

IN THE MATTER OF THE PROPOSAL OF
MITOMICS INC.
OF THE CITY OF THUNDER BAY
IN THE PROVINCE OF ONTARIO

REPORT OF TRUSTEE ON PROPOSAL

INTRODUCTION

Receivership

1. On August 7, 2014, William Poulter and Harald Smart (the "**Lenders**") issued an application (the "**Receivership Application**") under sub-section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended (the "**CJA**"), before the Ontario Superior Court of Justice (the "Court") for an order appointing Dodick Landau Inc. ("**DLI**") as receiver (in such capacity, the "**Receiver**") of all of the assets, undertakings and properties (collectively, the "**Property**") of Mitomics Inc. (the "**Company**" or "**Mitomics**"). In support of the Receivership Application were two affidavits, one from Harald Smart, sworn August 10, 2014 (the "**Smart Affidavit**"), and one from William Poulter, sworn August 8, 2014 (the "**Poulter Affidavit**").
2. On August 14, 2014, the Court granted the Receivership Application and DLI was appointed Receiver of all the Property of Mitomics (the "**Appointment Order**"). The Appointment Order does not require DLI to manage the Debtor or take control of the property, operate the business or employ any of the Debtor's employees. As a result, Mitomics' management ("**Management**") has retained control over the day to day operations of the business, subject to the oversight of the Receiver. However, the Appointment Order does, among other things, authorize the Receiver to prepare and file a proposal pursuant to Part III Division 1 of the BIA in the name and on behalf of the Debtor. A copy of the Appointment Order is attached as **Appendix "A"**.

Proposal

3. On October 8, 2014 Dodick Landau Inc., in its capacity as court-appointed receiver of all of the assets, undertakings and properties of Mitomics, filed with the Official Receiver a

proposal in the name, and on behalf, of Mitomics (the “**Proposal**”), and Dodick Landau Inc. was named Proposal Trustee (the “**Trustee**”).

4. The purpose of this report (“**Report**”) is to provide information to the creditors of Mitomics (“**Creditors**”) to assist in their evaluation of the Proposal.
5. The Proposal has been developed to effect a restructuring of the business and affairs of the Company by completion of a sale of all the assets, undertakings and properties of Mitomics, as contemplated in the Purchase Agreement (as defined in paragraph 28), with the expectation that all existing creditors will derive a greater benefit from the continued operation and affairs of the business than would result from a forced sale of its assets in a liquidation.
6. On September 11, 2014, the Court ordered the Receiver (“September 11, 2014 Court Order”) not to pursue a sale of Mitomics’ business if Management of Mitomics confirmed by September 19, 2014, that a viable Proposal could be made by the Receiver to Mitomics’ Creditors. Management provided confirmation to the Receiver on September 19, 2014, that the offer from the Purchaser was forthcoming and, in Management’s opinion, would result in a viable Proposal that could be made to the Creditors. Management had indicated that it had discussions with a number of Creditors who provided verbal support of the terms of the offer to be made by the Purchaser which was provided to these Creditors in the form of a term sheet substantially in the form of the term sheet marked as Schedule “B” to the Proposal.
7. **Meetings of the Creditors to consider the Proposal will be held at the Valhalla Inn, located at 1 Valhalla Inn Road, Thunder Bay, Ontario, P7E 6J1, on October 27, 2014. There will be two Creditor Meetings. The first will be held for the secured creditors of Mitomics and will take place at 1:00 p.m., and the second will be held for the unsecured creditors of Mitomics (“Unsecured Creditors”) and will take place at 1:30 p.m. Details relating to the filing of claims, and other documents, prior to the meetings of the creditors are outlined in this report and will be mailed to each known creditor of the Company, or their duly appointed representative.**

