoing operations, the Corporation disposed of the majority of its laboratory and office equipment. Also, the Corporation decided not to exercise its renewal option on the current lease expiring in April 2016. As a result, effective September 1, 2015, Management reviewed the useful life of the leasehold improvement to be based on the lease term without the renewal option.

Overall Performance

PCA3

During fiscal 2015, DiagnoCure continued interactions with its PCA3 licensee to ensure the full development of the PCA3 test. On December 23, 2015, the Corporation announced the execution of an asset purchase agreement with its licensee Hologic, Inc. (NASDAQ: HOLX) via its wholly-owned subsidiary, Gen-Probe Incorporated, pursuant to which Gen-Probe has agreed to acquire all assets related to DiagnoCure's PCA3 prostate cancer biomarker.

Research and Development

During fiscal 2015, the Corporation successfully completed the multicenter prospective study of its multi-marker prostate cancer test. Following the staff reduction announced in April and lower cash level to finance research and development project, Management decided to dispose the majority of its laboratory equipment.

Business Development

In fiscal 2015, the Corporation focused business development efforts on the out-licensing of both the new multi-marker prostate cancer test and the Previstage® GCC colon cancer test. Management and consultant were in contact with several potential licensees. No new opportunity emerged as a result of these efforts. The new multi-marker prostate cancer test was well received by potential partners.

Event after the reporting period

As was recently announced, DiagnoCure and Hologic, Inc. ("**Hologic**") via its wholly-owned subsidiary Gen-Probe Incorporated ("**Gen-Probe**")—have entered, on December 23, 2015, into a definitive agreement whereby Gen-Probe will acquire all assets related to DiagnoCure's PCA3 prostate cancer biomarker (the "**PCA3 Asset Sale**") for a purchase price of $6,534,740. The purchase price will consist of (i) $5,500,000 in cash consideration to DiagnoCure and (ii) the repurchase by the Corporation of 4,900,000 series A convertible preferred shares of DiagnoCure held by Gen-Probe at a value of $1,034,740. As part of the Transaction, Gen-Probe will obtain a right of first refusal to license the Corporation's new multi-marker prostate cancer test in the field of high-volume *in vitro* diagnostics (IVD) testing under specific conditions.

The PCA3 Asset Sale will result in an immediate cash payment of $5,500,000 to DiagnoCure. Assuming the required shareholder approval is obtained, at a meeting to be held on February 12, 2016, *the Corporation intends to* distribute in a timely fashion following closing of the Transaction approximately 95% of the proceeds received in the Transaction ($5,200,000) to its shareholders. In addition, as a result of the Share Repurchase all of the preferred shares issued by the Corporation will be cancelled.

2016 Outlook

Business Development

Following the Transaction, DiagnoCure will continue to seek business opportunities to value all the remaining assets of the Corporation which include the newly developed prostate cancer multi-marker test PCP, the colon cancer staging test Previstage® GCC, as well as other valuable assets such as bio-repositories of samples from various clinical trials and a proprietary method of RNA extraction, stabilization and amplification. DiagnoCure will consider all possible options including the licensing or sale of its remaining assets as well as a merger, acquisition or other reorganization, if any, of these transactions are beneficial for the Corporation and its shareholders.

DiagnoCure expects that the cancellation of the Preferred Shares may facilitate discussions with potential partners since following the Transaction DiagnoCure will only have common shares outstanding and will no longer have to deal with the deterrent effect of the Liquidation Preference associated with the Preferred Shares.

To ensure the sustainability of its operations post-Transaction, the Corporation made further cuts in its operating expenses and will take any additional actions it may deem appropriate to enhance shareholder value.

Operating Results

Total revenues for fiscal 2015 were $515,372 compared with $553,140 for 2014. Without taking into account the effect of the exchange rate variation, total revenues decreased by 22%, to US$401K for fiscal 2015 compared with US$491K for 2014. This decrease is mainly attributable to a decrease in PCA3 royalty revenues.

Operating expenses increased by $1,530,249, to $4,115,540, for 2015 from $2,585,291 for 2014. This increase is mainly attributable to the impairment of intangible assets. Total operating expenses increased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, increased by $1,695,936, to $2,779,060 for 2015 from $1,083,124 for 2014. This increase in research and development expenses is mostly attributable to the impairment charges of $2,226,672 of the GCC intangible asset. Without taking into account the impairment charges, the research and development expenses, net of investment tax credits, decreased by $530,736, to $552,388 for 2015 compared with $1,083,124 for 2014. This decrease in research and development expenses is attributable to the completion of the multi-marker prostate cancer test multicenter prospective study.
- General and administrative expenses decreased by $175,919, to $1,170,092 for 2015 from $1,346,011 in fiscal 2014. This decrease is attributable to reduction in professional fees and operating expenses.
- Selling and business development expenses decreased by $9,910, to $198,783 for 2015 from $208,693 for 2014.
- Financial revenues decreased by $22,337, to $13,792 for fiscal 2015 compared with $36,129 for fiscal 2014.

Based on the above, for fiscal 2015, DiagnoCure recorded a net loss and comprehensive loss of $3,600,168 or $0.08 per share, compared with $2,032,151 or $0.05 per share for fiscal 2014. These results reflect the restructuring charges incurred in fiscal 2015, the operating expenses reduction implemented in the first quarter of 2015, the completion of the multicenter prospective study of the multi-marker prostate cancer test and the impairment charges of the GCC intangible asset. As at October 31, 2015, cash and short-term investments stood at $1,108,937, down from $2,227,326 as at October 31, 2014. This decrease of $1,118,389 is due to the use of liquidities to finance the operating activities of fiscal 2015. Management estimates the cash burn of fiscal 2016 to be between $800K and $900K and is satisfied that it has adequate cash resources to finance the Corporation’s activities, and will continue to monitor its cash levels.

Selected Annual Information

	2015	2014	2013
	$	$	$
Licenses and royalties revenues	**515,372**	553,140	671,228
Total revenues	**515,372**	553,140	671,228
Operating expenses (before stock-based compensation, depreciation, amortization, impairment, gain on disposition and restructuring charges)	**1,422,791**	2,186,400	2,800,532
Net loss (before stock-based compensation, depreciation, amortization, impairment, gain on disposition and restructuring charges)	**(907,419)**	(1,633,260)	(2,129,304)
Stock-based compensation	**23,887**	62,463	128,116
Depreciation of Property and Equipment	**105,373**	57,529	69,908
Amortization of intangible asset	**257,280**	278,899	798,921
Impairment of intangible asset	**2,226,672**	—	440,693
Gain on disposal of property and equipment	**(109,427)**	—	—
Restructuring charges	**188,964**	—	—
Net loss and comprehensive loss	**(3,600,168)**	(2,032,151)	(3,566,942)
Basic and diluted net loss per share	**(0.08)**	(0.05)	(0.08)
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, impairment, gain on disposition and restructuring charges are non-GAAP measures, employed by the Corporation to monitor its performance. Therefore it is 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, impairment, gain on disposition and restructuring charges.

