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 14 and 15 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)