DISCLAIMER

8. In preparing this Report of the Trustee, the Trustee has relied upon certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with Management, Creditors and the Purchaser and information from other third-party sources (collectively, the "Information"). Except as described in this Report:
 - a) the Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance in respect of the Information;
 - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and
 - c) the Trustee has prepared this Report in its capacity as a Court appointed officer and has made a copy of this Report available on DLI's website at www.dodick.ca. Parties using this Report, other than for the purpose of evaluating the Proposal, are cautioned that it may not be appropriate for their purposes. DLI will continue to maintain on its website copies of any court orders, reports and other material public filings it considers relevant to this proceeding.
9. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
10. The capitalized terms not defined in this report are defined in the Proposal and this report should only be read in conjunction with the Proposal. While this Report summarizes key aspects of the Proposal, Creditors are advised to carefully read the

Proposal in full. Should there be any discrepancy between the summary contained in this Report and the Proposal, the Proposal shall govern.

11. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

BACKGROUND

Operations

12. Mitomics was formed by the amalgamation of 1304854 Ontario Ltd. and Genesis Genomics Inc. on October 1, 2006. Mitomics is a molecular diagnostic company engaged in research, development and implementation of medical tests and devices for the early detection of cancer. Mitomics has numerous patent registrations and patents pending in Canada, the United States of America ("**USA**"), and other jurisdictions, as well as various other trade secrets, know-how and intellectual property rights. According to the Company, its intellectual property and trade secrets are its most valuable assets.
13. Mitomics wholly owns two subsidiaries, Mitovision Inc. ("**Mitovision**") and Mitomics UK Ltd. ("**Mitomics UK**") which are domiciled in the USA and the United Kingdom, respectively. We understand that:
- a) Mitovision does not have any operations and employs only one person in the USA who does work for Mitomics and whose salary is funded by it;
 - b) Mitomics UK employs one person to carry out research and development services for Mitomics and Mitomics funds all its operating costs;
 - c) based on the internal financial statements of Mitovision and Mitomics UK, both entities do not generate any revenue but exist only to service Mitomics; and
 - d) Mitovision has no assets while Mitomics UK's assets are comprised of furniture and laboratory equipment.
14. According to Management, prior to the creation of Mitovision, Mitomics had another wholly owned subsidiary, Mitomics (USA) Inc. ("**Mitomics USA**"), which carried out operations from a laboratory in the USA until it entered liquidation proceedings in November 2013.

15. Currently:
- a) Mitomics employs directly and indirectly, through its wholly owned subsidiaries, six (6) non-unionized employees; and
 - b) Mitomics operates out of leased premises at 96 High Street North, Suite 413, Thunder Bay, Ontario P7A 5R3 (the “**Premises**”). Mitomics also leases a storage unit in Denver, Colorado, which stores excess laboratory equipment.
16. Mitomics’ customers are patients, located primarily in the USA, who are prescribed the Mitomics’ cancer tests by their physicians. Normally, the patient’s health insurer pays Mitomics for these tests. Subject to available ongoing financing throughout the Proposal period, Mitomics intends to continue to operate its business and sell its cancer tests in order to preserve its assets and business operations.

Financial Results

17. Mitomics’ internally prepared non-consolidated financial statements indicate that for its fiscal years ended September 30, 2012, September 30, 2013, and 9 months ended June 30, 2014, it:
- a) incurred operating losses of approximately \$1.9 million , \$2.6 million, and \$1.4 million, respectively, or a total of approximately \$5.9 million over this period;
 - b) had total debt at the end of each period of approximately \$10.7 million, \$15.2 million, and \$20.8 million, respectively; and
 - c) had a shareholder deficiency of \$2.5 million, \$13.6 million, and \$17.1 million, respectively.

Secured and Unsecured Debt

18. A search conducted of the Ontario Personal Property Security Registry in respect of Mitomics revealed registrations by numerous entities, representing some 95 creditors, which the Trustee understands are owed approximately \$8.4 million as at August 13, 2014. In addition, the Trustee understands that certain secured creditors have entered

into inter-creditor agreements, including subsequent amendments to these agreements, which govern the priority and/or subordination of their security interests.