Total Assets and Shareholders' Equity

Total assets amounted to $1,789,391 as at October 31, 2015, compared with $5,532,382 as at October 31, 2014. The book value per Common Share was $0.03 as at October 31, 2015, compared with $0.12 per Common Share as at October 31, 2014.

Statements of Financial Position

	October 31, 2015	October 31, 2014	October 31, 2013
	$	$	$
Total assets	**1,789,391**	5,532,382	7,849,267
Shareholders' equity	**1,463,292**	5,039,573	7,009,261
Number of common shares outstanding	**43,040,471**	43,040,471	43,040,471

Cash Position and Financing Sources

Cash flows required from operating activities for 2015 amounted to $1,167,251 compared with $1,907,489 for 2014. This decrease of $740,238 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 multi marker prostate cancer test. Investment activities generated cash flows of $481,601 for fiscal 2015, compared with $1,736,994 for fiscal 2014. This decrease of $1,255,393 is mostly attributable to the decrease in disposal of temporary investments. During 2015, acquisition of intangible assets amounted to $28,753 compared with $23,748 for 2014. Financing

activities, primarily from the reimbursement of the long term debt, required cash flows of $34,894 in 2015, compared to $31,733 in 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 $1,108,937 as at October 31, 2015. The Corporation does not have unused available financing sources as at October 31, 2015.

Consolidated Statements of Cash Flows

	2015	2014	2013
	$	$	$
Cash flows related to operating activities	**(1,167,251)**	(1,907,489)	(1,570,118)
Cash flows related to investing activities	**481,601**	1,736,994	2,146,772
Cash flows related to financing activities	**(34,894)**	(31,733)	(28,858)

Issued and Outstanding Share Capital

As at January 21, 2016, the Corporation had 43,040,471 common shares issued and outstanding, 4,900,000 Series A Convertible Preferred Shares and 1,780,402 stock options, each granting the right to acquire one common share.

Operating Results of the Fourth Quarter 2015

Total revenues for the fourth quarter of 2015 were $109,831 compared with $122,254 for the same period of 2014. This decrease of $12,423 or 10% is mostly attributable to PCA3 royalties.

Operating expenses increased by $1,951,768, to $2,535,732 for the fourth quarter of 2015 from $583,964 for the same period of 2014. This increase is mainly attributable to the impairment of intangible assets. Total operating expenses increased primarily as a result of the following:

- Research and development expenses, net of investment tax credits, increased by $1,897,931, to $2,173,041 for the fourth quarter of 2015 from $275,110 for the same period of 2014. This increase in research and development expenses is mostly attributable to the impairment charges of $2,226,672 of the GCC intangible asset incurred in the fourth quarter of 2015.
- General and administrative expenses increased by $46,711, to $333,915 for the fourth quarter of 2015 from $287,204 for the same period of 2014. This increase is mainly attributable the depreciation of the leasehold improvement, following its reviewed useful life.
- Selling and business development expenses decreased by $5,469, to $40,204 for the fourth quarter of 2015 from $45,673 for the same period of 2014.
- Financial revenues decreased by $4,187, to $2,454 for the fourth quarter of 2015 compared with $6,641 for the same period of 2014.

Based on the above, for the fourth quarter of 2015, DiagnoCure recorded a net loss and comprehensive loss of $2,425,901 or $0.05 per share, compared with $461,710 or $0.01 per share for the same period of 2014.

Summary of Quarterly Results (Unaudited)

	Quarters ended 2015			
	January 31	**April 30**	**July 31**	**October 31**
	$	**$**	**$**	**$**
Revenues				
License and royalty revenues	**142,915**	**129,785**	**132,841**	**109,831**
Total revenues	**142,915**	**129,785**	**132,841**	**109,831**
Operating expenses (before stock-based compensation, depreciation, amortization, impairment, gain on disposition and restructuring charges)	**386,206**	**419,013**	**319,176**	**298,396**
Net loss (before stock-based compensation, depreciation, amortization, impairment, gain on disposition and restructuring charges)	**(243,291)**	**(289,228)**	**(186,335)**	**(188,565)**
Stock-based compensation	**5,982**	**6,948**	**5,525**	**5,432**
Depreciation of property and equipment	**13,606**	**13,606**	**12,918**	**65,243**
Amortization of intangible assets	**69,392**	**69,245**	**69,227**	**49,416**
Impairment of intangible asset	**—**	**—**	**—**	**2,226,672**
Gain on disposal of property and equipment	**—**	**—**	**—**	**(109,427)**
Restructuring charges	**—**	**188,964**	**—**	**—**
Net loss and comprehensive loss	**(332,271)**	**(567,991)**	**(274,005)**	**(2,425,901)**
Basic and diluted net loss per share	**(0.01)**	**(0.01)**	**(0.01)**	**(0.05)**

The operating expenses and net loss before stock-based compensation, depreciation, amortization, impairment, gain on disposition 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, impairment, gain on disposition and restructuring charges.

	Quarters ended 2014			
	January 31	April 30	July 31	October 31
	$	$	$	$
Revenues				
License and royalty revenues	146,969	130,493	153,424	122,254
Total revenues	146,969	130,493	153,424	122,254
Operating expenses (before stock-based compensation, depreciation and amortization)	574,242	562,199	560,277	489,682
Net loss (before stock-based compensation, depreciation and amortization)	(427,273)	(431,706)	(406,853)	(367,428)
Stock-based compensation	17,613	20,527	13,513	10,810
Depreciation of property and equipment	14,931	14,620	14,082	13,896
Amortization of intangible assets	69,922	69,744	69,657	69,576
Net loss and comprehensive loss	(529,739)	(536,597)	(504,105)	(461,710)
Basic and diluted net loss per share	(0.01)	(0.02)	(0.01)	(0.01)

The operating expenses and net loss before stock-based compensation, depreciation and amortization, 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 and amortization.

The impairment charges of intangible assets from the fourth quarter of 2015 resulted in increased fourth quarter 2015 research and development expenses compared to the fourth quarter of 2014. Also in the fourth quarter of 2015, the Corporation disposed of the majority of its laboratory equipment generating a gain on disposal.

Also in 2015, the Corporation reduced its professional fees and research and development expenses explaining the decreased operating expenses before stock-based compensation, depreciation, amortization, impairment, gain on disposal of property and equipment and restructuring charges from 2014 to 2015. The variation in impairment charges explains the increased net loss and comprehensive loss from 2014 to 2015.