19. A legal opinion has been prepared by the Trustee's independent legal counsel, Dentons Canada LLP ("**Dentons**"), on the validity and enforceability of the Secured Creditors debt. Subject to certain assumptions and restrictions detailed in Dentons letter to the Trustee, Dentons concluded that all the Secured Creditors' debt is valid and enforceable as against a Trustee except the security of one creditor with a combined total debt of just over \$80,000. Dentons continues to review the security of this creditor and is expected to finalize its review of its security prior to the Meetings of Creditors. Should Dentons' final determination be that this creditor's security is invalid and unenforceable, its claim will be recognized as part of the Unsecured Creditor class and not the Secured Creditor class.
20. According to the Company's financial statements, unsecured debt, including unsecured convertible debentures, totaled over \$11.2 million at August 13, 2014, with the majority of the balance being the amounts owed under the unsecured debentures. The unsecured indebtedness is owed to approximately 72 unsecured debentureholders and the Trustee understands that there is a considerable overlap between the secured creditors and the unsecured debentureholders.

CAUSES OF FINANCIAL DIFFICULTIES

21. We have been advised by Management that following the closure of Mitomics USA, Mitomics was forced to abandon its Clinical Laboratory Improvement Amendments registration and Medicare numbers which are required for it to be able to bill and collect from the insurers of patients who reside in the USA and who comprise almost all of its customers. In addition, Mitomics was required to outsource the laboratory processing of its tests at significantly higher rates since its own laboratory had closed prior to the shutdown of Mitomics USA. Concurrent with these events, Mitomics USA's third party billing and collection contractor resigned.
22. As a result, since November 2013, Mitomics in Canada continued to sell its cancer test to patients in the USA, albeit at a loss, and without the ability of billing and collecting revenues. According to Management, this resulted in an accumulation of net unbilled revenue from insurers estimated at \$US 320,000 by August 22, 2014.

23. According to Management, the gross unbilled revenues which are actually the gross amounts invoiced to patients are much greater than what is actually collected by Mitomics from the patients' insurers. Management estimates gross unbilled revenues to be approximately \$2.0 million at August 22, 2014. However, the insurance companies only pay approximately between 20% and 30% of the gross billed amounts and excluding insurance claim denials. After taking into consideration denial of claims by insurers, the actual realizable value is only estimated at 15% to 20% of the gross billings and the balance is considered to be uncollectible.
24. As described above, beginning in November 2013 following the resignation of the third party billing and collection contractor, Mitomics entered into discussions and negotiations with its existing distribution partners in the USA to carry out billings and collections on its behalf. On July 31, 2014, a memorandum of understanding ("**Billing Agreement**") was reached with one major distribution partner to bill and collect revenues from sales of Mitomics' tests that such party distributes. According to Management, this distributor has commenced billing and collecting on behalf of Mitomics in September 2014. However, Mitomics does not expect to receive any net cash receipts from this distributor until December 2014 since Management believes it will take up to approximately sixteen weeks for insurers to start releasing funds to this distributor.
25. Management indicated that while Mitomics is unable to maintain profitability at these low collection rates, other companies with their own in-house laboratory processing facilities are able to realize a profit even at these low collection rates due to significantly lower in-house test processing costs. For this reason, Management believes it is important to continue to sell its tests, even at a loss, in order that it may maintain and grow its customer base until Mitomics' operations can either be restructured or sold to a party with its own in-house laboratory processing facilities.
26. According to Management, future research conducted by the Purchaser will include developing blood tests for early detection of cancers. Blood will be used as a sample for testing instead of using tissue which is the current method for testing. A newly developed blood test will be easier to administer and less costly, thus increasing the likelihood that doctors will prescribe the blood test to its patients increasing the volume of test sales overall. The blood test market launch remains subject to further clinical development and will require significant additional investment by the Purchaser. In

addition, we understand that the Purchaser will carry-out additional operational changes to the business, including outsourcing non-proprietary product development and leveraging commercial laboratory and distributor relationships to carry-out commercial sales and testing activities.

OVERVIEW OF THE PROPOSAL

27. Until an operational restructuring or sale can occur, the Company will require external funding to finance its losses which historically have been the result of high research and development costs, and losses generated from the sale of its tests, as described above. Prior to the Receivership Application, the Company was unable to raise sufficient capital to finance these losses. As a result, the Lenders applied for the appointment of a Receiver, which was approved by the Court on August 14, 2014, and have now through a new company, 2436884 Ontario Inc., made an offer (the “**Offer**”) to the Receiver to purchase all the assets, undertakings and property of Mitomics (“**Purchase Agreement**”, as defined in the Proposal).
28. As described above, Management confirmed on September 19, 2014, that the Offer from the Purchaser would result in a viable Proposal that could be made to the Creditors. As such, in accordance with the September 11, 2014 Court Order, the Receiver has filed the Proposal with the Office of the Superintendent of Bankruptcy on October 8, 2014. The Receiver will mail a copy of the Proposal to each of its Creditors, along with this Report and other requisite documents, in order that the Offer may be considered by the Creditors prior to the vote on the Proposal which will take place at the Creditors’ Meetings on October 27, 2014, at the Valhalla Inn, Thunder Bay, Ontario.
29. The Proposal provides for the restructuring of the business and affairs of the Debtor by completion of a sale of all the assets, undertakings and properties of Mitomics to the Purchaser, as contemplated in the Purchase Transaction, on an “as is where is” basis, with a closing date no later than November 17, 2014. The assets, undertakings and properties include, among other things, all of Mitomics’ intellectual property, accounts receivable, inventory, cash-in-bank, customer list and shares in its subsidiaries.
30. The Purchaser has indicated that it will need to raise approximately \$3.5 million of new capital following closing of the Purchase Transaction in order to be in a position to fund the operations of Mitomics until either the operation can be restructured or sold

to/merged with a third party which appears to be the Purchaser's ultimate objective. According to the Purchaser, efforts to raise this financing is already underway and is expected to be funded from a combination of existing lenders of Mitomics, and through an investment bank which is currently being engaged by the Purchaser for this purpose. Should this funding not be available, the Purchaser will likely not be able to continue as a going concern and be forced to sell the assets it had purchased from Mitomics. The Receiver requested assurances from the Purchaser that the new funding will be available to the Purchaser, however, the Purchaser is unable to provide these assurances at this time, and will be unable to do so until commitments have been received from the prospective lenders/investors. According to the Purchaser, efforts to obtain these financing commitments are underway.

31. The Purchase Agreement contemplates the compromise of the rights and claims of the Secured and Unsecured Creditors of Mitomics. According to the Purchase Agreement, the Purchaser will:
- a) assume the indebtedness owing to the Secured Creditors with changes to the terms as to interest, payment, security, and priority as set out in Schedule "C" to the Purchase Agreement, however, in the case of;
 - i. Northern Ontario Heritage Fund ("**NOHF**"), which the Purchaser understands is prohibited from accepting the amended terms as set out in Schedule "C" to the Purchase Agreement, NOHF is being offered an assumption of debt by the Purchaser and amended security as detailed in Schedule "D" to the Purchase Agreement; and
 - ii. any secured creditor, other than NOHF, who refuses to accept the amended terms set out in Schedule "C" of the Purchase Agreement, then the Purchaser will assume one-fifth (1/5) of the debt owed by Mitomics to that secured creditor, and such secured creditor will be repaid as to principal and interest on the terms as set out in Schedule "D" to the Purchase Agreement.
 - b) pay all the indebtedness owing to all preferred creditors of Mitomics (as set out in S.136 of the BIA), or provide the Trustee with the funds to pay these amounts, prior to the Closing Date, if any;