Financial Risk Management

Credit risk

Credit risk is the risk that an unexpected loss occurs if the counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets that potentially subject the Corporation to credit risk consist of cash, short-term investments and trade receivables. As at October 31, 2015 and October 31, 2014, the Corporation had cash and short-term investments with a reputable financial institution. Management assesses the Corporation's credit risk to be low.

The Corporation has an investment policy that monitors the safety and presentation of investments made which requires them to be highly rated and which limits the amount invested in any one issuer.

The Corporation also manages credit risk by maintaining bank accounts with reputable banks and financial institutions and investing only in investments from banks, government and municipalities that are capable of immediate liquidation subject to some minor market price variations upon sale.

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.

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 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.

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 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.

As of October 31, 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 use of estimates

In preparing these consolidated financial statements, Management is required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In Management’s opinion, the consolidated financial statements have been prepared using careful judgment within the reasonable limits of materiality and within the framework of the IFRS accounting policies described in note 2. The Corporation periodically evaluates its estimates and assumptions based on its past experience and other pertaining factors. The following paragraphs give details on the use of estimates and assumptions used.

Impairment of Long-lived Assets

Assessing whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of internal and external indicators. If an indication of impairment exists, management must determine if the carrying amount of an asset, or cash-generating unit in which the asset is included, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. The value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit. The estimation of

future cash flows requires assumptions to be made by management. Therefore the determination of the recoverable amount implies estimates which may affect the amount of an impairment loss if any.

Revenue recognition

Revenue arising from royalties is recognized when reasonable assurance exists regarding measurement and collectibility. 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.

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.

Useful life of assets subject to depreciation and amortization

The Corporation reviews at the end of each reporting period the useful life of assets subject to depreciation and amortization.

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[(1)]	304,962	304,962	—	—
Long-term debt	18,730	18,730	—	—
Lease agreements	40,915	40,915	—	—

1) Excluding certain reserves if the amounts are not contractual obligations to deliver cash.

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 were relocated under a lease beginning on March 4th, 2011 and expiring in 2016. The annual payment for the current year under this lease agreement amounts to $40,915.

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.

In July 2015 the IASB deferred the mandatory effective date of IFRS 15 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.

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 Corporation's disclosure controls and procedures as at October 31, 2015, have concluded that the Corporation's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Corporation 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 October 31, 2015, management assessed the effectiveness of the Corporation's ICFRs and based on that assessment, concluded that the Corporation's ICFRs were effective and there were no material weaknesses in its 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 will 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. In addition, the Corporation is also subject to certain risk factors relating to the Gen-Probe Transaction described under "Events after the reporting period" and "2016 outlook". 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, the new multi-marker prostate cancer test and Previstage® GCC, and the

Gen-Probe Transaction 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 fiscal 2015 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

January 21, 2016

(Signed)

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

(Signed)

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

Management's Responsibility for Financial Reporting

The consolidated financial statements of DiagnoCure, Inc. and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors.

It is Management's responsibility to make sound and informed decisions to ensure the application of the appropriate accounting methods and principles. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Financial information presented in this annual report is consistent with that in the consolidated financial statements.

DiagnoCure, Inc. maintains systems of internal accounting and administrative controls which, in Management's opinion, provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Corporation's business is conducted efficiently and in an orderly manner.

The Board of Directors ensures that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit and Risk Management Committee. The Audit and Risk Management Committee members are independent directors; they meet with Management and the independent auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the independent auditors' report.

The consolidated financial statements for the years ended October 31, 2015 and 2014, have been audited by Ernst & Young LLP, the independent auditors appointed by the shareholders, in accordance with Canadian generally accepted auditing standards. Moreover, the auditors have access to the Audit and Risk Management Committee at all times.

Québec City, Canada

January 21, 2016

(Signed)

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

(Signed)

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

Independent Auditors' Report

To the Shareholders of
DiagnoCure Inc.

We have audited the accompanying consolidated financial statements of **DiagnoCure Inc.**, which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended October 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

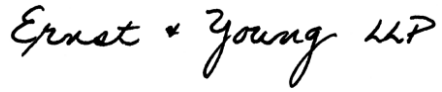
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DiagnoCure Inc. as at October 31, 2015 and 2014, and its financial performance and its cash flows for the years ended October 31, 2015 and 2014 in accordance with International Financial Reporting Standards.



Québec, Canada
January 21, 2016

[1] CPA auditor, CA, public accountancy permit n° A109180

Consolidated Statements of Financial Position

As at October 31,	**2015**	2014
	$	$
ASSETS		
Current assets		
Cash	**550,847**	1,271,391
Temporary investments *(note 5)*	**558,090**	955,935
Trade and other receivables *(note 6)*	**178,369**	157,063
Investment tax credits receivable	**2,424**	72,621
Prepaid expenses	**15,895**	27,952
Total current assets	**1,305,625**	2,484,962
Property and equipment net *(note 7)*	**184,199**	292,654
Intangible assets net *(note 8)*	**299,567**	2,754,766
Total Assets	**1,789,391**	5,532,382
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade payables and accrued liabilities (*note 9*)	**304,962**	431,965
Deferred revenues	**2,407**	7,220
Current portion of long-term debt (*note 10*)	**18,730**	34,894
Total current liabilities	**326,099**	474,079
Long-term debt (*note 10*)	**—**	18,730
Total liabilities	**326,099**	492,809
Shareholders' equity		
Share capital *(note 11)*		
Common shares	**92,098,934**	92,098,934
Preferred shares	**5,857,000**	5,857,000
Contributed surplus	**8,584,840**	8,560,953
Deficit	**(105,077,482)**	(101,477,314)
Total shareholders' equity	**1,463,292**	5,039,573
Total Liabilities and Shareholders' Equity	**1,789,391**	5,532,382

Commitments and guarantees *(note 23)*

Event after the reporting period (note 24)

See accompanying notes to the consolidated financial statements

On behalf of the Board:

(Signed)

Jacques Simoneau
Director

(Signed)

Louise Proulx
Director

Consolidated Statements of Operations and Comprehensive Loss

For the years ended October 31

	2015	2014
	$	$
Revenues		
License and royalties revenues	**515,372**	553,140
Total revenues	**515,372**	553,140
Expenses *(note 12)*		
Research and development, net of investment tax credits *(notes 13 and 16)*	**2,779,060**	1,083,124
General and administrative (note 13)	**1,170,092**	1,346,011
Selling and business development	**198,783**	208,693
Financial revenues (*note 15*)	**(13,792)**	(36,129)
Financial expenses *(note 15)*	**(18,603)**	(16,408)
Total Expenses	**4,115,540**	2,585,291
Net loss and comprehensive loss for the year	**(3,600,168)**	(2,032,151)
Basic and diluted net loss per share (note 18)	**(0.08)**	(0.05)
Weighted average number of common shares outstanding	**43,040,471**	43,040,471

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

	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 loss and comprehensive loss for the year	—	—	—	(2,032,151)	(2,032,151)
Stock-based compensation expense	—	—	62,463	—	62,463
Balance as at October 31, 2014	92,098,934	5,857,000	8,560,953	(101,477,314)	5,039,573
Net loss and comprehensive loss for the year	**—**	**—**	**—**	**(3,600,168)**	**(3,600,168)**
Stock-based compensation expense	**—**	**—**	**23,887**	**—**	**23,887**
Balance as at October 31, 2015	**92,098,934**	**5,857,000**	**8,584,840**	**(105,077,482)**	**1,463,292**

See accompanying *notes to the consolidated financial statements*

Consolidated Statements of Cash Flows

For the years ended October 31

	2015	2014
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(3,600,168)**	(2,032,151)
Adjustments for:		
Stock-based compensation (note 11)	**23,887**	62,463
Impairment of Intangible assets (note 8)	**2,226,672**	—
Gain on disposal of property and equipment	**(109,427)**	—
Depreciation of property and equipment (note 7)	**105,373**	57,529
Amortization of intangible assets (note 8)	**257,280**	278,899
	(1,096,383)	(1,633,260)
Net change in non-cash working capital items (*note 19*)	**(70,868)**	(274,229)
Cash flows related to operating activities	**(1,167,251)**	(1,907,489)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of temporary investments	**(558,090)**	(955,935)
Disposal of temporary investments	**955,935**	2,716,677
Disposal of property and equipment	**112,509**	—
Acquisition of intangible assets	**(28,753)**	(23,748)
Cash flows related to investing activities	**481,601**	1,736,994
CASH FLOWS FROM FINANCING ACTIVITIES		
Reimbursement of long-term debt	**(34,894)**	(31,733)
Cash flows related to financing activities	**(34,894)**	(31,733)
Net change in Cash for the year	**(720,544)**	(202,228)
Cash, beginning of year	**1,271,391**	1,473,619
Cash, end of year	**550,847**	1,271,391

See accompanying *notes to the consolidated financial statements*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

October 31, 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 focus its activities on business development efforts by out-licensing, selling or partnering with third parties with regards to its Previstage® GCC and its new multimarker prostate cancer test ("PCP") in order to maximize the value of these assets. The Corporation's operations are subject to all the inherent risks related to partnering with third parties for the commercialisation, reimbursement, marketing of 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 consolidated financial statements of the Corporation for the year ended October 31, 2015 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared on a historical cost basis, in accordance with IAS 1, Presentation of Financial Statements in accordance with IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these consolidated financial statements. The Corporation has adopted a presentation by function for its Consolidated Statements of Operations.

These 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 January 21, 2016.

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

Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at October 31, 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 intercompanies transactions and balances have been eliminated upon consolidation.

Fair value measurement

Fair values of financial instruments measured at amortized cost are disclosed in Note 20.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

Fair value measurement (Cont'd)

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

Classification

All financial assets and liabilities are classified based on their inherent characteristics and management's intended use when they are initially recognized. All financial assets are classified as fair value through profit or loss, held-to-maturity or loans and receivables, while financial liabilities are classified as other financial liabilities. The Corporation's financial instruments have been classified as follows:

Financial Instruments	Classification	Measurement
Cash	Fair value through profit or loss	Fair value
Temporary investments	Held-to-maturity	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Financial assets are classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term, such as financial assets held-for-trading, or if so designated by management.

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

Financial Instruments (Cont'd)

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognized and subsequently carried, at fair value, with changes recognized in financial revenues in the Consolidated Statements of Operations and Comprehensive Loss. Transaction costs are expensed.

Financial assets classified as held-to-maturity and loans and receivables are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest rate method less impairment.

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired, as a result of one or more events that occurred after the initial recognition of the financial asset, which have an impact on the estimated future cash flows of the asset. The losses arising from an impairment are recognized in financial expenses in the Consolidated Statements of Operations and Comprehensive Loss.

Financial liabilities are classified as other financial liabilities. All financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost. This includes directly attributable transaction costs. The Corporation's financial liabilities include trade payables and accrued liabilities and long term debt. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Cash

Cash consists of cash in bank accounts.

Temporary investments

Temporary investments consist of bonds and have an original maturity of greater than 90 days.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Corporation and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statements of Operations and Comprehensive Loss during the financial period in which they are incurred.

The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates each separately. The asset's residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if any.

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

Property and equipment (Cont'd)

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognized in the Consolidated Statements of Operations and Comprehensive Loss.

Significant components of property and equipment are depreciated over their respective useful lives on a straight-line basis as follows:

Leasehold improvements	Lease term
Office furniture and equipment	5 years
Laboratory equipment	5 years
Computer hardware	3 years

Intangible Assets

Intangible assets consist of exclusive licenses acquired from third parties with respect to the use of certain intellectual properties and professional fees incurred to date for obtaining patents and securing exclusive licenses for products that are approved for sale. Intangible assets are stated at cost less amortization and impairment. Amortization for the intangible assets is calculated on a straight-line basis over their estimated useful lives as follows:

PCA3	10 years
GCC	18 years

The amortization methods and estimated useful lives are reviewed on a regular basis and changes are accounted for prospectively, if any.

Impairment of Property and Equipment and Intangible Assets

At the end of each reporting period, tangible and intangible assets are reviewed to determine if the assets may be impaired. If indicators of impairment exist, the asset's recoverable value is calculated to establish the value of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable value is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of estimated future cash flows discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which estimated future cash flows were not adjusted. In assessing fair value less cost to sell, the Corporation considers recent market transactions, if any are available. If there are not such transactions available, an appropriate valuation model is used. If the asset's estimated recoverable value is lower than its carrying value, the asset's carrying value is brought down to its recoverable value. An impairment loss is recognized in the Consolidated Statements of Operations and Comprehensive Loss.

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

Impairment of Property and Equipment and Intangible Assets (Cont'd)

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the impairments, since the last impairment loss was recognized. The reversal is limited so that the carrying value of the asset does not exceed its recoverable value, nor exceed the carrying value that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Statements of Operations and Comprehensive Loss.

Research and Development

Research expenses are charged to the Consolidated Statements of Operations and Comprehensive Loss as incurred. Development expenses are charged to the Consolidated Statements of Operations and Comprehensive Loss as incurred unless a development project meets the criteria under IFRS in respect of deferral and amortization. To date, the Corporation has not deferred any such development expenses.

Revenue recognition

Revenue arising from royalties is recognized when reasonable assurance exists regarding measurement and collectibility. 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.