- c) issue common shares in the share capital of the Purchaser to each Unsecured Creditor of Mitomics in satisfaction of their indebtedness, at a subscription price and stated capital value equal to the outstanding indebtedness of Mitomics to the Unsecured Creditors as of the closing date of the transaction contemplated in the Purchase Agreement, on the basis of one (1) common share for each One (\$1.00) US Dollar of indebtedness (using the applicable exchange rate on the Closing Date); and
 - d) assume all obligations of the Receiver under the Administration Charge, Borrowing Charge (as defined in the Appointment Order) and Retention Charge (as that term is defined in the September 11, 2014 Court Order), and all costs payable to the Lenders under Court File No. CV14-0291, and the Purchaser will pay a deposit of \$50,000 towards these costs to be held in trust pending completion of the Purchase Agreement.
32. According to the Purchaser, the Purchase Price of the assumed debt and the newly issued common shares described in the Purchase Agreement, and summarized above, is estimated to be \$19.1 million at the Closing Date. This amount is summarized by the Purchaser in Schedule "B" to the Purchase Agreement and is based on the face value of the Mitomics debt, including accrued and unpaid interest to the Closing Date, if applicable, except in the case of the Northern Ontario Heritage Fund which debt is valued at a reduced amount of \$500,000.
33. In the event that the Proposal is not accepted by the Unsecured Creditors, or the Court refuses to grant the Approval Order (as defined in paragraph 40 below), the Debtor will become bankrupt and the Purchase Agreement will not be available to the Creditors.
34. According to the Purchase Agreement, the existing shareholders of Mitomics will not receive any distribution from, nor retain any equity interest in, the Purchaser.
35. Implementation of the Proposal is subject to the satisfaction or waiver of a number of conditions, including:

- a) each class of Creditors approves the Proposal at the Creditors' Meetings¹ and any other approvals and consents to the Proposal that may be required have been obtained;
 - b) the Court grants the Approval, and the Closing Date has passed;
 - c) no order or decree restraining or enjoining the consummation of the transactions contemplated by the Proposal has been issued;
 - d) all agreements or instruments necessary to effect the intention and purpose of the Proposal have been received by the Debtor and the Purchaser from the applicable Creditors in a form satisfactory to the Debtor and Purchaser;
 - e) the Purchase Agreement shall have been completed; and
 - f) any further orders of the Court have been obtained which are required to facilitate the transactions referred to in the Proposal.
36. Upon being satisfied that all the conditions in the Purchase Agreement have been met or waived, the Trustee will file a certificate with the Court. The arrangements set out in the Proposal will become effective on the date on which the Trustee's certificate is filed.
37. The Proposal provides a release in favour of the directors and officers of the Company for any provable claims ("Provable Claims") against the Company by any Creditor that are also claims against the directors and officers of the Company.
38. Mitomics may vary, amend, modify or supplement the Proposal with the consent of the Trustee at any time prior to the conclusion of the Creditors' Meetings. As at the date of this Report, there have been no amendments, modifications or supplements to the Proposal.

¹ In order for the Proposal to be approved by a particular class, not less than a majority in the number of creditors representing two-thirds in the value of the proven claims in that class, present and voting, in person or by proxy or by voting letter, at the applicable Creditors' Meetings must vote in favour of the Proposal.