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

Stock-based compensation

The Corporation offers an equity-settled share-based compensation plan under which the Corporation receives services from employees, directors and sub-contractors as consideration for equity instruments of the Corporation. The Corporation accounts for employee stock-based compensation using the fair value-based method.

The fair value of each option granted to employees and directors, is estimated 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 option. 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 the Consolidated Statements of Operations and Comprehensive 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.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. Additional expenses recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Income Taxes

The Corporation follows the liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted or substantively enacted tax rates and laws that are expected to be in effect when the deferred tax assets or liabilities are expected to be realized or settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Income Taxes (Cont'd)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused research and development expenditures and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused research and development expenditures and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The Corporation has not recorded the tax benefits of any of its net losses or tax attributes due to uncertainty as to the timing of revenue recognition.

Foreign Currency Translation

The consolidated financial statements are denominated in Canadian dollars, which is the functional currency of the Corporation. The functional currency is the currency of the primary economic environment in which an entity operates.

Foreign currency transactions are recorded by the Corporation using the exchange rates prevailing at the date of transaction. At the Statement of Financial Position date, monetary assets and liabilities denominated in foreign currencies are translated at the period-end rate of exchange. Non-monetary assets liabilities are translated at the historical exchange rates. Exchange gains and losses arising from the translation of foreign currency items are recognized as financial expenses in the Consolidated Statements of Operations and Comprehensive Loss.

Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of outstanding common shares during the year. Diluted income (loss) per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive securities. The treasury stock method assumes that proceeds from the exercise of options are used to purchase common shares at the average market price during the year.

Share issuance costs

Shares issuance costs incurred by the Corporation are recorded as a reduction of share capital.

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.

In July 2015 the IASB deferred the mandatory effective date of IFRS 15 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.

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. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, Management is required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In Management's opinion, the consolidated financial statements have been prepared using careful judgment within the reasonable limits of materiality and within the framework of the IFRS accounting policies described in note 2. The Corporation periodically evaluates its estimates and assumptions based on its past experience and other pertaining factors.

In the process of applying the Corporation's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Stock-based compensation plan
- Revenue recognition
- Impairment of long-lived assets
- Useful life of assets subject to depreciation and amortization

Estimates and assumptions

Stock-based compensation plan

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. The assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in note 11.

Revenue recognition

The Corporation estimates the term over which it maintains substantive contractual obligations with respect to certain of its agreements, and recognizes certain of its non-refundable up-front payments received over this estimated term. Such estimates are subject to uncertainties and could be subsequently revised. Any changes in estimates would be applied prospectively, and would thereafter affect the amounts recognized in the licensing revenues.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

Estimates and assumptions (Cont'd)

Impairment of long-lived assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The Corporation estimates the recoverable value of its non-financial assets based on the amount it would expect to receive should it decide to monetize certain of its assets, primarily based on terms of related distribution and licensing agreements. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different assets, including a sensitivity analysis, are further explained in note 8.

Useful life of assets subject to depreciation and amortization

The Corporation reviews at the end of each reporting period the useful life of assets subject to depreciation and amortization. Changes in the useful life of assets are further explained in note 7.

5. TEMPORARY INVESTMENTS

	October 31, 2015		October 31, 2014	
	Amortized cost	**Weighted average effective interest rate**	Amortized Cost	Weighted average effective interest rate
	$	**%**	$	%
Bonds	**558,090**	**1.29**	955,935	1.62
	558,090	**1.29**	955,935	1.62

The bonds are maturing from November 2015 to July 2016.

6. TRADE AND OTHER RECEIVABLES

	October 31, 2015	October 31, 2014
	$	$
Receivables from research and license agreements	**107,858**	146,743
Other receivables	**63,522**	**—**
Sales taxes	**6,989**	10,320
	178,369	157,063

Trade receivables are non-interest bearing and are generally aged from 30 to 90 days. As at October 31, 2015 and 2014 no trade receivables were past due and as a result no amount was provisioned for.

7. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office furniture and equipment	Laboratory Equipment	Computer hardware	Total
	$	$	$	$	$
Cost as at October 31, 2013	**439,169**	**225,891**	**1,928,766**	**268,350**	**2,862,176**
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
Cost as at October 31, 2014	**439,169**	**225,891**	**1,928,766**	**268,350**	**2,862,176**
Additions	—	—	—	—	—
Disposals	—	(120,249)	(1,889,424)	(95,639)	(2,105,312)
Cost as at October 31, 2015	**439,169**	**105,642**	**39,342**	**172,711**	**756,864**
Accumulated depreciation as at October 31, 2013	**115,008**	**220,387**	**1,924,305**	**252,293**	**2,511,993**
Depreciation charge	43,217	2,116	1,422	10,774	57,529
Disposals	—	—	—	—	—
Accumulated depreciation as at October 31, 2014	**158,225**	**222,503**	**1,925,727**	**263,067**	**2,569,522**
Depreciation charge	97,246	1,837	1,185	5,105	105,373
Disposals	—	(119,199)	(1,887,570)	(95,461)	(2,102,230)
Accumulated depreciation as at October 31, 2015	**255,471**	**105,141**	**39,342**	**172,711**	**572,665**
Net book value as at October 31, 2014	280,944	3,388	3,039	5,283	292,654
Net book value as at October 31, 2015	**183,698**	**501**	—	—	**184,199**

Depreciation expense of $104,188 and $1,185 (2014 - $56,107 and $1,422) were included in general and administrative expenses and research and development expenses respectively in the Consolidated Statements of Operations and Comprehensive Loss.

In the fourth quarter of 2015 the Corporation has reviewed the useful life of the leasehold improvements and determine that starting in September 2015 the new useful life will be based on the lease term expiring in April 2016 without the renewal option. This had an impact of increasing the depreciation charge for fiscal year 2015 by $53,330 and will increase the depreciation charges for fiscal year 2016 by $139,342.

8. INTANGIBLE ASSETS

	Licenses and Patents PCA3 $	Licenses and Patents GCC $	Licenses and Patents Shc $	Licenses and Patents Total $
Cost as at October 31, 2013	**593,220**	**7,171,442**	**1,477,103**	**9,241,765**
Additions	23,748	—	—	23,748
Impairment	—	—	—	—
Cost as at October 31, 2014	**616,968**	**7,171,442**	**1,477,103**	**9,265,513**
Additions	28,753	—	—	28,753
Disposition	—	—	(1,477,103)	(1,477,103)
Cost as at October 31, 2015	**645,721**	**7,171,442**	**—**	**7,817,163**
Accumulated amortization and impairment as at October 31, 2013	**380,453**	**4,374,292**	**1,477,103**	**6,231,848**
Amortization charge	45,802	233,097	—	278,899
Accumulated amortization and impairment as at October 31, 2014	**426,255**	**4,607,389**	**1,477,103**	**6,510,747**
Amortization charge	43,609	213,671	—	257,280
Impairment	—	2,226,672	—	2,226,672
Disposition	—	—	(1,477,103)	(1,477,103)
Accumulated amortization and impairment as at October 31, 2015	**469,864**	**7,047,732**	**—**	**7,517,596**
Net book value as at October 31, 2014	190,713	2,564,053	—	2,754,766
Net book value as at October 31, 2015	**175,857**	**123,710**	**—**	**299,567**

The amortization expense of $257,280 (2014 - $278,899) and the impairment charge of $2,226,672 (2014 – $–) are included in research and development expenses in the Consolidated Statements of Operations and Comprehensive Loss.

Under IAS 36 “Impairment of assets”, the Corporation tests for impairment its long-lived assets when events or circumstances indicates that the carrying value may exceed the fair value less cost to sell or the value in use of the assets or group of assets.

GCC intangible asset

During the year ended October 31, 2015, an assessment of impairment indicators was performed on the GCC intangible asset. Due to delay in commercialization activities, the assessment of impairment was calculated by comparing the value in use to the net book value. In determining the value in use, the asset was grouped at the lowest level for which cash inflows were identifiable separately from other cash inflows of the Corporation. The cash generating unit that was identified is Diagnostic test for the management of Colon Cancer using the GCC technology. The value in use was determined by discounting cash flows, over the remaining useful life of the asset, at a pre-tax discount rate of 21.85% (post-tax rate of 20%), that reflects current market assessments of the time value of money and the risk specific to the asset for which future cash flows are estimated, and using a tax rate of 26.9%. The projected cash flows are based on minimum guaranteed royalties for the first five years and on market penetration assumptions thereafter. As a result of this analysis, management has recognized an impairment charge of $2,226,672 [none in 2014] for the GCC intangible asset as at October 31, 2015.

8. INTANGIBLE ASSETS (Cont'd)

GCC intangible asset (Cont'd)

Key assumptions used in value in use calculation

The calculation of value in use for the GCC intangible asset is most sensitive to the following key assumptions:

Discount rates

The discount rates represent the current market assessment of the risks specific to the asset. The discount rate calculation is based on the specific circumstances of the biotechnology and derived from its weighted average cost of capital (WACC).

Market share assumptions

Management assesses how the asset's position, relative to its competitors, and the speed of technological change might vary over the evaluation period. Management expects the Corporation's share of the market to grow at an average of 1.3% beyond the first five-year period (2% in 2014).

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

Discount rate

Management has considered the possibility of using a higher discount rate. This may occur if the assessment of the risk specific to the biotechnology industry varies. Management has assumed that an increase of 2% on the discount rate would have resulted in an increase in the impairment charge of $15,434.

Market share assumptions

Management has considered the possibility of a lower market share. This may occur if the speed of technological change, the possibility of new entrants and the degree of acceptance by the market varies. Management has assumed that a decrease of 10% on the market share assumptions after the first five-year period would have resulted in an increase in the impairment charge of $12,238.

Shc intangible asset

In the fourth quarter of 2015 the Corporation has decided to no longer support the Shc licenses and patents. As a result, the exclusive license on the Shc proteins obtained from the Roger Williams Medical Center was returned to the institution. Since the net book value of this asset was nil, no gain or loss has been recognized as a result of this disposal.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	October 31, 2015	October 31, 2014
	$	$
Trade payables	**95,720**	189,348
Salary and other benefits	**133,033**	146,192
Accrued liabilities	**76,209**	96,425
	304,962	431,965

10. LONG-TERM DEBT

	October 31, 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 instalments of $3,209 in capital and interest, maturing in April 2016.	**18,730**	53,624
Less current portion	**18,730**	34,894
	—	18,730

The minimum principal payments over the next year are as follows:	
2016	18,730
	18,730

11. SHARE CAPITAL

Authorized

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

Common shares, voting and participating.

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. The Corporation has the option to redeem the preferred shares or to require their conversion into common shares in certain circumstances.

Common shares

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

11. SHARE CAPITAL (Cont'd)

Common shares (Cont'd)

	October 31, 2015		October 31, 2014	
	Number of shares	**Amount $**	Number of shares	Amount $
Balance, beginning of year	**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 year	**43,040,471**	**92,098,934**	43,040,471	92,098,934

Preferred shares

	October 31, 2015 $	October 31, 2014 $
4,900,000 Serie A Convertible Preferred Shares (4,900,000 as at October 31, 2014)	**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 or group makes a take-over bid or acquires 20% or more of the Corporation's outstanding common 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.

A) Issuance of shares

Common shares issuance

During fiscal year 2015 and 2014, the Corporation did not issue common shares.

11. SHARE CAPITAL (Cont'd)

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 at October 31, 2015 and 2014 and the changes that occurred during the years 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 year	**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	
Cancelled or forfeited	**(330,000)**	**1.74**	(612,306)	1.00
Options outstanding, end of year	**1,905,402**	**0.68**	2,087,000	0.89
Options exercisable, end of year	**1,076,660**	**1.03**	1,113,661	1.43

The following table summarizes information relating to the stock options outstanding as at October 31, 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	**30,000**	**0.00**	**4.21**	**30,000**	**4.21**
3.83 to 3.96	**47,500**	**1.21**	**3.84**	**47,500**	**3.84**
1.80	**72,500**	**2.00**	**1.80**	**72,500**	**1.80**
0.99 to 1.23	**385,000**	**4.53**	**1.19**	**385,000**	**1.19**
0.62 to 0.82	**140,000**	**4.86**	**0.73**	**140,000**	**0.73**
0.11 to 0.44	**1,230,402**	**7.99**	**0.24**	**401,660**	**0.29**
	1,905,402	**6.53**	**0.68**	**1,076,660**	**1.03**

During the year ended October 31, 2015, the Corporation granted 148,402 options (203,000 in 2014) to employees and directors.

The fair value of each option granted to employees and directors during the years ended October 31, 2015 and 2014 was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

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

11. SHARE CAPITAL (Cont'd)

B) Stock options (Cont'd)

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 2015 under the Black-Scholes option pricing model and the above assumptions amounted to $0.05 ($0.11 in 2014). 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 2015, the compensation expense for stock options was $23,887 ($62,463 in 2014).