CREDITORS' MEETINGS/VOTING PROCEDURE AND CLASSES OF CREDITORS

Creditors' Meetings/Voting Procedure

39. The primary purpose of the Creditors' Meetings is to permit Creditors to consider the acceptance or rejection of the Proposal. For the Proposal to be accepted, at least two-thirds (66.67%) of each class of creditor by dollar value, and more than 50% of each class of creditor by number, vote in favour of the Proposal at the meeting either in person, by proxy or by mailing a voting letter to the Trustee in advance of the meeting. Only Creditors who actually vote are counted for the purpose of determining whether the necessary thresholds have been reached.
40. **To be eligible to vote on the Proposal, Creditors must have filed with the Trustee, Dodick Landau Inc., before the meetings, a proof of claim form signed and witnessed as required and accompanied by a statement of account. Those Creditors who do not intend to have a personal representative at the meetings held on October 27, 2014, may complete and submit the voting letter which is enclosed in the creditor package prior to the meetings indicating their vote for or against the acceptance of the Proposal. The Trustee has also enclosed a form of proxy should a Creditor wish to appoint a proxy to represent them at the meetings. If the Proposal is not accepted by the requisite majority of unsecured creditors, the Company will automatically be deemed to have immediately made an assignment in bankruptcy.**
41. If the Proposal is accepted by the statutory majorities referenced above, the Trustee will then make an application to the Court on November 6, 2014 for approval of the Proposal. If the Court provides such approval ("**Approval Order**"), the Proposal will be binding on all Creditors and such Creditors and their respective heirs, executors, administrators, successors and assigns shall have no further Claim against Mitomics other than for the distributions provided in the Proposal.

Classes of Creditors

42. For purposes of considering, and voting on, the Proposal, and receiving a distribution pursuant to the Proposal, the Creditors are grouped in the following two (2) classes:

Class 1 - This class will be composed of the Proven Claims of the Secured Creditors against the Company. All the Secured Creditors of the Company are included in the Proposal. There are numerous creditors who have security registered against the Company under the *Personal Property Securities Act* (Ontario). Should a Creditor's security be valued at zero, the Proven Claim will be accepted as an Unsecured Claim against the Company.

Class 2 - This class will be composed of the Proven Claims of the Unsecured Creditors against the Company.

Each Creditor, regardless of class, is required to prove its claim during the Proposal to be eligible to vote on the Proposal at the Creditors' Meetings. In the case of Secured Creditors, the party must also prove the existence and value of their security in order to have a valid secured claim and vote in Class 1.

43. The distinction between the classes is based on the fact that the Secured Creditors hold a valid and enforceable security interest over the assets of the Debtor and, as such, the Secured Creditors have a priority to the assets of the Debtor over other creditors.
44. The Proposal does not compromise or otherwise affect certain creditor claims, specifically:
- a) claims for goods and/or services delivered to the Company on or after the Appointment Order date;
 - b) claims secured by the Administration Charge, Retention Charge or the Borrowing Charge (all as defined in the Appointment Order and the September 11, 2014 Court Order);
 - c) claims of Her Majesty in Right of Canada and in Right of Ontario in respect of unremitted employee payroll source deductions; and

- d) proven Claims of Preferred Creditors, if any, to be funded by the Purchaser, and paid by the Trustee in full, in priority to all claims of Unsecured Creditors in accordance with the scheme of distribution set forth in the BIA.
45. Distributions in relation to the Secured Creditors' Class will be made as contemplated by the restructuring transactions set out on Schedule "C" to the Purchase Agreement. Distributions in relation to the Unsecured Creditors' Class will be made upon closing of the Purchase Agreement.

ALTERNATIVES TO THE PROPOSAL

46. At the Creditors' Meetings, the Creditors are being asked by the Receiver to choose between two alternatives, namely accepting the Proposal or rejecting the Proposal.
47. The Trustee believes that, if the Proposal is not approved by the Creditors, the most likely alternative would be a forced liquidation of the assets of the Company pursuant to the BIA, or other statute, and the distribution of the net proceeds from such a forced liquidation to the Creditors in accordance with their respective priorities. Any forced liquidation process would be fraught with considerable execution risk and cost. Further, any sale process carried out in a bankruptcy proceeding while the business is operating would most likely require funding through an extension of the current interim financing facility, or alternate financing, neither of which are presently available to the Company.
48. In order to forecast the realizations available to Creditors in a bankruptcy situation, the Trustee would normally attempt to evaluate the assets of the debtor by class and disclose the basis of its valuation. In these circumstances, the assets consist primarily of intellectual property (e.g. patents) which are intangible in nature, are numerous and are located in multiple jurisdictions. Intellectual property derives its value from a wide range of parameters such as market share, barriers to entry, legal protection, intellectual property's profitability, industrial and economic factors, growth projections, remaining economic life, and new technologies. Consequently, an attempt to value Mitomics' intellectual property has not been done since it would take too long and would be expensive. In addition, even if a valuation was done, it may still not provide a reliable value which can be used to compare against the value provided in the Purchase Agreement by the Purchaser for the assets of Mitomics due to the significant assumptions that would be relied upon in a valuation of such intangible property.