12. EXPENSES BY NATURE

	October 31, 2015	October 31, 2014
	$	$
Research and development costs and intellectual property	**165,339**	334,243
Research and development tax credits (note 16)	**(9,195)**	(75,694)
Employee benefit expenses (*notes 13 and 14*)	**795,824**	1,117,828
Legal, Professional fees and Public Corporation expenses	**355,932**	514,471
Royalties	**127,693**	108,582
Lease and Office expenses	**208,557**	239,507
Depreciation of property and equipment (note 7)	**105,373**	57,529
Amortization of intangible assets (note 8)	**257,280**	278,899
Impairment of intangible asset (*note 8*)	**2,226,672**	—
Stock-based compensation (note 11)	**23,887**	62,463
Gain on disposal of property and equipment	**(109,427)**	—
Interest income (note 15)	**(13,792)**	(36,129)
Interest on long-term debt (note 15)	**3,614**	6,775
Foreign exchange gain (note 15)	**(25,954)**	(27,363)
Bank charges (note 15)	**3,737**	4,180
	4,115,540	2,585,291

13. RESTRUCTURING CHARGES

On April 23, 2015 the Corporation 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, the Corporation 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 were completely paid during the period.

	Charges incurred in Q2 2015	**Items paid during the period**	**Closing balance as at October 31, 2015**
	$	**$**	**$**
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 this restructuring are expected.

14. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses for the years ended:

	October 31, 2015	October 31, 2014
	$	$
Salaries & Other benefits		
• Research and development	**14,608**	446,222
• General and administrative	**602,794**	484,335
• Selling and business development	**178,422**	187,271
	795,824	1,117,828

	October 31, 2015	October 31, 2014
	$	$
Stock-based compensation		
• Research and development	**1,149**	3,760
• General and administrative	**22,185**	57,204
• Selling and business development	**553**	1,499
	23,887	62,463

14. EMPLOYEE BENEFIT EXPENSES (Cont'd)

Compensation of key management for the years ended:

	October 31, 2015	October 31, 2014
	$	$
Salaries and other benefits	**222,491**	319,040
Stock-based compensation	**8,508**	21,288
	230,999	340,328

Key Management includes the President and Chief Medical officer (Chief Executive Officer) and the Interim CFO.

15. FINANCIAL REVENUES AND EXPENSES

Financial revenues for the years ended

	October 31, 2015	October 31, 2014
	$	$
Interest Income	**13,792**	36,129
Total financial revenues	**13,792**	36,129

Financial expenses for the years ended

	October 31, 2015	October 31, 2014
	$	$
Interest on long term debt	**3,614**	6,775
Foreign exchange gain	**(25,954)**	(27,363)
Bank charges	**3,737**	4,180
Total financial expenses	**(18,603)**	(16,408)

16. INVESTMENT TAX CREDITS RECEIVABLE AND GOVERNMENT ASSISTANCE

The Corporation incurs research and development expenses, which are eligible for investment tax credits. These credits are recorded as a reduction to research and development expenses and are based on management estimates of amounts to be recovered. While these amounts are subject to review by tax authorities, management believes that its estimate of these amounts is reasonable.

The amounts can be summarized as follows for the years ended:

	October 31, 2015	October 31, 2014
	$	$
Research and development expenses (Including an impairment expense of $2,226,672 in 2015 (— in 2014)	**2,788,255**	1,158,818
Investment tax credits	**(9,195)**	(75,694)
Research and development, net	**2,779,060**	1,083,124

16. INVESTMENT TAX CREDITS RECEIVABLE AND GOVERNMENT ASSISTANCE (Cont'd)

The amounts recorded as research and development tax credits receivable are related to amounts claimed and are subject to a review by the tax authorities. Any differences between the amounts claimed by the Corporation and the amounts granted by the tax authorities will be recorded during the year in which they are determined.

In addition, the Corporation has investment tax credits for which it has not recognized the benefit and that may be carried forward for federal tax purposes as follows:

Year of credit	Amount $	Year of expiry
October 31, 1998	409,000	2018
October 31, 1999	216,000	2019
October 31, 2000	150,000	2020
October 31, 2001	226,000	2021
October 31, 2002	190,000	2022
October 31, 2003	183,000	2023
October 31, 2004	325,000	2024
October 31, 2005	541,000	2025
October 31, 2006	445,000	2026
October 31, 2007	351,000	2027
October 31, 2008	338,000	2028
October 31, 2009	201,000	2029
October 31, 2010	103,000	2030
October 31, 2011	46,000	2031
October 31, 2012	122,000	2032
October 31, 2013	22,000	2033
October 31, 2014	37,000	2034
October 31, 2015	2,000	2035
	3,907,000	

17. INCOME TAXES

The income tax recovery reported differs from the amount of the tax computed by applying statutory income tax rates to the loss before income taxes. The reasons for the differences and the related tax effects are as follows:

	2015 **$**	2014 $
Income tax provision at combined Canadian federal and provincial statutory rate (26.9%)	**(968,000)**	(547,000)
Increase (decrease) in taxes recoverable resulting from:		
Non taxable income	**—**	(10,000)
Non deductible expenses	**6,000**	17,000
Other	**7,000**	29,000
Unrecognized deferred tax assets or temporary deductible differences and unused tax losses	**955,000**	511,000
	—	—

17. INCOME TAXES (Cont'd)

Unrecognized deferred tax assets on temporary deductible differences, unused tax losses and research and development expenses are as follows:

	October 31, 2015	October 31, 2014
	$	$
Deferred income tax assets		
Net operating losses carried forward	**15,974,000**	15,599,000
Net capital losses carried forward	**199,000**	199,000
Research and development expenditures	**4,772,000**	4,804,000
Tax value of capital assets in excess of carrying values	**1,407,000**	795,000
	22,352,000	21,397,000

As at October 31, 2015, the year of expiry of operating losses for which no deferred tax assets were recognized in the Statement of Financial Position is as follows:

	Canada		
Year of loss	**Federal $**	**Québec $**	**Year of expiry**
October 31, 2006	4,768,000	4,407,000	2026
October 31, 2007	9,831,000	9,564,000	2027
October 31, 2008	12,574,000	12,161,000	2028
October 31, 2009	11,235,000	10,816,000	2029
October 31, 2010	8,085,000	7,707,000	2030
October 31, 2011	3,109,000	3,030,000	2031
October 31, 2012	3,765,000	3,472,000	2032
October 31, 2013	3,845,000	3,728,000	2033
October 31, 2014	1,725,000	1,659,000	2034
October 31, 2015	1,631,000	1,590,000	2035
	60,568,000	58,134,000	

Furthermore, as at October 31, 2015, the Corporation had available capital losses amounting to approximately $1,480,000 at federal and Québec level for which no deferred tax assets were recognized. These losses can be carried forward indefinitely against capital gains.

As at October 31, 2015, the Corporation had research and development expenses with no set expiry date, amounting to approximately $13,391,000 at the federal level and $23,219,000 at the Québec level for which no deferred tax assets were recognized.

Since the Corporation has a history of losses, deferred tax assets have not been recognized on the operating losses and scientific research and experimental development expenses carried forward. If the Corporation were to recognize all deferred tax assets, profit would be increased by $22,352,000.

18. 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.