49. In addition, all of Mitomics' intellectual property is encumbered in favour of the Secured Creditors. Therefore, in a going concern sale or forced liquidation scenario, along with the additional financing risk and costs associated with such scenarios, any realizable value after costs would first be paid to the Secured Creditors.
50. For the reasons described above, the Trustee is of the view that the Proposal will produce a more favourable result for the Secured and Unsecured Creditors of Mitomics than would a forced liquidation of the assets of the Debtor in a bankruptcy.

CONDUCT OF THE DEBTOR

Preference Transactions and Transfers at Undervalue

51. The Proposal contemplates that Sections 95-101 of the BIA shall not apply in connection with this Proposal and as a result the Trustee shall have no responsibility, liability or authority whatsoever in connection herewith. Accordingly, the Trustee has not undertaken a detailed review for possible preference transactions or transfers at undervalue.
52. If Mitomics was to become a bankrupt, and either preference transactions or transfers at undervalue did exist, it is possible that certain of these transactions could be voided. The Trustee is not aware of any such transactions existing.

Conduct Post Filing

53. Pursuant to Section 50(10) of the BIA, the Trustee is required to monitor the affairs of the Company until the Proposal is approved by the Court. Pursuant to the Appointment Order, the Receiver has been monitoring the Company since the date of the Appointment Order.
54. The Company is working diligently to assist the Receiver to complete the Proposal. The Company continues to actively solicit new business, is planning its next phase of research and development to bring its next products to market, and is reducing costs where possible to improve its cash flow and meet its liquidity needs in order to be able to successfully implement the Proposal.

CREDITORS' CLAIMS

55. To date, no proofs of claim in the Proposal have been received by the Trustee.

PREVIOUS BUSINESS DEALINGS WITH THE DEBTOR

56. On July 23, 2014, Mitomics engaged DLI to provide it with advisory services. Following the issuance of certain secured creditors' notices of intention to enforce on their security pursuant to S.244 of the BIA, and Mitomics' consent to these enforcements, Mitomics consented to DLI acting as Court-appointed Receiver. On August 6, 2014, DLI issued its consent to act as Court-appointed Receiver and was appointed Receiver on August 14, 2014.

57. The Trustee is not in a conflict of interest as a result of having provided the services described above.

SUMMARY COMMENTS/RECOMMENDATION

58. It is the Trustee's opinion that the Purchase Agreement will allow for a greater recovery to the Creditors in the longer term, which could only be achieved through the continued operation of the business, including its continued research and development activities, and which, under the circumstances, will not otherwise be available to the Creditors except as a result of the Proposal.

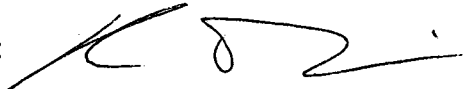
59. For the reasons set out in this Report, it is the opinion of the Trustee that acceptance of the Proposal is in the best interest of the Creditors. If the Proposal is rejected by the Creditors a bankruptcy will ensue and it is uncertain what the realizable values of the assets of Mitomics will be in a bankruptcy scenario and whether there will be sufficient realizable value to repay the Secured Creditors and provide value to the Unsecured Creditors. Accordingly, the Trustee recommends that the Creditors vote in favour of the Proposal.

Yours very truly,

DODICK LANDAU INC.

Trustee *re* the Proposal of Mitomics Inc.

Per:



Rahn Dodick, CPA, CIRP