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	October 31, 2015	October 31, 2014
	$	$
Decrease (Increase) in:		
Trade receivables	**(21,306)**	30,465
Investment tax credits receivable	**70,197**	(7,804)
Prepaid expenses	**12,057**	18,574
Increase (Decrease) in:		
Trade payables and accrued liabilities	**(127,003)**	(310,650)
Deferred revenues	**(4,813)**	(4,814)
Net change in non-cash working capital	**(70,868)**	(274,229)

20. 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:

	October 31, 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	**—**	**550,847**	**—**	**—**	**550,847**	**550,847**
Temporary investments	**558,090**	**—**	**—**	**—**	**558,090**	**560,966**
Trade receivables [1]	**—**	**—**	**171,380**	**—**	**171,380**	**171,380**
	558,090	**550,847**	**171,380**	**—**	**1,280,317**	**1,283,193**
Financial liabilities						
Trade payables and accrued liabilities [2]	**—**	**—**	**—**	**304,962**	**304,962**	**304,962**
Long-term debt	**—**	**—**	**—**	**18,730**	**18,730**	**17,317**
	—	**—**	**—**	**323,692**	**323,692**	**322,279**

1) Excluding 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.

20. 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 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.

Fair value

The Corporation uses the following methods and assumptions to establish the fair value for each class of financial instruments for which their carrying amounts are included in the Consolidated Statements of Financial Position as follows:

Held-to-maturity

Temporary investments – The fair value is based on models using observable inputs other than quoted market prices.

Other financial liabilities

The fair value of the long-term debt was calculated using the current market rate.

Quantitative disclosures fair value measurement hierarchy for assets as at October 31, 2015

		Fair value measurement using		
	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	**560,966**	**—**	**560,966**	**—**
	560,966	**—**	**560,966**	**—**
Liabilities for which fair values are disclosed				
Long-term debt	**17,317**	**—**	**17,317**	**—**
	17,317	**—**	**17,317**	**—**

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

20. FINANCIAL INSTRUMENTS (Cont'd)

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

		Fair value measurement using		
	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	955,888	—	955,888	—
	955,888	—	955,888	—
Liabilities for which fair values are disclosed				
Long-term debt	50,436	—	50,436	—
	50,436	—	50,436	—

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

Risk management policies

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks. The Corporation's financial assets and liabilities are cash, temporary investments, trade receivables, trade payables and accrued liabilities and long-term debt.

Credit risk

Credit risk is the risk that an unexpected loss occurs if the counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets that potentially subject the Corporation to credit risk consist of cash, temporary investments and trade receivables. As at October 31, 2015 and October 31, 2014, the Corporation had cash and investments with a reputable financial institution. Management assesses the Corporation's credit risk to be low.

The Corporation has an investment policy that monitors the safety and presentation of investments made which requires them to be highly rated and which limits the amount invested in any one issuer.

The Corporation also manages credit risk by maintaining bank accounts with reputable banks and financial institutions and investing only in investments from banks, government and municipalities that are capable of immediate liquidation subject to some minor market price variations upon sale.

As at October 31, 2015, two customers represented 99% of trade receivables [one customer represented 100% of trade receivables as at October 31, 2014].

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.

20. FINANCIAL INSTRUMENTS (Cont'd)

Risk management policies (Cont'd)

Liquidity risk (Cont'd)

The following tables provide the maturities of financial liabilities:

	October 31, 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	**304,962**	**—**	**—**	**—**	**304,962**
Long-term debt	**18,730**	**—**	**—**	**—**	**18,730**
Total	**323,692**	**—**	**—**	**—**	**323,692**

	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 Canadian dollar 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:

	October 31, 2015	October 31, 2014
	US dollars $	US dollars $
Cash	**119,272**	256,997
Trade receivables	**130,731**	118,756
Trade payables and accrued liabilities	**(56,379)**	(103,096)
Net exposure	**193,624**	272,657

20. FINANCIAL INSTRUMENTS (Cont'd)

Risk management policies (Cont'd)

Foreign currency risk (Cont'd)

Based on the aforementioned net exposure as at October 31, 2015 and 2014 and assuming that all other variables 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 dollar		Canadian dollar	
	Appreciates	**Depreciates**	Appreciates	Depreciates
	5%	**5%**	5%	5%
	$	**$**	$	$
Against US dollar				
Net loss	**(9,681)**	**9,681**	(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 and temporary 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 and temporary investments.

21. SEGMENTED INFORMATION

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

For the years ended October 31, 2015, one American client represented 99% (96% in 2014) of the revenues.

For the years ended October 31, 2015 and 2014, the total external sales, were mainly derived from revenue under a research and license agreement and were mainly attributable to the United States. The Corporation determines the revenues by country based on where the product or service is delivered. For 2015, 99% of the revenues under a research and license agreement were derived from the United States compared to 96% in 2014.

22. 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 amounts to $1,463,292 as at October 31, 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 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 by disposing of assets.

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

23. COMMITMENTS AND GUARANTEES

As at October 31, 2015, the Corporation has obligations under leases maturing in 2016. The minimum payments in relation with these leases for the next fiscal year amounts to $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 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.

24. EVENT AFTER THE REPORTING PERIOD

On December 23, 2015, the Corporation announced the execution of an asset purchase agreement with Hologic, Inc. (NASDAQ: HOLX) via its wholly-owned subsidiary, Gen-Probe Incorporated ("Gen-Probe"), pursuant to which Gen-Probe has agreed to acquire all assets related to DiagnoCure's PCA3 prostate cancer biomarker for $6,534,740 (the "Purchase Price"). The Purchase Price will consist of (i) $5,500,000 in cash consideration to the Corporation and (ii) the repurchase by the Corporation of 4,900,000 series A convertible preferred shares of the Corporation held by Gen-Probe at a value of $1,034,740.

Assuming shareholder approval of the transaction at the special meeting of shareholders to be held on February 12, 2016, the Corporation will distribute following closing of the Transaction $5,200,000 to its shareholders.

CORPORATE INFORMATION

Board of Directors

Louise Proulx, Ph.D. [1]
Chief Development Officer,
Therillia Development Company Inc.

Jacques Simoneau, Ph.D. [1]
President and CEO,
Gestion Univalor L.P.

Vincent R. Zurawski, Jr., Ph.D. [1]
CEO,
Ascendance Biotechnology, inc.

1 Audit and Risk Management Committee

Management

Yves Fradet, M.D., F.R.C.S.(c)
President and Chief Medical Officer

Frederic Boivin
Sr. Director, Finances and Administration,
(Interim Chief Financial Officer)

General Information

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Stock Exchange Listing

The Company's common shares are listed on the Toronto Stock Exchange under the symbol CUR and on OTCQX International under the symbol DGCRF.

DiagnoCure

Empowering
Oncology Decisions

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